HKEX
香港交易所

September 2026

Consultation Paper

Listing Framework Competitiveness Review (Phase 2)

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Note: If there is any inconsistency or conflict between the English and Chinese versions of this paper, the English version shall prevail.

HOW TO RESPOND TO THIS CONSULTATION PAPER

The Exchange, a wholly-owned subsidiary of HKEX, invites written comments on the changes proposed in this paper, or comments on related matters that might have an impact upon the changes proposed in this paper, on or before **Monday, 30 November 2026**.

You can respond by completing the questionnaire which can be accessed via the link and QR code below:

Link: https://surveys.hkex.com.hk/jfe/form/SV_eEQ2e83xXIzfDn0

QR code:

Our submission enquiry number is (852) 2840-3844.

Respondents are reminded that the Exchange will publish responses on a named basis in the intended consultation conclusions. If you do not wish your name to be disclosed to members of the public, please state so when responding to this paper. Our policy on handling personal data is set out in **Appendix VII**.

Submissions received during the consultation period by **Monday, 30 November 2026** will be taken into account before the Exchange decides upon any appropriate further action. The Exchange will develop a consultation conclusions paper which will be published in due course.

DISCLAIMER

EXECUTIVE SUMMARY

Purpose

1. This Consultation Paper seeks market feedback on targeted reforms to post-listing regulatory framework governing corporate transactions of listed issuers, with the objective of ensuring the requirements remain fit for purpose and enhancing Hong Kong's competitiveness and attractiveness as a favourable market for listing.

Background

2. On 13 March 2026, the Exchange published the Phase 1 Consultation Paper setting out initial phase of the Exchange's competitiveness review of Hong Kong's listing framework, conducted in line with the policy direction of the HKSAR Government and informed by feedback from a broad range of stakeholders.

3. As discussed in the Phase 1 Consultation Paper, Hong Kong's reforms have taken place against a backdrop of significant regulatory evolution in other major markets. The proposals in the initial phase of the competitiveness review focused on broadening the diversity of companies eligible and suitable for listing in Hong Kong, thereby enabling investors' access to a wider array of investment choice.[1]

4. This Consultation Paper forms the second phase of our competitiveness review and outlines proposals to refine the requirements applicable to notifiable transactions, connected transactions and spin-off transactions with a view to affording listed issuers greater flexibility to conduct corporate transactions in pursuit of business growth and expansion, while maintaining robust investor protection to preserve market confidence.

Proposals

5. We set out below a summary of the proposals put forward in this Consultation Paper. The rationale for the proposals is set out in detail in the relevant chapters.

[1] The consultation period for the Phase 1 Consultation Paper ended on 8 May 2026 with the consultation conclusions published on 24 July 2026. See HKEX, Consultation Conclusions on Listing Framework Competitiveness Review (July 2026).

Table 1: Summary of key proposals

Subject	Key Proposals
Notifiable transactions (Chapter 2)	
I. Percentage ratios	• Remove profits ratio as one of the percentage ratios[2] for measuring the impact of a transaction. • Modify the consideration ratio by allowing listed issuers to compare the consideration for the transaction with the higher of their market capitalisation or their net asset value[3].
II. Transaction classifications and materiality thresholds	• Increase the materiality threshold for major transactions from 25% to 50%, pursuant to which: - transactions where any percentage ratio is 25% or more but less than 50% will be classified as discloseable transactions, subject to enhanced announcement disclosure requirement in lieu of the circular and shareholders' approval requirements (see **Section IV** of **Chapter 2**); and - transaction classifications of VSA and VSD will be removed, subject to refinements of the circular disclosure requirements currently applicable to major transactions, VSAs and VSDs (see **Section V** of **Chapter 2**). • The increased materiality threshold for classifying a major transaction will not apply to transactions involving provision of financial assistance and/or securities or other investment activities[4].

[2] See paragraph 44 in relation to the type of percentage ratios under the existing regime.

[3] Under the current requirement, consideration ratio is derived by the consideration divided by the total market capitalisation of the listed issuer.

[4] For this purpose, "securities or other investment activities" include acquisitions or disposals of (i) securities; or (ii) wealth management products, digital assets and other investment products, that are held or to be held for investment or treasury management purpose.

Subject	Key Proposals
III. Transactions in the ordinary and usual course of business	• Introduce an exemption for acquisition or leasing of assets in the ordinary and usual course of business of the listed issuer, which constitutes a major transaction, from the circular and shareholders' approval requirements, subject to: - the assets to be acquired or leased are being used, or to be used, for the listed issuer's existing principal business; and - the board of directors having confirmed the fairness and reasonableness of the transactions.
IV. Announcement requirements relating to notifiable transactions	• Enhance announcement disclosure requirements for <u>all</u> notifiable transactions by requiring disclosure of, among others: - material terms and conditions of the transaction; - adequate explanation in relation to the basis of consideration, including details of valuation (if any); - key financial information of acquisition or disposal target, together with adequate explanation that help investors better understand the performance; and - explanation of the impact of the transaction on the listed issuer. • Require further announcement in relation to: - extension of long stop date of a transaction; - change in payment schedule; - where consideration (including any deferred consideration) is not a fixed amount, the amount of the consideration when determined; and

Subject	Key Proposals
	- completion of a notifiable transaction.
V. Circular requirements relating to major transactions	• Align and enhance the circular disclosure requirements applicable to major transactions, VSAs and VSDs, including to: - streamline the financial information requirements by (a) removing auditors or reporting accountants' review requirement in the case of disposals; (b) refining the scope of disclosure for disposals by requiring financial information of the disposal target (and removing the option to disclose the financial information of the issuer group with the disposal target shown separately) and requiring the target's profit and loss statement, balance sheet and cash flow statement (instead of the full set of financial statements); and (c) removing management discussion and analysis requirement on the issuer group and other acquisitions that are not relevant to the transaction; - introduce a new disclosure requirement on risk factors relating to the transaction; - remove the disclosure requirements for indebtedness statement of the issuer group and material contracts entered into by the issuer that are not relevant to the transaction; - allow general information relating to the directors and chief executive to be incorporated by reference to other documents published by the issuer; and - codify existing waiver for acquisitions of revenue generating assets[5].

[5] Currently, in the case of acquisition of revenue-generating assets, issuers are required to disclose (a) a profit and loss statement of the revenue generating assets being acquired; and (b) a pro forma profit and loss statement of the enlarged group in the transaction circular.

Subject	Key Proposals
VI. Exemption for securities transactions of a revenue nature conducted by securities houses	• Modify the exemption for acquisitions or disposals of securities by securities houses[6] in their ordinary and usual course of business by extending the exemption to PRC securities house that is regulated under the PRC Securities Law.
Connected transactions (Chapter 3)	
I. Scope of connected persons	• Modify the definition of "connected subsidiary"[7] by increasing the threshold for a connected person's shareholding in the subsidiary from 10% to 30% or more.
II. Percentage ratios and announcement requirements relating to connected transactions	• Apply the following proposals applicable to notifiable transactions to connected transactions: - modify the consideration ratio to allow listed issuers to compare the consideration for the transaction with the higher of their market capitalisation or their net asset value; and - refine the announcement and circular requirements to align with the disclosure approach for notifiable transactions, where appropriate.
III. Connected transaction requirements applicable to PRC issuers only	• Remove a connected transaction requirement[8] that applies to PRC issuers only.
IV. Annual caps for continuing connected transactions	• Allow annual caps for continuing connected transactions to be expressed as a percentage of a listed issuer's revenue and other financial items in its audited accounts[9].

[6] Currently, only securities house that is mainly engaged in regulated activities under the SFO is exempted.

[7] See paragraph 174 for the definition of "connected subsidiary".

[8] See paragraph 193 for the details of the existing requirement.

[9] Currently, annual caps must be expressed in monetary terms.

Subject	Key Proposals
Spin-offs (Chapter 4)	
I. Scope of applicability of PN15	• Refine the scope of applicability such that the requirements of PN15 do not apply to the holding company of a subsidiary proposing a Spin-off, where both the holding company and the subsidiary are listed on the Exchange.
II. Regulatory process for spin-offs	• Streamline the regulatory process by introducing a self-assessment route where the Exchange's prior approval is not required, subject to: - the ParentCo having satisfied compliance with all the applicable principles and requirements under PN15 and that, at the time the SpinCo lodges its new listing application, the ParentCo has a market capitalisation of at least HK$10 billion together with principal business(es) of a revenue of at least HK$1 billion; and - the revenue and total assets attributable to the business(es) of the Remaining Group account for more than 50% of the issuer group.
III. Announcement requirements relating to spin-offs	• Specify the disclosure requirements for Spin-off announcements (see **Section III** of **Chapter 4** for details).
IV. Assured entitlement	• Remove the assured entitlement requirement for all Spin-offs.
V. Moratorium period for spin-offs after listing	• Shorten the moratorium period where a Spin-off listing application should not be filed from three years to one year after the ParentCo's initial listing. • Provide exemption from the moratorium period requirement for (a) secondary listed issuers; and (b) dual-primary listed issuers that have been listed on a PRC Stock Exchange or a Recognised Stock Exchange for at least two

Subject	Key Proposals
	consecutive financial years immediately before their listing on the Exchange.

Implementation and Transitional Arrangements

6. The proposed implementation and transitional arrangements for the proposals is set out in detail in the relevant chapters in this Consultation Paper.

7. Subject to the consultation responses and adoption of the proposals, we propose that the proposals would take effect shortly after publication of the consultation conclusions. In particular:

   (a) for notifiable and connected transactions, the amended Rules (if adopted) would generally apply where the transaction terms are agreed on or after the effective date, with a one-month grace period for complying the enhanced announcement disclosure requirement and transitional arrangements in relation to circular disclosure for certain notifiable transactions agreed shortly before that date. Transactions agreed before the effective date would otherwise continue to be governed by the Rules under the existing regime; and

   (b) for Spin-off transactions, the amended Rules (if adopted) would generally apply to active proposals on or after the effective date, subject to specified arrangements for proposals submitted to the Exchange before the effective date, assured entitlement arrangements announced before the effective date and the revised moratorium requirements.

Request for Comment

8. We invite public comment on the proposals set out in this Consultation Paper. Responses to this paper should be submitted to us by **Monday, 30 November 2026**.

9. In providing comment, respondents are encouraged to explain the reasons for their views. We also welcome any alternative suggestions regarding the proposals we have set out in this paper.

Next Steps

10. Following the consultation period, the Exchange will consider the feedback received before deciding upon any further appropriate action and publishing a consultation conclusions paper.

CHAPTER 1: INTRODUCTION

Reforms of Post-listing Regulatory Framework

11. Over the years, the Exchange has reviewed and refined its post-listing regulatory framework to strengthen investor protection and market quality, while supporting market development and enhancing the competitiveness of listed issuers in evolving market conditions.

Strengthening corporate governance

12. The Exchange regularly reviews its corporate governance framework to ensure it remains fit for purpose and continues to promote quality governance practice amongst listed issuers. This includes the corporate governance reforms implemented in 2021[10] and 2024[11], which introduced measures to promote board diversity, bolster board effectiveness and independence, enhance disclosure regarding listed issuer's dividend policy, and strengthen risk management and internal controls.

13. The strengthened corporate governance requirements reinforce the accountability of the board of directors of listed issuers in relation to corporate transactions undertaken by the issuers with an objective to create sustainable value to shareholders.

Facilitating capital management

14. In recent years, various reforms were also introduced to provide listed issuers with greater flexibility to manage their capital structure, including:

    (a) in October 2023, the Exchange implemented a framework for granting waivers to listed issuers to facilitate their use of automatic share buyback programmes such that issuers may buy back their own shares on the Exchange from time to time, provided that the programmes are structured in a manner to mitigate the risks of abuse of undisclosed inside information and price manipulation[12];

    (b) in June 2024, a new treasury share regime was introduced to allow listed issuers to hold repurchased shares in treasury for future resale, an

[10] HKEX, Consultation Conclusions on Review of Corporate Governance Code & Related Listing Rules, and Housekeeping Rule Amendments (December 2021).

[11] HKEX, Consultation Conclusions on Review of Corporate Governance Code and Related Listing Rules (December 2024).

[12] HKEX, Guidance on automatic share buy-back programs conducted on behalf of listed issuers (October 2023).

approach which is consistent with other major markets, and enable issuers to respond promptly to market conditions by reselling shares at market prices as a flexible fundraising alternative, or using them for employee share schemes or transaction consideration[13]; and

(c) in January 2026, a reform on ongoing public float requirements was implemented to, among others, allow listed issuers the flexibility to comply with an alternative market-value-based ongoing public float threshold (instead of the percentage-based threshold prescribed at the time of listing) to facilitate corporate actions such as share issuance and share buybacks[14].

15. The Exchange recognises the growing demand from listed issuers for transactions with innovative structures and continuously assesses such structures with a view to balancing market flexibility and investor protection. Building on observations of capital-raising transactions by secondary-listed issuers using convertible bonds with concurrent share buyback structures, the Exchange engaged with market participants to explore the applicability of such structures for primary-listed issuers. In June 2025, the Exchange issued market guidance outlining the key factors and safeguards considered when granting consent to primary-listed issuers that successfully implemented comparable innovative structures.[15]

Greater deterrence of "backdoor listing" and highly dilutive capital raisings

16. In May 2018, the Exchange amended the Listing Rules to enhance regulation of capital raising activities of listed issuers and address market concerns regarding certain highly dilutive capital raisings and questionable structures or practices that might not afford fair treatment of minority shareholders or an orderly market for securities trading.[16]

17. In October 2019, the Exchange amended the Listing Rules on reverse takeovers and continuing listing criteria to deter backdoor listing and shell activities, and refined and clarified the Rule requirement on sufficiency of operations[17] which is a rule intended to maintain quality of the issuers listed on our market.[18]

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[13] HKEX, Consultation Conclusions on Proposed Amendments to Listing Rules Relating to Treasury Shares (April 2024).

[14] HKEX, Consultation Conclusions on Ongoing Public Float Requirements (December 2025).

[15] HKEX, HKEX-LD139-2025 and HKEX-LD140-2025 (June 2025).

[16] HKEX, Consultation Conclusions on Capital Raisings by Listed Issuers (May 2018).

[17] MB Rule 13.24 (GEM Rule 17.26).

[18] HKEX, Consultation Conclusions on Backdoor Listing, Continuing Listing Criteria and other Rule amendments (July 2019).

More robust delisting framework

18. In August 2018, the Exchange also introduced a more robust delisting framework for long-suspended issuers[19]. Under this framework, suspended issuers failing to remedy issues leading to suspension and resume trading within a remedial period of 18 months (GEM: 12 months) will be delisted by the Exchange. This facilitates timely delisting of issuers that no longer meet our continuing listing criteria and provides greater certainty on our delisting process. It also incentivises suspended issuers to act promptly to achieve trading resumption.

19. These amendments enable the Exchange to take a purposive regulatory approach in addressing corporate activities that may undermine market confidence and strengthening board accountability at the same time, thereby enhancing overall market quality.

Technology-enabled support for listed issuers

20. In June 2026, the Exchange commenced the phased onboarding of the HKEX Issuer Access Platform, a secure, web-based channel that serves as the primary platform for two-way regulatory communication between listed issuers and the Exchange. The platform is designed to support issuers in meeting their ongoing obligations under the Listing Rules by leveraging technology to facilitate issuers' post-listing compliance and engagement with the Exchange, as well as to provide investors with a single, reliable and user-friendly source of issuers' information. As part of the Exchange's journey to future-proof our market, the platform aims to promote listed issuers' self-compliance, enhance market transparency and efficiency, and will continue to be enhanced and expanded in support of the competitiveness and attractiveness of Hong Kong as an international listing venue.

Regulatory Developments in Other Markets

21. As discussed in the Phase 1 Consultation Paper, in recent years, peer markets implemented various reforms aimed at enhancing the competitiveness of their exchanges as attractive listing venues.

22. Notably, in the UK, the reforms that took effect in 2024 have not only simplified the listing regime at the admission stage, but also included relaxation of certain post-listing requirements, particularly those governing corporate transactions. These reforms reflect a deliberate shift towards a more disclosure-based regulatory approach, with reduced reliance on prescriptive shareholders' approval requirements and greater emphasis on timely, high-quality disclosure

[19] HKEX, Consultation Conclusions on Delisting and Other Rule Amendments (May 2018).

and directors' accountability[20]. By streamlining procedural requirements while maintaining core investor protection safeguards, the UK reforms aim to reduce compliance costs and execution uncertainty for listed companies, thereby enhancing the overall competitiveness and attractiveness of the UK as a listing venue.

23. In other markets, whilst recent reforms may be focused on enhancement of the regime on initial listing, it has been noted that Singapore has also been advancing towards a more disclosure-based regulatory regime[21].

Purpose of this Paper

24. This Consultation Paper forms part of the Exchange's competitiveness review of its listing regime and focuses on continuing listing requirements applicable to listed issuers after listing.

25. It seeks market feedback on targeted reforms to the regulatory framework governing notifiable transactions, connected transactions and spin-offs undertaken by listed issuers. The objective of the reforms is to ensure that the requirements remain fit for purpose in light of evolving market conditions, while maintaining robust investor protection and enhancing the competitiveness and attractiveness of Hong Kong as an international listing venue.

[20] See policy statement (PS24/6) published by the FCA on its listing reform in 2024 which is a clear example towards a more disclosure-based regulatory regime for corporate transactions.

[21] See the consultation conducted and concluded by SGX in 2025, A Shift to a More Disclosure-Based Regime (October 2025).

CHAPTER 2: NOTIFIABLE TRANSACTIONS

Background

Framework governing notifiable transactions

26. The notifiable transaction regime set out in MB Rules Chapter 14 (GEM Rules Chapter 19) is designed to ensure that transactions are conducted in a transparent manner and are subject to appropriate regulatory and shareholder oversight. The regime provides safeguards to investors by requiring timely disclosure and, where appropriate, shareholders' approval for transactions that may have a significant impact on the listed issuer's financial position, business operations or risk profile.

27. The notifiable transaction regime operates alongside broader corporate governance and disclosure obligations under the Listing Rules, which strengthen board accountability, require directors to properly discharge their fiduciary duties when considering and approving transactions, and promote transparency through timely and meaningful disclosure.

Reforms of the notifiable transaction regime

28. The existing requirements for notifiable transactions (including the definition of transaction, percentage ratios and materiality thresholds) were largely adopted back in 2004 as part of a broader review of the Listing Rules aimed at strengthening corporate governance standards and enhancing investor protection in Hong Kong market.[22]

29. Since the 2004 reform, the Exchange has:

    (a) made further Listing Rule amendments to enhance the disclosure requirements for notifiable transactions, for example, requiring disclosure on the outcome of any guarantee on the financial performance of an acquisition target and identities of parties to a transaction[23]; and

[22] HKEX, Press Release in relation to amendments to the Listing Rules relating to corporate governance issues and a summary of the major areas considered, 30 January 2004.

[23] HKEX, Consultation Conclusions on Backdoor Listing, Continuing Listing Criteria and other Rule Amendments, July 2019.

(b) introduced exemptions for specific types of capital transactions conducted by listed issuers with specialised operating models (such as Qualified Property Acquisitions[24] and Qualified Aircraft Leasing Activities[25]).

These Listing Rule amendments were intended to promote transparency while addressing practical compliance issues encountered by listed issuers when conducting transactions in their ordinary and usual course of business.

30. The 2019 reform to the notifiable transaction requirements focused on Listing Rule amendments relating to reverse takeovers, extreme transactions and other activities that raised concerns regarding the circumvention of new listing requirements. These amendments were designed to deter backdoor listing and shell activities and to enhance market quality by promoting fair, orderly and transparent trading.

31. In addition, the Exchange has issued guidance aimed at enhancing the quality of disclosure for notifiable transactions, particularly in relation to valuation and the basis for determining consideration[26]. This guidance emphasised the need for listed issuers to provide clear and meaningful explanations of the valuation methodologies adopted, the key assumptions applied and how the valuation outcome supports the agreed consideration, so as to enable shareholders to assess the fairness and reasonableness of the transactions.

32. Further, our listing framework has placed increasing emphasis on listed issuers' corporate governance. In particular, the corporate governance reforms implemented in 2021 and 2024 introduced, among others, measures to improve board effectiveness and independence and to strengthen issuers' risk management and internal control systems. These reforms reinforce directors' accountability for material corporate transactions and support a regulatory framework that places greater reliance on robust board oversight, high-quality disclosure and informed decision-making in the regulation of notifiable transactions.

Observations of issuers' transactions

33. In 2024 and 2025, there were over 2,200 and 2,100 notifiable transactions[27] announced by listed issuers, respectively. See **Table 2** below for further details.

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[24] HKEX, Consultation Conclusions on Proposed Changes to Requirements for Qualified Property Acquisitions and Formation of Joint Ventures, January 2011.

[25] HKEX, Consultation Conclusions on Proposed Exemption for Aircraft Leasing Activities, August 2018.

[26] HKEX, Disclosure of the basis of consideration and business valuations in notifiable transactions (HKEX-GL116-23) (last updated in June 2024).

[27] Based on (i) the number of initial announcements of transactions published by listed issuers; and (ii) extreme transactions and reverse takeovers being excluded.

Table 2: Classification of notifiable transactions announced during 2024 and 2025

Year	Discloseable transaction		Major transaction		VSA		VSD		Total	
	Number of transactions	*(%)*	*Number of transactions*	*(%)*	*Number of transactions*	*(%)*	*Number of transactions*	*(%)*	*Number of transactions*	*(%)*
2024	1,847	82%	328	14%	33	1%	58	3%	2,266	100%
2025	1,767	82%	310	15%	17	1%	39	2%	2,133	100%

34. Of the notifiable transactions announced during 2024 and 2025, 419 and 366 transactions (representing approximately 18%), respectively, constituted major (or above) transactions and were subject to shareholders' approval requirement under the Listing Rules (including approximately 16% of such transactions which also constituted connected transactions and required independent shareholders' approval). Almost all of these transactions were approved by shareholders.

35. As part of our ongoing monitoring of listed issuers' compliance with the Listing Rules, we have occasionally identified problematic transactions proposed by a small number of listed issuers (e.g. transactions with terms that appeared not fair and reasonable or lacked a clear commercial rationale) that required further regulatory actions. Nonetheless, most issuers' corporate transactions were conducted in compliance with the Listing Rule requirements and did not raise material regulatory concerns, reflecting that the existing governance, disclosure and oversight framework has generally functioned as intended.

Comparison to other markets

36. In comparison with Hong Kong's existing framework, the securities regulatory approaches adopted by the US and the UK place greater reliance on disclosure rather than prescriptive shareholders' approval requirements.

    (a) In the US, acquisitions or disposals by listed companies are generally not subject to shareholders' approval solely by reference to transaction size. Instead, the US securities regulatory framework is primarily disclosure-based, with regulatory emphasis placed on the timely and accurate disclosure of material information to the market. This approach is supported by the US legal environment, which affords shareholders access to private enforcement mechanisms in cases involving materially misleading disclosures or omissions, including securities class actions. In the case of US-listed domestic issuers, shareholders may also seek recourse under state statutory and case laws governing directors' fiduciary duties and shareholders' rights. The availability of such post-event enforcement mechanisms provides an additional layer of investor protection and underpins regulatory reliance on high-quality disclosure and market discipline.

(b) In the UK, the UK FCA has significantly relaxed the requirements for significant transactions undertaken by listed companies as part of its 2024 reforms of the UK listing regime[28]. These reforms include, among others, the removal of the shareholders' approval requirement for significant transactions defined as meeting the 25% class-test threshold (except for reverse takeovers, delisting decision or other transformational events), the abolition of the profits test, and refinements to the content of notifications applicable to significant transactions.

The reforms aimed to reduce the compliance burden for listed companies by shifting from a prescriptive, transaction-approval regime to a more disclosure-based framework by ensuring useful information (such as the information that a company's board considers in deciding whether to agree to a transaction) is made available to shareholders, thereby improving market competitiveness.

37. In formulating our proposals in this paper, we have also taken into consideration the requirements for significant transactions in the US, the UK and other peer markets including the Chinese Mainland, Singapore and Australia which adopt different approaches to balance transaction efficiency and investor protection:

(a) in the Chinese Mainland, shareholders' approval is generally required for transactions meeting the 50% threshold on any applicable size test;

(b) Singapore retains a more prescriptive approval-based regime, with shareholders' approval generally required for transactions meeting the 20% threshold; and

(c) whilst the Australia's framework is more focused on whether a transaction would result in a significant change to the nature or scale of an issuer's activities, with shareholders' approval required in specific circumstances such as disposal of the issuer's main undertaking.

For further details, please refer to **Sections I to VI** of this chapter and **Appendix III** of this paper.

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[28] UK FCA, FCA overhauls listing rules to boost growth and innovation on UK stock markets, 11 July 2024.

Market feedback in favour of reform

38. The Hong Kong market has evolved significantly since the last major reform of the notifiable transaction rules undertaken in 2004. In particular, the number of listed issuers has increased to 2,686 as at the end of 2025, with notable diversification of listed issuer mix across different industry sectors listed through MB Rules Chapters 18A (Biotech Companies), 18B (Special Purpose Acquisition Companies), 18C (Specialist Technology Companies) and 19C (Secondary Listings of Overseas Issuers) which were introduced from 2018 to 2023. Against this backdrop, it is important that the regulatory framework continues to keep pace with market developments to ensure it remains fit for purpose, provides appropriate safeguards, upholds high standards of governance and disclosure, and supports the ongoing development of a dynamic and increasingly complex issuer landscape.

39. The Exchange has received market feedback on the need to reform the notifiable transaction requirements to facilitate listed issuers' compliance in a more efficient and cost-effective manner. In particular, it has been noted that certain aspects of the existing notifiable transactions regime are more stringent than those of the other markets, and therefore a review is necessary.

40. Some of the suggestions raised include:

    (a) the percentage ratios used to assess transaction materiality could be refined to better reflect the impact of the transactions on the issuer's financial position;

    (b) the thresholds that trigger the shareholders' approval requirement could be reviewed to enable Hong Kong listed issuers to conduct M&As with greater regulatory certainty in terms of transaction planning and higher execution efficiency; and

    (c) the existing requirements applicable to transactions of a capital nature conducted by issuers in their ordinary and usual course of business (e.g. acquisitions of fixed assets) could be less stringent so that issuers can manage capital expenditure more efficiently.

Objective of Our Proposed Reform

41. The Exchange has a robust regulatory framework for notifiable transactions, underpinned by ongoing reforms to strengthen corporate governance standards and culture of listed issuers. Building on this foundation and having regard to evolving market conditions and regulatory developments in other peer markets that are adopting more flexible disclosure-based approaches, we consider it timely to review and recalibrate specific aspects of the notifiable transaction framework. In particular, the proposals set out in this paper seek to refine transaction classifications, materiality thresholds and related disclosure and

approval requirements, with a view to supporting market development and enhancing the competitiveness of Hong Kong's listed issuers.

42. In addition, the proposals are designed to maintain adequate investor protection. From an investor's perspective, the continued effectiveness of the notifiable transaction regime depends not only on how transactions are being measured and classified, but more importantly on whether investors receive sufficiently meaningful, reliable and timely information to assess the merit and impact of any transaction proposed by listed issuers. Such information should enable investors to understand the issuers' transactions through the lens of the issuers' board and their management, including how the transaction fits within the issuers' strategy and may affect their future prospects. Accordingly, while the proposals seek to facilitate listed issuers' compliance in a more efficient and cost-effective manner, investors would continue to expect that robust disclosure standards and effective board accountability are maintained.

I. Percentage Ratios

Current requirements

43. When a listed issuer enters into a transaction[29], the issuer is required to classify the transaction using percentage ratios [30] and comply with applicable requirements under MB Rules Chapter 14 (GEM Rules Chapter 19).

44. Currently, listed issuers measure the impact of their transactions using five percentage ratios as follows[31]:

    (a) assets ratio;

    (b) revenue ratio;

    (c) profits ratio;

    (d) consideration ratio; and

    (e) equity capital ratio.

45. In terms of consideration ratio, the percentage ratio is to be derived by the consideration divided by the total market capitalisation of the listed issuer[32].

46. Where any calculation of the percentage ratio produces an anomalous result or is inappropriate to the sphere of activity of the listed issuer, the issuer may, with the prior consent of the Exchange, disregard the calculation and/or provide alternative test(s) which it considers appropriate to the Exchange for consideration[33].

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[29] MB Rule 14.01 (GEM Rule 19.01).

[30] MB Rule 14.06 (GEM Rule 19.06).

[31] MB Rule 14.07 (GEM Rule 19.07).

[32] Under MB Rule 14.07(4) (GEM Rule 19.07(4)), the listed issuer's total market capitalisation is the average closing price of the listed issuer's securities as stated in the Exchange's daily quotations sheets for the five business days immediately preceding the date of the transaction.

[33] MB Rule 14.20 (GEM Rule 19.20).

47. **Table 3** below summarises the current transaction classifications based on percentage ratios.

Table 3: Current transaction classifications[34]

Transaction classification	Applicable percentage ratios
Share transaction[35]	Less than 5%
Discloseable transaction	5% or more, but less than 25%
Major transaction	25% or more, but: • less than 75% (*in the case of a disposal*) • less than 100% (*in the case of an acquisition*)
VSD	75% or more
VSA	100% or more

Comparison to other markets

48. In the UK, the profits test was removed as part of the amendments to the listing rules in 2024 as it was considered to produce anomalous results and impose an undue compliance on listed companies. While SSE and SGX continue to assess materiality of transactions against the listed company's profits, the shareholders' approval requirement may be exempted (for SSE[36]) or is not applicable (for SGX[37]), if the profits ratio is the only ratio which triggers the requirement. In the US, there is no standalone ratio equivalent to the profits ratio, and materiality is instead assessed through an income test that considers income or loss and, where applicable, revenue.

[34] The table does not include "extreme transaction" and "reverse takeover". For the avoidance of doubt, no change is proposed to these transaction classifications. A transaction may be classified as a reverse takeover under MB Rule 14.06B (GEM Rule 19.06B) or an extreme transaction under MB Rule 14.06C (GEM Rule 19.06C) based on the circumstances of each case.

[35] A transaction is classified as a share transaction under MB Rule 14.06(1) (GEM Rule 19.06(1)) if it involves an acquisition of assets (excluding cash) by a listed issuer where the consideration includes securities for which listing will be sought and/or treasury shares to be transferred and where all percentage ratios are less than 5%. For the avoidance of doubt, no change is proposed to this transaction classification.

[36] For SSE, shareholders' approval requirement may be exempted if the company's absolute value of its earnings per share for the most recent fiscal year is less than RMB0.05.

[37] For SGX, the exemption for shareholders' approval requirement is only applicable to major transactions.

49. In terms of the consideration ratio, there are different practices as to whether the consideration for a transaction is measured against the issuer's net asset value or its market capitalisation. Whilst both LSE and SGX adopt a consideration ratio that compares the consideration to the issuer's market capitalisation, SSE adopts a consideration ratio that compares the consideration to the issuer's net asset value. The investment test adopted in the US is similar to a measure against an issuer's market capitalisation where it compares the buyer's investment in, or advance to, the target with the listed company's market value. None of them provide an alternative computation methodology for assessing materiality of a transaction.

50. On the other hand, ASX's notification requirement is triggered where there is a significant change to issuer's nature or scale of activities, which is measured against the listed entity's assets, revenue, EBITDA and profits.

Proposals

51. We propose to remove the profits ratio, such that listed issuers would measure the impact of a transaction using the other four percentage ratios (i.e. assets ratio, revenue ratio, consideration ratio and equity capital ratio).

52. Consequential to the removal of the profits ratio as one of the percentage ratios set out in paragraph 51 above, the profits ratio will no longer be referenced when assessing a subsidiary's materiality for the purpose of the definitions of "insignificant subsidiary"[38] and "principal subsidiary"[39] as well as the disclosure requirements in the case of winding-up and liquidation of a subsidiary[40].

53. We further propose to modify the consideration ratio to allow listed issuers to compare the consideration for the transaction with the higher of:

    (a) their market capitalisation (i.e. the existing requirement); <u>or</u>

    (b) their net asset value, which means the equity attributable to the owners of the issuers as shown in their accounts or latest published interim report (whichever is more recent) (the **NAV ratio**).

54. The proposed modification of the consideration ratio, as set out in paragraph 53 above, would also apply to connected transactions under MB Rules Chapter 14A

[38] MB Rule 14A.09 (GEM Rule 20.08).

[39] MB Rule 17.14 (GEM Rule 23.14).

[40] MB Rules 13.25(1) and (2) (GEM Rules 17.27(1) and (2)).

(GEM Rules Chapter 20)[41]. For further details, please refer to **Section II of Chapter 3** of this paper.

Rationale

Removal of profits ratio

55. We propose to remove the profits ratio which is the ratio most likely to produce anomalous results[42], particularly where the target or the listed issuer has recorded losses in its latest accounts or the issuer's financial is affected by exceptional factors.

56. Despite the removal of the profits ratio, with the existing revenue and asset ratios being retained, the impact of the transactions on the listed issuer's relative level of activity and financial position can still be measured.

57. Further, the proposal to remove the profits ratio would align the requirements for notifiable transactions with the existing requirements applicable to connected transactions.

Introduction of an alternative computation to the consideration ratio

58. In our previous review and amendments of the notifiable transactions rules in 2004, the consideration ratio was revised to compare the consideration for the transaction with the listed issuer's market capitalisation (which reflects fair market value of the issuer at the time of the transaction) instead of its net asset value[43]. While this change addressed issues encountered by issuers with negative or minimal net asset value when assessing the size of their transactions by reference to the net asset value under the old rules, it also meant that transactions conducted by asset-heavy issuers and whose stocks are under-valued would be captured by the notifiable transaction requirements even though the transactions may not be material to their financial positions.

59. From time to time, we have noted a large number of notifiable transactions that were classified as such solely because they triggered the consideration ratio threshold, notwithstanding that the transactions were not material when assessed by reference to the listed issuers' net asset value. For asset-heavy

[41] MB Rule 14A.77 (GEM Rule 20.75).

[42] In all cases considered in 2024 and 2025 where listed issuers submitted to the Exchange that the profits ratio produced an anomalous result, having taken into account of the individual circumstances of each case, the Exchange consented to the issuers to disregard the profits ratio or accepted an alternative test proposed by the issuer.

[43] HKEX, Press Release in relation to amendments to the Listing Rules relating to corporate governance issues and paragraph 8 of the summary of the major areas considered, 30 January 2004.

issuers, comparing the consideration of the transactions against the net asset value may better reflect the impact of the transactions to the issuer's financial position, as compared to market capitalisation, and provide a more appropriate measure of the materiality of the transactions. In computing the NAV ratio, the issuer's net asset figure refers to the equity attributable to the owners of the issuer as shown in its accounts and should therefore exclude non-controlling interests. This approach aligns the NAV ratio with the interests of shareholders in the issuer and helps avoid overstating the issuer's net asset by including interests attributable to third parties.

60. While the proposal introduces net asset value as an additional denominator for calculating the consideration ratio in appropriate cases, it is not intended to replace the existing market-capitalisation-based measure. Market capitalisation remains a relevant and important metric for assessing the market-perceived scale and significance of a transaction, particularly for asset-light issuers whose valuation is driven primarily by earnings expectations, growth prospects and investor sentiment. At the same time, it is recognised that market capitalisation may, in certain circumstances, diverge materially from an issuer's underlying financial position, particularly for asset-heavy or capital-intensive issuers. In such cases, the NAV ratio may provide a more proportionate indicator of whether a transaction has a material impact on the issuer's balance-sheet position.

61. Accordingly, the proposal is intended to ensure that regulatory requirements apply to transactions that are significant both from a shareholder and market-impact perspective and from the issuer's financial position perspective. This approach retains the benefits of market-based measures while introducing flexibility to better reflect the economic substance of transactions across a diverse range of issuer profiles. The calibrated framework ensures that the size tests continue to serve their intended purpose of identifying transactions of material significance and helps avoid anomalous regulatory outcomes that may arise under a single-metric approach.

Impact of our proposals

Removal of profits ratio

62. The table below shows the impact of the proposed removal of profits ratio based on our review of the discloseable (or above) transactions announced during 2024 and 2025. The transactions which were classified solely by reference to the profits ratio would no longer be classified as their respective transaction classification if the profits ratio is removed:

Year	Under current requirement Number of transactions classified solely by reference to the profits ratio			Proposal Removal of profits ratio		
	Major transactions or above	Discloseable transactions	Total	Major transactions or above	Discloseable transactions	Total
2024	10 (2%)	17 (1%)	**27**	Nil	10 (1%)	**10**
2025	10 (3%)	31 (2%)	**41**	Nil	10 (1%)	**10**

Notes:

1. *Percentage is derived and shown relative to total number of corresponding transaction type (according to original classification).*
2. *With the proposed removal of profits ratio, transactions that were classified as discloseable transactions solely by reference to the profits ratio would drop below the threshold of notifiable transactions (excluding share transaction).*

Introduction of an alternative computation to the consideration ratio

63. The table below shows the impact of the proposed introduction of an alternative NAV ratio (as consideration ratio) based on our review of the discloseable (or above) transactions announced during 2024 and 2025:

Year	Under current requirement Number of transactions classified solely by reference to the consideration ratio			Proposal Introduce alternative NAV ratio			
	Major transactions or above	Discloseable transactions	Total	Major transactions or above	Discloseable transactions	Transactions below the threshold of notifiable transactions *(excluding share transactions)*	Total
2024	252 (60%)	1,136 (62%)	**1,388**	68 (16%)	381 (21%)	939 (n/a)	**1,388**
2025	213 (58%)	1,010 (57%)	**1,223**	54 (15%)	450 (25%)	719 (n/a)	**1,223**

Notes:

1. *Percentage is derived and shown relative to total number of corresponding transaction type (according to original classification).*
2. *"n/a" indicates that population data is not available.*

64. As shown in the two tables above, of the major (or above) transactions announced during 2024 and 2025, 194 and 169 respective transactions would no longer be classified as major (or above) transactions under the proposals to remove the profits ratio and introduce an alternative consideration ratio (i.e. the

NAV ratio). These transactions would be exempted from the circular and shareholders' approval requirements. Out of which:

(a) 143 and 139 transactions would be classified as discloseable transactions and continue to be subject to announcement requirement; and

(b) 51 and 30 transactions would be below the threshold of notifiable transactions and would also be exempted from the announcement requirement. For completeness, if the proposals to remove the profits ratio and introduce an alternative consideration ratio (i.e. the NAV ratio) are adopted, of the discloseable transactions announced during 2024 and 2025, 905 (out of 1,847 transactions) and 720 transactions (out of 1,767 transactions) would be below the threshold of notifiable transactions and would also be exempted from the announcement requirement.

65. Notwithstanding that these transactions would no longer be subject to the announcement, circular and/or shareholders' approval requirements, we do not consider that this would adversely affect market transparency or quality given that:

(a) the proposals seek to (i) remove anomalous cases where a transaction is captured solely because of a technical or disproportionate result under a particular size test; and (ii) better recalibrate the notifiable transaction regime where prescribed announcement, circular and shareholders' approval requirements are applicable to transactions that are material to the issuer when assessed by reference to more appropriate size tests;

(b) transactions that constitute connected transactions would continue to be subject to circular and shareholders' approval requirements where the applicable thresholds are met;

(c) issuers will continue to be obliged to keep the market informed by disclosing inside information as soon as reasonably practicable pursuant to the overarching statutory disclosure obligation under the SFO even where a transaction is not classified as a notifiable transaction; and

(d) for transactions that would continue to be classified as notifiable transactions subject to announcement requirement, the disclosure requirements would be enhanced as further detailed in **Section IV** of this chapter.

Question 1	Do you agree to remove the profits ratio from the types of percentage ratios listed issuers use to measure the impact of a transaction (as set out in paragraph 51 of this paper)? Please give reasons for your views and any alternative suggestions.
Question 2	Do you agree that the consideration ratio should be modified to allow listed issuers to compare the consideration for the transaction with the higher of their market capitalisation or their net asset value (as set out in paragraph 53 of this paper)? Please give reasons for your views and any alternative suggestions.

II. Transaction Classifications and Materiality Thresholds

Current requirements

66. As soon as possible after the terms of any notifiable transaction have been finalised[44], the listed issuer must publish an announcement in relation to the same.

67. In addition to the announcement requirement, a listed issuer which has entered into any transaction classified as a major transaction, VSA or VSD must distribute to its shareholder a circular[45], which must contain additional information as specified in the Listing Rules[46]. Further, the transaction must be made conditional on shareholders' approval[47].

68. Under the existing regime, the differences in requirements between major transactions and VSAs/VSDs primarily relate to the scope of financial information required to be disclosed in the transaction circulars (see **Section V** of this chapter) as well as the following aspects:

    (a) written shareholders' approval[48] in lieu of holding a general meeting will not be accepted for a VSA/VSD. A transaction classified as a VSA/VSD must be made conditional on approval by shareholders in general meeting;

    (b) the accountants' report required to be included in a circular issued by a listed issuer for a VSA constitutes a PIE Engagement[49], which must be prepared by a PIE Auditor[50]; and

    (c) announcements relating to VSAs/VSDs are subject to pre-vetting by the Exchange. Listed issuers are required to submit draft announcements to

[44] MB Rule 14.34 (GEM Rule 19.34).

[45] MB Rule 14.38A (GEM Rule 19.38).

[46] MB Rules 14.63, 14.66 to 14.71A (GEM Rules 19.63, 19.66 to 19.71A).

[47] MB Rules 14.40 and 14.49 (GEM Rules 19.40 and 19.49).

[48] Under MB Rule 14.44 (GEM Rule 19.44), written shareholders' approval maybe accepted for a major transaction in lieu of holding a general meeting provided that, (a) no shareholder is required to abstain from voting if the issuer were to convene a general meeting for the approval of the transaction; and (b) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders (as defined under MB Rule 14.45 (GEM Rule 19.45)) who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

[49] Under MB Rule 4.03(1) (GEM Rule 7.02(1)), where the preparation of an accountants' report constitutes a "PIE Engagement" under the Accounting and Financial Reporting Council Ordinance (Cap. 588) (the **AFRCO**), the issuer must normally appoint a firm of practising accountants that is a Registered PIE Auditor under the AFRCO.

[50] Under MB Rule 1.01 (GEM Rule 1.01), "PIE Auditor" is defined as having the same meaning as in section 3A of the AFRCO, that is: (a) a Registered PIE Auditor; or (b) a Recognised PIE Auditor.

the Exchange for review and must not issue such announcements until the Exchange has confirmed that it has no further comments[51].

69. **Table 4** below summarises the applicable requirements based on the different transaction classifications under the current regime.

Table 4: Current transaction classifications and applicable requirements[52]

<table>
<tr><th>Transaction classification</th><th>Applicable percentage ratios</th><th>Applicable requirements</th></tr>
<tr><td>Share transaction[53]</td><td>Less than 5%</td><td>• Announcement only</td></tr>
<tr><td>Discloseable transaction</td><td>5% or more, but less than 25%</td><td>• Announcement only</td></tr>
<tr><td>Major transaction</td><td>25% or more, but:
• less than 75% (in the case of a disposal)
• less than 100% (in the case of an acquisition)</td><td>• Announcement
• Circular (which is required to include an accountants' report in the case of a major acquisition)
• Shareholders' approval</td></tr>
<tr><td>VSD</td><td>75% or more</td><td rowspan="2">• Announcement (which is required to be pre-vetted by the Exchange)
• Circular (which is required to include an accountants' report prepared by a PIE Auditor in the case of a VSA)
• Shareholders' approval in general meeting (written shareholders' approval is not accepted)</td></tr>
<tr><td>VSA</td><td>100% or more</td></tr>
</table>

[51] MB Rule 13.52(2) (GEM Rule 17.53(2)).

[52] The table does not include "extreme transaction" and "reverse takeover". For the avoidance of doubt, no change is proposed to these transaction classifications. A transaction may be classified as a reverse takeover under MB Rule 14.06B (GEM Rule 19.06B) or an extreme transaction under MB Rule 14.06C (GEM Rule 19.06C) based on the circumstances of each case.

[53] A transaction is classified as a share transaction under MB Rule 14.06(1) (GEM Rule 19.06(1)) if it involves an acquisition of assets (excluding cash) by a listed issuer where the consideration includes securities for which listing will be sought and/or treasury shares to be transferred and where all percentage ratios are less than 5%. For the avoidance of doubt, no change is proposed to this transaction classification.

Comparison to other markets

70. The requirements for significant transactions vary across other markets:

(a) In the US and the UK, there is no general shareholders' approval requirement for acquisitions or disposals by listed companies based solely on the size of the transactions.

(i) In the US, materiality of transactions is assessed by reference to established significance tests, which determine the level of financial information required to be disclosed in connection with the transactions. In the case of an acquisition where the relevant significance test exceeds 20%, the listed company is generally required to disclose, after the completion of the transaction, audited financial information of the target for no more than two most recent financial years. Shareholders' approval requirement, on the other hand, is dependable on whether the transactions involve issuance of shares instead of the materiality of the transactions.

(ii) In the UK, following the 2024 reforms of the listing regime, listed companies are no longer required to seek prior shareholders' approval for significant transactions (being transactions meeting the 25% threshold on any class test)[54]. Shareholders' approval is required only for (1) acquisitions with an applicable class test of 100% or more; and (2) acquisitions which constitute a fundamental change in the business, or result in a change in board or voting control, of the listed company (together defined as reverse takeovers).

It was noted that during the consultation process, a divergence of views was expressed, with some respondents considering that the removal of the shareholders' approval requirement for significant transactions could increase risks to investors or reduce the disciplining effect on directors previously associated with shareholders' veto rights. The UK FCA ultimately decided to remove the shareholders' approval requirement to reduce procedural burdens and enhance market competitiveness, taking the view that enhanced disclosure and robust director accountability would together provide adequate safeguards for investors.

(b) In Australia, shareholders' approval may be required where a transaction results in a significant change to the nature or scale of the listed issuer's

[54] Following the reform, a significant transaction is subject to announcement requirement only, with some enhanced disclosure carried over from the information previously required for a Class 1 circular (such as details of material litigation or material contracts relating to the listed company or the target). Historical financial information of the target is required in the case of disposals, and not acquisitions.

activities[55] (e.g. backdoor listing), and shareholders' approval must be obtained for a disposal of the issuer's main undertaking[56].

(c) In the Chinese Mainland, shareholders' approval is required for transactions meeting the 50% threshold on any size test[57], whilst SGX[58] adopts a more stringent requirement requiring shareholders' approval for transactions that meet the 20% threshold on any size test.

Proposals

Increase the threshold for major transaction

71. We propose to increase the threshold for classifying a transaction as a major transaction (which is subject to announcement, circular and shareholders' approval requirements) <u>from 25% to 50%</u>, except for transactions involving provision of financial assistance and/or securities or other investment activities (see paragraph 74 below).

72. Under the proposal, transactions where any percentage ratio is 25% or more but less than 50% will be classified as discloseable transactions and will therefore be subject to the announcement requirement only. As set out in **Section IV** of this chapter, we propose to enhance the announcement disclosure requirements for <u>all</u> notifiable transactions by requiring listed issuers to disclose, among others, the following information:

(a) key financial information of the target, including revenue, assets and liabilities, and cash flow from operating activities (where applicable) of the company or business being acquired or disposed of, together with other key financial metrics commonly used in the relevant sector (such as gross profits) for the two financial years immediately preceding the transaction, and adequate explanation for shareholders and investors to better understand its performance during those financial years and any material subsequent changes (see paragraph 123(c) below), in addition to its

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[55] Where an entity (i) acquires, or proposes to acquire, a business and the acquisition is likely to result in an increase of 25% or more, or (ii) disposes of or abandons an existing business, and the business in question accounts for 25% or more, in the listed entity's total assets, total equity interests, annual revenue, EBITDA or annual profit before tax, the ASX may consider such transaction as involving a significant change in the nature or scale of the listed issuer's activities. ASX applies its discretion to require shareholders' approval under this rule primarily to regulate backdoor listings.

[56] For this purpose, a business that accounts for <u>more than 50%</u> of a listed entity's total assets, revenue, EBITDA and annual profit before tax would reasonably be compelling to be considered as a "main undertaking".

[57] Except for transactions involving provision of financial assistance or guarantee which are subject to more stringent requirements.

[58] SGX Mainboard Rule 1014. A transaction is classified as a major transaction where any of the relative figures as computed on the bases set out in SGX Mainboard Rule 1006 exceeds 20%, and a major transaction must be made conditional upon approval by shareholders in general meeting.

profit/loss and net book value. The key financial information of the target to be included in the relevant announcement should be based on the target's audited figures, where available; and

(b) an explanation of the impact of the transaction on the listed issuer, including qualitative and quantitative analysis of any material effect of the transaction on the profits and losses, assets and liabilities, liquidity and financial resources as well as financial and trading prospects and strategic direction of the listed issuer, together with the principal factors and assumptions underlying such effect (see paragraph 123(d) below).

The enhanced disclosure requirements above will be applicable to all notifiable transactions, irrespective of size, including transactions where any percentage ratio is 25% or more but less than 50% and which will be classified as discloseable transactions where shareholders' approval is no longer required under the proposal.

73. In addition, for discloseable transactions where any percentage ratio is 25% or more but less than 50% which involve specific types of assets (being properties, mineral assets or infrastructure projects), we propose that listed issuers must also disclose the expert report(s) and the relevant expert statements as specifically required under MB Rules Chapter 5 (GEM Rules Chapter 8), MB Rule 14.71 (GEM Rule 19.71) or MB Rules Chapter 18 (GEM Rules Chapter 18A), if applicable.

Exception to provision of financial assistance and/or "securities or other investment activities"

74. Our proposal to increase the threshold for classifying a major transaction from 25% to 50% would not apply to transactions involving provision of financial assistance and/or securities or other investment activities[59]. Accordingly, the threshold for classifying these types of transactions as major transactions will remain to be 25%.

75. For this purpose, "securities or other investment activities" include acquisitions or disposals of (i) securities; or (ii) wealth management products, digital assets and other investment products, that are held or to be held for investment or treasury management purpose.

[59] For the avoidance of doubt, the current exemption in respect of transactions involving financial assistance and/or securities transactions conducted by banking companies, securities houses or insurance companies in their ordinary and usual course of business will continue to apply.

Remove the transaction classifications of VSA and VSD

76. In addition, subject to the proposals to align and enhance the circular disclosure requirements applicable to major transactions, VSAs and VSDs as set out in **Section V** of this chapter, we propose to remove the transaction classifications of VSA and VSD. Under the proposal, transactions currently classified as VSAs or VSDs will be classified as major transactions.

77. With the proposed removal of the transaction classifications of VSA and VSD, we propose to continue:

    (a) allowing major transactions to be approved by written shareholders' approval in lieu of holding a general meeting, except where any of the applicable percentage ratios are equal to or more than 100% (for acquisitions) or 75% (for disposals and other transactions such as provision of financial assistance); and

    (b) for any acquisition where any percentage ratio is 100% or more, requiring the accountants report to be included in the circular to be issued by PIE Auditors, in line with the current requirements under the AFRCO.

78. A consequential change of this proposal is that the pre-vetting requirement currently applicable to announcements relating to VSAs and VSDs will no longer be applicable.

79. A summary of the proposals in relation to the transaction classifications and related materiality thresholds is set out in **Table 5** below.

Table 5: Proposed transaction classifications and materiality threshold requirements

<table>
<tr><th rowspan="2">Transaction classification</th><th rowspan="2">Applicable percentage ratio</th><th colspan="3">Requirements</th></tr>
<tr><th>Announcement</th><th>Circular</th><th>Shareholders' approval</th></tr>
<tr><td>Share transaction</td><td>Less than 5%</td><td>Yes</td><td>No</td><td>No</td></tr>
<tr><td>Discloseable transaction</td><td>(i) For transactions involving provision of financial assistance and/or securities or other investment activities: 5% or more, but less than 25%

(ii) For other transactions: 5% or more, but less than 50%</td><td>Yes (Note 1)</td><td>No</td><td>No</td></tr>
<tr><td>Major transaction</td><td>(i) For transactions involving provision of financial assistance and/or securities or other investment activities: 25% or more

(ii) For other transactions: 50% or more</td><td>Yes (Note 1)</td><td>Yes (Note 2)</td><td>Yes (Note 3)</td></tr>
</table>

Notes:

1. *For a notifiable transaction where any percentage ratio is 25% or more, the listed issuer must also disclose the expert report and the relevant expert statements as specifically required under MB Rules Chapter 5 (GEM Rules Chapter 8), MB Rule 14.71 (GEM Rule 19.71) or MB Rules Chapter 18 (GEM Rules Chapter 18A), if applicable.*

2. *For a notifiable transaction with any percentage ratio of 100% or more, the accountants' report on the company or business being acquired must be issued by PIE Auditors.*

3. *Written shareholders' approval in lieu of holding a general meeting is not acceptable where any of the applicable percentage ratios is equal to or more than 100% (for an acquisition) or 75% (for other transactions).*

Rationale

Increase the materiality threshold for major transaction from 25% to 50%

80. We recognise that shareholders' approval requirement serves as an important safeguard for protecting shareholders' interests. However, based on the limited number of transactions that have historically been voted down, it suggests that shareholders' veto rights have not been frequently exercised to prevent the consummation of transactions proposed by listed issuers.

81. By contrast, shareholders' approval requirement may give rise to:

    (a) additional costs and time as listed issuers are required to prepare shareholders' circulars (including, where applicable, to prepare accountants' reports for inclusion in circulars) and engage professional advisers to support the process; and

    (b) execution uncertainty associated with the voting outcome of the general meeting.

    These factors need be considered when reviewing our rules with a view to enhancing issuers' ability to pursue legitimate and value-accretive business opportunities efficiently, and improving their competitiveness in competitive or time-sensitive transactions.

Shareholders' approval requirement only applicable to transactions with sizes of 50% or above (i.e. major transactions under the proposal)

82. Our proposal, which increases the materiality threshold for major transactions from 25% to 50%, retains shareholders' right to vote on such transactions that would result in a significant change in a listed issuer's business or financial position. The proposed threshold of 50% would capture disposals that would result in at least half of the issuer's existing business being disposed of, and acquisitions that would represent a substantial portion of the issuer's existing business.

Enhanced announcement disclosure requirement for notifiable transactions

83. With the threshold to classify a major transaction being increased, circular and shareholders' approval are no longer required for transactions with a percentage ratio between 25% and 50%. Yet, with the enhanced announcement disclosure requirements for all notifiable transactions, the breadth and depth of the disclosure of information relevant to the discloseable transactions will be strengthened. In particular, we propose that key financial information with adequate explanations of the target and the expected impact of the transaction be disclosed to the shareholders at the outset in the initial announcement. Such

information is the relevant financial information that is already available to, and is relied upon, by the board in approving the transaction. This is intended to strike an appropriate balance between facilitating efficient execution of corporate transactions by listed issuers and ensuring that shareholders and investors remain adequately protected through meaningful disclosure and effective oversight. In particular,

(a) the disclosure of the expected impact of the transaction enables investors to better assess the significance, merits and risks of the transaction at an earlier stage; and

(b) the additional financial information on the target, which goes beyond the current announcement requirements, is intended to reflect information the issuer's board of directors would ordinarily obtain and consider when evaluating the transaction, including the financial information obtained (for example, audited financial statements or unaudited management accounts of the target) and the due diligence findings.

The proposal makes such information available to investors on a timely basis (i.e. at the announcement stage) to support informed investment decision-making by investors.

84. That said, the enhanced announcement disclosure requirements are not intended to replicate the existing content requirements applicable to major transaction circulars. Accordingly, the level of information being provided for transactions with a percentage ratio between 25% and 50% would be less than that under the current major transaction regime. Given that a circular would no longer be required, certain information currently contained in a circular, in particular an accountants' report (and the related pro forma financial information and management discussion and analysis) which could impose significant costs and delays but may not always provide commensurate benefit to investors, would not be available. We acknowledge that, without an accountants' report on the target, there may be concern regarding the reliability of the target's financial information as disclosed in the announcement. Notwithstanding this, we consider that the concern can be appropriately addressed, given that:

(a) directors of the listed issuers remain subject to their fiduciary duties and are expected to conduct sufficient due diligence that the directors consider to be adequate and commensurate to market practice on the target and to ensure that the financial information disclosed is accurate, complete and not misleading. In this regard, directors should consider the appropriate scope of due diligence and whether expert advice is required in the circumstances. They should exercise independent judgment, critically assess the underlying assumptions and review the target's business, operations and financial position so that the disclosure provides a reasonable basis for investors to assess the transaction; and

(b) we also propose requiring issuers to disclose, where available, the target's audited financial information in the announcement. Where the issuer does not possess the target's audited financial information at the time of transaction, the issuer's board of directors should explain why such audited information is unavailable, the basis on which the directors consider it reasonable to enter into the transaction based on the unaudited information, and the reliability of and possible risks associated with relying on such information. Irrespective whether audited or unaudited figures is disclosed, issuer should disclose the source of the financial information presented in the announcement and the basis on which such information has been prepared to reinforce directors' accountability for the integrity of the information disclosed at the announcement stage and provide investors with further comfort that the financial information has been subject to appropriate scrutiny by the board.

85. Certain other information currently required in major transaction circulars would also no longer be required for transactions with a percentage ratio between 25% and 50% as these transactions would be classified as discloseable transaction under the proposal. However, the key information provided according to these requirements would continue to be broadly addressed by the proposed enhanced announcement disclosure forming a baseline disclosure applicable to all notifiable transactions. In particular:

(a) information on the financial and trading prospects and working capital position of the group (or the enlarged group in the case of an acquisition) would be supported by enhanced disclosure on the expected impact of the transaction on the issuer (see paragraph 72(b) above) together with the source of funding for the transaction; and

(b) information on material contracts and any new directors or senior management proposed to be appointed incidental to the transaction would be supported by enhanced disclosure on the material terms and conditions of the transaction.

Assets-specific disclosure applicable to notifiable transactions with sizes of 25% or more

86. For notifiable transactions with applicable percentage ratio of 25% or more which involve specific types of assets (including property interests, mineral or natural resources, and infrastructure assets), additional assets-specific disclosure (e.g. property valuation reports) continues to be applicable. This broadly aligns with the requirement for major transaction circulars under the existing regime and is

not expected to impose substantial additional compliance burdens on listed issuers. Such tailored disclosure helps investors better understand the key drivers of value, principal assumptions and material risks associated with the transaction having regard to the nature of the underlying assets which involve particular characteristics, risks and valuation considerations that may not be fully captured by general disclosure requirements. This is especially important where the valuation or performance of the asset depends on factors such as market conditions, regulatory approvals, resource estimates, or other technical considerations that may not be readily apparent from high-level information.

87. Consistent with the existing approach, if the relevant assets-specific information is not available at the time of the initial announcement, issuers may publish such information in a subsequent announcement (or circular, if applicable) prior to completion of the transaction, provided that the initial announcement discloses the expected date of publication of the relevant information.

Exception to provision of financial assistance and "securities or other investment activities"

88. We consider maintaining the major transaction classification at the existing 25% threshold for transactions involving provision of financial assistance or securities or other investment activities to be appropriate as these transactions are inherently higher-risk in nature. In practice, such transactions have been more commonly associated with regulatory concerns, including the potential facilitation of shell activities and inappropriate capital deployment. As part of our monitoring of listed issuers' compliance with the Listing Rules, we have observed an increase in the number of cases involving issuers granting loans, advances or other similar arrangements without proper and due consideration, risk assessment or subsequent monitoring and, in some cases, without a clear commercial rationale.[60] In relation to securities or other investment activities, we have also noted an increasing trend of issuers undertaking frequent and/or substantial securities trading and financial investment activities outside their principal business(es), some of which have resulted in non-compliance with the Listing Rules.[61]

89. In view of the above, we consider that the existing 25% threshold remains appropriate for classifying a transaction as major transaction in the context of financial assistance and investment activities, as it represents a substantial deployment of a listed issuer's resources relative to its financial position and therefore warrants closer scrutiny to ensure that appropriate risk management practices are in place and that shareholders' interests are adequately protected.

[60] HKEX, Enforcement Bulletin, April 2024.

[61] HKEX, Listing Regulation and Enforcement Newsletter (Issue 12), June 2025.

90. Currently, the Listing Rules exclude from the definition of "transaction" certain activities conducted in the ordinary and usual course of business by regulated financial institutions, including provision of financial assistance[62] and securities trading and investment[63] by issuers who are banking companies, securities houses and/or insurance companies (as applicable). This is because such issuers are subject to ongoing supervision of prudential regulators which provides an additional oversight and mitigates the risk of abuse. The proposal to retain the existing 25% threshold for financial assistance provided by, or securities or other investment activities undertaken by, issuers is consistent with the policy intent of the Listing Rules.

91. For the avoidance of doubt, where a transaction comprises both (a) a transaction to which the proposed 50% major transaction threshold applies; and (b) the provision of financial assistance and/or securities or other investment activities to which the existing 25% major transaction threshold applies, the Exchange will apply the percentage ratios to each component separately. The transaction will be classified by reference to the component resulting in the higher classification, and will be subject to the announcement, disclosure and/or shareholders' approval requirements applicable to that classification.

Remove the transaction classifications of VSA and VSD

92. We believe that the proposed removal of the transaction classifications of VSA and VSD, together with the alignment of the circular disclosure requirements applicable to major transactions, VSAs and VSDs (as set out in **Section V** of this chapter), would simplify the classification for notifiable transactions.

93. The approach to retain existing practice on written shareholders' approval (see paragraph 77) ensures that transactions which are sufficiently material to affect an issuer's business or financial position will continue to be approved by shareholders at a general meeting, while allowing transactions below that level of materiality to proceed more efficiently.

94. The consequential removal of the pre-vetting requirement for announcements relating to VSAs and VSDs, which represent some of the few remaining categories[64] of announcements currently subject to pre-vetting by the Exchange following the implementation of the post-vetting regime in 2009, is consistent with the objective of shifting regulatory focus from pre-vetting to post-vetting,

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[62] MB Rule 14.04(1)(e) (GEM Rule 19.04(1)(e)).

[63] Note (2)(b) to MB Rule 14.04(1)(g) (Note (2)(b) to GEM Rule 19.04(1)(g)).

[64] The other categories to which the pre-vetting requirement applies include announcements relating to transactions or arrangements that involve backdoor listings or other suitability issues, i.e. announcements relating to reverse takeovers, extreme transactions, and transactions that would result in an issuer becoming a cash company or a fundamental change in the business of a newly listed issuer.

promoting listed issuers' self-compliance with the Listing Rules and facilitating timely dissemination of information to the market.

95. Listed issuers may continue to seek guidance from the Exchange on any Listing Rule compliance issues as and when appropriate.

Impact of our proposals

96. The table below shows the impact of the proposed increase of major transaction threshold from 25% to 50% based on our review of the major (or above) transactions announced during the years 2024 and 2025[65], where 132 and 127 transactions would no longer be classified as major (or above) transactions:

Year	Under current requirements Number of major (or above) transactions	Proposal Increase major transaction threshold from 25% to 50%		
		Major transactions	Discloseable transactions	Total
2024	419	287 (68%)	132 (7%)	**419**
2025	366	239 (65%)	127 (7%)	**366**

Note: Percentage is derived and shown relative to total number of corresponding transaction type (according to original classification).

Such transactions would be re-classified from major transactions to discloseable transactions under our proposal and would be subject to announcement requirement only (see paragraph 72 of this paper).

97. In 2024 and 2025, there were a total of (i) 33 and 17 VSAs; and (ii) 58 and 39 VSDs, respectively. Under the proposed removal of the VSD/VSA classifications, these transactions would be classified as major transactions and continue to be subject to circular and shareholders' approval requirements.

98. The table below shows the combined impact taking into account of the proposals to (i) remove the profits ratio (see paragraph 51 above); (ii) introduce an alternative computation to the consideration ratio (see paragraph 53 above) under **Section I** of this chapter; and (iii) increase the major transaction threshold from 25% to 50% (see paragraph 71 above). A total of 130 and 123 transactions for the years 2024 and 2025 would remain as major transactions:

[65] Except for transactions involving provision of financial assistance and/or securities or other investment activities.

Year	Under current requirements Number of major (or above) transactions	Proposals (i) Remove profits ratio; (ii) Introduce alternative NAV ratio to the consideration ratio; and (iii) Increase major transaction threshold from 25% to 50%			
		Major transactions	Discloseable transactions	Transactions below the threshold of notifiable transactions *(excluding share transactions)*	Total
2024	419	130 (31%)	238 (13%)	51 (n/a)	**419**
2025	366	123 (34%)	213 (12%)	30 (n/a)	**366**

Notes:

1. *Percentage is derived and shown relative to total number of corresponding transaction type (according to original classification).*

2. *"n/a" indicates that population data is not available.*

Question 3 Do you agree with the proposal to increase the threshold for classifying a major transaction (which is subject to announcement, circular and shareholders' approval requirements) from 25% to 50% (as set out in paragraph 71 of this paper)?

Please give reasons for your views and any alternative suggestions.

Question 4 If your answer to Question 3 is "yes", do you agree that, for transactions where any percentage ratio is 25% or more but less than 50% that would be classified as discloseable transactions under the proposal:

(i) listed issuers in such transactions would no longer be required to disclose the information which is required in the major transaction circulars under the existing regime and, instead, the transaction announcement for these transactions (as with all notifiable transactions) should be subject to the enhanced disclosure requirement by requiring the additional information as set out in paragraph 72 of this paper;

(ii) in particular, the listed issuer should no longer be required to prepare an accountants' report for the target (which is required to be included in the major transaction circular under the existing regime) and would instead disclose key financial information of the target (as set out in paragraph 72(a) of this paper) in the announcement; and

	(iii) given the usefulness of asset-specific information to investors, the requirement for inclusion of assets-specific expert report(s) and the relevant expert statements as specifically required under MB Rules Chapter 5 (GEM Rules Chapter 8), MB Rule 14.71 (GEM Rule 19.71) or MB Rules Chapter 18 (GEM Rules Chapter 18A), if applicable, continues to apply despite shareholders' approval is no longer required (as set out in paragraph 73 of this paper)? Please give reasons for your views and any alternative suggestions.
Question 5	If your answer to Question 3 is "yes", do you agree that the increased major transaction threshold of 50% should <u>not</u> be applicable for transactions involving provision of financial assistance and/or securities or other investment activities (i.e. these transactions will continue to be classified as major transaction based on the existing 25% threshold) (as set out in paragraph 74 of this paper)? Please give reasons for your views and any alternative suggestions.
Question 6	Do you agree that, subject to the proposals to align and enhance the circular disclosure requirements applicable to major transactions as set out in **Section V** of this chapter, the transaction classifications of VSA and VSD should be removed and hence transactions currently classified as VSAs or VSDs will be classified as major transactions (as set out in paragraph 76 of this paper)? Please give reasons for your views and any alternative suggestions.

III. Transactions in the Ordinary and Usual Course of Business

Current requirements

99. Under MB Rules Chapter 14 (GEM Rules Chapter 19), a "transaction" is defined to include, among other things, acquisitions or disposals of assets, companies or businesses, leasing of assets, formation of joint ventures and provision of financial assistance. The regime applies to transactions entered into by a listed issuer and its subsidiaries, subject to certain exclusions and exemptions for transactions conducted in the issuer's ordinary and usual course of business.

Exclusion from the scope of transactions

100. Currently, the following activities are excluded from the definition of "transaction" pursuant to which the requirements under MB Rules Chapter 14 (GEM Rules Chapter 19) are not applicable:

(a) transaction of a revenue nature in the ordinary and usual course of business of a listed issuer[66];

(b) acquisition or disposal of securities which are of a revenue nature and carried out in the ordinary and usual course of business by a member of the listed issuer's group that is: (i) a banking company[67]; (ii) an insurance company[68]; or (iii) a securities house that is mainly engaged in regulated activities under the SFO[69];

(c) formation of a joint venture to engage in a single purpose project/transaction which is of a revenue nature in the ordinary and usual course of business of an issuer[70];

(d) financial assistance provided by an issuer which is a banking company[71] in its ordinary and usual course of business[72], and certain types of financial

[66] MB Rule 14.04(1)(g) (GEM Rule 19.04(1)(g)).

[67] MB Rule 14A.88 (GEM Rule 20.86).

[68] MB Rule 14.04(5A) (GEM Rule 19.04(5A)).

[69] Note 2(b) to MB Rule 14.04(1)(g) (Note 2(b) to GEM Rule 19.04(1)(g)).

[70] MB Rule 14.04(1)(f) (GEM Rule 19.04(1)(f)).

[71] MB Rule 14A.88 (GEM Rule 20.86).

[72] MB Rule 14.04(1)(e)(i) (GEM Rule 19.04(1)(e)(i)).

assistance provided by an issuer which is a securities house in its ordinary and usual course of business[73]; and

(e) granting of an indemnity or a guarantee or providing financial assistance to subsidiaries[74].

Exemptions for specific categories of capital transactions

101. The definition of "transaction" captures transactions of a capital nature that are conducted by listed issuers in their ordinary and usual course of business, for example, acquisitions or leasing of fixed assets.

102. Currently, the Listing Rules provide exemptions from the shareholders' approval requirement and certain disclosure requirements to specific categories of capital transactions carried out in listed issuers' ordinary and usual course of business to address the practical difficulties encountered by these specific types of issuers if they are required to strictly comply with the requirements:

(a) A Qualified Property Acquisition[75], being an acquisition of land or property development project in Hong Kong from government or acquisition of governmental land in the Chinese Mainland through a public auction or tender, by an issuer actively engaged in property development as a principal business activity (i.e. a **Qualified Issuer**), which constitutes a major transaction or above is exempt from shareholders' approval if it is conducted, solely or jointly, in the Qualified Issuer's ordinary and usual course of business[76]. The announcement and circular of a Qualified Property Acquisition must comply with the disclosure requirements for a major transaction, except that the information circular need not contain a valuation report on the property under the Qualified Property Acquisition[77].

(b) A Qualified Aircraft Leasing Activity[78], being an acquisition, leasing or disposal of aircraft by an issuer actively engaged in aircraft leasing with aircraft operators (i.e. a **Qualified Aircraft Lessor**) in the ordinary and usual course of business, is exempt from the announcement, circular and/or shareholders' approval requirements[79]. The exemption is narrowly tailored for these types of transactions in light of the unique and specific

[73] MB Rule 14.04(1)(e)(iii) (GEM Rule 19.04(1)(e)(iii)).

[74] MB Rule 14.04(1)(e)(ii) (GEM Rule 19.04(1)(e)(ii)).

[75] MB Rule 14.04(10C) (GEM Rule 19.04(10C)).

[76] MB Rule 14.33A (GEM Rule 19.33A).

[77] MB Rules 14.33B and 5.02A(2) (GEM Rules 19.33B and 8.02A(2)).

[78] MB Rule 14.04(10D) (GEM Rule 19.04(10D)).

[79] MB Rule 14.33C (GEM Rule 19.33C).

characteristics of the aircraft leasing industry and applies only to aircraft lessors whose management has adequate experience and technical expertise in this industry. The Qualified Aircraft Lessor is required to publish an announcement containing description of the transaction with updates in relation to the relevant numbers of aircraft to be disclosed in the next interim report (where applicable) and annual report[80].

Comparison to other markets

103. In the UK and US[81], the significant transaction regime generally does not apply to transactions conducted by listed companies in their ordinary and usual course of business irrespective of whether such transactions are of a capital nature or revenue nature. While recognising the concept of ordinary and usual course of business, the US framework specifically treats significant acquisitions or sales of assets, and material leases, as outside the ordinary course even where such transactions may ordinarily accompany a company's business. On the other hand, the ASX listing rules focus on transactions that may result in a significant change to the nature or scale of a listed company's activities, and do not specifically provide exemptions or relaxations for transactions conducted in the ordinary course of business.

104. Some other stock exchanges, including SSE[82] and SGX[83], provide exemptions or relaxations for transactions that are conducted in the issuers' ordinary course of business (and not limited solely to transactions of a revenue nature).

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[80] MB Rule 14.33D (GEM Rule 19.33D).

[81] In the US, contracts in the ordinary course of business are generally not required to be filed, unless they are material and fall into specified categories, including those involving insiders, agreements critical to the registrant's business, significant asset transactions (i.e. exceeding 15% of the registrant's fixed assets), or material leases.

[82] The SSE Rules distinguish the announcement and shareholders' approval requirements between transactions in the ordinary course of business and transactions not in the ordinary course of business, and impose a more stringent threshold for the latter.

[83] The SGX Mainboard Rules assess whether a transaction is in the ordinary course of business by reference to whether it relates to the issuer's existing principal business and does not alter its risk profile. On the other hand, business disposals are generally not considered to be in the ordinary course of business.

Proposals

New exemption for acquisitions or leasing of assets in the ordinary and usual course of business

105. We propose to exempt acquisitions or leasing of assets by a listed issuer in its ordinary and usual course of business, which constitutes a major transaction, from the circular and shareholders' approval requirements.

106. The application of the proposed exemption is subject to the following conditions:

(a) the assets are to be acquired or leased by the listed issuer to maintain or expand its existing principal business which has been reported as a continuing principal business activity in the issuer's published financial statements for the two full consecutive financial years immediately preceding the transaction; and

(b) the board of directors of the listed issuer has confirmed that the transaction is entered into in the issuer's ordinary and usual course of business, conducted on normal commercial terms, and the terms are fair and reasonable and in the interests of the issuer and its shareholders as a whole.

107. The proposed exemption would also be available where a listed issuer acquires or leases assets through a wholly owned special purpose vehicle which is established solely for the purpose of holding the assets for use in the issuer's ordinary and usual course of business. Other than in this circumstance, the proposed exemption would <u>not</u> be applicable to transactions involving acquisitions or disposals of companies, businesses or securities, formation of joint ventures [84], provision of financial assistance, or securities or other investment activities (including wealth management products, digital assets and other investment products).

108. Transactions which fall within the proposed exemption would still be subject to the announcement requirement pursuant to which the listed issuer is required to disclose:

(a) details of the transaction according to the disclosure requirements for notifiable transaction announcements;

[84] The proposed exemption would not be applicable to formation of joint venture by the issuer with other parties to acquire or lease capital assets that will be used by the joint venture for developing and operating its business, as such arrangement is essentially an acquisition of an interest in a business through a joint venture structure. For the avoidance of doubt, notwithstanding the proposal, the exclusion in relation to formation of a joint venture for single-purpose project of revenue nature under MB Rule 14.04(1)(f) (GEM Rule 19.04(1)(f)) continues to apply.

(b) the board of directors' confirmation that:

  (i) the transaction is entered into by the listed issuer in its ordinary and usual course of business and on normal commercial terms; and

  (ii) the terms of the transaction are fair and reasonable and in the interests of the issuer and its shareholders as a whole;

(c) information to demonstrate that the conditions of the proposed exemption (as set out in paragraph 106 of this paper) were met; and

(d) where applicable, the expert report required under MB Rules Chapter 5 (GEM Rules Chapter 8), MB Rule 14.71 (GEM Rule 19.71) or MB Rules Chapter 18 (GEM Rules Chapter 18A) for acquisition or leasing of specific types of assets (being properties, mineral assets or infrastructure projects) and the relevant expert statements.

Modifications to the exemption for Qualified Property Acquisitions

109. As set out in paragraph 102(a) above, the Rules currently provide specific exemption from the shareholders' approval requirement for Qualified Property Acquisitions. With the proposal to exempt acquisitions or leasing of assets by listed issuers in their ordinary and usual course of business from the circular and shareholders' approval requirements as detailed in paragraph 105 above, we propose to modify the specific exemption for Qualified Property Acquisitions as follows:

(a) require Qualified Issuers to have engaged in property development as a principal business for the two full consecutive financial years immediately preceding the transaction (instead of one financial year under the current requirements for Qualified Property Acquisitions), which is in line with the approach adopted for the proposed new exemption;

(b) remove the specific exemption for Qualified Property Acquisitions undertaken on a sole basis by a Qualified Issuer. Under the proposal, Qualified Issuers (as modified in (a) above) undertaking these acquisitions in their ordinary and usual course of business may rely on the new general exemption and, accordingly, a separate exemption is not necessary; and

(c) retain the specific exemption for major transactions involving Qualified Property Acquisitions undertaken by Qualified Issuers (as modified in (a) above) and other parties on a joint basis, and modify the Listing Rules to exempt the transactions from the circular requirement (in addition to the shareholders' approval requirement).

110. For the avoidance of doubt, notwithstanding the proposed modifications to the exemption for Qualified Property Acquisitions, the exemption from the property

valuation requirement under the existing regime will continue to apply to Qualified Property Acquisitions.

Rationale

New exemption for acquisitions or leasing of assets in the ordinary and usual course of business

111. The proposed exemption would apply to acquisitions or leasing of fixed assets conducted by listed issuers to maintain or expand their existing principal businesses. Set forth below is a non-exhaustive list of examples of the types of transactions that may fall within the proposed exemption:

(a) acquisition of a vessel by an issuer principally engaged in the shipping business for optimising its fleet profile;

(b) acquisition of an aircraft by an issuer in the airline business for expanding its fleet capacity;

(c) acquisition of a land development right by an issuer principally engaged in property development and property investment business;

(d) acquisition of real estate for generating rental income by an issuer principally engaged in property investment;

(e) entering into a lease agreement by an issuer engaged in the entertainment, media or cultural development business for leasing a premises for its new cinema or entering into a lease agreement by an issuer for leasing a premises for its office use;

(f) acquisition or renewal of a mining right by a mining issuer; and

(g) construction of a processing plant by a coal mining issuer.

112. By exempting the transactions from circular and shareholders' approval requirements, listed issuers will have greater flexibility to plan and manage capital expenditure to support their business operations and expansion. The proposal seeks to strike an appropriate balance between protecting shareholders and enabling management to deploy capital efficiently. Although these transactions may be material to the issuers, they are carried out in the issuers' ordinary and usual course of business and would not change the nature of their principal business activities. The proposed criterion as set out in paragraph 106, requiring the relevant principal business to have been reported as a continuing principal business activity in the issuer's published financial statements for the two full consecutive financial years immediately preceding the transaction, is intended to prevent an issuer from abusing the exemption for a newly established or acquired business for which there is no or limited information for investors to assess the business. The announcement requirement would ensure

transparency of material transactions and facilitate investors to assess the merits of the transactions.

113. Under the proposal, listed issuers may only rely on the exemption where the assets are acquired or leased for maintaining or expanding the issuer's existing principal business which has been reported as a continuing principal business activity for the two full consecutive financial years immediately preceding the transaction. Therefore, the proposed exemption is intended to be confined to acquisitions or leasing of assets by listed issuers that are conducted in the issuer's ordinary and usual course of business and would not extend to M&As of companies or businesses. Transactions that would fundamentally alter an issuer's business, risk profile or investment strategy would remain subject to the existing circular and shareholders' approval requirements. The proposed exemption is designed to ensure that it applies only to transactions relating to businesses that form a <u>substantive</u> and continuing part of the issuer's core operations, rather than incidental, newly established or insubstantial activities. Where a reported principal business appears to have limited operations or substance, the Exchange will assess the substance of the issuer's operations as a whole in determining whether the relevant activity is a genuine and established part of its business for the purposes of the exemption.

114. As a matter of good corporate governance, listed issuers should establish and maintain appropriate and effective risk management and internal control systems to achieve, among others, compliance with applicable laws and regulations[85]. Where an issuer intends to rely on the proposed exemption:

(a) its board should collectively be responsible and accountable for ensuring that sufficient controls are in place to verify that the transaction is undertaken to maintain or expand the issuer's existing principal business and to prevent misuse of the exemption. In assessing the transaction, the board should carefully consider all relevant facts and circumstances, including any material concerns or risks in connection with the transactions[86], and take such further work, enquiries or due diligence where it considers necessary. In particular, where any director raise material concerns whether the transaction is in the ordinary and usual course of its business or about the commercial rationale, or relating to key terms of a transaction, such as the size of the transaction relative to the issuer's operational needs and the basis in determining the acquisition price, the board should strive to resolve the concerns before entering into

[85] Code Provision D.2 (Risk management and internal control) of Part 2 of the Corporate Governance Code under Appendix C1 of the MB Listing Rules / GEM Listing Rules.

[86] Pursuant to Code Provision C.5.5 of Part 2 of the Corporate Governance Code under Appendix C1 of the MB Listing Rules / GEM Listing Rules, minutes of board minutes should record the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed.

the transaction; and

(b) the issuer should ensure that the announcement contains sufficient information to enable investors to understand the basis on which the transaction falls within the exemption, including its rationale, expected benefits and material risks.

Modifications to the exemption for Qualified Property Acquisitions

115. The proposals seek to streamline the specific exemption for Qualified Property Acquisitions by capturing those acquisitions undertaken on a sole basis by the issuer in the ordinary and usual course of its business under the proposed new exemption, while retaining and refining the specific exemption for joint acquisitions by Qualified Issuers to reflect the distinct commercial characteristics where acquisitions of land or property development projects are conducted under a joint arrangement through the formation of joint venture. The proposal to require a Qualified Issuer to have engaged in the business of property development for two full financial years immediately preceding the transaction is intended to refine the exemption to reduce the risk of issuers abusing the exemption based on newly established or recently acquired activities, which is in line with the approach adopted for the proposed new exemption set out in paragraph 106 above.

116. In addition, as Qualified Property Acquisitions involve acquisitions of land or property development projects through public auctions or tenders by listed issuers engaged in property development as part of their ordinary and usual course of business, the Listing Rules already exempt such transactions from the requirement to include a valuation report in the information circular. As a result, the information circulars largely restate information previously disclosed in the issuers' announcements, together with other information relating to the issuers. Given these transactions are conducted in the issuers' ordinary course of business and the announcements already provide investors with sufficient information to assess the transactions, removing the circular requirement would reduce unnecessary duplication and administrative burden of the issuers without undermining investor protection.

117. Notwithstanding the removal of the requirement to publish information circulars for Qualified Property Acquisitions, listed issuers are reminded that, as a general principle, all material information relating to a transaction, including all material terms and conditions of the transaction documents, must be disclosed as soon as practicable and, where available, in the initial announcement. If any further material information becomes available after publication of the initial announcement, it should be disclosed promptly by way of supplemental announcement.

Impact of our proposal

118. Based on our review of the major (or above) transactions announced during 2024 and 2025, around 120[87] and 60[88] transactions (approximately 29% and 17% of the transactions), respectively, would fall within the scope of the proposed exemption for acquisitions or leasing of assets in the ordinary and usual course of business pursuant to which the circular and shareholders' approval requirements would be exempted.

119. Of the 130 and 123 transactions for the years 2024 and 2025 that would remain as major transactions as shown in paragraph 98 above, 23 and 19 transactions would be exempted from the circular and shareholders' approval requirements when taking into account of the proposed exemption for acquisitions or leasing of assets in the ordinary and usual course of business but still required to publish announcement accordingly.

Question 7	Do you agree to exempt acquisitions or leasing of assets conducted by a listed issuer in its ordinary and usual course of business, which constitutes a major transaction, from the circular and shareholders' approval requirements (as set out in paragraph 105 of this paper)? Please give reasons for your views and any alternative suggestions.
Question 8	If your answer to Question 7 is "yes", do you agree that the application of the proposed exemption should be subject to the conditions set out in paragraph 106 of this paper? Please give reasons for your views and any alternative suggestions.
Question 9	If your answer to Question 7 is "yes", do you agree that the governance and disclosure approaches set out in paragraph 114 of this paper are sufficient? Please give reasons for your views and any alternative suggestions. In particular, if you consider the governance and disclosure approaches set out in paragraph 114 are not sufficient, please provide any specific additional safeguards, disclosures, governance measures or controls that you consider necessary to protect shareholders' interests in transactions relying on the proposed exemption. For example, do you consider it necessary or appropriate for the transaction announcement to disclose dissenting views

[87] Approximately 49% of such transactions were classified as major (or above) transactions where one or more of the percentage ratios is/are equal to or more than 50%.

[88] Approximately 57% of such transactions were classified as major (or above) transactions where one or more of the percentage ratios is/are equal to or more than 50%.

	expressed by a director in relation to the transaction as a whole, together with the material concerns underlying those views and an explanation of how the board considered and responded to them? Please explain your views.
Question 10	In relation to the exemption applicable to Qualified Property Acquisitions, do you agree to: (i) require Qualified Issuers to have engaged in property development as a principal business for the two full consecutive financial years immediately preceding the transaction to align with the exemption condition applicable to acquisitions or leasing of assets by a listed issuer in its ordinary and usual course of business (as set out in paragraph 109(a) of this paper); and (ii) modify the exemption such that Qualified Property Acquisitions undertaken by Qualified Issuers on a joint basis with other parties, which constitute major transactions, are exempt from the circular requirement, in addition to the existing exemption from the shareholders' approval requirement (as set out in paragraph 109(c) of this paper)? Please give reasons for your views and any alternative suggestions.

IV. Announcement Requirements relating to Notifiable Transactions

Current requirements

Initial announcement

120. A listed issuer is required to publish an announcement as soon as possible after the terms of a notifiable transaction have been finalised. Such announcement must contain the information as prescribed under the Listing Rules[89] as well as any additional information requested by the Exchange [90], including (among others):

(a) the identity and a description of the principal business activities of the counterparty;

(b) the aggregate value of the consideration, how it is being or is to be satisfied and details of the terms of any arrangements for payment on a deferred basis;

(c) the basis upon which the consideration was determined[91];

(d) the value (book value and valuation, if any) of the assets which are the subject of the transaction;

(e) the net profits (both before and after taxation) attributable to the assets which are the subject of the transaction for the two financial years immediately preceding the transaction (if applicable);

(f) the reasons for entering into the transaction and the benefits which are expected to accrue to the issuer as a result of the transaction; and

(g) details of any guarantee and/or other security given or required as part of or in connection with the transaction.

121. For disposal transactions, listed issuer is also required to include in the initial announcement[92]:

(a) details of the gain or loss expected to accrue from the disposal; and

(b) the intended application of the sale proceeds.

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[89] MB Rules 14.58 to 14.60 (GEM Rules 19.58 to 19.60).

[90] MB Rules 14.34 and 14.35 (GEM Rules 19.34 and 19.35).

[91] See also guidance letter published by HKEX, Disclosure of the basis of consideration and business valuations in notifiable transactions (HKEX-GL116-23) (last updated in June 2024), where the consideration (or other material terms) of the transaction is primarily based on an independent business valuation of the target.

[92] MB Rule 14.60(3) (GEM Rule 19.60(3)).

Further announcement

122. In addition, a listed issuer must publish an announcement to inform the market if a transaction previously announced is terminated or there is any material variation of its terms or material delay in the completion of the agreement[93].

Proposals

Initial announcement

123. We propose to enhance the disclosure requirements for notifiable transaction by requiring the initial announcement to include the following additional information:

(a) material terms and conditions of the transaction (e.g. material undertakings, indemnities or representations and warranties in the agreements);

(b) adequate explanation in relation to the basis of the consideration, including where the consideration was determined primarily based on an independent valuation, the details of such valuation[94];

(c) key financial information of the target for the two financial years immediately preceding the transaction, including revenue, assets and liabilities (both on a current and total basis) and cash flow from operating activities (where applicable) of the company or business being acquired or disposed of, together with other key financial metrics commonly used in the relevant sector (e.g. gross profits) and adequate explanation for shareholders and investors to better understand its performance, in addition to the existing disclosure requirement on the company's net assets value and profit/loss[95] (as set out in paragraph 120(e) of this paper);

(d) an explanation of the impact of the transaction on the listed issuer, including qualitative and quantitative analysis of any material effect of the transaction on the profits and losses, assets and liabilities, liquidity and financial resources as well as financial and trading prospects and strategic direction of the listed issuer, together with the principal factors and assumptions underlying such effect[96];

(e) information as to the listed issuer's interests in a target company post-transaction 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

[93] MB Rule 14.36 (GEM Rule 19.36).

[94] See HKEX, Disclosure of the basis of consideration and business valuations in notifiable transactions (HKEX-GL116-23) (last updated in June 2024).

[95] The financial information is currently required to be disclosed in a transaction announcement under MB Rules 14.58(6) and (7) (GEM Rules 19.58(7) and (8)).

[96] Under MB Rule 14.66(5) (GEM Rule 19.66(6)), listed issuers are currently required to disclose in a transaction circular the effect of the transaction.

the issuer[97];

(f) information where securities are issued, transferred out of treasury or listed as part of a transaction, including the principal terms of the securities, relevant listing and public float details, and whether the transaction would result in a change of control of the listed issuer[98]; and

(g) a directors' responsibility statement whereby the listed issuers' directors confirm the accuracy and completeness of the information contained in the announcement[99].

124. With the proposal to require additional financial information of the target to be disclosed in the initial announcement (see paragraph 123(c) above), we also propose to require the issuer to disclose in the announcement:

(a) the target's audited financial information, where available; and

(b) where the issuer does not possess the target's audited financial information at the time of transaction (including situation where the target's audited financial information is not available for the two, or any of the two, financial years immediately preceding the transaction), the issuer's board of directors should explain why such audited information is unavailable and the basis on which the directors consider it reasonable to enter into the transaction based on the unaudited information and the reliability of such information. The issuer should ensure that the announcement contains sufficient information to enable investors to understand the basis on which the board considered the unaudited financial information to be sufficiently reliable for the purpose of conducting the transaction, including elaborated reasons and commercial rationale supporting the board's ultimate decision and the key risks identified by the board together with the measures taken (or proposed to be taken) to mitigate such risks associated with placing reliance on the unaudited financial information of the target.

In addition, the issuer should disclose the source of the target's financial information (for example, unaudited management accounts of the target) and the basis on which such information has been prepared (including, for example, the applicable accounting standards and any adjustments or assumptions applied in preparing the information).

[97] This is currently required to be disclosed in a transaction circular under MB Rule 14.66(6) (GEM Rule 19.66(7)).

[98] This is currently required to be disclosed in a transaction circular under MB Rules 14.67(1) to (3) (GEM Rule 19.67(1) to (3)).

[99] This is currently required to be disclosed in a transaction circular under MB Rule 14.66(2) (GEM Rule 19.66(3)).

125. Where a listed issuer enters a transaction based on a target's unaudited information, the issuer should ensure that robust board oversight and governance are in place to ensure that the board has taken steps to assess the reliability of such unaudited financial information, including:

(a) to perform such necessary steps to verify and assess the reliability of the unaudited financial information, including seeking the independent view of its independent non-executive directors as important checks and balances; and

(b) to make additional enquiries, due diligence or other steps as it considers appropriate to assess and address any material concerns or risks identified by the board before entering the transaction.

126. In relation to the proposed additional disclosure explaining the impact of a transaction on the listed issuer (see paragraph 123(d) above), the issuer should provide both qualitative and quantitative analysis of the effect of the transaction. The qualitative analysis should explain, for example, how the transaction fits with the issuer's business strategy and financial and trading prospect. The quantitative analysis should, where applicable, explain the expected effect on the issuer's financial position, operating results and overall financial and liquidity condition. However, the disclosure is not expected to take the form of a line-by-line pro forma financial statement as required under MB Rule 4.29 (GEM Rule 7.31). The Exchange will issue further guidance on the expected disclosure in due course.

Further announcement

127. We also propose to enhance the disclosure requirements by requiring listed issuers to make further announcements on previously announced transactions in the following situations:

(a) extension of long stop date of a transaction;

(b) change in payment schedule[100];

(c) where consideration (including any deferred consideration) is not a fixed amount, the amount of the consideration when determined; and

(d) completion of a notifiable transaction.

[100] For example, consideration payment in tranches subject to performance target as agreed by the contracting parties.

128. Such further announcement must also include a statement that there has been no material change affecting the terms of the transaction as previously disclosed by the issuer.

129. In addition to the specific circumstances requiring a further announcement as set out in paragraph 127 above, listed issuers should keep the market informed of any development of previously announced transaction by promptly publishing a supplemental announcement where any further material information relating to the transaction becomes available, whether or not it falls within those specific circumstances.

Scope of application

130. We propose that the proposed enhanced disclosure as set out in paragraphs 123 and 127 above should apply also to connected transactions under MB Rules Chapter 14A (GEM Rules Chapter 20)[101]. For further details, please refer to **Section II of Chapter 3** of this paper.

Rationale

131. The proposals will ensure timely disclosure of key information relating to the performance of the target and the impact of the transaction on the listed issuer and enhance transparency of material developments of the transaction. The proposed disclosure on expected impact and expected benefits of the transactions is also consistent with other stock exchanges (including the LSE[102], SGX[103] and ASX[104]) where the focus lies on the impact that a particular transaction may bring to an issuer and where a separate MD&A on the issuer group may not be required.

[101] For existing disclosure requirements applicable to connected transactions, please refer to MB Rules 14A.35 and 14A.68 (GEM Rules 20.33 and 20.66).

[102] UKLR 7.3.1. In relation to a significant transaction defined under UKLR 7.1.3, a listed company should include a statement of the effect of the transaction on the group's earnings and assets and liabilities, and details of estimated synergies or other quantified estimated financial benefits expected to arise from a transaction in a notification with basis and an analysis and explanation of the constituent elements of the synergies or other quantified estimated financial benefits (see also UKLR 7 Annex 2 Parts 1.1 and 4.1).

[103] SGX Mainboard Rule 1010. In relation to a discloseable transaction, an issuer should announce the effect of the transaction on the net tangible assets per share and earnings per share of the issuer, and rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transaction.

[104] Guidance Note 12 of ASX Listing Rules (see paragraph 7.2). In relation to a transaction where shareholders' approval is required, the issuer is required to include in the relevant notice of meeting an assessment of the financial effect of the transaction on the entity and on the interests of security holders in the entity, including information about the likely effect of the transaction on the entity's consolidated total assets, total equity interests, annual revenue, annual expenditure and annual profit before tax.

132. By enhancing the disclosure requirements, board oversight is also reinforced and the board is expected to properly assess the merits and implications of the transaction with the support of having received:

(a) sufficient and timely information from the management; and

(b) independent perspectives as well as active inputs and views by the independent non-executive directors to strengthen checks and balances within the board.

Collectively, these measures will enhance transparency, accountability and the board's decision-making process, thereby strengthening market confidence and quality.

133. In relation to financial disclosure on the target:

(a) the requirement to mandate more detailed financial disclosure aims to ensure key financial information that the listed issuer's board of directors consider through its due diligence findings when evaluating the transaction is also made available to investors on a timely basis (i.e. at the announcement stage) to support informed investment decision-making by investors;

(b) the requirement to disclose the target's audited financial information, where available, seeks to ensure that shareholders are provided with the same audited information that is available to, and considered by, the board when approving the transaction; and

(c) by including the directors' responsibility statement at the announcement stage and requiring disclosure on the source of financial information included in the announcement, the proposals further reinforce board accountability for the accuracy and completeness of the information disclosed (see paragraph 84(b) above) in support of a more disclosure-driven approach.

Question 11	If your answer to Question 3 is "yes", do you agree that the enhanced disclosure requirement by requiring disclosure of the additional information (as set out in paragraph 123 of this paper) shall apply to <u>all</u> notifiable transaction announcements? Please give reasons for your views and any alternative suggestions. In particular, please provide any comments in relation to the following additional information proposed for inclusion in all notifiable transaction announcements: (a) material terms and conditions of the transaction (as set out in

paragraph 123(a) of this paper);

(b) adequate explanation in relation to the basis of consideration, including details of independent valuation, if any (as set out in paragraph 123(b) of this paper);

(c) key financial information of the target (as set out in paragraph 123(c) of this paper);

(d) an explanation of the impact of the transaction on the listed issuer (as set out in paragraph 123(d) of this paper); and

(e) information as to the listed issuer's interests in a target company post-transaction 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 (as set out in paragraph 123(e) of this paper);

(f) information where securities are issued, transferred out of treasury or listed as part of a transaction, including the principal terms of the securities, relevant listing and public float details, and whether the transaction would result in a change of control of the listed issuer (as set out in paragraph 123(f) of this paper); and

(g) directors' responsibility statement (as set out in paragraph 123(g) of this paper).

Question 12 If your answer to Question 3 is "yes", do you agree that the governance and disclosure approaches set out in paragraph 125 of this paper are sufficient in situation where the directors consider entering into a transaction based on the unaudited information of the target?

Please give reasons for your views and any alternative suggestions. In particular, if you consider the governance and disclosure approaches set out in paragraph 125 are not sufficient, please provide the specific additional safeguards, disclosures, governance measures or controls that you consider necessary where an issuer relies on the target's unaudited financial information in connection with a transaction? Such matters could relate to board oversight, directors' assessment of the reliability of the unaudited financial information, or the directors' deliberations. For example, do you consider it necessary or appropriate for the transaction announcement to disclose any dissenting views expressed by a director in relation to the transaction as a whole, together with the material concerns underlying those views and an explanation of how

	the board considered and responded to them? Please explain your views.
Question 13	If your answer to Question 3 is "no", do you agree that the disclosure requirement applicable to notifiable transaction announcements should be enhanced by requiring disclosure of certain additional information as set out in paragraph 123 of this paper? Please give reasons for your views and any alternative suggestions.
Question 14	If your answer to Question 11 or Question 13 is "yes", do you agree that, when the listed issuer discloses the target's financial information, it shall: (i) disclose the target's audited financial information (where available), or otherwise explain why such audited information is unavailable, the basis on which the directors consider it reasonable to enter into the transaction notwithstanding the absence of such information and the reliability of the unaudited financial information; and (ii) also disclose the source of the target's financial information presented in the announcement and the basis on which such information has been prepared (as set out in paragraph 124 of this paper)? Please give reasons for your views and any alternative suggestions.
Question 15	Do you agree that further announcements should be required in relation to previously announced transactions in the situations as set out in paragraph 127 of this paper? Please give reasons for your views and any alternative suggestions.

V. Circular Requirements relating to Major Transactions

Current requirements

134. Transactions classified as major transactions, VSAs or VSDs must be made conditional on shareholders' approval[105]. In addition to the information previously disclosed in the announcement, the transaction circular must contain further information as specified in the Listing Rules[106] for shareholders to assess the transaction and decide how to vote.

Financial information

135. Major transactions, VSAs and VSDs are subject to similar disclosure requirements with differences primarily on the scope of financial information required to be disclosed in the circular (see **Table 6** under paragraph 141). In particular, major acquisitions are more closely aligned with VSAs and are subject to more extensive disclosure requirements, while major disposals require comparatively less information than VSDs.

Expert reports

136. Where a major transaction, VSA or VSD involves acquisition or disposal of specific types of assets (being properties, mineral assets or infrastructure projects), the circular must contain an expert report as required under MB Rules Chapter 5 (GEM Rule Chapter 8), MB Rule 14.71 (GEM Rule 19.71) or MB Rules Chapter 18 (GEM Rule Chapter 18A) and the relevant expert statements.

Other information

137. In addition, a transaction circular for a major transaction, VSA or VSD must contain other information relating to the listed issuer group, including (among others):

    (a) an indebtedness statement of the issuer group, which the Exchange generally requires to be dated not more than eight weeks before the circular is issued[107];

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[105] MB Rules 14.40 and 14.49 (GEM Rules 19.40 and 19.49).

[106] MB Rules 14.63, 14.66 to 14.71A (GEM Rules 19.63, 19.66 to 19.71A).

[107] MB Rule 14.66(10) (GEM Rule 19.66(11)) and Paragraph 28 of Appendix D1B. For this purpose, the issuer group includes any company which will become a subsidiary of the issuer by reason of an acquisition which has been agreed or proposed since the date to which the latest audited accounts of the issuer have been made up.

(b) financial and trading prospects of the issuer group for at least the current financial year[108];

(c) any material adverse change of the issuer's financial or trading position since the date of the latest published audited accounts of the issuer[109];

(d) information of working capital sufficiency for at least the next 12 months[110];

(e) a summary of all material contracts (which exclude contracts entered into by the issuer in the ordinary and usual course of business) within the last two years before the issue of the circular[111]; and

(f) information relating to directors and chief executive of the issuer, including disclosures of their interests in the issuer[112], service contracts of directors[113] and competing interests of directors and their close associates[114].

Comparison to other markets

138. In the context of acquisition transactions,

(a) the US SEC requires disclosure of audited financial information of the target that exceeds the 20% threshold of the applicable significance tests, although shareholders' approval is not required;

(b) SSE requires disclosure of audited financial information of the target if the shareholders' approval requirement is triggered;

(c) SGX requires disclosure of audited financial information of the target and the enlarged group in the case of a very substantial acquisition or reverse takeover; and

(d) the UK FCA requires disclosure of audited financial statements in the case of a reverse takeover, while the ASX requires audited financial statements

[108] MB Rule 14.66(10) (GEM Rule 19.66(11)) and Paragraph 29(1)(b) of Appendix D1B.

[109] MB Rules 14.67(4), 14.68(4) and 14.69(2) (GEM Rules 19.67(4), 19.68(4) and 19.69(2))

[110] MB Rule 14.66(10) (GEM Rule 19.66(11)) and Paragraph 30 of Appendix D1B.

[111] MB Rule 14.66(10) and Paragraph 42 of Appendix D1B (GEM Rule 19.66(11) and Paragraph 41 of Appendix D1B).

[112] MB Rule 14.66(3) and Paragraphs 34 and 38 of Appendix D1B (GEM Rule 19.66(4) and Paragraphs 34, 38 and 38A of Appendix D1B)

[113] MB Rule 14.66(7) (GEM Rule 19.66(8)).

[114] MB Rule 14.66(8) (GEM Rule 14.66(9)).

only where there is a fundamental change to the issuer's business (e.g. backdoor listings).

139. On the other hand, in the context of disposal transactions, the US, SGX and ASX have adopted a more streamlined disclosure approach and do not explicitly require financial information of the disposal target. In contrast, in the UK, a listed company is required to disclose audited income statements and balance sheet of the disposal target in the case of a significant transaction, and SSE also requires disclosure of audited financial information of the target in the case of a disposal transaction that requires shareholders' approval.

Proposals

Alignment of circular disclosure requirements

140. With the proposal to remove the transaction classifications of VSA and VSD and classify those transactions as major transactions (as set out in paragraph 76 of this paper), we propose to align and enhance the circular disclosure requirements by broadly extending the existing requirements applicable to VSAs/VSDs to major transactions with certain refinements as described below. The objective is to enhance the disclosure relevant to the transactions while improving listed issuers' compliance efficiency by removing requirements that may pose additional burden and do not provide proportionate benefits to shareholders:

(a) in relation to financial information of the acquisition target, we propose to retain the requirements for (1) an accountants' report on the target business or company (or a profit or loss statement on the net income stream and valuation of the target assets in case of acquisition of revenue generating assets); and (2) pro forma financial information (profit or loss statement, balance sheet and cash flow statement) of the enlarged group (or pro forma profit and loss statement and net assets statement of the enlarged group in case of acquisition of revenue generating assets);

(b) in relation to financial information of the disposal target, we propose to:

(i) remove the requirement for auditors or reporting accountants to review the financial information of the disposal target; and

(ii) streamline the disclosure requirement to include (1) the financial information of the disposal target only (instead of having an option to disclose financial information of the listed issuer's group showing the disposal group as a separate item); and (2) when disclosing the financial information of the disposal target, the target's profit and loss statement, balance sheet and cash flow statement (instead of the full set of financial statements including the statement of changes in equity as currently required for a VSD) (or a profit or loss statement on the net income stream and valuation of the target assets in case of disposal of revenue generating assets), in addition to the pro forma profit and loss statement, balance sheet and cash flow statement of the remaining group;

(c) in relation to the management discussion and analysis (**MD&A**) requirement, we propose to:

(i) retain the requirement for inclusion of an MD&A on the performance of (1) the target company or business (for acquisitions); or (2) the remaining group (for disposals); and

(ii) remove the requirement for MD&A on the issuer group and other acquisitions;

(d) in relation to risk factors, we propose to add a new requirement for all major acquisition or disposal circulars to include material risk factors relating to the proposed transaction (including any atypical term of the transaction) and any new risks to the issuer group as a result of the proposed transaction;

(e) in relation to information relating to the issuer group, we propose to:

(i) remove the disclosure requirement for an indebtedness statement of the issuer group (see paragraph 137(a));

(ii) remove the disclosure requirement for material contracts entered into by the issuer within the last two years before the issue of the circular (see paragraph 137(e)); and

(iii) allow the issuer to incorporate general information relating to the directors and chief executive (see paragraph 137(f)) by reference to other documents published by the issuer into the circular. The proposal would also apply to connected transactions under MB Rules Chapter 14A (GEM Rules Chapter 20). For further details, please refer to **Section II of Chapter 3** of this paper; and

(f) where the consideration (or other material terms) of the transaction is primarily based on an independent valuation, we propose to codify the requirement for the circular to include the independent valuation report[115].

141. Set forth below in **Table 6** is a summary of the differences between the current financial disclosure requirements for major transaction and VSD/VSA circulars under the existing framework and the proposed circular disclosure requirements for major transaction circulars reflecting the aforesaid proposals:

Table 6 – Summary of major financial disclosure requirements under the existing requirements and the proposed requirements

(a) **For acquisition**

Contents of circulars	Current requirements		Proposed changes
	Major transaction	VSA	Major transaction
1 Financial information of the target for the preceding three financial years (*Note: The financial information must be reported on or reviewed by auditors or reporting accountants.)*	<u>Acquisition of business or company:</u> ✓ Accountants' report on the target, provided that: (a) requirement may be relaxed if the target has not or will not become a subsidiary of the issuer[116]; and (b) an accountants' report is not also required if the target being acquired is a listed company on the Main Board or GEM[117] <u>Acquisition of revenue generating asset:</u>	<u>Acquisition of business or company:</u> ✓ Accountants' report on the target[118], except where the target being acquired is a listed company on the Main Board or GEM[119] <u>Acquisition of revenue generating asset:</u>	Propose to retain the requirements for major acquisitions and VSAs under the current regime, including the Exchange's discretion to relax accountants' report requirement for transactions with all percentage ratios of less than 100%.

[115] Pursuant to Disclosure of the basis of consideration and business valuations in notifiable transactions (HKEX-GL116-23) (last updated in June 2024), listed issuers are currently required to disclose details of the valuation in the transaction circular.

[116] MB Rule 14.67(6)(a)(i) (GEM Rule 19.67(6)(a)(i)). Under the existing requirement, the Exchange may be prepared to relax the requirement for inclusion of an accountants' report where any company in question has not or will not become a subsidiary of the listed issuer.

[117] MB Rule 4.01(3) (GEM Rule 7.01(3)).

[118] MB Rule 14.69(4)(a)(i) (GEM Rule 19.69(4)(a)(i)).

[119] MB Rule 4.01(3) (GEM Rule 7.01(3)).

Contents of circulars	Current requirements		Proposed changes
	Major transaction	VSA	Major transaction
	Profit and loss statement on the target's net income stream and valuation[120]	Profit and loss statement on the target's net income stream and valuation[121]	
2 Pro forma financial information (*Note: The financial information must be reported on or reviewed by auditors or reporting accountants.*)	Acquisition of business or company: ✗ Pro forma statement of assets and liabilities of the enlarged group[122] Acquisition of revenue generating asset: Pro forma statement of assets and liabilities of the enlarged group[124]	Acquisition of business or company: ✓ Pro forma income statement, balance sheet and cash flow statement of the enlarged group[123] Acquisition of revenue generating asset: Pro forma profit and loss statement and net assets statement of the enlarged group[125]	Propose to adopt the scope of the pro forma financial information required for VSAs under the current regime.
3 Management discussion and analysis	Acquisition of business or company: ✓ Performance of the target[126]	Acquisition of business or company: ✗ Performance of: (i) the target[127] (ii) the issuer group and any other business or company acquired or to be acquired[128]	Propose to maintain the requirement for MD&A on the target required for major acquisition under the current regime.
4 Other financial related disclosures	A statement as to the **financial and trading prospects of the issuer group** for at least the current financial year[129]. ✓		No change.
	Information of any **material adverse change of the issuer's financial or trading position** since the date of the latest published audited accounts of the issuer[130]. ✓		No change.

[120] MB Rule 14.67(6)(b)(i) (GEM Rule 19.67(6)(b)(i)).

[121] MB Rule 14.69(4)(b)(i) (GEM Rule 19.69(4)(b)(i)).

[122] MB Rule 14.67(6)(a)(ii) (GEM Rule 19.67(6)(a)(ii)).

[123] MB Rule 14.69(4)(a)(ii) (GEM Rule 19.69(4)(a)(ii)).

[124] MB Rule 14.67(6)(b)(ii) (GEM Rule 19.67(6)(b)(ii)).

[125] MB Rule 14.69(4)(b)(ii) (GEM Rule 19.69(4)(b)(ii)).

[126] MB Rule 14.67(7) (GEM Rule 19.67(7)).

[127] MB Rules 14.67(7) and 14.69(2) (GEM Rules 19.67(7) and 19.69(2)).

[128] MB Rule 14.69(7) (GEM Rule 19.69(8)).

[129] MB Rule 14.66(10) (GEM Rule 19.66(11)) and Paragraph 29(1)(b) of Appendix D1B.

[130] MB Rules 14.67(4) and 14.69(2) (GEM Rules 19.67(4) and 19.69(2)).

Contents of circulars	Current requirements		Proposed changes
	Major transaction	VSA	Major transaction
	A statement of **sufficiency of working capital of the issuer group**[131] for at least 12 months from the date of publication of the circular, which must take into account the effect of the transaction[132].	✓	No change.
	An **indebtedness statement of the issuer group**[133] [134], which the Exchange generally requires to be dated not more than eight weeks before the circular is issued.	✗	Propose to remove the requirement for inclusion of an indebtedness statement.

(b) **For disposal**

Contents of circulars	Current requirements		Proposed changes
	Major transaction	VSD	Major transaction
1 **Financial information of the target for the preceding three financial years** (*Note: The financial information must be reported on or reviewed by auditors or reporting accountants.*)	N/A	○ <u>Disposal of business or company:</u> Financial information[135] of either: (ii) the target; or (iii) the issuer group with the target shown separately as a disposal group or discontinuing operation[136] <u>Disposal of revenue generating asset:</u> Profit and loss statement on the target's income stream and valuation[137]	Propose to adopt the requirements for VSDs under the current regime, with adjustments to: (i) remove the requirement for auditors or reporting accountants to review the financial information of the disposal target; and (ii) streamline the disclosure requirement to (1) remove the option to disclose the financial information of the issuer group with the disposal target shown separately; and (2) include the target's profit and loss statement, balance sheet and cash flow statement only (or a profit or loss statement on the net income stream and valuation of the target assets in case of disposal of revenue generating assets).

[131] The issuer group includes any company which will become a subsidiary of the issuer by reason of an acquisition which has been agreed or proposed since the date to which the latest audited accounts of the issuer have been made up.

[132] MB Rules 14.66(10) and (12) (GEM Rules 19.66(11) and (13)) and Paragraph 30 of Appendix D1B.

[133] The issuer group includes any company which will become a subsidiary of the issuer by reason of an acquisition which has been agreed or proposed since the date to which the latest audited accounts of the issuer have been made up.

[134] MB Rule 14.66(10) (GEM Rule 19.66(11)) and Paragraph 28 of Appendix D1B.

[135] Such financial information must include at least the income statement, balance sheet, cash flow statement and statement of changes in equity.

[136] MB Rule 14.68(2)(a)(i) (GEM Rule 19.68(2)(a)(i)).

[137] MB Rule 14.68(2)(b)(i) (GEM Rule 19.68(2)(b)(i)).

<table>
<tr><th rowspan="2">Contents of circulars</th><th colspan="2">Current requirements</th><th>Proposed changes</th></tr>
<tr><th>Major transaction</th><th>VSD</th><th>Major transaction</th></tr>
<tr><td>2 Pro forma financial information (Note: The financial information must be reported on or reviewed by auditors or reporting accountants.)</td><td>N/A</td><td><u>Disposal of business or company:</u> ✓
Pro forma income statement, balance sheet and cash flow statement of the remaining group[138]

<u>Disposal of revenue generating asset:</u>
Pro forma profit and loss statement and net assets statement of the remaining group[139]</td><td>Propose to adopt the requirements for VSDs under the current regime.</td></tr>
<tr><td>3 Management discussion and analysis</td><td>N/A</td><td><u>Disposal of business, company or revenue generating asset:</u> ✓
Performance of the remaining group[140]</td><td>Propose to adopt the requirements for VSDs under the current regime.</td></tr>
<tr><td rowspan="3">4 Other financial related disclosures</td><td colspan="2">Statement as to the financial and trading prospects[141] ✓</td><td>No change.</td></tr>
<tr><td colspan="2">Information of any material adverse change of the issuer's financial or trading position since the date of the latest published audited accounts of the issuer[142] ✓</td><td>No change.</td></tr>
<tr><td colspan="2">A statement of sufficiency of working capital of the issuer group[143] for at least 12 months from the date of publication of the circular, which must take into account the effect of the transaction[144] ✓</td><td>No change.</td></tr>
</table>

[138] MB Rule 14.68(2)(a)(ii) (GEM Rule 19.68(2)(a)(ii)).

[139] MB Rule 14.68(2(b)(ii) (GEM Rule 19.68(2)(b)(ii)).

[140] MB Rule 14.68(3) (GEM Rule 19.68(3)).

[141] MB Rule 14.66(10) (GEM Rule 19.66(11)) and Paragraph 29(1)(b) of Appendix D1B.

[142] MB Rules 14.67(4) and 14.68(4) (GEM Rules 19.67(4) and 19.68(4)).

[143] The issuer group includes any company which will become a subsidiary of the issuer by reason of an acquisition which has been agreed or proposed since the date to which the latest audited accounts of the issuer have been made up.

[144] MB Rules 14.66(10) and (12) (GEM Rules 19.66(11) and (13)) and Paragraph 30 of Appendix D1B.

Contents of circulars	Current requirements		Proposed changes
	Major transaction	VSD	Major transaction
	An **indebtedness statement of the issuer group**[145] [146], which the Exchange generally requires to be dated not more than eight weeks before the circular is issued	X	Propose to remove the requirement for inclusion of an indebtedness statement.

Exemption for acquisitions of revenue-generating assets

142. The Exchange has previously granted waivers to individual issuers from strict compliance with the requirements to disclose (1) a profit and loss statement of the revenue generating assets (e.g. properties held for leasing) being acquired; and (2) a pro forma profit and loss statement of the enlarged group in the transaction circular[147]. We propose to codify the waiver as an exemption to the disclosure requirements subject to the following conditions:

(a) the consideration for the acquisition is determined primarily based on an independent valuation of the asset (and not its historical net profit or loss);

(b) the transaction circular contains:

(i) details of the valuation; and

(ii) alternative disclosure relating to the historical financial performance of the asset (both qualitative and quantitative) to enable investors to assess the effect of the transaction on the earnings and assets and liabilities of the issuer; and

(iii) a statement by the board of directors that the terms of the transaction are fair and reasonable and in the interests of the issuer and its shareholders as a whole.

Rationale

Alignment of circular disclosure requirements

143. Our proposals seek to improve the quality of information provided to shareholders by aligning the disclosure requirements for major transactions to those applicable to VSAs and VSDs and strengthening the disclosure relevant to

[145] The issuer group includes any company which will become a subsidiary of the issuer by reason of an acquisition which has been agreed or proposed since the date to which the latest audited accounts of the issuer have been made up.

[146] MB Rule 14.66(10) (GEM Rule 19.66(11)) and Paragraph 28 of Appendix D1B.

[147] The Exchange has issued a listing decision (HKEX-LD66-2013) to inform the market on the specific circumstances under which a waiver was granted.

the transactions. This approach ensures that transaction circulars focus on information that is material and relevant for shareholders' assessment of the transactions, including the targets' financial information, relevant risk factors and the effect of the transactions. This enhanced disclosure approach should enable shareholders to better assess the merits and risks of the transaction, the value of the target and the basis for the consideration and other key terms and principal factors of the transaction, thereby supporting informed decision-making and strengthening overall transparency.

144. The proposals also improve listed issuers' compliance and costs efficiency by removing disclosures that are not directly relevant to the transactions and other requirements that may pose additional burden and do not provide proportionate value to shareholders. In particular:

(a) ***Auditors' review of financial information of disposal targets*** – we propose to remove the requirement for auditors to review the financial information of the target in the case of a disposal as such information has already been accounted for in the listed issuer's audited financials before the disposal. While the auditors' review could help ensure that such information has been properly compiled and derived from the underlying books and records, it entails additional time and costs to prepare the disclosure and may delay the publication of the circular. Despite the proposed removal of the review requirement, listed issuers are encouraged, where appropriate having regard to their individual circumstances, to engage an auditor or reporting accountant to review the information presented to shareholders voluntarily, as a matter of good corporate governance and risk management.

To maintain appropriate investor protection, we will retain the requirement for auditors to review the pro forma financial information of the remaining group which involves adjustments made by the management to illustrate the effect of the disposal on the issuer. As part of the work done by the auditors to review the pro forma financial information, the auditors would have reviewed the financials of the disposal target as part of the procedure under the relevant accounting standard[148] to ensure that the financial information of the disposal target, which formed the basis for the preparation of the pro forma financial information, is factually supportable and not misleading.

(b) ***Scope of financial information required in case of a disposal*** – we propose to streamline the financial disclosure requirements for disposal

[148] See Hong Kong Standard on Assurance Engagements 3420 (Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus), Hong Kong Institute of Certified Public Accountants.

transactions by requiring the historical financial information of the disposal target (and removing the option to disclose the financial information of the issuer group with the disposal target shown separately) and limiting the scope of information to include the profit and loss statement, balance sheet and cash flow statement of the disposal target, instead of requiring a full set of financial statements.

The incremental value of the full financial statements of the disposal target is considered limited given that the disposal target's financial information has already been consolidated into, and audited as part of, the issuer group's historical financial statements prior to the disposal. Rather, the listed issuer is expected to provide adequate and relevant disclosure of the factors that are key to the determination of the consideration for the disposal, and through this disclosure, additional information relating to the target's latest performance, financial position and prospects may be reflected.

The proposed approach would continue to provide shareholders with the key information necessary to assess the financial impact of the disposal, while reducing compliance costs and potential delays. This would also bring our requirements more closely in line with those adopted in other markets.

(c) ***MD&A*** – we propose to remove the requirement for inclusion of MD&A on the issuer group and other acquisitions in the circular as material information has already been disclosed in previously published accounts and/or circulars of the issuer and is not directly relevant to the proposed transaction. In addition, there are other circular disclosure requirements to cover matters that may have occurred since the date of the issuer's latest audited accounts, for example, the financial and trading prospects of the issuer group for at least the current financial year and any material adverse change in its financial or trading position since the latest financial period.

(d) ***Indebtedness statement*** – we propose to remove the requirement to include an indebtedness statement of the issuer group in the circular as it is time-consuming to prepare, given it requires a compilation and verification of all indebtedness, contingent liabilities, guarantees and security arrangements across the entire listed issuer group, and is particularly burdensome for issuers with a substantial number of subsidiaries and bank accounts and facilities. At the same time, the indebtedness statement provides limited value for investment-making decision as shareholders are more directly assisted by the other disclosures set out below that show whether the issuer has sufficient financial resources to complete the transaction and the effect of the transaction on the issuer's financial position. Further, other than the SGX which mandates disclosure of a statement of indebtedness as of a date no earlier than 60 days prior to the circular date in the case of a very substantial acquisition where disclosure standard is to align with prospectus requirement, such disclosure is not mandated in other major stock exchanges.

Notwithstanding the removal of the requirement to include indebtedness statement of the issuer group, shareholders would still be able to assess the indebtedness position of the target and the impact of the transaction on the issuer's financial position through other disclosures including:

(i) the accountants' report of the target, which will include the target's indebtedness as at the end of the reporting period and any significant subsequent events which have occurred to the target[149];

(ii) disclosure of any material adverse change of the issuer's financial or trading position since its latest published audited accounts;

(iii) a statement of working capital sufficiency of the issuer group, taking into account the effect of the transaction;

(iv) information of the source of funding for the proposed acquisition[150]; and

(v) disclosure of the effect of the transaction on the issuers' assets and liabilities[151].

(e) ***Material contracts*** – save for the contracts directly related to the transactions (detailed information about which would have been disclosed in the transaction circular), other material contracts entered by the issuer are not necessary for shareholders to appraise the proposed transactions.

145. Our proposal to allow listed issuers to incorporate general information relating to their directors and chief executive by reference in the transaction circulars would reduce repetition of information that has already been disclosed in other documents published by the issuers and remains accurate and relevant.

146. The above proposals were formulated with an objective to strengthen and enhance transaction-specific disclosure that would provide shareholders with clearer and more specific information relevant to the proposed transaction, thereby facilitating informed investment decision-making. As such, the

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[149] MB Rules 4.06(7) and (9) (GEM Rules 7.05(4) and (6)).

[150] MB Rule 14.58(4) (GEM Rule 19.58(5)).

[151] MB Rule 14.66(5) (GEM Rule 19.66(6)).

proposals should be viewed as an integrated package which, taken together, would strengthen and enhance transaction-specific disclosure whilst streamlining certain other disclosure requirements that are less directly relevant.

Exemption for acquisition of revenue-generating assets

147. The proposed exemption for acquisitions of revenue-generating assets would enhance transparency of the circumstances under which a disclosure relief is available and ensure that adequate alternative disclosure is provided to enable shareholders to assess the transactions. This would provide greater certainty to listed issuers and their advisers and reduce administrative burden associated with waiver applications.

Question 16	If your answer to Question 6 is "yes", do you agree that the disclosure requirements for major transaction circulars should be aligned and enhanced as a whole by broadly extending the requirements applicable to VSAs/VSDs under the existing regime to major transactions with certain refinements (as set out in paragraph 140 of this paper)? Please give reasons for your views and any alternative suggestions. In particular, please provide any comments in relation to the following proposed changes: (i) remove the requirement for auditors or reporting accountants to review financial information of the disposal target (as set out in paragraph 140(b)(i) of this paper); (ii) streamline the financial disclosure requirements for disposal transactions by removing the option to disclose the financial information of the issuer group with the disposal target shown separately and limiting the required historical financial information of the disposal target to the profit and loss statement, balance sheet and cash flow statement (as set out in paragraph 140(b)(ii) of this paper); (iii) remove the requirement for MD&A on the issuer group and other acquisitions (as set out in paragraphs 140(c)(ii) of this paper); (iv) add a new requirement to include in the circular material risk factors relating to the proposed transaction and any new risks to the issuer group as a result of the proposed transaction (as set out in paragraph 140(d) of this paper);

(v) remove the disclosure requirement for indebtedness statement of the issuer group (as set out in paragraph 140(e)(i) of this paper);

(vi) remove the disclosure requirement for material contracts entered into by the issuer within the last two years before the issue of the circular (as set out in paragraph 140(e)(ii) of this paper);

(vii) allow listed issuer to incorporate by reference into the circular general information relating to the directors and chief executive (as set out in paragraph 140(e)(iii) of this paper); and

(viii) codify the requirement for inclusion of independent valuation report in the circular where the transaction consideration is primarily based on such valuation (paragraph 140(f) of this paper).

Question 17 Do you agree to exempt the requirement to disclose a profit and loss statement and a pro forma income statement in the circular for an acquisition of revenue generating assets (as set out in paragraph 142 of this paper) subject to the conditions set out in that paragraph?

Please give reasons for your views and any alternative suggestions.

VI. Exemption for Securities Transactions of a Revenue Nature Conducted by Securities Houses

Current requirements

148. As set out in paragraph 100(b) of this paper, acquisitions or disposals of securities carried out by a securities house that is mainly engaged in regulated activities under the SFO in its ordinary and usual course of business are fully exempt from the notifiable transaction requirements [152]. Such exemption is, however, not available if proprietary securities trading and/or investment activities constitute a significant part of the business of the securities house.

149. As noted above, currently only securities houses that are mainly engaged in regulated activities under the SFO are qualified for such exemption for securities transactions of a revenue nature.

Proposal

150. We propose to modify the revenue exemption to cover securities transactions carried out by a PRC securities house that is regulated under the PRC Securities Law and mainly engaged in businesses which are equivalent to regulated activities under the SFO. In other words, if this proposal is adopted, the revenue exemption would be applicable to acquisitions or disposals of securities carried out by a securities house mainly engaged in regulated activities under the SFO or equivalent activities under the PRC Securities Law. The Exchange will consider the circumstances of each issuer on a case-by-case basis to determine whether an issuer is mainly engaged in regulated activities under the SFO or equivalent activities under the PRC Securities Law, for example, where 50% or more of an issuer's revenue is generated from such regulated activities.

151. This exemption will not be available where proprietary securities trading and/or investment activities constitute a significant part of the business of the securities house. This aligns with the existing approach applicable to securities house licensed under the SFO.

152. For acquisitions or disposals of securities carried out by a securities house regulated by other overseas legislation or authority, the Exchange will consider such transactions on a case-by-case basis subject to the listed issuers demonstrating that the securities house regulated by other overseas legislation or authority is subject to the supervision of prudential regulators that are comparable to the SFC.

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[152] Note 2(b) to MB Rule 14.04(1)(g) (Note 2(b) to GEM Rule 19.04(1)(g)).

Rationale

153. The existing revenue exemption applicable to securities houses that are mainly engaged in regulated activities under the SFO aims to reduce the compliance burden of listed issuers that are subject to additional supervision of prudential regulators.

154. Whilst the existing Listing Rule exempts securities transactions carried out by a securities house that is mainly engaged in regulated activities under the SFO only, the Exchange has previously granted a waiver to exempt securities transactions carried out by a listed issuer principally engaged in securities-related activities approved by the CSRC given that strict compliance with the Listing Rules would cause practical difficulties to the issuer in light of the nature of such securities transactions being of high frequency and time sensitive.

155. Our proposal to extend the revenue exemption to also cover securities transactions carried out by securities houses regulated under the PRC Securities Law in the ordinary and usual course of business is in line with the policy intent of the Listing Rules.

Question 18	Do you agree to extend the revenue exemption to cover securities transactions carried out by a PRC securities house that is regulated under the PRC Securities Law and mainly engaged in businesses which are equivalent to regulated activities under the SFO (as set out in paragraph 150 of this paper)? Please give reasons for your views and any alternative suggestions.
Question 19	If your answer to Question 18 is "yes", do you agree that the exemption will not be available where proprietary securities trading and/or investment activities constitute a significant part of the business of the securities house (as set out in paragraph 151 of this paper)? Please give reasons for your views and any alternative suggestions.

VII. Implementation and Transitional Arrangements

156. Subject to responses to this consultation and that our proposals set out in this paper are being adopted, we propose that the amendments of the Rules would come into effect on the date indicated as effective date in the conclusion paper of this consultation (the **Effective Date**), which is expected to be shortly after publication of the conclusion paper.

157. In relation to proposals relating to notifiable transactions under this Chapter, we propose that the new Rules would apply to notifiable transactions **with terms agreed on or after the Effective Date**. Except that, in terms of announcement disclosure, we recognise that listed issuers may require additional time to prepare for disclosure of the additional information required pursuant to the enhanced disclosure requirements, and to avoid delaying transaction timetables, we propose to provide a **grace period of one month** for notifiable transactions announced during the one-month period beginning on the Effective Date. Where any information required under the amended Rules is not readily available when the initial announcement is to be published, the issuer may disclose the additional information in a supplemental announcement (or, where applicable, in a circular) as soon as practicable and, in any event, no later than **one month after** publication of the initial announcement.

158. Any notifiable transaction **with terms agreed <u>before</u> the Effective Date** would continue to be subject to the Rules before the Effective Date. Except that, for any major transaction, VSA or VSD **with terms agreed within two weeks before the Effective Date** and has yet to issue the relevant circular before the Effective Date[153], recognising that listed issuers may be in the course of preparing for the relevant shareholders' meeting (including preparation of the circular) when the amended Rules take effect, we propose that applicable issuer may, with reference to the percentage ratios originally computed when the transaction terms were agreed, opt to:

   (a) publish an announcement to inform the market, in lieu of the shareholders' approval requirement, that the transaction was subject to shareholders' approval under the Rules before the Effective Date but would have been exempt from shareholders' approval under the amended Rules[154]. Such supplemental announcement should contain details of the change of the

[153] For the avoidance of doubt, in situation where an issuer has agreed on the terms for a major transaction, VSA or VSD <u>before</u> the Effective Date and which has yet to issue the relevant announcement (for example, an announcement subject to the pre-vetting requirement under the existing regime), the issuer would continue to be subject to the Rules <u>before</u> the Effective Date.

[154] Subject to adherence to the terms and conditions under the contractual agreement, relevant constitutional requirements and/or applicable law, and all necessary consents being obtained.

shareholders' approval arrangement together with any additional information required under the amended Rules applicable for all notifiable transactions that was not included in its initial announcement as soon as practicable and, in any event, no later than **one month after** publication of the initial announcement;

(b) where the transaction was subject to shareholders approval under the Rules before the Effective Date and would continue to be subject shareholders' approval under the amended Rules, apply the circular and shareholders' approval requirements based on the transaction classification under the amended Rules; or

(c) rely on the exemption for acquisition or leasing of assets in the issuer's ordinary and usual course of business under **Section III** of this Chapter, where applicable. If the exemption applies, the circular and shareholders' approval requirements would no longer be required, provided that the issuer publishes an announcement detailing how the conditions of the exemption are being met.

159. For the avoidance of doubt, save for the transitional arrangement above, listed issuers should not re-classify notifiable transactions entered or announced before the Effective Date by reference to the amended Rules.

Question 20	Please provide your comments, if any, to the proposed implementation and transitional arrangements (as set out in paragraphs 157 and 158 of this paper)? Please give reasons for your views and any alternative suggestions.

CHAPTER 3: CONNECTED TRANSACTIONS

Background

Framework governing connected transactions

160. The connected transaction regime set out in MB Rules Chapter 14A (GEM Rules Chapter 20) is designed to ensure that the interests of shareholders as a whole are taken into account by a listed issuer when it enters into transactions with connected persons, in particular to safeguard against connected persons taking advantage of their positions to the detriment of minority shareholders of the issuer. This is achieved through, among others, the following requirements:

(a) timely disclosure by announcements – a listed issuer must announce a connected transaction as soon as practicable after its terms have been agreed[155];

(b) oversight by independent non-executive directors (**INEDs**) – the transaction must be reviewed by the issuer's INEDs[156], who are required to confirm that the transaction is conducted on normal commercial terms, is fair and reasonable, and is in the interests of the issuer and its shareholders as a whole[157];

(c) prior shareholders' approval – the transaction must be conditional on independent shareholders' approval[158]. The issuer must distribute a circular to its shareholders containing details of the transaction and the opinion of the independent board committee and the independent financial adviser on the terms of the transaction[159];

(d) annual reporting – the issuer is required to disclose its connected transactions in annual reports[160]; and

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[155] MB Rule 14A.35 (GEM Rule 20.33).

[156] Pursuant to C.5.6 under Part 2 of the Corporate Governance Code in Appendix C1, there should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense.

[157] MB Rules 14A.40 and 14A.68(3) (GEM Rules 20.38 and 20.66(3)).

[158] MB Rule 14A.36 (GEM Rule 20.34).

[159] MB Rule 14A.46 (GEM Rule 20.44).

[160] MB Rule 14A.71 (GEM Rule 20.69).

(e) annual cap and annual review – the issuer is also required to set annual caps for its continuing connected transactions[161], which are subject to annual review by independent non-executive directors and auditors[162].

161. These safeguards are intended to mitigate conflicts of interest, promote transparency and ensure that independent shareholders are adequately informed and protected, particularly in circumstances where connected transactions are recurring or form an integral part of an issuer's group operations.

162. The connected transaction regime also provides for exemptions, recognising that not all transactions with connected persons present the same level of conflict-of-interest risk. These exemptions are generally available to connected transactions of a de minimis nature or in specific circumstances where the risk of abuse by connected person is low.

Reforms of the connected transaction regime

163. The connected transaction regime was originally introduced in the 1980s and has since evolved through a series of targeted reforms to address market developments and corporate governance risks, particularly considering ownership structures prevalent among issuers listed on the Exchange.

164. A major overhaul of the connected transaction requirements was undertaken in 2004 as part of a broader review of the Listing Rules which aimed at strengthening corporate governance and minority shareholder protection.[163] Such reforms significantly tightened the regulatory framework by expanding the scope of connected persons, enhancing disclosure requirements and reinforcing the requirements for independent board oversight and independent shareholders' approval.

165. Subsequent reforms have focused on refining and recalibrating the regime to ensure that it remains proportionate and does not unduly impede legitimate business activities where the risk of abuse is low. In 2010[164] and 2014[165], the Exchange introduced a number of relaxations and exemptions to address practical compliance concerns raised by market participants and removed

[161] MB Rule 14A.53 (GEM Rule 20.51).

[162] MB Rules 14A.55 and 14A.56 (GEM Rules 20.53 and 20.54).

[163] HKEX, Press Release in relation to amendments to the Listing Rules relating to corporate governance issues and a summary of the major areas considered, 30 January 2004.

[164] HKEX, Consultation Conclusions on Proposed Changes to the Connected Transaction Rules, May 2010.

[165] HKEX, Consultation Conclusions on Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules and the Consultation Conclusion on Review of Connected Transaction Rules, March 2014.

requirements that were overly burdensome. These changes included, among others:

(a) refinements of the definition of connected person and associate to exclude persons who are unlikely to control or exert significant influence over the issuer;

(b) the introduction of new exemptions for transactions involving persons connected only at the subsidiary level, and the exclusion of persons connected with "insignificant subsidiaries" from the definition of connected person;

(c) increase of the de minimis thresholds for exemptions from the connected transaction requirements;

(d) refinements of the scope of connected transaction to exclude situations where the risk of abuse by connected persons is limited; and

(e) refinements to the requirements applicable to continuing connected transactions governed by framework agreements, together with published guidance to clarify disclosure expectations, including pricing terms and pricing mechanisms, to facilitate consistent and effective compliance by issuers[166].

166. Throughout these reforms, the Exchange has maintained the core safeguards to ensure sufficient disclosure and independent oversight over connected transactions of listed issuers, recognising the continuing importance of these protections in the Hong Kong market. These reforms reflect the Exchange's approach of preserving a robust framework to address conflicts of interest, while introducing targeted refinements to reduce unnecessary regulatory burden and support market development.

Comparison to other markets

167. In the UK and the US, the approach for regulating related party transactions reflects a market environment characterised by more dispersed share ownership and a greater reliance on directors' fiduciary duties, market discipline and post-event legal remedies to address conflicts of interest.

(a) In the UK, the UK FCA has relaxed the regulation of related party transactions as part of its 2024 listing reforms, including the removal of the shareholders' approval requirements for transactions meeting the 5%-threshold under any class test. Under the reformed UK regime, a listed

[166] HKEX, Guidance on pricing policies for continuing connected transactions and their disclosure, March 2014 (updated in July 2014).

company is required to publish an announcement containing details of such transaction together with a statement by the board that the transaction is fair and reasonable as far as the shareholders in general are concerned, supported by a confirmation from the sponsor to the same effect. While divergent views were expressed during the consultation, the UK FCA observed that, in practice, related party transactions requiring shareholders' approval under the previous regime were relatively rare, and took the view that enhanced disclosure, board accountability, sponsor confirmation and market discipline, supported by the UK legal and enforcement environment, would provide adequate safeguards for investors.

(b) In the US, there is no prescriptive connected or related-party transaction approval regime comparable to Hong Kong's framework. Instead, the regulatory approach is primarily disclosure-based. US listed companies are required to disclose material related party transactions in their periodic filings, including the nature of the relationship, the terms of the transaction and the amounts involved. There is no general requirement for independent shareholders' approval of related-party transactions based on transaction size. The US framework relies heavily on board-level oversight, including audit committee review, together with robust enforcement mechanisms and potential private litigation (such as securities class actions) to deter abusive conduct and protect investors.

(c) In other major Asian markets, whilst their regimes on connected transactions generally focus on transactions with related or interested persons that may give rise to conflicts of interest, the materiality threshold where shareholders' approval is required varies where:

(i) the ASX requires shareholders' approval for acquisitions or disposals of "substantial assets" involving a related party or other person in a position of influence, with a "substantial asset" generally being one with a value of 5% or more of the entity's equity interests;

(ii) the SGX requires shareholders' approval for transactions with connected persons where the value of the transaction represents 5% or more of the group's net assets; and

(iii) the SSE requires shareholders' approval where the value of the transaction between a listed company and its related party exceeds RMB 30 million and accounts for 5% or more of the group's net assets.

Objectives

168. To date, the Exchange's connected transaction regime remains a critical component of its post-listing regulatory framework, given the structural characteristics of issuers listed on the Exchange. As a significant proportion of listed issuers have concentrated ownership structures, with controlling or substantial shareholders able to exercise substantial influence over the issuer's strategic decisions and corporate activities, transactions between an issuer and its connected persons may give rise to heightened risks that such transactions are undertaken on terms that are not fair or reasonable to independent shareholders.

169. In some other markets, greater reliance may be placed on disclosure-based regulation or post-event enforcement given the more dispersed share ownership structures. In Hong Kong, a robust connected transaction framework remains appropriate and necessary as public enforcement and private litigation mechanisms differ from those in some other jurisdictions, and ex ante regulatory safeguards remain a primary means of investor protection.

170. We consider that the existing regulatory framework governing connected transactions remains appropriate for the Hong Kong market, and it is not our intention to undertake a fundamental revamp of the regime. In this Consultation Paper, the proposed reforms therefore focus on specific areas where further and targeted refinements may be appropriate, with a view to ensuring that the Listing Rules provide an appropriate level of flexibility to issuers in conducting transactions where the risk of abuse is low, while maintaining core investor protection safeguards.

I. Scope of Connected Persons

Current requirements

Director, chief executive, supervisor or substantial shareholder

171. The connected transaction Rules are intended to prevent connected persons from taking advantage of their position when the listed issuer enters into connected transactions. Currently, a "**connected person**" [167] includes, among others:

(a) a director, chief executive or substantial shareholder of the listed issuer or any of its subsidiaries;

(b) a person who was a director of the listed issuer or any of its subsidiaries in the last 12 months;

(c) a supervisor of a PRC issuer or any of its subsidiaries; or

(d) an associate of any of the above persons (see paragraph 172 below).

172. Under the Rules, an "**associate**" includes:

(a) where the connected person is an individual:

(i) his spouse or any of his (or his spouse's) children or step-children under the age of 18 years (each an **immediate family member**)[168];

(ii) the trustees, acting in their capacity as trustees of any trust of which the individual or his immediate family member is a beneficiary or, in the case of a discretionary trust, is a discretionary object [169] (the **trustees**)[170];

(iii) a person cohabiting with him as a spouse, or any of his children, step-children, parents, step-parents, siblings or step-siblings (each a **family member**)[171]; or

[167] MB Rule 14A.07 (GEM Rule 20.07).

[168] MB Rule 14A.12(1)(a) (GEM Rule 20.10(1)(a)).

[169] Except where it is a trust which is an employees' share scheme or occupational pension scheme established for a wide scope of participants and the connected persons' aggregate interests in the scheme are less than 30%.

[170] MB Rule 14A.12(1)(b) (GEM Rule 20.10(1)(b)).

[171] MB Rule 14A.12(2)(a) (GEM Rule 20.10(2)(a)).

(iv) a company controlled by the individual, his immediate family members, the trustees and/or his family members[172]; and

(b) where the connected person is a company:

(i) its subsidiary or holding company, or a fellow subsidiary of the holding company[173];

(ii) the trustees, acting in their capacity as trustees of any trust of which the company is a beneficiary or, in the case of a discretionary trust, is a discretionary object[174]; or

(iii) a 30%-controlled company held, directly or indirectly, by the company, the companies referred to in (i) above and/or the trustees (individually or together), or any of its subsidiaries[175].

173. The Rules also exclude specific categories of persons from the definition of connected person where the risk of abuse is considered low (for example, persons connected solely by virtue of their relationship with insignificant subsidiaries[176] of a listed issuer).

Connected subsidiary

174. For the purpose of the connected transaction Rules, the definition of connected person is extended to include:

(a) a non-wholly owned subsidiary of the listed issuer where any connected person(s) at the issuer level, individually or together, can exercise or control the exercise of 10% or more of the voting power[177] at such subsidiary's general meeting[178]; and

(b) any subsidiary of the non-wholly owned subsidiary described in (a) above (each a **connected subsidiary**).

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[172] This means (i) a 30%-controlled company held, directly or indirectly, by the individual, his immediate family members and/or the trustees (individually or together), or any of its subsidiaries (see MB Rule 14A.12(1)(c) (GEM Rule 20.10(1)(c)); or (ii) a majority-controlled company held, directly or indirectly, by the family members (individually or together), or held by the family members together with the individual, his immediate family members and/or the trustees, or any of its subsidiaries (see MB Rule 14A.12(2)(b) (GEM Rule 20.10(2)(b)).

[173] MB Rule 14A.13(1) (GEM Rule 20.11(1)).

[174] MB Rule 14A.13(2) (GEM Rule 20.11(2)).

[175] MB Rule 14A.13(3) (GEM Rule 20.11(3)).

[176] MB Rule 14A.09 (GEM Rule 20.08).

[177] For determining whether a subsidiary is a connected subsidiary, the 10% excludes any indirect interest in the subsidiary which is held by the connected person(s) through the listed issuer.

[178] MB Rule 14A.16 (GEM Rule 20.14)

Transactions between the listed issuer and its connected subsidiary are subject to applicable requirements under MB Chapter 14A (GEM Chapter 20).

175. As a connected person at the issuer level can exercise significant influence over the issuer and its subsidiaries, the Rules aim to prevent such person from taking advantage of its position to procure transactions between the issuer and a connected subsidiary that confer benefits on itself through its direct interest in that subsidiary.

Others

176. In addition:

(a) definition of connected person is further extended in respect of specific types of listed issuers[179]; and

(b) the Exchange has the power to deem any person to be connected for the purpose of the connected transaction Rules.[180]

Comparison to other markets

177. Similar to our Rules, related parties in the other markets (including the UK, the US, the PRC, Singapore and Australia) include directors, senior executives and major shareholders of listed companies as well as persons associated with them. The scope of related parties in the UK also covers connected persons at the subsidiary level while other markets do not.

178. In addition to the specific categories of persons captured under their respective rules, the UK, Singapore and Australia may also deem other persons falling outside the bright-line tests to be connected persons. In doing so, they assess whether the person has significant influence over the listed entity, having regard primarily to the nature of the person's interests and relationship with the listed entity and the person's involvement in the composition of the listed entity's board or the conduct of its affairs.

Proposal

179. We propose to modify the definition of "connected subsidiary" by increasing the threshold for a connected person's shareholding in a subsidiary from 10% to **30% or more** of the voting power. Accordingly, a non-wholly owned subsidiary of the

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[179] Including (a) a beneficiary of weighted voting rights in the case of a WVR issuer listed under MB Chapter 8A and any vehicle through which such beneficiary holds shares carrying weighted voting rights; (b) a promoter in the case of a SPAC listed under MB Chapter 18B and an associate of the promoter; and (c) an investment manager, investment adviser or custodian of an investment company listed under MB Chapter 21.

[180] MB Rule 14A.19 (GEM Rule 20.17).

listed issuer where any connected person(s) at the issuer level, individually or together, can exercise or control the exercise of 30% or more of the voting power at such subsidiary's general meeting will be considered as a connected subsidiary subject to the connected transaction requirements.

180. Consistent with the existing framework, any subsidiary of a connected subsidiary will continue to be considered as a connected person under MB Chapter 14A (GEM Chapter 20).

Rationale

181. The existing requirement which captures a non-wholly owned subsidiary where a connected person has a material interest (i.e. can exercise or control the exercise of 10% or more of the voting power in such subsidiary) as connected person acknowledges that, where a person connected at the issuer level has a direct interest in a subsidiary of the issuer, such connected person may take advantage of his position and obtain disproportionate benefit from transactions between the issuer and that subsidiary, creating a risk of conflict of interest detriment to the listed issuer and its minority shareholders. Yet, by contrast to a transaction with an external connected person, a transaction between a listed issuer and a connected subsidiary does not give rise to the same level of conflict-of-interest risk, given that the issuer retains control over the subsidiary and continues to consolidate its results into the group.

182. Given the policy objective behind the requirement to capture connected subsidiaries as connected persons, the threshold to identify a connected subsidiary should be set at a level that appropriately reflects the level of potential risks of transfer of interests to the connected person holding direct interests in the subsidiary. Where the connected person's interest in the subsidiary is relatively limited, the risk of abuse is proportionately less acute justifying that there is room to increase the threshold to better capture those circumstances with real and substantive risk of abuse. At the same time, a materially higher threshold may, however, exclude cases where a connected person's interest is substantial enough to create a real risk that it may obtain disproportionate benefit from transactions between the issuer and that subsidiary.

183. Accordingly, the proposed threshold of 30% is considered as an appropriate point and is also in line with the threshold currently adopted for defining an "associate" of a connected person[181] and for determining whether a person is a "controlling shareholder"[182], indicative that the 30%-threshold is an appropriate threshold to identify a level of interest that is sufficiently significant to give rise to a real possibility of influence or control.

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[181] MB Rule 14A.12(1)(c) (GEM Rule 20.10(1)(c) and MB Rule 14A.13(3) (GEM Rule 20.11(3)).

[182] MB Rule 1.01 (GEM Rule 1.01).

184. Against this background, the proposal to increase the threshold for a connected person's shareholding in a subsidiary to 30% or more of the voting power aims to proportionately focus regulatory oversight on circumstances where the connected person's interest is sufficiently significant to give rise to a meaningful risk of influence and conflicts of interest, while to reduce compliance costs and execution burden for listed issuers without compromising investor protection.

Impact of our proposal

185. Of the connected transactions announced during the years 2024 and 2025, around 40 and 30 transactions (approximately 5% and 4% of the connected transactions) involved connected subsidiary where the listed issuer's connected person(s) held less than 30% interests in such subsidiary. Under our proposal, these transactions would no longer be subject to the connected transaction requirements under MB Rules Chapter 14A (GEM Rules Chapter 20).

Question 21	Do you agree to modify the definition of "connected subsidiary" by increasing the threshold of a connected person's shareholding in the subsidiary from 10% to 30% or more of the voting power (as set out in paragraph 179 of this paper)? Please give reasons for your views and any alternative suggestions.

II. Percentage Ratios and Announcement Requirements relating to Connected Transactions

Current requirements

186. Under MB Rules Chapter 14A (GEM Rules Chapter 20), listed issuers must announce their connected transactions as soon as practicable after their terms have been agreed[183] and obtain prior independent shareholders' approval for the transactions[184].

187. The Listing Rules provide de minimis exemptions for connected transactions that fall below specific materiality thresholds[185]. The methods of calculating percentage ratios set out in MB Rules Chapter 14 (GEM Rules Chapter 19) for notifiable transactions generally also apply to connected transactions entered into by listed issuers[186], except that the profits ratio is not applicable.

188. **Table 7** below summarises the current de minimis transaction classifications and the applicable exemptions from the notification and approval requirements.

Table 7: Current de minimis transaction classifications and applicable exemptions from the notification and approval requirements

Percentage ratios	Fully exempt from announcement, circular and shareholders' approval requirements	Exempt from circular and shareholders' approval requirements
All of the following percentage ratios: • **Assets ratio** • **Revenue ratio** • **Consideration ratio** • **Equity capital ratio**	• < 0.1%; or • < 1% (for a transaction that is a connected transaction only because it involves connected person(s) at the subsidiary level); or • < 5% and the total consideration (or in the case of any financial assistance, the total value of the financial assistance plus any	• < 5%; or • < 25% and the total consideration (or in the case of any financial assistance, the total value of the financial assistance plus any monetary advantage to the connected person or commonly held entity) is < HK$10 million

[183] MB Rule 14A.35 (GEM Rule 20.33).

[184] MB Rule 14A.36 (GEM Rule 20.34).

[185] MB Rule 14A.76 (GEM Rule 20.74).

[186] MB Rule 14A.77 (GEM Rule 20.75).

Percentage ratios	Fully exempt from announcement, circular and shareholders' approval requirements	Exempt from circular and shareholders' approval requirements
	monetary advantage to the connected person or commonly held entity) is < HK$3 million	

189. Similar to the requirement for notifiable transactions under MB Rules Chapter 14 (GEM Rules Chapter 19), where any calculation of the percentage ratio produces an anomalous result or is inappropriate to the sphere of activity of a listed issuer, the issuer may, with the prior consent of the Exchange, disregard the calculation and/or provide alternative test(s) which it considers appropriate to the Exchange for consideration[187].

Proposals

190. As stated in **Chapter 2** of this paper, we propose to:

(a) modify the consideration ratio for notifiable transactions to allow listed issuers to compare the consideration for the transaction with the higher of their market capitalisation <u>or</u> net asset value (see paragraph 53);

(b) enhance the disclosure requirements for notifiable transaction announcements by requiring (i) additional information to be included in the initial announcement, and (ii) further announcements to be made on previously announced transactions in specified situations (see paragraphs 123 to 127); and

(c) streamline the circular disclosure requirements for notifiable transactions by allowing listed issuers to incorporate general information relating to the directors and chief executive by reference into the circular (see paragraph 140(e)(iii)).

191. We propose that the proposals set out above should also apply to connected transactions under MB Rules Chapter 14A (GEM Rules Chapter 20).

Rationale

192. Having regard to the rationale for the proposed modification of the consideration ratio and enhanced disclosure requirements applicable to notifiable transactions

[187] MB Rule 14A.80 (GEM Rule 20.78).

as set out in **Chapter 2** of this paper, we consider it appropriate and proportionate to extend the proposals to connected transactions under MB Rules Chapter 14A (GEM Rules Chapter 20), so as to ensure consistency with the requirements for notifiable transactions under MB Rules Chapter 14 (GEM Rules Chapter 19). In particular,

(a) the proposed modification to the consideration ratio would allow listed issuers to assess the size of connected transactions in a manner that more accurately reflects their financial position;

(b) the enhanced announcement disclosure requirements are consistent with the objective of providing greater transparency on material aspects of transactions, which is particularly important in the context of connected transactions that typically involve a higher degree of inherent risk; and

(c) the streamlined circular disclosure requirements enhance clarity and focus while avoiding repetition of information already disclosed.

Question 22 If your answer to Question 2 is "yes", do you agree that the proposed modification to the consideration ratio should also be applicable to connected transaction under MB Rules Chapter 14A (GEM Rules Chapter 20) (as set out in paragraph 190(a) of this paper)?

Please give reasons for your views and any alternative suggestions.

Question 23 If your answer to Question 11 is "yes", do you agree that the enhanced announcement disclosure requirements as set out in paragraphs 123 to 127 of this paper should also be applicable to connected transaction under MB Rules Chapter 14A (GEM Rules Chapter 20) (as set out in paragraph 190(b) of this paper)?

Please give reasons for your views and any alternative suggestions.

Question 24 If your answer to Question 16 is "yes", do you agree that the streamlined circular disclosure requirements as set out in paragraph 140(e)(iii) of this paper should also be applicable to connected transaction under MB Rules Chapter 14A (GEM Rules Chapter 20) (as set out in paragraph 190(c) of this paper)?

Please give reasons for your views and any alternative suggestions.

III. Connected Transaction Requirements applicable to PRC Issuers Only

Current Requirements

193. Under the Listing Rules, in defining the scope of connected persons specifically applicable to a PRC issuer[188], an associate of a connected person includes any joint venture partner of a cooperative or contractual joint venture, in which the connected person holds 30% or more in the capital or assets contributions, or the contractual share of its profits or other income[189].

194. For this purpose, the interests held by (i) a connected person, (ii) his immediate family members (or where the connected person is a company, its subsidiary or holding company or a fellow subsidiary of the holding company) and (iii) the trustees will be included in determining whether they together hold 30% or more in the capital or assets contributions, or the contractual share of the profits or other income in the cooperative or contractual joint venture.

Proposal

195. We propose to remove the above requirement which is applicable to PRC issuers only.

Rationale

196. We propose to remove the requirement as a joint venture partner is generally not in a position to control or exert significant influence over a listed issuer or stand to benefit from transactions with a listed issuer merely by virtue of its joint venture arrangements with a connected person of the issuer. Applying the connected transaction requirements to such parties by default may therefore be disproportionate and unduly burdensome. The proposal would better align the definition of connected person with the underlying principle of capturing parties that are able to influence the issuer or stand to benefit from transactions with the issuer, while promoting consistency between PRC issuers and other listed issuers without undermining investor protection.

Question 25	Do you agree that the Listing Rule requirement in defining the scope of connected persons which is applicable to PRC issuers only should be removed (as set out in paragraph 195 of this paper)? Please give reasons for your views and any alternative suggestions.

[188] A PRC issuer means an issuer which is duly incorporated in the PRC as a joint stock limited company.

[189] MB Rule 14A.15 (GEM Rule 20.13).

IV. Annual Caps for Continuing Connected Transactions

Current Requirements

197. A listed issuer must set an annual cap for each of its continuing connected transactions, and the cap must be expressed in monetary terms with reference to previous transactions and figures in the published information of the listed issuer's group[190]. The issuer must disclose how it determines the cap, including the assumptions and the amounts of previous transactions which form the basis of the cap.

198. For continuing connected transactions involving purchases or sales of commodity products in the ordinary and usual course of business, the Exchange may waive the monetary cap requirement, provided that the listed issuer can disclose alternative caps based on the estimated volume of the commodity products to be purchased, and a sensitivity analysis to illustrate how changes to the commodity prices will affect the value of the continuing connected transactions. Under this circumstance, the issuer would not be required to estimate the future commodity prices.[191]

199. Further, the Exchange has granted specific waivers for individual issuers to allow the use of alternative approaches, instead of monetary value, to set annual caps for continuing connected transactions, such as by reference to the issuers' revenue or other financial items disclosed in their audited accounts where a fixed monetary cap would set an inappropriate ceiling in the particular circumstances of the case. Examples include:

    (a) for an issuer engaged in an online healthcare platform to set the annual caps in relation to the provision of technology and traffic support services by its parent company by way of a formula based on commission at a fixed rate; and

    (b) for an issuer engaged in brewing and distribution of beer to set the annual caps in relation to the sale of its beer products to its controlling shareholder with reference to a percentage of its revenue.

Proposal

200. We propose to modify the existing requirement to allow annual caps for continuing connected transactions be expressed as a percentage of a listed issuer's revenue and other financial items in its audited accounts, provided that the transactions are of a revenue nature in the issuer's ordinary and usual course of business. The issuer would be required to disclose the basis for determining the annual cap by reference to the financial item and the internal control

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[190] MB Rule 14A.53 (GEM Rule 20.51).

[191] HKEX, Frequently Asked Questions FAQ12.3 – No. 7.

procedures to monitor the transaction value as a percentage of the prevailing financial item from time to time.

Rationale

201. The proposal would provide listed issuers with an alternative means of setting annual caps for their continuing connected transactions that are of a revenue nature, thereby increasing the issuers' flexibility in managing their business operations. Issuers would continue to be required to explain the basis for determining the annual caps, allowing the shareholders to gauge the scale of the transactions in the context of the issuers' activities in the ordinary and usual course of business.

202. The proposed alternative method to set annual caps as a percentage of a listed issuer's revenue and other financial items in its audited accounts is intended to cater for those issuers that may not be able to set a meaningful fixed monetary cap, either because doing so would create an arbitrary ceiling that does not properly reflect the scale or fluctuations of the underlying transactions, or because there is insufficient historical transaction data on which to base a reliable monetary cap. Where an issuer adopts a percentage-based cap, it is expected to put in place appropriate internal controls and monitoring mechanisms to assess compliance on an ongoing basis and to ensure that the transactions remain within the approved cap on an ongoing basis.

Question 26	Do you agree to modify the requirement such that the annual caps for continuing connected transactions of a revenue nature can be expressed as a percentage of the issuer's revenue or other financial items in its audited accounts (as set out in paragraph 200 of this paper)? Please give reasons for your views and any alternative suggestions.
Question 27	If your answer to Question 26 is "yes", do you agree that, for annual caps expressed as a percentage of the issuer's revenue and other financial items in its audited accounts, issuers should include the additional disclosure and explanation as set out in paragraph 200 of this paper? Please give reasons for your views and any alternative suggestions.

V. Implementation and Transitional Arrangements

203. Subject to the responses to this consultation and the adoption of the proposals in this Chapter, we propose that the new Rules would apply to connected transactions **with terms agreed <u>on or after</u>** the Effective Date (as defined in paragraph 156).

204. The transitional arrangements under paragraph 157 would also apply to connected transactions **with terms agreed <u>on or after</u> the Effective Date**. Where any information required under the amended Rules is not readily available when the initial announcement is to be published, the issuer may disclose such information by way of a supplemental announcement (or, where applicable, in a circular) as soon as practicable and, in any event, no later than **one month** after publication of the initial announcement.

Question 28	Please provide your comments, if any, to the proposed implementation and transitional arrangements (as set out in paragraphs 203 and 204 of this paper)? Please give reasons for your views and any alternative suggestions.

CHAPTER 4: SPIN-OFFS

Background

Framework governing Spin-offs

205. A listed issuer (the **ParentCo**) may effect a separate listing, on the Exchange or elsewhere, of assets or business wholly or partly within its existing issuer group (the **Spin-off**). This may involve a disposal of the ParentCo's interest in the entity to be spun-off (the **SpinCo**) through an offer of existing or new shares of the SpinCo, or a distribution of the SpinCo's shares in specie by the ParentCo to its shareholders.

Principles and requirements under PN15

206. The Exchange's spin-off framework under PN15 sets out the principles and requirements that ParentCos are required to comply with when conducting Spin-offs. In particular, the fundamental principle of "one business cannot support two listings" addresses the concern about "shell" creation. This is achieved by requiring:

    (a) the ParentCo (excluding the entity to be spun off[192]) (i.e. the **Remaining Group**) to retain sufficient assets and operations to support its own listing status that satisfy independently the new listing requirements under MB Rules Chapter 8 (GEM Rules Chapter 11)[193];

    (b) a clear delineation between the business of the Remaining Group and that of the SpinCo[194]; and that the SpinCo should be able to function independently of the ParentCo, including management, business, operational and financial independence[195]; and

    (c) the SpinCo to satisfy the basic listing criteria under MB Rules Chapter 8 (GEM Rules Chapter 11)[196] where it is to be listed on the Exchange.

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[192] In practice, ParentCos are also required to exclude results of previously spun-off entities (in line with HKEX-LD10-2) and any other subsidiaries listed on the Exchange, for assessing whether their remaining businesses independently satisfy the requirements under MB Rules Chapter 8 (GEM Rules Chapter 11) to prevent shell creation.

[193] Paragraph 3(c) of PN15.

[194] Paragraph 3(d)(i) of PN15.

[195] Paragraph 3(d)(ii) of PN15.

[196] Paragraph 3(a) of PN15. Where the SpinCo is to be listed elsewhere, it would be subject to the applicable new listing requirements in that jurisdiction.

207. In addition, a ParentCo conducting a Spin-off transaction is required to observe other requirements under PN15, including:

(a) the requirement to announce its Spin-off listing application by the time the SpinCo lodges the listing application (Form A1 [197] for listing on the Exchange or its equivalent if listing is sought elsewhere) [198] to ensure market transparency;

(b) the restriction from conducting any Spin-off within three years of the date of initial listing of the ParentCo given that its initial listing has been considered by investors with the expectation of the original portfolio of businesses at the time of listing[199]; and

(c) the requirement for the ParentCo to have due regard to the interest of existing shareholders by providing them with an assured entitlement to the SpinCo's shares, either by way of a distribution in specie or preferential offering[200].

208. PN15 applies to all ParentCos irrespective of size or profile. It also applies equally whether the SpinCo is to be listed on the Exchange or elsewhere.

209. In terms of process, ParentCos are required to submit their Spin-off proposals to the Exchange for approval, together with a detailed submission demonstrating compliance with all the applicable PN15 requirements[201]. In practice, SpinCos typically submit their new listing applications to the relevant stock exchanges after the ParentCos have obtained the Exchange's approval for the Spin-off proposals.

Other requirements under the Listing Rules

210. There are other requirements under the Listing Rules designed to protect shareholders' interests that are applicable in the context of a Spin-off:

(a) where the Spin-off involves an issue or sale of shares of the SpinCo, the transaction would also constitute a disposal of assets by the ParentCo and

[197] Form A in the context for a new applicant for a listing on GEM.

[198] Paragraph 3(g) of PN15.

[199] Paragraph 3(b) of PN15.

[200] Paragraph 3(f) of PN15.

[201] In respect of Spin-off for listing on the Exchange, the Spin-off proposal must also demonstrate that the SpinCo can satisfy the new listing requirements under MB Rules Chapter 8 (GEM Rules Chapter 11). For the avoidance of doubt, the Exchange's approval for the Spin-off proposal does not constitute, in whole or in part, approval of the SpinCo's new listing application. The SpinCo's new listing application will be subject to separate review by the Exchange and the approval by the Listing Committee, which may or may not be granted.

would be subject to the applicable notifiable transaction rules set out in MB Rules Chapter 14 (GEM Rules Chapter 19). Investors would be informed through timely disclosure of the disposal of assets through the Spin-off[202], and where the disposal may have a significant impact on the ParentCo's financial position, business operations or risk profile[203], shareholders' approval would be required; and

(b) where the Spin-off involves distribution in specie by the ParentCo, the ParentCo must ensure a fair and equal treatment of all shareholders under MB Rule 2.03(4) (GEM Rule 2.06(4)), and where applicable, seek shareholders' approval as required under its constitutional documents and applicable laws under its place of incorporation. In addition, where a Spin-off for listing on another stock exchange involves distribution of a substantial size equivalent to a very substantial disposal, the ParentCo must seek independent shareholders' approval under MB Rule 14.94 (GEM Rule 19.93).

Observations of Spin-offs

211. When PN15 was adopted, most issuers were sole-primary listed on the Exchange with the Exchange being a common listing venue for SpinCos.

212. Over the years, our market composition has become more diversified. Among the Spin-offs reviewed[204], we have noted that:

(a) Spin-offs for listing on other stock exchanges (primarily the PRC stock exchanges) have become more prevalent[205];

(b) a substantial portion of the Spin-offs were relatively immaterial when compared with the size of the ParentCos[206]; and

[202] Under MB Rule 14.34 (GEM Rule 19.34), a disposal that constitutes a notifiable transaction must be announced.

[203] Under MB Rule 14.40 or 14.49 (GEM Rule 19.40 or 19.49), a disposal that constitutes a major transaction or a very substantial disposal must be made conditional on shareholders' approval. See also paragraph 3(e) of PN15 for shareholders' approval requirement.

[204] Based on the 123 Spin-offs approved by the Exchange during the five-year period from 1 January 2021 to 31 December 2025, all of which were conducted by Main Board issuers (the **Historical Spin-off Cases**).

[205] Over 60% of the Historical Spin-off Cases involved separate listing of businesses or assets on other stock exchanges, among which, over 80% of such cases involved separate listing on the PRC stock exchanges.

[206] Almost 50% of the Historical Spin-off Cases involved Spin-offs by ParentCos with market capitalisation over HK$10 billion spinning off less than 10% of their assets.

(c) a notable number of Spin-offs were conducted by ParentCos that are dual-primary listed or secondary listed[207].

Comparison to other markets

213. There is no dedicated regime governing spin-offs of assets or businesses by listed companies in the US and the UK:

(a) in the US, the regime focuses more on whether adequate information about the spin-off is being provided to shareholders and the market, and under what circumstances a spin-off is required to be registered under the relevant securities laws in the US[208]; and

(b) in the UK, where listed companies conduct spin-offs, such disposals are generally regulated through the disclosure and shareholder protection framework governing transactions conducted by the companies.

214. Australia has adopted a different approach compared with the framework governing Spin-offs by Hong Kong listed issuers. The rules primarily govern spin-offs of major assets[209], with a focus on ensuring shareholders are treated fairly in such transactions. Otherwise, the listed company must seek shareholders' approval for the proposed spin-off.

215. For Singapore, Malaysia and the Chinese Mainland, the rules governing spin-offs are similar to the PN15 framework and require the listed company to have sufficient businesses (excluding the interest in the spun-off entity) to support its independent listing status after the spin-off.

216. For further details, please refer to **Appendix VI** of this paper.

Market feedback in favour of reform

217. With our market composition becoming more diversified with a mix across different industry sectors, the Exchange has received market feedback on the need to modernise our regulatory approach towards Spin-offs. Some of the suggestions raised include:

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[207] Over 30% of the Historical Spin-off Cases involved Spin-offs by ParentCos that are dual-primary listed or secondary listed.

[208] In the US, a spin-off would not require registration if: (i) the shareholders of the parent do not provide consideration for the spun-off shares; and (ii) the spin-off is pro-rata to the shareholders of the parent. See Staff Legal Bulletin No.4.

[209] "Major Asset" means assets that, the disposal of which, will result in a decrease of 25% or more of the relevant measures under ASX Listing Rule 11.4.

(a) the scope to which PN15 is applicable could be refined. For instance, where the Spin-off is effected by a listed issuer that is a subsidiary of another listed issuer (the **listed holding company**), relaxation may be justified for the listed holding company given the listed subsidiary would have already been subject to PN15;

(b) the process for assessing compliance with PN15 could be streamlined to enhance execution certainty, facilitate transaction planning, and enable issuers to respond swiftly to the right market conditions. In particular, immaterial Spin-offs by large ParentCos typically have a lesser concern of shell creation, and hence there may be room to expedite the assessment and approval process;

(c) the requirement on assured entitlements could be reviewed given the long-dated history when the requirement was first introduced and the impracticability associated with regulatory constraints given the increasing number of Spin-offs conducted for listing elsewhere other than the Exchange, which consequentially results in the need for waivers being sought from time to time; and

(d) the existing requirement which restricts ParentCos (including those secondary listed or dual-primary listed with prior listing track record elsewhere before listing in Hong Kong) from conducting Spin-offs within the first three years after initial listing could be shortened to offer greater flexibility and better support their business structuring and strategic planning needs.

Objective of Our Proposed Reform

218. Whilst upholding the core principle under PN15 that a Spin-off should not result in one business supporting two listings (and hence no shell creation concern), the Exchange recognises the increasingly dynamic and operational needs for listed issuers to undergo strategic restructuring as necessary from time to time.

219. Against this backdrop, these proposed reforms aim to streamline the process to ascertain compliance of Spin-off proposals under PN15 and relax certain requirements which may be considered as overly restrictive. With this in mind, we propose to introduce a self-assessment route which places greater reliance on ParentCos to assess and demonstrate compliance if they meet the eligibility conditions on size. This proposal would not only provide eligible ParentCos with greater certainty in the time of planning and executing their Spin-offs, but also enable the Exchange to focus its resources on other Spin-off cases, thereby enhancing the overall efficiency and effectiveness of the regulatory process while maintaining an appropriate level of oversight.

220. The proposed reforms comprise procedural refinements as well as relaxation in certain aspects, but do not alter the substance of PN15, in particular the fundamental principle that “one business cannot support two listings”. The new regime would therefore preserve the core safeguards underpinning PN15, which has long provided a robust framework for shareholder protection in spin-off transactions. Accordingly, these reforms are not expected to adversely affect shareholder protection or give rise to broader governance concerns.

I. Scope of Applicability of PN15

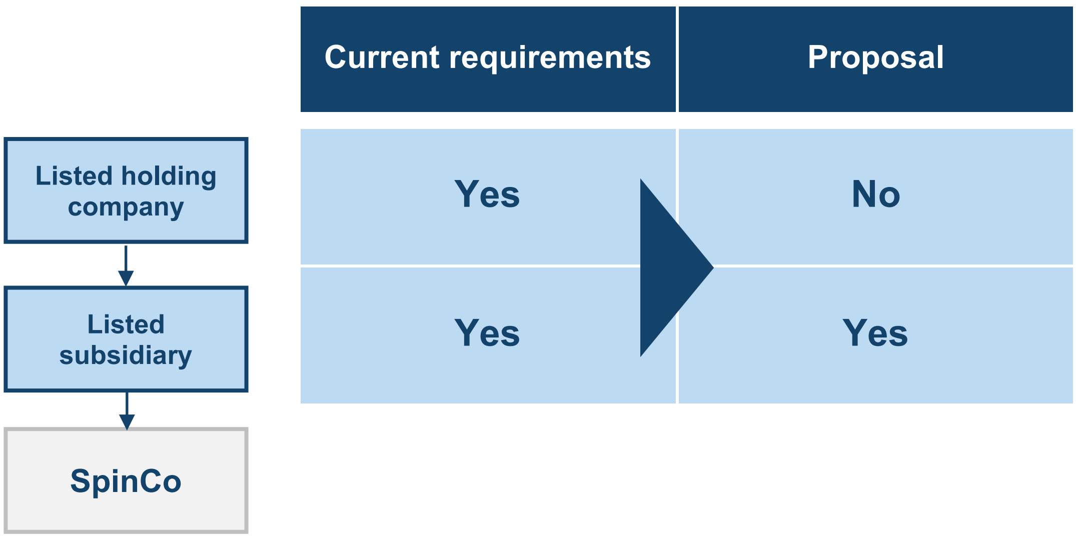
Current requirements

221. The principles and requirements under PN15 apply to Spin-offs effected by a listed issuer or any of its subsidiaries. Where the Spin-off is effected by an issuer listed on the Exchange that is a subsidiary of another listed issuer, the listed holding company (in addition to the listed subsidiary) is also subject to PN15 in respect of the Spin-off.

Proposal

222. We propose to refine the scope of PN15 such that, where a Spin-off is proposed by an issuer listed on the Exchange (or any of its subsidiaries) and is therefore subject to PN15, its holding company that is also listed on the Exchange is exempt from PN15. See below the diagram for illustration:

Subject to PN15 for the Spin-off or not?



Rationale

223. The key regulatory concerns underpinning PN15 are that “one business cannot support two listings” and the associated risk of shell creation. These would already be addressed where the Spin-off is proposed by a subsidiary that is itself listed on the Exchange and therefore subject to PN15. In particular, there would be no incremental concern at the listed holding company level that “one business cannot support two listings”, as the subsidiary is already separately listed on the Exchange. Requiring the listed holding company to also demonstrate compliance with PN15 in respect of the same Spin-off would be largely duplicative and may not provide additional safeguards against shell creation.

224. While the listed holding company would no longer be subject to PN15 in this context, any material disposal by the listed holding company (through its interests in the listed subsidiary) resulting from the Spin-off would continue to be subject to the notifiable transaction requirements under MB Rules Chapter 14 (GEM Rules Chapter 19), which would continue to safeguard the interests of the shareholders of the listed holding company through the applicable announcement and shareholders' approval requirements. Issuers are also reminded of their obligations to comply with the inside information provisions under Part XIVA of the SFO.

Impact of our proposals

225. Out of the Historical Spin-off Cases reviewed, two cases involved a Spin-off effected by a listed issuer which was a subsidiary of another listed issuer, whereby both of them were subject to PN15.

Question 29	Do you agree with the proposal to exempt a listed issuer from compliance with PN15, if the Spin-off is effected by its subsidiary which itself is listed on the Exchange and subject to PN15 (as set out in paragraph 222 of this paper)? Please give reasons for your views and any alternative suggestions.

II. Regulatory Process for Spin-offs

Current requirements

226. Under PN15, the ParentCo must provide a detailed submission to the Exchange to demonstrate that its Spin-off proposal complies with the principles and requirements under PN15 and obtain the Exchange's approval before it can proceed with the Spin-off.

227. We acknowledge listed issuers' desire to take advantage of the right market conditions when launching Spin-offs and have been facilitative in vetting and approving Spin-off proposals as soon as practicable. We have also issued guidance on the key requirements and areas that listed issuers should focus on when preparing Spin-off proposals[210] .

Comparison to other markets

228. Singapore requires listed companies to obtain prior regulatory approval before undertaking spin-offs. In Australia, certain categories[211] of spin-offs would require ASX's in-principle advice on fairness of the transactions before they can proceed. On the other hand, the Chinese Mainland and Malaysia do not have any specific rules requiring prior regulatory approval for listed issuers to conduct spin-offs.

Proposal

229. We propose to streamline and expedite the regulatory process by introducing a route under which a ParentCo can rely on its self-assessment of the Spin-off proposal for compliance with PN15, without the need to obtain the Exchange's prior approval. The self-assessment route is available to a ParentCo that complies with all the applicable principles and requirements under PN15[212], and where the ParentCo and Remaining Group satisfy the eligibility conditions on size (see paragraph 230 below).

230. The self-assessment route is available to a ParentCo where:

(a) the ParentCo has conducted a self-assessment of the Spin-off proposal and is satisfied that the proposal complies with all the applicable principles and requirements under PN15; and

[210] HKEX, Listed Issuer Regulation Newsletter (Issue 10), May 2024.

[211] For instance, where there is an IPO offer of securities of the spun-off entities.

[212] With the proposed modifications set out in **Sections III to VI** of this chapter.

(b) the ParentCo and the Remaining Group[213] satisfy the following conditions at the time the SpinCo lodges its new listing application:

(i) the ParentCo has a market capitalisation of at least HK$10 billion, calculated by multiplying (1) the number of shares of the ParentCo in issue (excluding treasury shares) as at the trading day before the date of the new listing application of the SpinCo by (2) the volume weighted average price[214] [215]of the relevant class of shares of the ParentCo listed on the Exchange over the 125 trading days immediately preceding the date of the new listing application of the SpinCo;

(ii) the ParentCo's principal business(es) has a revenue of at least HK$1 billion for the financial year as shown in its latest published audited accounts; and

(iii) the revenue and total assets attributable to the business(es) of the Remaining Group account for more than 50% of the issuer group, calculated by reference to the revenue for the financial year as shown in its latest published audited accounts and the total assets as shown in its latest published audited accounts or published interim report (whichever is more recent).

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[213] Under the proposal, "Remaining Group" for this purpose means the issuer group after excluding the ParentCo's interest in: (i) the SpinCo; (ii) its subsidiaries previously spun-off for listing under PN15; and (iii) any other subsidiaries listed on the Exchange.

[214] The volume weighted average price is determined by calculating the total turnover over the preceding 125 trading days and dividing it by the total number of shares traded over the same period.

[215] Where the ParentCo is a PRC issuer with other listed shares (as defined in MB Rule 19A.04), the Exchange will accept the market value of such other listed shares (e.g. A shares) being determined by reference to their volume weighted average price over the 125 trading days on the relevant regulated market immediately preceding the date of the SpinCo's new listing application. This is consistent with the approach adopted for a PRC issuer with other listed shares in determining its expected market capitalisation for a new listing on the Exchange (see Guide for New Listing Application, Chapter 3.2, footnote 2) and computing the consideration ratio for notifiable transactions (see MB Rule 19A.38A).

231. A ParentCo relying on the **self-assessment route** must comply with the following submission and notification requirements:

(1) When SpinCo lodges the new listing application
The ParentCo must submit: • a statement by the board of directors of the ParentCo confirming that the spin-off proposal complies with all the applicable principles and requirements under PN15 (the **Board PN15 Self-assessment Confirmation**) (see paragraph 230(a)); and • a detailed computation demonstrating that the eligibility conditions on size are met (the **Computation**) (see paragraph 230(b)).
(2) When there are material subsequent changes to the Spin-off proposal *(including, for example, any information in the Spin-off proposal relating to the Remaining Group has become stale as a result of an update to the ParentCo's track record period)*
The ParentCo must promptly re-assess the Spin-off proposal to ensure the proposal can continue to comply with all the applicable principles and requirements under PN15.
(3) When the Spin-off proposal is terminated or suspended *(for example, the Form A1 for listing on the Exchange has lapsed for three months or more)*
The ParentCo must inform the Exchange of such event as soon as practicable.
(4) When the ParentCo subsequently re-activates or resumes the Spin-off proposal
The ParentCo may rely on the self-assessment route only if, at the time the SpinCo re-submits its new listing application, the ParentCo submits the Board PN15 Self-assessment Confirmation together with the Computation. Otherwise, the ParentCo must submit the Spin-off proposal to the Exchange for prior approval.

232. We propose that the self-assessment route will be available only to Main Board issuers where the Remaining Group meets the new listing requirements under MB Rules Chapter 8. For the avoidance of doubt, the self-assessment route will not be available to GEM issuers, accordingly, any Spin-off proposal by a GEM issuer would remain subject to the Exchange's prior approval under the existing regime because the market capitalisations of GEM issuers are generally smaller than HK$10 billion.

233. For the avoidance of doubt, listed issuers eligible for the self-assessment route may continue to seek guidance from the Exchange in advance if there is any regulatory issue relating to their Spin-off proposals.

SpinCo to be listed on the Exchange

234. Where a SpinCo will be listed on the Exchange (irrespective of whether or not the ParentCo would obtain the Exchange's prior approval or relies on its self-assessment), we propose that the ParentCo must, at least four clear business days prior to the expected hearing date of the SpinCo's new listing application, confirm to the Exchange that the Spin-off proposal continues to comply with the applicable requirements and principles under PN15 as at that date. **Rationale**

235. The proposal aims to enhance the efficiency and effectiveness of the overall regulatory process for Spin-offs while maintaining an appropriate level of oversight. Under the proposal, ParentCos relying on the self-assessment route would benefit from greater certainty in the time of planning and executing their Spin-offs under a streamlined process. This would also enable the Exchange to focus its resources on other Spin-off cases and any material compliance issues involved, thereby facilitating more efficient processing and shorter review timelines.

236. As far as the self-assessment route is concerned, it would be available only to Spin-offs by large market-capitalisation issuers listed on the Main Board with principal businesses of substantial size, where there is generally no concern about one business supporting two listings. Specifically,

(a) the proposed market capitalisation (i.e. HK$10 billion or more) and revenue (HK$1 billion or more) thresholds are at least double the requirements under the market capitalisation/revenue test for new listing applicants under MB Rule 8.05(3)[216]; and

(b) the condition requiring the business(es) of the Remaining Group to represent more than 50% of the issuer group (in terms of both revenue and total assets) ensures that the Remaining Group would retain a majority of its original businesses to support its listing status, and aligns with the proposed threshold for major transactions under the notifiable transaction regime as detailed in **Section II** of **Chapter 2** of this paper.

237. ParentCos intending to rely on the self-assessment route should plan ahead and ensure that they will satisfy the eligibility conditions on size at the time the

[216] MB Rule 8.05(3) requires an issuer to have a market capitalisation of at least HK$4 billion and revenue of at least HK$500 million.

SpinCos lodge their new listing applications, including by allowing a sufficient buffer to accommodate potential fluctuations in market capitalisation. For the avoidance of doubt, once a ParentCo has satisfied the eligibility conditions (as set out in paragraph 230(b)) and made the required submission at the time the SpinCo lodged its new listing application, it would not be required to demonstrate to the Exchange that it continues to satisfy such conditions for so long as the Spin-off proposal continues.

238. The proposal does not affect ParentCos' obligation to comply with all the applicable principles and requirements under PN15 in respect of their Spin-offs (including, without limitation, the requirement for the Remaining Group to satisfy the initial listing requirements under MB Rules Chapter 8[217]). Importantly, directors of ParentCos continue to have a duty to ensure that appropriate due diligence and analysis are conducted and properly documented to support a conclusion that the Spin-off complies with all the applicable principles and requirements under PN15.

239. Further, together with the enhanced disclosure requirements for Spin-off announcements by ParentCos set out in paragraph 246 below, the Exchange will continue to review Spin-offs by eligible issuers through post-vetting of the relevant announcements. If any issues are identified (for example, whether the businesses of SpinCo and the Remaining Group are not clearly delineated[218]), the ParentCo will be required to provide additional information to demonstrate compliance with the relevant PN15 requirement(s), and/or to make further disclosure by way of announcement. Although ParentCos will not be requested to submit Spin-off proposals for the Exchange's prior approval, they should remain mindful of the risk of breaching PN15 requirements if they fail to address concerns raised by the Exchange. Accordingly, ParentCos are reminded to ensure that appropriate due diligence and analysis have been conducted and seek guidance from the Exchange in advance if they have any issue with the application of rules as mentioned above.

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[217] For the avoidance of doubt, for pre-revenue biotech issuers and specialist technology issuers listed under MB Rules Chapter 18A and MB Rules Chapter 18C, the initial listing requirements under MB Rules Chapter 8 applies in assessing whether the remaining businesses of these biotech and specialist technology issuers satisfy the requirements under PN15 in the context of Spin-offs. Pre-revenue biotech issuers and specialist technology issuers who encounter practical difficulty in complying with the initial listing requirements under MB Rules Chapter 8 and wish to seek to comply with the initial listing requirements under MB Rules Chapters 18A / 18C instead should consult the Exchange in advance.

[218] Where the SpinCo is to be listed on the Exchange, its new listing application will be subject to separate review by the Exchange and approval by the Listing Committee, which may or may not be granted. Whether or not the ParentCo adopts the self-assessment route, the SpinCo's listing application must contain sufficient information to demonstrate its compliance with the new listing requirements, including those relating to business delineation and independence from the ParentCo. See "1.2B Material Reliance on Counterparties" and "1.2E Competition with Controlling Shareholders" under the Guide for New Listing Applicants regarding suitability for new listing.

240. During the five-year period from 1 January 2021 to 31 December 2025, no GEM issuer had conducted any Spin-off. Against this backdrop and taking the factors discussed above into account, we propose that the self-assessment route should not be available to GEM issuers, as the eligibility conditions on size are generally not suited to the nature and scale of GEM issuers, which are predominantly small and medium-sized enterprises.

SpinCo to be listed on the Exchange

241. Our proposal to require a ParentCo in cases which the SpinCo will be listed on the Exchange to confirm its compliance with the applicable requirements and principles under PN15 prior to the expected hearing date, would ensure that the basis on which the approval was granted or the self-assessment remains valid at the time the Listing Committee considers the new listing application of the SpinCo. Issuers are reminded that where any issue identified during the review of the SpinCo's listing application are also relevant to compliance with PN15 (for example, where the businesses of the SpinCo and the Remaining Group are not clearly delineated), the ParentCo must address them to the Exchange's satisfaction in order to demonstrate continued compliance with PN15.

Impact of our proposal

242. As of 30 June 2026, around 500 listed issuers (i.e. close to 20% of all issuers in the market) had market capitalisation of at least HK$10 billion as of that date and revenue of at least HK$1 billion, which are all listed on the Main Board. Potential Spin-offs by these issuers would be eligible for the self-assessment route for so long as the remaining businesses represent more than 50% of that of the issuer group (in terms of revenue and assets), and such Spin-off proposals would not be subject to the Exchange's prior approval. Further, no Spin-off has been conducted by any GEM issuer from 2021 to 2025. These support our proposal that the self-assessment route would only be available to Main Board issuers.

243. Of the Historical Spin-off Cases reviewed, over 60% of the cases would have been eligible for the self-assessment route.

Question 30	Do you agree to streamline the regulatory process for Spin-off proposals by introducing a self-assessment route for eligible ParentCos to demonstrate compliance of the proposed Spin-offs with PN15, and, accordingly, no prior approval from the Exchange would be required? Please give reasons for your views and any alternative suggestions.

Question 31	If your answer to Question 30 is "yes", do you agree with the proposed parameters in paragraph 230 of this paper for determining eligibility for the self-assessment route? Please give reasons for your views and any alternative suggestions.
Question 32	If your answer to Question 30 is "yes", do you agree that only Main Board issuers should be eligible for the self-assessment route (as set out in paragraph 232 of this paper)? Please give reasons for your views and any alternative suggestions.

III. Announcement Requirements relating to Spin-offs

Current requirements

244. A ParentCo must inform the market of its Spin-off listing application by way of announcement[219]. Currently there is no specific requirement as to the content of the announcement.

Comparison to other markets

245. Among the jurisdictions reviewed, the Chinese Mainland has specific rules requiring announcement of a spin-off proposal with prescribed disclosure requirements[220]. In the other jurisdictions, disclosure of spin-offs is primarily governed by the listed companies' general obligation to disclose material information.

Proposal

246. We propose to enhance the disclosure requirements for Spin-off announcements, by requiring the announcement to include the following information:

   (a) the identity and a description of the principal business activities of the SpinCo and the Remaining Group;

   (b) the revenue and net profits (both before and after taxation) attributable to the SpinCo for the two consecutive financial years immediately preceding the proposed Spin-off;

   (c) details of the Spin-off, including venue to which the SpinCo will be listed (i.e. the relevant stock exchange) and structure of the Spin-off;

   (d) the ParentCo's expected shareholding in the SpinCo before and after the completion of the Spin-off, and whether the SpinCo is expected to continue to be a subsidiary of the ParentCo;

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[219] Paragraph 3(g) of PN15. A ParentCo must make the announcement by the time the SpinCo publishes its Post Hearing Information Pack, or where the SpinCo elects to publish its Application Proof or Updated Application Proof on the Exchange's website under MB Rule 12.01A (GEM Rule 16.01A), the announcement must be made by the time the Public AP is published. Where SpinCo is to be listed on another exchange, the announcement must be made by the time the relevant listing application is first made public there.

[220] Including information relating to the clear business delineation and independence of the listed company and the spun-off entity, compliance with the applicable regulatory provisions on non-competing business and connected transactions, reasons for the spin-off and the associated risks, and timeframe and progress of the spin-off.

(e) the total funds expected to be raised by the ParentCo and/or the SpinCo, if any, and the proposed use of proceeds by the ParentCo;

(f) reasons for, and the benefits which are expected to accrue to the ParentCo as a result of the Spin-off, together with a statement that the directors confirm that the terms of the Spin-off are fair and reasonable and in the interests of the shareholders as a whole; and

(g) a statement that the ParentCo has obtained the Exchange's approval for the Spin-off under paragraph 3(a) of PN15 or relies on its self-assessment under paragraph 3(b) of PN15, in each case together with a confirmation from the board of directors that the Spin-off complies with all the applicable principles and requirements under PN15.

247. For the avoidance of doubt, the ParentCo should assess the relevant implications under MB Rules Chapter 14 and MB Rules Chapter 14A (GEM Rules Chapter 19 and GEM Rules Chapter 20) for the Spin-off and any ongoing transactions with the SpinCo, and comply with the applicable disclosure and shareholders' approval requirements accordingly. Where possible, details of such transactions shall be included in the same Spin-off announcement.

248. In addition, the ParentCo must publish an announcement as soon as practicable to inform the market of any material development or subsequent changes to a previously announced Spin-off proposal, such as its delay, suspension or completion.

Rationale

249. Currently, the disclosure of the Spin-offs by ParentCos varies due to the absence of specific rule requirements on its content. The proposal promotes transparency by ensuring that shareholders are furnished with key information relating to the Spin-offs undertaken by ParentCos to support informed investment decision-making.

Question 33	Do you agree to specify the disclosure requirements for Spin-off announcements (as set out in paragraph 246 of this paper)? Please give reasons for your views and any alternative suggestions.

IV. Assured Entitlement

Current requirements

250. PN15 requires ParentCos to have due regard to the interests of their existing shareholders by providing them with an assured entitlement to shares in the SpinCo, either by way of a preferential offering or a distribution in species. The percentage of shares in the SpinCo allocated to the assured entitlement tranche would be determined by the ParentCos' directors and advisers, and all shareholders of the ParentCos would be treated equally[221].

251. The assured entitlement requirement may be waived by resolution by the minority shareholders of the ParentCos[222].

252. In the past, we have granted waivers to ParentCos from compliance with the assured entitlement requirement, including:

    (a) general waivers for Spin-offs to PRC exchanges, due to PRC legal restrictions on providing offshore shareholders with shares of the SpinCo (being an entity listed in the PRC)[223]; and

    (b) specific waivers, on a case-by-case basis, where legal restrictions exist in certain overseas jurisdictions such that provision of assured entitlements or the overseas offering requirements would be unduly burdensome, and the sizes of the potential assured entitlement were relatively small.

253. For issuers that are secondary listed under MB Rules Chapter 19C, they are exempt from the requirement for so long as the Spin-offs (with SpinCo listed elsewhere other than on the Exchange[224]) is not subject to approval of the shareholders of the ParentCos[225].

Comparison to other markets

254. Among the peer markets reviewed, only Australia and Malaysia require provision of assured entitlement to existing shareholders for spin-offs. In particular,

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[221] Paragraph 3(f) of PN15.

[222] Paragraph 3(f) of PN15.

[223] HKEX, HKEX-LD104-2017 (January 2017).

[224] The Exchange had previously granted assured entitlement waivers to ParentCos that are secondary listed under MB Rules Chapter 19C in relation to Spin-offs for listing on the Exchange having considered case-specific circumstances, including the significant portion of overseas shareholders and that provision of assured entitlement to these overseas shareholders would trigger relevant overseas offering requirements and hence unduly burdensome.

[225] MB Rule 19C.11.

(a) in Australia, listed companies are required to obtain shareholders' approval for spin-offs unless the securities of the spun-off entity are offered pro rata to the existing shareholders, or in another way that is "fair in all the circumstances" in ASX's opinion[226]; and

(b) in Malaysia, whilst assured entitlement is mandated, there is no specified form or minimum level under the rules.

Proposal

255. We propose to remove the assured entitlement requirement for all Spin-offs, regardless of the venue to which the SpinCo will be listed, and whether the ParentCo is primary or secondary listed.

Rationale

256. Over the years, we have observed that the size of assured entitlement provided by listed issuers pursuant to their Spin-offs were generally small[227], and the preferential offerings of SpinCo's shares were very often undersubscribed. In addition, cross-jurisdictional legal and regulatory constraints increasingly render the provision of assured entitlement impracticable for some or all shareholders. By removing the requirement, the proposal aims to reduce regulatory complexity and uncertainty of a requirement which may not deliver meaningful shareholder benefit.

257. Further, the proposed removal of the assured entitlement requirement is unlikely to compromise shareholder protection given that:

(a) assured entitlement arrangement does not serve to provide additional shareholder protection, and rather the arrangement simply provides

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[226] Factors including the reasons for not providing pro-rata distribution, the amount and terms on which the shareholders can participate in the IPO, the percentage of spun-off entity's securities to be retained by the issuer, and whether the spin-off appears to confer benefits on related parties. See also Paragraph 5 of Guidance Note 13 of the ASX Listing Rules.

[227] The size of the assured entitlement is attributable to a number of factors, including the relative size of the SpinCo to the ParentCo and the size of the SpinCo's offering. For illustration, of the Historical Spin-off Cases reviewed where there were preferential offerings, the size of the preferential offerings in over half of the completed cases accounted for less than 1.5% of the respective market capitalisation of the ParentCos, notwithstanding 5 to 10% of the shares of the SpinCo's offering had been allocated for this purpose. Putting this into perspective, the relative size of the SpinCo to the ParentCo and hence the number of shares of the SpinCo allocated for assured entitlement is typically small, a shareholder would often need to hold multiple (very often a few hundreds) board lots of ParentCos' shares in order to be eligible to subscribe for one board lot of SpinCo's shares on a preferential basis.

additional benefit to existing shareholders to participate in the offering by the SpinCo;

(b) in a case where the Spin-off constitutes a material disposal, investors' interests will continue to be safeguarded through other existing requirements under the Listing Rules (see paragraph 210 above), including applicable disclosure and shareholders' approval requirements pursuant to the notifiable transactions rules under MB Rules Chapter 14 (GEM Rules Chapter 19); and

(c) in a case where the SpinCo would remain consolidated as a subsidiary of the listed issuer, existing shareholders will continue to have an indirect interest through the listed issuer upon completion of the Spin-off[228].

Question 34	Do you agree to remove the assured entitlement requirement (as set out in paragraph 255 of this paper)? Please give reasons for your views and any alternative suggestions.

[228] The SpinCos in around 70% of the Historical Spin-off Cases remained consolidated as subsidiaries of the ParentCos upon completion of the Spin-offs.

V. Moratorium Period for Spin-offs after Listing

Current requirements

258. Under PN15, the Listing Committee would not normally consider a Spin-off proposal within three years of the ParentCo's initial listing[229]. This applies to all ParentCos, except for secondary listed issuers as further detailed in paragraph 261 below.

259. This requirement recognises that investors made their investment choice under the ParentCo's original listing based on its then business portfolio, and their expectation of its continued development.

Primary listed issuers

260. In the past, specific waivers have been granted on a case-by-case basis to newly listed issuers where they have demonstrated, at the time of listing, to have a specific and imminent plan to conduct Spin-offs within the three-year moratorium period, subject to detailed disclosure in the prospectuses.

Secondary listed issuers

261. For secondary listed issuers, taking into consideration that they have already been listed on a Recognised Stock Exchange for a period of time, and the investors would have considered their prior overseas listing track record before making their decision to subscribe for the shares at their Hong Kong listings, the requirement on the three-year moratorium period is less stringent. In particular, subject to the condition that the Spin-offs would not require approval by the shareholders of the ParentCo:

    (a) an exemption from the requirement is available to secondary listed issuers for Spin-offs of assets or businesses for listing elsewhere other than the Exchange[230]; and

    (b) with the expansion of our secondary listing regime to Greater China Issuers since 2018, there have been more Spin-offs for listing in Hong Kong undertaken by these secondary listed issuers. We have granted secondary listed issuers waivers for Spin-offs for listing on the Exchange as well having considered that the effect of Spin-off on shareholders would largely be the same irrespective of the Spin-off venues.

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[229] Paragraph 3(b) of PN15.

[230] MB Rule 19C.11 which codified the automatic waiver regime as set out in the Joint Policy Statement regarding the Listing of Overseas Companies jointly published by HKEX and the SFC in 2013.

262. Unlike the specific waivers granted to primary listed issuers as set out in paragraph 260 above, these exemptions and waivers for secondary listed issuers are provided for / granted even if they do not have any specific Spin-off plans at the time of their listings in Hong Kong.

Comparison to other markets

263. Among other major stock exchanges, only the Chinese Mainland has a moratorium period restricting issuers to conduct Spin-off within three years after their initial listing.

Proposals

264. We propose to shorten the moratorium period such that a Spin-off listing application should not be filed within one year after the ParentCo's initial listing (instead of three years). We also propose to clarify that compliance with the moratorium period requirement will be assessed by reference to the time when the SpinCo lodges its new listing application, rather than the time when the ParentCo's Spin-off proposal is considered by the Listing Committee under the current rules.

265. Further, we propose to provide an exemption from the moratorium period requirement for the following issuers:

(a) secondary listed issuers listed under MB Rules Chapter 19C; and

(b) dual-primary listed issuers, provided that they have been listed on a PRC stock exchange[231] or a Recognised Stock Exchange for at least two consecutive financial years immediately before their listing in Hong Kong[232].

266. A new listing applicant that meets the condition set out in paragraph 265(a) or (b) and therefore exempt from the one-year moratorium period must disclose in its listing document for its initial listing on the Exchange details of any specific and imminent Spin-off proposal it has at that time, or make an appropriate negative statement.

[231] As defined in MB Rules Chapter 1 and MB Rule 19A.04 (GEM Rules Chapter 1), which currently consists of the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Beijing Stock Exchange.

[232] For illustration, the ParentCos in the following scenarios would not be entitled to the exemption and would remain subject to the one-year moratorium period: (i) a dual-primary listed issuer has been listed on a PRC stock exchange / a Recognised Stock Exchange for less than two consecutive financial years before its listing in Hong Kong; and (ii) an issuer seeking a simultaneous listing on the Exchange on one hand, and a PRC stock exchange / a Recognised Stock Exchange on the other hand.

Rationale

267. The proposal seeks to optimise and better align the moratorium requirement on Spin-offs for different types of issuers and achieve a balance between safeguarding shareholders' interests and facilitating issuers' business development and restructuring after listing in Hong Kong.

268. Whilst the rationale for having a moratorium period continues to stand, a three-year moratorium period may be unduly onerous given post-listing business expansion, diversification and evolving funding needs. By contrast, the proposed one-year moratorium period to restrict listed issuers from undergoing material changes after listing is considered appropriate and would be in line with the existing safeguards against issuers effecting material changes after listing[233].

269. The proposal also aligns and enhances consistency of the approach towards secondary listed issuers by codifying the existing waiver for all secondary listed issuers. Further, the proposal extends the same principle to dual-primary listed issuers, recognising that such issuers are already listed on another exchange at the time of listing in Hong Kong, with an established track record and operating history. Investors in Hong Kong therefore make their investment decisions with reference to the ParentCo's existing business operations and publicly available information published for its prior listing elsewhere. The additional condition imposed on dual-primary listed issuers (i.e. at least two consecutive financial years of prior listing track record) aligns with the relevant secondary listing requirement, which normally requires a minimal track record of two full financial years on a Recognised Stock Exchange[234].

270. For new applicants that would be exempt from the moratorium period requirement upon listing (secondary listed issuers and dual-primary listed issuers as described in paragraph 265), the proposed additional disclosure requirement in their listing documents would enhance transparency to investors indicating whether they are contemplating any Spin-offs at the time of listing that may take place shortly thereafter.

Question 35	Do you agree to shorten the requirement of the moratorium period for ParentCos to file the Spin-off listing applications to one year after initial listing (as set out in paragraph 264 of this paper)?

[233] Under MB Rule 14.89 (GEM Rule 19.88), an issuer shall not effect any acquisition, disposal or other transaction or arrangement (or a series of that) within 12 months from listing, which would result in a fundamental change in the principal business activities of the issuer at the time of its listing. In addition, MB Rule 14.90 (GEM Rule 19.99) provides that waiver may be granted under exceptional circumstances subject to the requisite shareholders' approval.

[234] MB Rule 19C.04 and MB Rule 19C.05A(3).

	Please give reasons for your views and any alternative suggestions.
Question 36	Do you agree to extend the exemption to secondary listed issuers and eligible dual-primary listed issuers (as set out in paragraph 265 of this paper)? Please give reasons for your views and any alternative suggestions.
Question 37	If your answer to Question 36 is "yes", do you agree with the condition on the exemption for dual-primary listed issuers (i.e. that they have been listed on a PRC stock exchange or a Recognised Stock Exchange for at least two consecutive financial years immediately before their listing in Hong Kong) (as set out in paragraph 265 of this paper)? Please give reasons for your views and any alternative suggestions.
Question 38	If your answer to Question 36 is "yes", do you agree to incorporate a prospectus disclosure requirement on any specific and imminent Spin-off plans for issuers exempt from the moratorium period requirement, or an appropriate negative statement (as set out in paragraph 266 of this paper)? Please give reasons for your views and any alternative suggestions.

VI. Other Amendments

Align the threshold for shareholders' approval with the notifiable transaction regime

271. Under PN15, Spin-offs with any of the percentage ratios[235] under the notifiable transaction regime being 25% or more is subject to shareholders' approval[236].

272. With the proposal to increase the threshold for classifying a transaction as a major transaction from 25% to 50% under the notifiable transaction regime pursuant to which announcement, circular and shareholders' approval requirements would be applicable (see paragraph 71 under **Section II** of **Chapter 2** of this paper), we will make consequential amendment to PN15 to align the threshold for which shareholders' approval is required for material Spin-offs, from 25% to 50%.

273. By aligning the thresholds under the notifiable transaction regime and under PN15, we ensure regulatory consistency in determining the reference point for materiality where shareholders' scrutiny is appropriate.

274. Under the proposal set out in **Section IV** of **Chapter 2** of this paper, a Spin-off which constitutes a disposal under the notifiable transaction regime would be subject to the enhanced disclosure in the transaction announcement to support informed investment decision making by shareholders and investors. For disposals with a percentage ratio of 25% or more, such enhanced disclosure would include, where applicable, expert reports for specific types of assets that are the subject of the transactions, such as properties, mineral assets or infrastructure projects.

Delegation of decision-making to the Listing Division

275. We further propose to streamline the regulatory process in vetting and/or approving Spin-off proposals by delegating the decision-making power from the Listing Committee to the Listing Division for all Spin-offs. Despite the delegation, the Listing Division will continue to present to the Listing Committee for guidance any Spin-off proposal where:

    (a) there are any unusual features; and/or

    (b) waiver to any requirement under PN15 is necessary.

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[235] MB Rule 14.07 (GEM Rule 19.07).

[236] Paragraph 3(e) of PN15.

276. Following the delegation, the Listing Division (instead of the Listing Committee) would approve each Spin-off proposal if it is satisfied that the proposal complies with all the applicable principles and requirements under PN15. This would streamline the regulatory process for Spin-offs and enhance administrative efficiency. For Spin-offs for listing in Hong Kong, the new listing of the SpinCo will still be subject to the approval of the Listing Committee.

277. The Exchange will make procedural amendments to ensure that the Listing Division will continue to provide the Listing Committee with regular updates of the Spin-offs proposed by listed issuers to enable an overall oversight by the Listing Committee, and will seek the Listing Committee's endorsement for the proposed delegation of power in due course.

Housekeeping amendments regarding the applicable listing criteria for SpinCo to be listed on the Exchange

278. Under the current PN15, where the SpinCo is to be listed on the Exchange, it must satisfy all Listing Rule requirements applicable to new listing applicants, including the basic eligibility criteria under Main Board Rules Chapter 8[237].

279. Over the years, the Exchange has introduced additional listing regimes to accommodate a broader range of issuers with differing industry characteristics, stages of development and capital structures, thereby broadening and diversifying the issuer base. Each of these regimes is subject to its own eligibility criteria, which may differ from those under MB Rules Chapter 8. Accordingly, we will update paragraph 3(a) of PN15 by removing the reference to "the basic listing criteria under Main Board Rules Chapter 8" to clarify that SpinCos may be listed on the Exchange under different listing regimes if they satisfy all the new listing requirements applicable to those regimes.

[237] Paragraph 3(a) of PN15.

VII. Implementation and Transitional Arrangements

280. Under the existing regime, listed issuers are required to submit all Spin-off proposals to the Exchange for approval under PN15 before proceeding with the Spin-off. Subject to the responses to this consultation and the adoption of the proposals in this Chapter, we propose that the amended Rules (including the delegation of decision-making power from the Listing Committee to the Listing Division under paragraph 275) would apply to all active Spin-off proposals **on or after** the Effective Date (as defined in paragraph 156).

281. The implementation is subject to the following transitional arrangements:

   (a) in respect of the proposed self-assessment route under **Section II** of this Chapter, such self-assessment route would not be applicable to Spin-off proposals **submitted to the Exchange** for vetting and approval **before the Effective Date**. For such cases, the Exchange would continue to vet and grant approval upon being satisfied that such Spin-off proposal complies with the requirements under PN15. Accordingly, unless otherwise agreed with the Exchange, an issuer is not expected to withdraw from a Spin-off proposal submitted to the Exchange solely for the purpose of relying on the self-assessment route under **Section II** of this Chapter; and

   (b) in respect of assured entitlement, the amended Rules would apply to all active Spin-off proposals **on or after the Effective Date**, except for Spin-off proposal which has announced on or before the Effective Date the record date for determining the entitlements and the relevant distribution ratio of the assured entitlements. Issuers who opt to adjust its Spin-off proposal on this basis should publish an announcement in relation to the change of the assured entitlement arrangement together with the implications of the change whilst continue to comply with all other applicable requirements under PN15 and the Listing Rules.

282. In respect of moratorium period under **Section V** of this Chapter, the amended Rules which shorten the moratorium period would take effect **on or after the Effective Date**, and applicable to all listed issuers (including issuers listed before the Effective Date). The amended Rules which exempt a secondary listed issuer or a dual-primary listed issuer from the moratorium period requirement would be applicable if it is listed on the Exchange on or after the Effective Date. Any waiver granted, or any exemption[238] from compliance with the moratorium requirement available to an issuer listed before the Effective Date, would continue to apply provided that all the conditions (if any) for such waiver or exemption are continued to be complied with.

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[238] The exemption from the moratorium requirement available to secondary listed issuers for Spin-offs of assets or businesses for listing elsewhere other than the Exchange under MB Rule 19C.11.

Question 39	Please provide your comments, if any, to the proposed implementation and transitional arrangements (as set out in paragraphs 281 and 282 of this paper)? Please give reasons for your views and any alternative suggestions.

CHAPTER 5: HOUSEKEEPING RULE AMENDMENTS

283. We have taken the opportunity to make housekeeping Listing Rule amendments that do not involve a change in our policy direction.

284. These amendments include:

(a) removing the transitional provisions under MB Rule 13.52 (GEM Rule 17.53);

(b) repealing MB Rule 14.71A (GEM Rule 19.71A) for simplification purpose, and for the avoidance of doubt, any Qualified Property Acquisition which constitutes a connected transaction is still required to comply with the announcement and reporting requirements under Chapter 14A (GEM Chapter 20), if applicable;

(c) clarifying in MB Rule 14.94 (GEM Rule 19.93) that the shareholders' approval requirements does not apply in situation where the distribution in specie proposed by a listed issuer involves assets that are proposed to be listed on the Main Board or GEM immediately upon completion of the proposed distribution, in addition to where the securities to be distributed already listed on the Main Board or GEM at the time of the proposed distribution;

(d) updating the wordings in GEM Rule 19.34(2) to align with the requirements under the Main Board Listing Rules that announcement is required to be published (and not to be submitted to the Exchange);

(e) adding cross-reference of GEM Rule 19.67(7) to GEM Rule 19.69 to align with the requirements under the Main Board Listing Rules; and

(f) correcting other clerical errors.

285. The relevant amendments are set out in **Appendix I** and **Appendix II** to this paper.

DEFINITIONS

TERM	DEFINITION
"ASX"	Australian Securities Exchange
"Chinese Mainland" or "PRC"	for the purpose of this paper, the People's Republic of China, other than the regions of Hong Kong, Macau and Taiwan
"CSRC"	The China Securities Regulatory Commission
"GEM"	GEM operated by the Exchange
"GEM Listing Rules" or "GEM Rules"	Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
"Greater China"	as defined MB Rules Chapter 1 of the Listing Rules
"Greater China Issuers"	as defined MB Rules Chapter 1 of the Listing Rules
"HKEX"	Hong Kong Exchanges and Clearing Limited
"Listing Committee"	the listing sub-committee of the Directors of the Exchange elected or appointed in accordance with the Articles of Association of the Exchange and, where the context so permits, any committee or sub-committee thereof
"Listing Division"	the Listing Division of the Exchange
"Listing Rules"	the Main Board Listing Rules and GEM Listing Rules
"LSE"	London Stock Exchange plc
"Main Board Listing Rules" or "MB Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the main board of the Exchange
"M&A"	merger and acquisition
"Nasdaq"	The Nasdaq Stock Market LLC
"NYSE"	The New York Stock Exchange LLC
"overseas issuer"	as defined in MB Rule 1.01, means an issuer that is neither a Hong Kong issuer nor a PRC issuer

TERM	DEFINITION
"Phase 1 Consultation Paper"	the Consultation Paper on Listing Framework Competitiveness Review published by the Exchange on 13 March 2026, the consultation conclusions of which was published on 24 July 2026
"PN15"	MB Practice Note 15 (GEM Practice Note 3)
"PRC issuer"	as defined in MB Rule 19A.04 (GEM Rule 1.01), means an issuer that is duly incorporated in the Chinese Mainland as a joint stock limited company
"PRC Securities Law"	means the Securities Law of the PRC, as amended from time to time
"PRC stock exchange"	as defined in MB Rule 19A.04 (GEM Rule 1.01), means the SSE or the SZSE or the Beijing Stock Exchange
"Recognised Stock Exchange"	as defined in MB Rules Chapter 1 (GEM Rule Chapter 1), and a list of which is published on the Exchange's website and updated from time to time
"Remaining Group"	in the context of a Spin-off, means the listed issuer excluding the entity to be spun off, and for the purpose of assessing whether the remaining businesses independently satisfy the requirements under MB Rules Chapter 8 (GEM Rules Chapter 11), also excluding previously spun-off entities and any other subsidiaries listed on the Exchange
"SEC"	the United States Securities and Exchange Commission
"SEHK" or "Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of HKEX
"SFC"	Securities and Futures Commission
"SFO"	Securities and Futures Ordinance
"SGX"	Singapore Exchange
"SpinCo"	a company to be spun off by an existing issuer pursuant to a Spin-off
"Spin-off"	a proposal by an issuer to effect the separate listing on the Exchange or elsewhere of assets or businesses wholly or partly within the issuer's existing group
"SSE"	Shanghai Stock Exchange

TERM	DEFINITION
“SZSE”	Shenzhen Stock Exchange
“UK FCA”	Financial Conduct Authority in the UK
“UK”	the United Kingdom
“US”	the United States of America
“VSA”	very substantial acquisition
“VSD”	very substantial disposal

APPENDIX I: PROPOSED AMENDMENTS TO THE MAIN BOARD LISTING RULES RELATING TO NOTIFIABLE AND CONNECTED TRANSACTIONS

Chapter 1

GENERAL

INTERPRETATION

…

1.01 Throughout these Rules, the following terms, except where the context otherwise requires, have the following meanings:

…

"**PIE Engagement**" has the same meaning as an engagement specified in Part 1 of Schedule 1A of the AFRCO, that is any of the following types of engagement carried out by an auditor or a reporting accountant:

(a) an auditors' report on a PIE's annual financial statements required by the Companies Ordinance, the Listing Rules or any relevant code issued by the Commission;

(b) a specified report required to be included in (i) a listing document for the listing of the shares or stocks of a corporation seeking to be listed or a listed corporation; or (ii) a listing document of a Collective Investment Scheme seeking to be listed or a listed Collective Investment Scheme; and

(c) an accountants' report required under the Listing Rules to be included in a circular or a listing document issued by a PIE for (i) a reverse takeover; or (ii) a very substantial acquisition for the purpose of the AFRCO,

Increase MT threshold

<u>which in the context of the Listing Rules, means a notifiable transaction where any percentage ratio is 100% or more</u>

…

Chapter 4

GENERAL

ACCOUNTANTS' REPORTS AND PRO FORMA FINANCIAL INFORMATION

When Required

4.01 This Chapter sets out the detailed requirements for accountants' reports on the profits and losses, assets and liabilities of, and other financial information on, an issuer and/or a business or company, to be acquired ~~or disposed of (as the case may be)~~ by an issuer for inclusion in listing documents or circulars. Accountants' reports are required to be included in the following ~~listing~~ documents~~ and circulars~~:~~—~~

(1) a listing document issued by a new applicant (paragraph 37 of Appendix D1A) but subject to rule 11.09(7);

(2) a listing document issued by a listed issuer in connection with an offer of securities to the public for subscription or purchase which is required by either section 38(1) or section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to set out the reports specified in Part II of the Third Schedule to that Ordinance; and

(3) ~~a circular issued in connection with~~ a listing document issued in connection with a reverse takeover (see rule 14.69(4))~~,~~ or a circular issued in connection with an extreme transaction (see rule 14.69(4))~~, a very substantial acquisition (see rule 14.69)~~ or a major transaction (see rule 14.67(6)(a)) (unless the company being acquired is itself a listed company on the Main Board or GEM).

Remove VSA and VSD

…

Reporting Accountants

4.03 Reporting accountants must be independent both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants or the International Federation of Accountants. Subject to rules 4.03(1) and 4.03(2), accountants' reports must normally be prepared by practising accountants who are registered and not prohibited under the AFRCO from holding any appointment as auditors of a company.

(1) Where the preparation of an accountants' report constitutes a PIE Engagement under the AFRCO, the issuer must normally appoint a firm of practising accountants that is a Registered PIE Auditor under the AFRCO. In the case of such a PIE Engagement that is ~~a reverse takeover or a very substantial acquisition~~ required for (a) a listing document in relation to a reserve takeover;

or (b) a circular in relation to a notifiable transaction where any percentage ratio is 100% or more (i.e. a very substantial acquisition for the purpose of AFRCO) issued by a listed issuer incorporated outside Hong Kong relating to the acquisition of an overseas company, the Exchange may be prepared to accept the appointment of an overseas firm of practising accountants that is a Recognised PIE Auditor of that issuer under the AFRCO. Remove VSA and VSD

Notes:

1. *The preparation of an accountants' report included in (a) a listing document for the listing of the shares or stocks of a corporation seeking to be listed or a listed corporation; or (b) a listing document or a circular issued by a PIE for a reverse takeover or a notifiable transaction where any percentage ratio is 100% or more (i.e. a very substantial acquisition for the purpose of AFRCO)~~a reverse takeover or a very substantial acquisition~~ is a PIE Engagement under the AFRCO.*

…

…

Additional ~~d~~Disclosure of ~~p~~Pre-acquisition ~~f~~Financial ~~i~~Information for a Listing Document

4.05A Where a new applicant acquires any material subsidiary or business during the trading record period (see rule 4.04(1)) and such an acquisition if made by a listed issuer would have been classified at the date of application as a notifiable ~~major~~ transaction where any percentage ratio is 25% or more (see rule 14.06~~(3)~~) ~~or a very substantial acquisition (see rule 14.06(5))~~, it must disclose pre-acquisition financial information (which should include the full financial statements with information required under rules 4.04 and 4.05) on that material subsidiary or business from the commencement of the trading record period (or if the material subsidiary or business commenced its business after the commencement of the trading record period, then from the date of the commencing of its business) to the date of acquisition. Pre-acquisition financial information on the material subsidiary or business must normally be drawn up in conformity with accounting policies adopted by the new applicant and be disclosed in the form of a note to the accountants' report or in a separate accountants' report. Increase MT threshold

Notes: (1) *For the purpose of determining whether an acquisition is material and falls within the classification as a notifiable ~~major~~ transaction where any percentage ratio is 25% or more (see rule 14.06) ~~or a very substantial acquisition~~, reference shall be made to the total assets~~, profits~~ or revenue (as the case may be) for the most recent financial year of the trading record period of the acquired business or subsidiary and this shall be compared to the total assets~~, profits~~ or revenue (as the case may be) of the new applicant for the same financial year. If the financial year of the acquired business or subsidiary is not coterminous with that of the new applicant, the total assets~~, profits~~ or revenue (as the case may be) for the most recent financial year of the acquired business or* *subsidiary should be compared to those of the new applicant for the most recent financial year of its trading record period. For example, if a new applicant's trading record period covers year 1, year 2 and year 3 and it acquired a subsidiary during year 2, the total assets~~, profits~~ or revenue of the acquired subsidiary for year 3 should be compared to those of the new applicant for year 3; and*

…

Basic Contents of Accountants' Report for Certain Notifiable Transaction Circulars

4.06 In the cases referred to in rule 4.01(3)~~ concerning a circular in connection with a reverse takeover, a very substantial acquisition or a major transaction on the acquisition of a business, company or companies~~, the accountants' report must include:~~—~~

History of results

(1) (a) the results, for the relevant period, of the business which, or of the company (or, if that company is itself a holding company, of the company and its subsidiaries) in whose share capital an interest, has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited financial statements of the issuer have been made up; provided always that where any company in question has not or will not become a subsidiary of the issuer, the Exchange may be prepared to relax this requirement;

Note: For the purposes of this rule, the "relevant period" comprises:

(1) in the case of a reverse takeover or an extreme transaction, each of the three financial years of the business or company immediately preceding the issue of the listing document or the circular and where applicable a stub period;

(2) in the case of~~ a very substantial acquisition or~~ a major transaction, (i) each of the three financial years of the business or company immediately preceding the issue of the circular and where applicable a stub period; or (ii) if the audited financial statements of the business or company for the latest completed financial year has not been prepared at the time of the issue of the circular, each of the three financial years of the business or company immediately preceding the latest completed financial year and a stub period; or

Remove VSA and VSD

(3) such shorter period as may be acceptable to the Exchange

provided that the relevant period must have ended ~~6~~six months or less before the issue of the relevant listing document or circular. If the business or company has been in existence for less than the period set out in (1) or (2) above (as the case may be), the relevant period commences on the commencement of the business or the incorporation or establishment of the company.

…

Statement of changes in equity

…

(7) a statement of the indebtedness as at the end of the period reported on showing, as regards bank loans and overdrafts and separately as regards other borrowings of the business or company or company and its subsidiaries covered by the accountants' report, the aggregate amounts repayable:—

(a) on demand or within a period not exceeding one year;

(b) within a period of more than one year but not exceeding two years;

(c) within a period of more than two years but not exceeding five years; and

(d) within a period of more than five years~~,~~;

~~except that such an analysis of debt repayments need not be included in the case of a major transaction (see rule 14.67);~~

Enhanced circular requirement

…

…

Modified Reports

…

4.19 Where the accountants' report to be included in a document required under rule 4.01(3) ~~relates to a very substantial disposal or an acquisition which is a reverse takeover, a very substantial acquisition or a major transaction and the report~~ is expected to include a modified opinion, the Exchange must be consulted at an early stage.

…

Pro Forma Financial Information

4.25 [Repealed [date]]~~In the cases referred to in rule 4.01(3) concerning a circular in connection with a major transaction, the pro forma financial information required under rules 14.67(6)(a)(ii) or 14.67(6)(b)(ii) on the enlarged group (i.e. the issuer, its subsidiaries and any business or subsidiary or, where applicable, assets acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up (including but not limited to any business, company or companies being acquired)) must include all the information referred to in rule 4.29 in respect of such enlarged group.~~

Drafting change – moved to rule 4.26

4.26 ~~In the cases referred to in rule 4.01(3) concerning~~ For a listing document in connection with a reverse takeover or a circular in connection with a major acquisition or ~~reverse takeover,~~ an extreme transaction ~~or a very substantial acquisition~~, the pro forma financial information required under rule 14.67(6)(a)(ii), 14.67(6)(b)(ii), 14.69(4)(a)(ii) or 14.69(4)(b)(ii) on the enlarged group (i.e. the issuer, its subsidiaries and any business or subsidiary or, where applicable, assets acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up (including but not limited to any business, company or companies being acquired)) must include all the information referred to in rule 4.29 in respect of such enlarged group.

4.27 For a circular in connection with a ~~very substantial~~ major disposal, the pro forma financial information required under rules 14.68(2)(a)(ii) or 14.68(2)(b)(ii) on the remaining group must include the information referred to in rule 4.29 in respect of the remaining group.

Remove VSA and VSD

…

Chapter 5

VALUATION OF AND INFORMATION ON PROPERTIES

…

Requirements for an issuer

5.02 For an acquisition or disposal of any property interest~~,~~ or of a company whose assets consist solely or mainly of property, where any of the percentage ratios (as defined in rule 14.04(9)) of the transaction is or is above 25%, then a valuation of and information on the property must be included in the relevant circular or announcement issued to shareholders in connection with the acquisition or disposal (see rule 14.60(1) or 14.66(5)(c)~~11~~)), unless rule 5.02A applies. In this rule and in rule 5.03, a circular issued "in connection with an acquisition" includes a listing document issued for a rights issue, the proceeds of which are to be used to retire a debt with which the property or company had previously been acquired. The listing document need not contain a valuation report if a circular containing a valuation report was issued to shareholders when the property or company was acquired.

Enhanced announcement requirement

5.02A Valuation of a property interest is not required if:

(1) it is acquired from the Hong Kong Government at a public auction or by sealed tender; or

(2) the property is acquired under a Qualified Property Acquisition (as defined in rule 14.04(10C) by a Qualified Issuer (as defined in rule 14.04(10B) ~~falling under rules 14.33A to 14.33B)~~; or

Modification to Qualified Property Acquisition

(3) the company being acquired or disposed of is listed on the Exchange, except if it is a connected transaction; or

(4) subject to rule 5.03, the property interests in the company being acquired or disposed of is ancillary to the exploration for and/or extraction of Natural Resources (as defined in Chapter 18) and the circular or announcement referred to in rule 5.02 includes a valuation that encompasses these Natural Resources and ancillary property interests, and together have been valued as a business or as an operating entity by a Competent Evaluator (as defined in Chapter 18); or

Enhanced announcement requirement

Note: Rule 5.02 applies to property interests ancillary to the exploration for and/or extraction of Natural Resources if the circular or announcement does not include a valuation of all the ancillary property interests conducted by a Competent Evaluator.

(5) subject to rule 5.03, the carrying amount of a property interest in the company being acquired or disposed of is below 1% of the issuer's total assets. The total carrying amount of property interests not valued must not exceed 10% of the issuer's total assets.

5.02B Subject to rule 5.03, the circular or announcement issued under rule 5.02 must include:

(1) for a property interest, the full text of valuation reports;

(2) for an unlisted company whose assets consist solely or mainly of property:

(a) the full text of valuation reports of property interests that are required to be valued under rule 5.02 except where summary disclosure is allowed; and

(b) a summary disclosure if the value of a property interest as determined by the valuer is less than 5% of the total property interests that are required to be valued under rule 5.02. See Appendix D4 for the summary form of disclosure.

The Exchange may accept variation of the summary form of disclosure based on the issuer's circumstances. The valuer's report setting out the information required by these Rules must be published on the Exchange's website and the issuer's own website; and

Note: The summary form of disclosure may be varied based on the issuer's circumstances. An issuer must include additional information necessary for investors to make an informed decision.

(c) an overview of property interests not covered by a valuation report, including their number and approximate size range, uses, how they are held and the general description of the area where they are located. The overview may include property interests voluntarily valued and disclosed separately in the relevant circular or announcement;

(3) for a company listed on the Exchange whose assets consist solely or mainly of property, an overview of property interests, including their number and approximate size range, uses, how they are held and the general description of the area where they are located; and

(4) the general information in rule 5.10, if it applies.

…

Effective Date

5.07 The effective date as at which the property was valued must not be more than three months before the date on which the relevant ~~relative~~ listing document, ~~or~~ circular or announcement is issued and if such effective date is not the same as the end of the last period reported on by the reporting accountants (see Chapter 4), it will be necessary for the listing document, ~~or~~ circular or announcement to include a statement reconciling the valuation figure with the figure included in the balance sheet as at the end of that period.

…

Other valuation ~~R~~reports

5.09 If the issuer has obtained more than one valuation report regarding any of the issuer's properties referred to in the listing document, ~~or~~ circular or announcement within three months before the issue of the listing document, ~~or~~ circular or announcement then all other such reports must be included.

General disclosure

5.10 A listing document, ~~or~~ a circular or an announcement issued under rules 5.02 and 5.03, must disclose relevant information on material properties (including leased properties).

Notes: Information may include the following:

(1) a general description of where the property is located (rather than only its address) and some market analysis if the property relates to property activities. For example, whether the property is located in the central business district, supply and demand information, occupancy rates, trends in property yield, sales prices, rental rates etc.;

(2) use and approximate area;

(3) any restrictions on its use;

(4) an indication of how the property is held. For example, owned or leased. If leased, the remaining term of the lease;

(5) details of encumbrances, liens, pledges, mortgages against the property;

(6) environmental issues, such as breach of environmental regulations;

(7) details of investigations, notices, pending litigation, breaches of law or title defects;

(8) plans for construction, renovation, improvement or development of the property and estimated associated costs;

(9) plans to dispose of or change the use of the property; and

(10) any other information considered material for investors.

Chapter 13

EQUITY SECURITIES

CONTINUING OBLIGATIONS

…

SPECIFIC MATTERS RELEVANT TO THE ISSUER'S BUSINESS

…

Winding-up and liquidation

13.25 (1) An issuer shall inform the Exchange and publish an announcement of the happening of any of the following events as soon as it comes to its attention:— Remove profits ratio

(a) …

…

(d) the entry into possession of or the sale by any mortgagee of a portion of the issuer's assets where the aggregate value of the total assets or the aggregate amount of ~~profits or~~ revenue attributable to such assets represents more than 5% under any of the percentage ratios defined under rule 14.04(9); or

(e) the making of any final judgment, declaration or order by any court or tribunal of competent jurisdiction whether on appeal or at first instance which is not subject to any or further appeal, which may adversely affect the issuer's enjoyment of any portion of its assets where the aggregate value of the total assets or the aggregate amount of ~~profits or~~ revenue attributable to such assets represents more than 5% under any of the percentage ratios defined under rule 14.04(9).

(2) Rules 13.25(1)(a), (b) and (c) will apply to a subsidiary of the issuer if the value of that subsidiary's total assets~~, profits~~ or revenue represents 5% or more under any of the percentage ratios defined under rule 14.04(9). For the purpose of this rule 13.25(2), 100% of that subsidiary's total assets~~, profits~~ or revenue (as the case may be) or, where that subsidiary itself has subsidiaries, the consolidated total assets, profits or revenue (as the case may be) of that subsidiary is to be compared to the total assets~~, profits~~ or revenue (as the case may be) shown in the issuer's latest published audited consolidated financial statements irrespective of the interest held in the subsidiary.

…

ANNOUNCEMENTS, CIRCULARS AND OTHER DOCUMENTS

Review of documents

13.52 Subject to rule 13.52A, where an issuer is obliged to publish any announcements, circulars or other documents for the purposes of the Exchange Listing Rules, the documents need not be submitted to the Exchange for review before they are issued unless the documents fall within rule 13.52(1) ~~or (2)~~.

(1) The issuer shall submit to the Exchange drafts of the following documents for review before they are issued:

(a) listing document (including prospectus);

(b) circular relating to cancellation or withdrawal of listing of listed securities;

(c) circular relating to transaction or matter required under Chapter 14 of the Exchange Listing Rules;

(d) circular relating to connected transaction (including continuing connected transaction) required under Chapter 14A of the Exchange Listing Rules;

(e) circular to the issuer's shareholders seeking their approval of:

(i) any transaction or arrangement under rule 13.36(1) or 13.39(7);

(ii) any matter relating to share scheme required under Chapter 17 of the Exchange Listing Rules; or

(iii) [Repealed 1 October 2013]

(iv) any warrant proposal under paragraph 4(c) of Practice Note 4 to the Exchange Listing Rules; ~~or~~

(f) circulars or offer documents issued by the issuer in connection with takeovers, mergers or offers~~.~~; or

(g) announcement for any:

(i) extreme transaction or reverse takeover under rule 14.34;

(ii) transaction or arrangement under rules 14.89 to 14.91; or

(iii) matter relating to a cash company under rules 14.82 and 14.83.

Drafting change – remove transitional arrangement under rule 13.52(2)

(2) The issuer shall not issue such documents under rule 13.52(1) until the Exchange has confirmed that it has no further comments thereon.

A document should be resubmitted to the Exchange for further comment prior to issue if any material change is made to the document after the Exchange has issued the "no further comment" confirmation (other than changes made to address the comments attached to the "no further comment" confirmation). If there is any doubt as to whether or not a change is material the Exchange must be consulted as soon as possible.

~~(2) The following transitional provisions apply to announcements set out in this rule and shall cease to have effect on such date as the Exchange may determine and promulgate.~~

~~An issuer shall submit to the Exchange drafts of the following announcements for review before they are issued:~~

~~(a) announcement for any very substantial disposal, very substantial acquisition, extreme transaction or reverse takeover under rules 14.34 and 14.35;~~

~~(b) announcement for any transaction or arrangement under rules 14.89 to 14.91; or~~

~~(c) announcement for any matter relating to a cash company under rules 14.82 and 14.83.~~

~~The issuer shall not issue such announcements until the Exchange has confirmed that it has no further comments thereon.~~

Notes: 1. Draft documents should be submitted in sufficient time for review and, if necessary, re-submission prior to final printing.

2. In the case of documents issued in connection with takeovers, mergers or offers covered by the Takeovers Code, the Exchange will pass its comments on the documents directly to the issuer and will at the same time provide a copy of such comments to the Commission.

…

Chapter 14

EQUITY SECURITIES

NOTIFIABLE TRANSACTIONS

…

Definitions

14.04 For the purposes of this Chapter:—

(1) any reference to a “transaction” by a listed issuer:

(a) includes the acquisition or disposal of assets, including deemed disposals as referred to in rule 14.29;

(b) includes any transaction involving a listed issuer writing, accepting, transferring, exercising or terminating (in the manner described in rule 14.73) an option (as defined in rule 14.72) to acquire or dispose of assets or to subscribe for securities;

(c) includes entering into or terminating finance leases where the financial effects of such leases have an impact on the balance sheet and/or profit and loss account of the listed issuer;

(d) includes entering into or terminating operating leases which, by virtue of their size, nature or number, have a significant impact on the operations of the listed issuer. The Exchange will normally consider an operating lease or a transaction involving multiple operating leases to have a “significant impact” if such lease(s), by virtue of its/their total monetary value or the number of leases involved, represent(s) a 200% or more increase in the scale of the listed issuer’s existing operations conducted through lease arrangements of such kind;

(e) includes granting an indemnity or a guarantee or providing financial assistance by a listed issuer, other than by a listed issuer which:

(i) is a banking company (as defined in rule 14.04(4A) ~~14A.06(3)~~) and provides the financial assistance (as defined in rule 14.04(5A) ~~14A.06(17)~~) in its ordinary and usual course of business (as referred to in rule 14.04(8));

(ii) grants an indemnity or a guarantee, or provides financial assistance to its subsidiaries; or

(iii) is a securities house and provides the financial assistance ~~(as defined in rule 14A.06(17))~~ in its ordinary and usual course of business (as referred to in rule 14.04(8)) and upon normal commercial terms, either:

(A) by way of securities margin financing (which means providing a financial accommodation in order to facilitate:

(aa) the acquisition of securities listed on any stock market, whether a ~~recognized~~ recognised stock market (as defined in Schedule 1 to the Securities and Futures Ordinance) or any other stock market outside Hong Kong; and

(bb) (where applicable) the continued holding of those securities,

whether or not those or other securities are pledged as security for the accommodation); or

(B) for the purpose of a proposed acquisition of securities in accordance with the terms of a prospectus which is registered in Hong Kong and issued in respect of an initial public offering of equity securities to be listed in Hong Kong.

Note: Such a transaction may nevertheless in some cases constitute a connected transaction under Chapter 14A. In such cases, the listed issuer will have to comply with the provisions of Chapter 14A.

(f) includes entering into any arrangement or agreement involving the formation of a joint venture entity in any form, such as a partnership or a company, or any other form of joint arrangement, other than a joint venture where:

(i) the joint venture is engaging in a single purpose project/transaction which is of a revenue nature in the ordinary and usual course of business of the issuer (see rule 14.04(1)(g));

(ii) the joint venture arrangement is on an arm's length basis and on normal commercial terms; and

(iii) the joint venture agreement contains clause(s) to the effect that the joint venture may not, without its partners' unanimous consent:

(A) change the nature or scope of its business; or

(B) enter into any transactions which are not on an arm's length basis; and

(g) to the extent not expressly provided in rules 14.04(1)(a) to (f), excludes any transaction of a revenue nature in the ordinary and usual course of business (as referred to in rule 14.04(8)) of the listed issuer;

Notes: 1 To the extent not expressly provided in rules 14.04(1)(a) to (f), any transaction of a revenue nature in the ordinary and usual course of business of a listed issuer will be exempt from the requirements of this Chapter.

2 (a) Any transaction involving the acquisition or disposal of properties will generally not be considered to be of a revenue nature unless such transaction is carried out as one of the principal activities and in the ordinary and usual course of business of the listed issuer.

(b) Any transaction involving the acquisition or disposal of securities will generally not be considered to be of a revenue nature unless it is carried out in the ordinary and usual course of business by a member of the listed issuer's group that is:

(i) a banking company ~~(as defined in rule 14A.88)~~;

(ii) an insurance company; or

(iii) a securities house that is mainly engaged in regulated activities under the SFO <u>or a PRC securities house that is regulated under the PRC securities law and mainly engaged in businesses which are equivalent to regulated activities under the SFO</u>. It should be noted that proprietary securities trading and/or investment is not a regulated activity under the SFO and accordingly, this exemption is not available where proprietary securities trading and/or investment constitutes a significant part of the business of the securities house.

PRC securities house

3 Where a listed issuer, for the financial reporting purpose, has transferred an asset from the fixed asset account to the current asset account, a subsequent disposal of the asset by the listed issuer will not be exempt under rule 14.04(1)(g).

4 In considering whether or not a transaction is of a revenue nature, a listed issuer must take into account the following factors:

(a) *whether previous transactions or recurring transactions that were of the same nature were treated as notifiable transactions;*

(b) *the historical accounting treatment of its previous transactions that were of the same nature;*

(c) *whether the accounting treatment is in accordance with generally acceptable accounting standards; and*

(d) *whether the transaction is a revenue or capital transaction for tax purposes.*

These factors are included for guidance only and are not intended to be exhaustive. The Exchange may take into account other factors relevant to a particular transaction in assessing whether or not it is of a revenue nature. In cases of doubt, the listed issuer must consult the Exchange at an early stage.

(h) excludes a disposal or deemed disposal of interests in a principal subsidiary as a result of the grant of share options or share awards under a share scheme of the subsidiary that complies with Chapter 17.

…

(4A) a “banking company” means a listed issuer or its subsidiary which is a bank, a restricted licence bank or a deposit taking company as defined in the Banking Ordinance, or a bank constituted under appropriate overseas legislation or authority;

Drafting change

…

(5A) “financial assistance” includes granting credit, lending money, or providing an indemnity against obligations under a loan, or guaranteeing or providing security for a loan;

(5~~A~~B) an “insurance company” means a company which is authorised to carry out insurance business under the Insurance Ordinance or appropriate overseas legislation or authority. For the avoidance of doubt, an “insurance company” does not include an insurance broker or insurance agent;

…

(7) a “notifiable transaction” means a transaction classified as a share transaction, discloseable transaction~~,~~ or major transaction~~, very substantial disposal or very substantial acquisition~~ under rule 14.06 or a transaction classified as an extreme transaction or a reverse takeover ~~or extreme transaction~~ under rule 14.06C or 14.06B~~ or 14.06C~~;

Remove VSA and VSD

…

(9) "percentage ratios" means the percentage ratios set out in rule 14.07, and "assets ratio", ~~"profits ratio",~~ "revenue ratio", "consideration ratio" and "equity capital ratio" shall bear the respective meanings set out in rule 14.07;

Remove profits ratio

…

(10B) "Qualified Issuer" means an issuer actively engaged in property development as a principal business activity. For determining whether property development is a principal activity of an issuer, consideration will be given to the following factors:

(a) clear disclosure of property development activity as a current and continuing principal business activity in the Directors' Report of its latest published annual financial statements for the latest two full financial years;

Modification to Qualified Property Acquisition

(b) property development activity is reported as a separate and continuing segment (if not the only segment) in such ~~its latest published~~ financial statements; and

(c) ~~its~~ the format for reporting segmental information in such ~~and its latest published annual~~ financial statements has ~~have~~ fully complied with the requirements of relevant accounting standards adopted for the preparation of its annual financial statements on reporting of segment revenue and segment expense.

…

(11A) "securities or other investment activities" mean transactions involving acquisitions or disposals of (i) securities; or (ii) wealth management products, digital assets and other investment products, that are held or to be held for investment or treasury management purpose;

Exception to increased MT threshold

(11~~A~~B) a "shipping company" means a company or other entity whose non-cash assets consist solely or mainly of vessels or interests in vessels or interests in companies or entities whose non-cash assets consist solely or mainly of vessels and whose income is mainly derived from those vessels; and

…

Classification

14.05 A listed issuer considering a transaction must, at an early stage, consider whether the transaction falls into one of the classifications set out in rule 14.06, 14.06B or 14.06C. In this regard, the listed issuer must determine whether or not to consult its financial, legal or other professional advisers. Listed issuers or advisers which are in any doubt as to the application of the requirements in this Chapter should consult the Exchange at an early stage.

14.06 The transaction classification is made by using the percentage ratios set out in rule 14.07. The classifications are:—

(1) share transaction — an acquisition of assets (excluding cash) by a listed issuer where the consideration includes securities for which listing will be sought and/or treasury shares to be transferred and where all percentage ratios are less than 5%;

(2) discloseable transaction — a transaction or a series of transactions (aggregated under rules 14.22 and 14.23) by a listed issuer where any percentage ratio is 5% or more, but all percentage ratios are less than:

(a) 25% for transaction(s) involving (i) provision of financial assistance or (ii) securities or other investment activities; or

(b) 50% for other transaction(s);

(3) major transaction — a transaction or a series of transactions (aggregated under rules 14.22 and 14.23) by a listed issuer where any percentage ratio is: Increase MT threshold

(a) 25% or more~~, but less than 100% for an acquisition or 75% for a disposal~~ for transaction(s) involving (i) provision of financial assistance or (ii) securities or other investment activities; or

(b) 50% or more for other transaction(s).~~;~~

(4) [Repealed [date]] ~~very substantial disposal — a disposal or a series of disposals (aggregated under rules 14.22 and 14.23) of assets (including deemed disposals referred to in rule 14.29) by a listed issuer where any percentage ratio is 75% or more;~~ Remove VSA and VSD

(5) [Repealed [date]] ~~very substantial acquisition — an acquisition or a series of acquisitions (aggregated under rules 14.22 and 14.23) of assets by a listed issuer where any percentage ratio is 100% or more.~~

…

Reverse takeovers

14.06B A reverse takeover is an acquisition or a series of acquisitions of assets by a listed issuer which, in the opinion of the Exchange, constitutes, or is part of a transaction and/or arrangement or series of transactions and/or arrangements which constitute, an attempt to achieve a listing of the acquisition targets (as defined in rule 14.04(2A)) and a means to circumvent the requirements for new applicants set out in Chapter 8 of the Listing Rules.

Notes:

…

2. *Without limiting the generality of rule 14.06B, the following transactions are normally reverse takeovers (the bright line tests):*

(a) *an acquisition or a series of acquisitions (aggregated under rules 14.22 and 14.23) of assets ~~constituting a very substantial acquisition~~ where (i) any percentage ratio is 100% or more; and (ii) there is or which will result in a change in control (as defined in the Takeovers Code) of the listed issuer (other than at the level of its subsidiaries); or*

Remove VSA and VSD

(b) *acquisition(s) of assets from a person or a group of persons or any of his/their associates pursuant to an agreement, arrangement or understanding entered into by the listed issuer within 36 months of such person or group of persons gaining control (as defined in the Takeovers Code) of the listed issuer (other than at the level of its subsidiaries), where (i) such gaining of control had not been regarded as a reverse takeover~~,~~; and (ii) any percentage ratio of such acquisition(s) ~~which~~ individually or together ~~constitute(s) a very substantial acquisition~~ is 100% or more. When calculating the ~~For the purpose of determining whether~~ percentage ratios ~~the acquisition(s) constitute(s) a very substantial acquisition~~, the lower of:*

(A) *the latest published figures of the asset value~~,~~ and revenue ~~and profits~~ as shown in the listed issuer's accounts and the total market capitalisation ~~value~~ of the listed issuer at the time of the change in control, which must be adjusted in the manner set out in rules 14.16, 14.17, 14.18 and 14.19, as applicable, up to the time of the change in control; and*

Remove profits ratio

(B) *the latest published figures of the asset value~~,~~ and revenue ~~and profits~~ as shown in the listed issuer's accounts and the total market capitalisation ~~value~~ of the listed issuer at the time of the acquisition(s), which must be adjusted in the manner set out in rules 14.16, 14.17, 14.18 and 14.19, as applicable,*

is to be used as the denominator of the percentage ratios.

Rule 14.06B will apply irrespective of whether any general offer obligations under the Takeovers Code have been waived.

…

Percentage ratios

14.07 The percentage ratios are the figures, expressed as percentages resulting from each of the following calculations:—

(1) Assets ratio — the total assets which are the subject of the transaction divided by the total assets of the listed issuer (see in particular rules 14.09 to 14.12, 14.16, 14.18 and 14.19);

(2) [Repealed [date]] ~~Profits ratio — the profits attributable to the assets which are the subject of the transaction divided by the profits of the listed issuer (see in particular rules 14.13 and 14.17);~~

Remove profits ratio

(3) Revenue ratio — the revenue attributable to the assets which are the subject of the transaction divided by the revenue of the listed issuer (see in particular rules 14.14 and 14.17);

(4) Consideration ratio — the consideration divided by the higher of the total market capitalisation or the net assets of the listed issuer (see in particular rules 14.15, 14.16A, 14.18 and 14.19). The total market capitalisation is the average closing price of the listed issuer's securities as stated in the Exchange's daily quotations sheets for the five business days immediately preceding the date of the transaction ~~(see in particular rule 14.15)~~; and

Alternative consideration ratio

(5) Equity capital ratio — the number of shares to be issued and/or treasury shares to be transferred by the listed issuer as consideration divided by the total number of the listed issuer's issued shares (excluding treasury shares) immediately before the transaction.

Notes: 1. *The numerator includes shares that may be issued or transferred out of treasury upon conversion or exercise of any convertible securities or subscription rights to be issued or granted by the listed issuer as consideration.*

2. *The listed issuer's debt capital (if any), including any preference shares, shall not be included in the calculation of the equity capital ratio.*

Listed issuers must consider all the percentage ratios to the extent applicable for classifying a transaction. In the case of an acquisition where the target entity uses accounting standards different from those of the listed issuer, the listed issuer must, where applicable, perform an appropriate and meaningful reconciliation of the relevant figures for the purpose of calculating the percentage ratios.

14.08 The table below summarises the classification and percentage ratios resulting from the calculations set out in rule 14.07. However, listed issuers should refer to the relevant rules for the specific requirements.

Increase MT threshold / Remove VSA and VSD

Transaction type	**Percentage ratio (including assets ratio, consideration ratio, revenue ratio and equity capital ratio *(Note)*) threshold:**
Share transaction	less than 5%
Discloseable transaction	(i) **For transactions involving (a) provision of financial assistance or (b) securities or other investment activities**: 5% or more but less than 25% (ii) **For other transactions**: 5% or more but less than 50%
Major transaction	(i) **For transactions involving (a) provision of financial assistance or**

	(b) **securities or other investment activities**: 25% or more (ii) **For other transactions**: 50% or more

~~**Transaction type**~~	~~**Assets ratio**~~	~~**Consideration ratio**~~	~~**Profits ratio**~~	~~**Revenue ratio**~~	~~**Equity capital ratio**~~
~~Share transaction~~	~~less than 5%~~	~~less than 5%~~	~~less than 5%~~	~~Less than 5%~~	~~less than 5%~~
~~Discloseable transaction~~	~~5% or more but less than 25%~~	~~5% or more but less than 25%~~	~~5% or more but less than 25%~~	~~5% or more but less than 25%~~	~~5% or more but less than 25%~~
~~Major transaction – disposal~~	~~25% or more but lessthan 75%~~	~~25% or more but lessthan 75%~~	~~25% or more but lessthan 75%~~	~~25% or more but lessthan 75%~~	~~Not applicable~~
~~Major transaction – acquisition~~	~~25% or more but lessthan 100%~~	~~25% or more but lessthan 100%~~	~~25% or more but lessthan 100%~~	~~25% or more but lessthan 100%~~	~~25% or more but lessthan 100%~~
~~Very substantial disposal~~	~~75% or more~~	~~75% or more~~	~~75% or more~~	~~75% or more~~	~~Not applicable~~
~~Very substantial acquisition~~	~~100% or more~~	~~100% or more~~	~~100% or more~~	~~100% or more~~	~~100% or more~~

Note: The equity capital ratio relates only to an acquisition (and not a disposal) by a listed issuer issuing new equity capital and/or transferring treasury shares.

…

~~Profits~~

14.13 [Repealed [date]] ~~Profits mean net profits after deducting all charges except taxation and before non- controlling interests (See also rule 14.17). In the case of an acquisition or disposal of assets (other than equity capital) through a non wholly-owned subsidiary, the profits attributable to the assets acquired or disposed of (and not the listed issuer's proportionate interest in such profits) will form the numerator for the purpose of the profits ratio.~~

Remove profits ratio

…

Figures used in total assets, net assets ~~profits~~ and revenue calculations

14.16 A listed issuer must refer to the total assets shown in its accounts or latest published interim report (whichever is more recent) and adjust the figures by:

Remove profits ratio

(1) the amount of any dividend proposed by the listed issuer in such accounts and any dividend declared by the listed issuer since the publication of such accounts or interim report; and

(2) where appropriate, the latest published valuation of assets (excluding businesses and intangible assets) of the listed issuer if such valuation is published after the issue of such accounts.

Note: Rule 14.16(2) will normally apply to a valuation of assets such as properties, vessels and aircraft.

14.16A The net assets figure to be used by a listed issuer for computing the consideration ratio (see rule 14.07(4)) refers to the equity attributable to the owners of the issuer as shown in its accounts or latest published interim report (whichever is more recent), which shall be adjusted by the items under rules 14.16(1) and (2), as applicable. Alternative consideration ratio

14.17 The ~~profits (see rule 14.13) and~~ revenue (see rule 14.14) figure~~s~~ to be used by a listed issuer for the basis of the ~~profits ratio and~~ revenue ratio must be the figure~~s~~ shown in its accounts. Where a listed issuer has discontinued one or more of its operating activities during the previous financial year and has separately disclosed the ~~profits and~~ revenue from the discontinued operations in its accounts in accordance with applicable accounting standards adopted for the preparation of the listed issuer's annual financial statements, the Exchange may request the listed issuer ~~be prepared~~ to exclude ~~accept the exclusion of~~ such ~~profits and~~ revenue for the purpose of the ~~profits ratio and~~ revenue ratio ~~respectively~~. Remove profits ratio

14.18 The value of transactions, issues of securities, or sales or transfers of treasury shares by the listed issuer in respect of which adequate information has already been published and made available to shareholders in accordance with the Exchange Listing Rules and which have been completed must be included in the total assets and net assets of the listed issuer. Alternative consideration ratio

14.19 In calculating total assets and net assets, the Exchange may require the inclusion of further amounts where contingent assets are involved.

Note: Contingent assets normally refer to assets that will have to be acquired by a listed issuer pursuant to an agreement upon occurrence or non-occurrence of certain event(s) after the listed issuer has entered into the agreement. Such event(s) is/are normally beyond the control of the listed issuer and the parties to the transaction. Contingent assets must be determined in accordance with applicable accounting standards adopted for the preparation of the listed issuer's annual financial statements.

…

Interpretation of the classification rules in circumstances where the listed issuer or a subsidiary acquires or realises equity capital

…

14.26 In an acquisition or disposal of equity capital, the numerators for the purposes of the (a) assets ratio~~,~~ and (b) ~~profits ratio and (c)~~ revenue ratio are to be calculated by reference to the value of the total assets~~, the profits attributable to such capital~~ and the revenue attributable to such capital respectively. Remove profits ratio

14.27 For the purpose of rule 14.26:

(1) the value of an entity's total assets is the higher of:

(a) the book value of the entity's total assets attributable to the entity's capital as disclosed in its accounts; and

(b) the book value referred to in rule 14.27(1)(a) adjusted for the latest published valuation of the entity's assets if such valuation is published after the issue of its accounts; and

Note: This will normally apply to a valuation of assets such as properties, vessels and aircraft.

(2) the value of an entity's ~~profits and~~ revenue is the ~~profits and~~ revenue attributable to the entity's capital as disclosed in its accounts.

14.28 The value of the entity's total assets~~, profits~~ and revenue, calculated in accordance with rule 14.27, is to be multiplied by the percentage of the equity interest being acquired or disposed of by the listed issuer. However, 100% of the entity's total assets~~, profits~~ and revenue will be taken as the value of the total assets~~, profits~~ and revenue, irrespective of the size of the interest being acquired or disposed of, if:

Remove profits ratio

(1) the acquisition will result in consolidation of the assets of the entity in the accounts of the listed issuer; or

(2) the disposal will result in the assets of the entity no longer being consolidated in the accounts of the listed issuer.

…

Deemed disposals

14.29 Allotments of share capital by a subsidiary of a listed issuer, whether or not such subsidiary is consolidated in the accounts of the listed issuer, may result in a reduction of the percentage equity interest of the listed issuer in such subsidiary. Such allotments give rise to deemed disposals. Profits or losses may be recorded on such transactions and such transactions may also ~~fall to~~ be treated as ~~very substantial disposals,~~ <u>discloseable or</u> major ~~or discloseable~~ or connected transactions. Rules 14.30 to 14.32 set out how the percentage ratios are applied to such transactions.

Remove VSA and VSD

14.30 Where a subsidiary of the listed issuer (whether or not consolidated in the accounts of the listed issuer, whether or not wholly-owned and whether held directly or indirectly):

(1) allots shares; and

(2) after the allotment, the subsidiary will continue to be a subsidiary,

the percentage by which the interest is reduced will be multiplied by the subsidiary's total assets~~, profit~~ and revenue as disclosed in the accounts of the subsidiary allotting shares and that shall be taken as the respective numerators for the purpose of the assets ratio, ~~profits ratio,~~ revenue ratio and de minimis ratio.

Note: For example, if the interest is reduced from 90% to 80%, then 10% of the subsidiary's total assets~~, profits~~ and revenue will form the respective numerators for the assets ratio~~, profits ratio,~~ revenue ratio and de minimis ratio.

Remove profits ratio

14.31 Where a subsidiary of the listed issuer (whether or not consolidated in the accounts of the listed issuer, whether or not wholly-owned and whether held directly or indirectly) allots shares such that, after the allotment, the subsidiary will cease to be a subsidiary, 100% of the subsidiary's total assets~~, profits~~ and revenue will form the respective numerators for the assets ratio, ~~profits ratio,~~ revenue ratio and de minimis ratio.

Note: For example, if the interest is reduced from 60% to 40% and the subsidiary ceases to be a subsidiary then 100% of the entity's total assets~~, profits~~ and revenue will form the respective numerators for the assets ratio, ~~profits ratio,~~ revenue ratio and de minimis ratio.

…

~~Notification, p~~Publication and shareholders' approval requirements

14.33 The table below summarises the ~~notification,~~ publication and shareholders' approval requirements which will generally apply to each category of notifiable transaction. However, listed issuers should refer to the relevant rules for the specific requirements.

Remove VSA and VSD

	~~Notification to Exchange~~	~~Publication of an announcement in accordance with rule 2.07C~~ Announcement	Circular to shareholders	Shareholders' approval	Accountants' report
Share transaction	~~Yes~~	Yes	No	No[1]	No
Discloseable transaction	~~Yes~~	Yes[2]	No	No	No
Major transaction	~~Yes~~	Yes[2]	Yes	Yes~~[2]~~[3]	Yes~~[3]~~[4]
~~Very substantial disposal~~	~~Yes~~	~~Yes~~	~~Yes~~	~~Yes[2]~~	~~No[5]~~
~~Very substantial acquisition~~	~~Yes~~	~~Yes~~	~~Yes~~	~~Yes[2]~~	~~Yes[4]~~
Extreme transaction		Yes[2]	Yes	Yes[3]	Yes[5]
Reverse takeover	~~Yes~~	Yes[2]	Yes[6]	Yes~~[2]~~[3]~~, 6~~	Yes~~[4]~~[5]

Notes: 1 No shareholder approval is necessary if the consideration shares are issued or transferred out of treasury under a general mandate. However, if the shares are not issued or transferred out of treasury under a general mandate, the listed issuer is required, pursuant to rule 13.36(1)(a), to obtain shareholders' approval in general meeting prior to the issue of new shares or transfer of treasury shares as consideration shares.

2 *In case of a notifiable transaction where any percentage ratio is 25% or more, additional information is required (see rule 14.60).*

~~2~~3 *Any shareholder and his close associates must abstain from voting if such shareholder has a material interest in the transaction.*

~~3~~4 *An accountants' report on the business, company or companies being acquired is required (see also rules 4.06 and 14.67(6)).*

~~4~~5 *An accountants' report on any business, company or companies being acquired is required (see also rules 4.06 and 14.69(4)).*

6 *A listed issuer proposing a reverse takeover is required to issue a listing document.*

~~5~~ *[Repealed [date]] ~~A listed issuer may at its option include an accountants' report (see note 1 to rule 14.68(2)(a)(i)).~~*

~~6~~ *[Repealed [date]] ~~Approval of the Exchange is necessary.~~*

Exemptions

Acquisitions or leasing of assets in the ordinary and usual course of business

14.33A (1) An acquisition or leasing of assets by a listed issuer which constitutes a major transaction is exempt from the circular and shareholders' approval requirements if:

Exemption for ordinary course of business

(a) the assets are to be acquired or leased by the issuer in the ordinary and usual course of business to maintain or expand an existing principal activity which has been reported as a separate and continuing segment (if not the only segment) in the issuer's published financial statements for at least two full consecutive financial years immediately preceding the transaction;

(b) the issuer's board of directors has confirmed that:

(i) the transaction is entered into by the issuer in its ordinary and usual course of business and on normal commercial terms; and

(ii) the terms of the transaction are fair and reasonable and in the interests of the issuer and its shareholders as a whole.

(2) In addition to the information required under rules 14.58 and 14.60 (as applicable), the announcement relating to the transaction must contain information to demonstrate that the conditions set out in rule 14.33A(1) were met.

Note: The exemption also applies to the acquisition or leasing of assets by a listed issuer through a wholly owned special purpose vehicle which is established *solely for the purpose of acquiring, holding or leasing the assets for use in the issuer's ordinary and usual course of business. Other than in this circumstance, the exemption is not applicable to transactions involving acquisitions or disposals of companies, businesses or securities, formation of joint ventures, provision of financial assistance, or securities or other investment activities.*

~~Exemptions~~ Joint Ventures for Qualified Property Acquisitions
~~which constitute major transactions or very substantial acquisitions~~

14.33B~~A~~ (1) A Qualified Property Acquisition which is jointly undertaken by a Qualified Issuer and other parties and constitutes a major transaction~~ or very substantial acquisition~~ is exempt from the circular and shareholders' approval requirements if: Modification to Qualified Property Acquisition

~~(1) it is undertaken on a sole basis by a Qualified Issuer in its ordinary and usual course of business; or~~

~~(2) it is undertaken by a Qualified Issuer and other party or parties on a joint basis and:~~

(a) the joint venture (or other form of joint arrangement) is established for a ~~project will be~~ single purpose~~,~~ relating to the acquisition and/or development of a specific property and consistent with the purpose specified in the auction or tender document;

(b) each joint venture arrangement must be on an arm's length basis and on normal commercial terms;

(c) the joint venture agreement contains clause(s) to the effect that the joint venture may not, without its partners' unanimous consent:

(i) change the nature or scope of its business, and if there are changes then they must still be consistent with the scope or purpose specified in the auction or tender document; or

(ii) enter into any transactions which are not on an arm's length basis; and

(d) the Qualified Issuer's board has confirmed that the Qualified Property Acquisition is in the Qualified Issuer's ordinary and usual course of business; and that the Qualified Property Acquisition and the joint venture, including its financing and profit distribution arrangements, are on normal commercial terms, fair and reasonable and in the interests of the Qualified Issuer and its shareholders as a whole.

~~14.33B~~ (2~~1~~) The Qualified Issuer must publish an announcement as soon as possible after notification of the success of a bid by ~~it or~~ the joint venture for a Qualified Property Acquisition falling under rule 14.33B~~A~~ ~~and send a circular to its shareholders~~.

(3~~2~~) In addition to the information required under rules 14.58 and 14.60, the ~~The~~ announcement ~~and circular~~ must contain:

(a) details of the acquisition;

(b) details of the joint venture, ~~if any,~~ including

(i) the joint venture's terms and status;

(ii) its dividend and distribution policy; and

(iii) the joint venture's financial and capital commitment and the Qualified Issuer's share in it; and

(c) information to demonstrate that the conditions in rule 14.33B~~A(1) or (2)~~ were met.

Note: If any of these details are not available when the issuer publishes the initial announcement, it must publish subsequent announcement(s) to disclose the details as soon as possible after they have been agreed ~~or finalised~~.

~~(3)~~ [Repealed [date]] ~~The announcement and circular requirements under chapter 14 apply to the acquisition and the joint venture, if any, according to the transaction classification, except that the information circular need not contain a valuation report on the property under the Qualified Property Acquisition.~~

Drafting change – remove duplication to Chapter 5

~~Exemptions for~~ Qualified Aircraft Leasing Activities ~~which constitute notifiable transactions~~

14.33C …

14.33D Where a Qualified Aircraft Leasing Activity is exempt from the announcement, circular and/or shareholders' approval requirements for notifiable transactions under rule 14.33C:

(1) the Qualified Aircraft Lessor must publish an announcement as soon as possible after the terms of the transaction have been agreed~~finalised~~. The announcement must contain:

…

Requirements for all transactions

~~Notification and a~~ Announcement

14.34 As soon as possible after the terms of a share transaction, discloseable transaction, major transaction, ~~very substantial disposal, very substantial acquisition,~~ extreme transaction or reverse takeover have been agreed~~finalised~~, the listed issuer must in each case:—

(1) [Repealed 1 March 2019]

(2) publish an announcement as soon as possible, which must contain at least the information set out in rules 14.58 and 14.60 and any additional information requested by the Exchange. See also rule 14.37.

14.35 [Repealed [date]] ~~For a share transaction, the announcement must contain the information set out in rules 14.58 and 14.59. For a discloseable transaction, major transaction, very substantial disposal, very substantial acquisition, extreme transaction or reverse takeover, the announcement must contain at least the information set out in rules 14.58 and 14.60. In all cases, listed issuers must also include any additional information requested by the Exchange.~~ Drafting change

14.36 In respect of ~~Where~~ a transaction previously announced pursuant to this Chapter, the listed issuer must publish further announcement(s) to inform the market of the following event(s) as soon as practicable: Further announcement requirement

(a) ~~is terminated or there is~~ the transaction is completed or terminated according to its terms;

(b) there is any material variation of its terms or material delay in the completion of the agreement (including an extension of the long stop date);

(c) there is any change in payment schedule; and

(d) where consideration (including any deferred consideration) is not a fixed amount, the amount of the consideration when determined.

The announcement must also include a statement that except as disclosed, there has been no material change affecting the terms of the transactions as previously disclosed by the listed issuer.~~, the listed issuer must as soon as practicable announce this fact by means of an announcement published in accordance with rule 2.07C~~.

Note: This requirement is without prejudice to the generality of any other provisions of the Exchange Listing Rules and the listed issuer must, where applicable, also comply with such provisions.

14.36A Where there is expected ~~to be~~ delay in despatch of the circular or publication of the announcement in relation to the transaction by the date previously announced under rule 14.60(4~~7~~) or this rule, the listed issuer must as soon as practicable disclose this fact by way of an announcement stating the reason for the delay and the new expected date of despatch of the circular or publication of the announcement.

…

Additional requirements for major transactions

Circular

14.38A In addition to the requirements for all transactions set out in rules 14.34 to 14.37, a listed issuer which has entered into a major transaction must send a circular to its shareholders ~~and the Exchange~~ and arrange for its publication in accordance with the provisions of Chapter 2 of the Exchange Listing Rules.

…

Shareholders' approval

…

14.41 The circular must be despatched to the shareholders of the listed issuer:

(a) if the transaction is approved or is to be approved by way of written shareholders' approval from a shareholder or a closely allied group of shareholders under rule 14.44, within 15 business days after publication of the announcement; or

(b) if the transaction is to be approved by shareholders at a general meeting, at the same time as or before the listed issuer gives notice of the general meeting to approve the transaction.

The circular shall contain information required under rules 14.63, 14.66, 14.67 (for an acquisition only) and 14.68~~70~~ (for a disposal only).

…

Methods of approval

14.44 Shareholders' approval for a major transaction shall be given by a majority vote at a general meeting of the shareholders of the issuer unless all the following conditions are met, in which case written shareholders' approval may, subject to rule 14.86, be accepted in lieu of holding a general meeting *(Note 1)*:—

(1) all the applicable percentage ratios are less than 100% (for an acquisition) or 75% (for other transactions); Increase MT threshold

(2~~1~~) no shareholder is required to abstain from voting if the issuer were to convene a general meeting for the approval of the transaction; and

(3~~2~~) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting (*Note* 2) to approve the transaction. Where a listed issuer discloses inside information to any shareholder in confidence to solicit the written shareholders' approval, the listed issuer must be satisfied that such shareholder is aware that he must not deal in the listed issuer's securities before such information has been made available to the public.

Notes:

1. *References to shareholder(s) in this rule shall mean shareholder(s) other than a holder of treasury shares.*

2. *Voting rights attaching to treasury shares are excluded.*

…

~~Additional requirements for very substantial disposals and very substantial acquisitions~~

Remove VSA and VSD

14.48 [Repealed [date]] ~~In the case of a very substantial disposal or a very substantial acquisition, the listed issuer must comply with the requirements for all transactions and for major transactions set out in rules 14.34 to 14.37, 14.38A and 14.41.~~

14.49 [Repealed [date]] ~~A very substantial disposal and a very substantial acquisition must be made conditional on approval by shareholders in general meeting. No written shareholders' approval will be accepted in lieu of holding a general meeting. The Exchange will require any shareholder and his close associates to abstain from voting at the relevant general meeting on the relevant resolution(s) if such shareholder has a material interest in the transaction.~~

14.51 [Repealed [date]] ~~The circular must be despatched to the shareholders of the listed issuer at the same time as or before the listed issuer gives notice of the general meeting to approve the transaction referred to in the circular. The circular must contain the information required under rules 14.63, 14.68 (for a very substantial disposal) and 14.69 (for a very substantial acquisition).~~

14.52 [Repealed [date]] ~~A listed issuer shall despatch to its shareholders any revised or supplementary circular and/or provide any material information that has come to the attention of the directors after the issue of the circular (by way of announcement published in accordance with rule 2.07C) on the transaction to be considered at a general meeting not less than 10 business days before the date of the relevant general meeting.~~

~~*Note: The listed issuer must assess the scale of revisions or updating required and materiality of the new information, revisions or updating required that has come to its attention after publication of the circular, when deciding whether to issue a revised or supplementary circular or publish an announcement in accordance with rule 2.07C. Where the revisions or updating required are significant, the listed issuer must consider carefully whether it would be better to publish a revised or supplementary circular rather than provide particulars of the changes in an announcement. The listed issuer should not overwhelm or confuse investors with lengthy announcements describing changes to information contained in the original circular.*~~

14.53 [Repealed [date]] ~~The meeting must be adjourned before considering the relevant resolution to ensure compliance with the 10 business day requirement under rule 14.52 by the chairman or, if that is not permitted by the listed issuer's constitutional documents, by resolution to that effect (see also rule 13.41).~~

Additional requirements for extreme transactions

14.53A In the case of an extreme transaction, the listed issuer must:

(1) comply with the requirements for major transactions ~~very substantial acquisitions~~ set out in rules ~~14.48 to 14.53~~ 14.38A to 14.43. Shareholders' approval for an extreme transaction shall be given by a majority of vote at a general meeting of the shareholders of the issuer, and the Exchange will require any shareholder and his close associates to abstain from voting at the relevant general meeting on the relevant resolution(s) if such shareholder has a material interest in the transaction. No written shareholders' approval will be accepted in lieu of holding a general meeting. The circular must contain the information required under rules 14.63 and 14.69; and

Remove VSA and VSD

Note: See also rule 14.57A if the extreme transaction involves a series of transactions and/or arrangements.

~~(2)~~ appoint a financial adviser to perform due diligence on the acquisition targets to put itself in a position to be able to discharge its obligations set out in Appendix E2.

Note: See also rules 13.87A to 13.87C for the requirements relating to financial advisers.

…

Contents of announcements

All transactions

14.58 The announcement of a ~~share~~ notifiable transaction~~, discloseable transaction, major transaction, very substantial disposal, very substantial acquisition, extreme transaction or reverse takeover~~ must contain at least the following information:—

Enhanced announcement requirement

(1) at the top of the announcement:

(a) a prominent and legible disclaimer ~~at the top of the announcement~~ in the form set out in rule 14.88; and

(b) a prominent and legible directors' responsibility statement in the form set out in paragraph 2 of Appendix D1B;

(2) a description of the principal business activities carried on by the listed issuer and the identity and a description of the principal business activities of the counterparty. The listed issuer must also confirm that, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the counterparty and the ultimate beneficial owner of the counterparty are third parties independent of the listed issuer and connected persons of the listed issuer;

Drafting change – originally from rule 14.58(3)

(3) the date, general nature and material terms and conditions of the transaction~~. The listed issuer must also confirm that, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the counterparty and the ultimate beneficial owner of the counterparty are third parties independent of the listed issuer and connected persons of the listed issuer~~;

Drafting change – originally from rules 14.59(2) and 14.60(2)

(4) brief details of the assets which are the subject of the transaction, including, where applicable, the name of the company being acquired or disposed of and a description of its principal activities;

(5) where the transaction involves an acquisition or disposal of an interest in a company, the percentage of the company's issued shares held by the listed issuer before and after the transaction and, in the case of a disposal, whether any remaining interest is to be sold or retained by the listed issuer. Where the company will become, or cease to be, a subsidiary of the listed issuer as a result of the transaction, a statement to that effect;

Drafting change – originally from rules 14.59(3), 14.60(6) and 14.66(6)

(6~~4~~) the aggregate value of the consideration, how it is being or is to be satisfied and details of the terms of any arrangements for payment on a deferred basis. If the consideration includes securities being issued and/or transferred out of treasury ~~for which listing will be sought and/or treasury shares~~, the listed issuer must also include the amounts and details of the securities ~~being issued and/or transferred out of treasury~~, including any restrictions which apply to the subsequent sale of such securities;

Drafting change – originally from rules 14.59(1) and 14.60(1)

Note: …

(7~~5~~) the basis, together with an adequate explanation, upon which the consideration was determined, and where the consideration (or other material terms) of the transaction is primarily based on an independent valuation, the details (including valuation approaches and methods together with key inputs and assumptions) of such valuation;

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(8~~6~~) the value (book value and valuation, if any) of the assets which are the subject of the transaction;

(9~~7~~) where applicable, the net profits (both before and after taxation) attributable to the assets which are the subject of the transaction for the two financial years immediately preceding the transaction, and in case of an acquisition or disposal of a company or business, additional information in relation to the revenue, assets and liabilities (both on a current and total basis), cash flow from operating activities (where applicable) of the company or business for the two financial years immediately preceding the transaction, together with any other key financial metrics commonly used in the relevant sector (such as gross profits) and adequate explanation(s) for shareholders and investors to better understand its performance during those financial years and any material subsequent changes;

Newly added requirement

Note: The listed issuer shall disclose the audited financial information. Where audited financial information is not available, the board of directors shall provide an adequate explanation of the reason thereof in the announcement, together with the basis on which the directors consider it reasonable to enter into the transaction based on the unaudited information and the reliability of such information. In addition, the listed issuer must disclose the source of the financial information and the basis on which such financial information has been prepared.

(10) in the case of a disposal:—

(a) details of the gain or loss expected to accrue to the listed issuer and the basis for calculating this gain or loss. Where the listed issuer expects to recognise in its income statement a gain or loss different from the disclosed gain or loss, the reason for the difference must be explained. The gain or loss is to be calculated by reference to the carrying value of the assets in the accounts; and

Drafting change – originally from rules 14.60(3) and 14.70(1)

(b) the intended application of the sale proceeds (including whether such proceeds will be used to invest in any assets) and, if the sale proceeds include securities, whether they are to be listed or not and whether the issuer intends to hold such securities for investment or other purposes;

(11~~8~~) the reasons for entering into the transaction, the benefits which are expected to accrue to the listed issuer as a result of the transaction and a statement that the directors have duly approved the transaction and believe that the terms of the transaction are fair and reasonable and in the interests of the shareholders as a whole; ~~and~~

(12) an explanation of the impact of the transaction on the listed issuer, including qualitative and quantitative analysis of any material effect on the listed issuer's profits and losses, assets, liabilities, liquidity and financial resources as well as financial and trading prospects and strategic direction, together with the key factors and assumptions underlying that effect;

Newly added requirement

(13~~9~~) where appropriate, details of any guarantee and/or other security given or required as part of or in connection with the transaction~~.~~; and

(14) where the transaction involves an issue of securities for which listing will be sought and/or transfer of treasury shares,

(a) a description of the nature and amount of the issue including the number of securities which have been or will be created and/or issued (if predetermined), together with details of the authorised share capital of the issuer, the amount issued or agreed to be issued, the amount paid up, the nominal value and a description of the shares;

Drafting change – originally from rules 14.67 and App. D1B

(b) a statement as to whether it will result in a change in control of the listed issuer;

(c) a statement that the announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities;

(d) where applicable, in the case of an issue of securities for which listing will be sought, a statement that application has been or will be made to the Exchange for the listing of and permission to deal in the securities; and

Drafting change – originally from rule 14.60(4)

(e) in case of a new class of securities to be listed, a statement:

(i) that all necessary arrangements have been made enabling the securities to be admitted into CCASS or an appropriate negative statement; and

(ii) the minimum prescribed percentage of securities to be held by the public and the expected percentage of public float in the relevant class of securities immediately upon listing.

Drafting change – originally from rules 14.67(1) and App. D1B

~~Share transaction announcements~~

14.59 [Repealed [date]]~~In addition to the information set out in rule 14.58, the announcement for a share transaction must contain at least the following information:—~~

Drafting change – moved to new rule 14.58

~~(1) the amount and details of the securities being issued and/or transferred out of treasury including details of any restrictions which apply to the subsequent sale of such securities;~~

~~(2) brief details of the asset(s) being acquired, including the name of any company or business or the actual assets or properties where relevant and, if the assets include securities, the name and general description of the activities of the company in which the securities are or were held;~~

~~(3) if the transaction involves an issue of securities of a subsidiary of the listed issuer, a declaration as to whether the subsidiary will continue to be a subsidiary of the listed issuer following the transaction;~~

~~(4) in the case where securities will be issued, a statement that the announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities; and~~

~~(5) in the case where securities will be issued, a statement that application has been or will be made to the Exchange for the listing of and permission to deal in the securities.~~

Notifiable transactions with percentage ratios of 25% or more

~~Discloseable transaction, major transaction, very substantial disposal, very substantial acquisition, extreme transaction and reverse takeover announcements~~

14.60 In addition to the information set out in rule 14.58, the announcement of a notifiable ~~discloseable~~ transaction where any applicable percentage ratio is 25% or more~~, major transaction, very substantial disposal, very substantial acquisition, extreme transaction or reverse takeover~~ must contain at least ~~brief details of~~ the following:—

Drafting change – moved to new rule 14.58

~~(1) the general nature of the transaction including, where the transaction involves securities, details of any restrictions which apply to the subsequent sale of such securities;~~

~~(2) brief details of the asset(s) being acquired or disposed of, including the name of any company or business or the actual assets or properties where relevant and, if the assets include securities, the name and general description of the activities of the company in which the securities are or were held;~~

~~(3) in the case of a disposal:—~~

~~(a) details of the gain or loss expected to accrue to the listed issuer and the basis for calculating this gain or loss. Where the listed issuer expects to recognise in its income statement a gain or loss different from the disclosed gain or loss, the reason for the difference must be explained. The gain or loss is to be calculated by reference to the carrying value of the assets in the accounts; and~~

~~(b) the intended application of the sale proceeds;~~

~~(4) if the transaction involves an issue of securities for which listing will be sought or a transfer of treasury shares, the announcement must also include:~~

~~(a) a statement that the announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities; and~~

~~(b) in the case where securities will be issued, a statement that application has been or will be made to the Exchange for the listing of and permission to deal in the securities;~~

(1) in the case of an acquisition or disposal involving:

Drafting change – requirements applicable to NTs of 25% or more

(a) property interest and/or mineral or petroleum assets, information required under Chapter 5 and/or Chapter 18 (as applicable); and

(b) infrastructure project or an infrastructure or project company, information required under rule 14.71;

Note: If any of the information required under rule 14.60(1) is not available to the issuer at the time of the initial announcement published under rule 14.34, the issuer may disclose the information in a subsequent announcement or circular (if required) and publish such information prior to the completion of the transaction. The issuer must disclose in the initial announcement the expected date of publication of the subsequent announcement or circular.

(2) where applicable, the information required under paragraph 5 to Appendix D1B in relation to an expert statement included in the announcement;

(3~~5~~) where the transaction is a major transaction approved or to be approved by way of written shareholders' approval from a shareholder or a closely allied group of shareholders pursuant to rule 14.44, details of the shareholder or the closely allied group of shareholders (as the case may be), including the name of the shareholder(s), the number of securities held by each such shareholder and the relationship between the shareholders; and

(4) in the case of a major transaction, extreme transaction or reverse takeover, the expected date of despatch of the circular and if this is more than 15 business days after the publication of the announcement, the reasons why this is so.

<u>Note: If there is expected delay in despatch of the circular, the listed issuer must as soon as practicable publish a further announcement in accordance with rule 14.36A.</u>

(6) <u>[Repealed [date]]</u>~~if the transaction involves a disposal of an interest in a subsidiary by a listed issuer, a declaration as to whether the subsidiary will continue to be a subsidiary of the listed issuer following the transaction; and~~

(7) <u>[Repealed [date]]</u>~~in the case of a major transaction, a very substantial disposal, a very substantial acquisition or a reverse takeover, the expected date of despatch of the circular and if this is more than 15 business days after the publication of the announcement, the reasons why this is so.~~

~~Note: If there is expected to be delay in despatch of the circular, the listed issuer must as soon as practicable publish a further announcement in accordance with rule 14.36A.~~

…

Contents of circulars

General principles

14.63 A circular of a major transaction~~, very substantial disposal, very substantial acquisition~~ or extreme transaction and a listing document for a reverse takeover sent by a listed issuer to holders of its listed securities must:—

(1) provide a clear, concise and adequate explanation of its subject matter having regard to the provisions of rule 2.13; and

…

…

Major transaction circulars

14.66 A circular relating to a major transaction must contain:—

(1) a prominent and legible disclaimer on the front cover or inside front cover of the circular in the form set out in rule 14.88;

(2) <u>information which is required to be included in the announcement under rules 14.58 and 14.60 (as applicable);</u> ~~the information regarding the listed issuer specified in the following paragraphs of Appendix D1B:—~~ Drafting change – originally under rule 14.66(4)

~~1- name~~

~~2- directors' responsibility statement~~

~~5- expert statements~~

~~29(2)- requirements if there is a profit forecast~~

~~33- litigation statement~~

~~35- details of secretary~~

~~36- address of registered office and head office~~

~~41- additional information on mineral companies (if applicable)~~

(3) the information regarding:

(a) interests of directors and chief executive in the listed issuer required under paragraphs 34 and 38 of Appendix D1B, and Practice Note 5;

(b) details of any existing or proposed service contracts of directors and proposed directors of the listed issuer, or an appropriate negative statement;

Note: Details of contracts to expire or which may be terminated by the employer within a year without payment of any compensation (other than statutory compensation) need not be included.

Drafting change – originally under rule 14.66(7)

(c) information as to the competing interests (if any) of each of the directors and any proposed director of the issuer (excluding its subsidiaries) and his/her respective close associates (as if each of them was treated as a controlling shareholder under rule 8.10); and

Drafting change – originally under rule 14.66(8)

(d) particulars of directors' or experts' interests in group assets (see paragraph 40 and Note 2 to Appendix D1B).

Note: Information required under rule 14.66(3) may be incorporated in the circular by reference to other documents published by the listed issuers under the Exchange Listing Rules.

Drafting change – originally under rule 14.66(10)

~~(4) information which is required to be included in the announcement under rule 14.60;~~

Drafting change – originally under new rule 14.58 / re-organised in rule 14.66

~~(5) information concerning the effect of the transaction on the earnings and assets and liabilities of the listed issuer;~~

~~(6) where a company either becomes a subsidiary or ceases to be a subsidiary of the listed issuer:—~~

~~(a) the percentage of the company's issued shares (if any) held by the listed issuer after the acquisition or disposal; and~~

~~(b) in the case of a disposal, a statement whether the remaining shares are to be sold or retained;~~

~~(7) details of any existing or proposed service contracts of directors and proposed directors of the listed issuer, or an appropriate negative statement;~~

~~*Note: Details of contracts to expire or which may be terminated by the employer within a year without payment of any compensation (other than statutory compensation) need not be included.*~~

~~(8) information as to the competing interests (if any) of each of the directors and~~

~~any proposed director of the issuer (excluding its subsidiaries) and his/her respective close associates (as if each of them were treated as a controlling shareholder under rule 8.10);~~

~~(9) any additional information requested by the Exchange;~~

(4~~10~~) the following information regarding the listed issuer ~~specified in the following paragraphs of Appendix D1B~~:—

Drafting change – originally under rule 14.66(2)

(a) full name (see paragraph 1 of Appendix D1B);

(b) directors' responsibility statement (see paragraph 2 of Appendix D1B);

(c) in relation to an expert who has included a statement in the circular, a statement~~s~~ in relation its qualification, shareholdings in the issuer group and written consent (see paragraph 5 of Appendix D1B);

(d) statement as to the trend of the business and the financial and trading prospects (see paragraph 29(1) and Note 2 to Appendix D1B);

(e) requirements if there is a profit forecast (see paragraph 29(2) of Appendix D1B);

(f) statement of sufficiency of working capital (see paragraph 30 and Note 2 to Appendix D1B), which must take into account the effect of the transaction;

Notes:

(1) A working capital statement in paragraph 30 of Appendix D1B is not required if the issuer is a banking company or an insurance company and:—

(i) the inclusion of such a statement would not provide significant information for investors;

(ii) the issuer's solvency and capital adequacy are subject to prudential supervision by another regulatory body; and

(iii) the issuer will provide alternative disclosures on (i) the regulatory requirements as to the solvency, capital adequacy and liquidity of banking companies or insurance companies (as the case may be) in the relevant jurisdiction or place of operation; and (ii) the issuer's solvency ratios, capital adequacy ratios and liquidity ratios (as applicable) for the latest three financial years.

(2) Where the circular contains a statement as to the sufficiency of working capital, the Exchange will require a letter from the listed issuer's financial advisers or auditors confirming that:—

(i) the statement has been made by the directors after due and careful enquiry; and

(ii) *the persons or institutions providing finance have confirmed in writing that such facilities exist.*

(g) particulars of any litigation or claims of material importance (see paragraph 33 and Note 2 to Appendix D1B);

(h) details of the company secretary (see paragraph 35 of Appendix D1B);

(i) address of registered office and head office (see paragraph 36 of Appendix D1B);

~~28- indebtedness~~
~~29(1)(b)- financial and trading prospects~~
~~30- sufficiency of working capital, which must take into account the effect of the transaction~~
~~40- directors' and experts' interests in group assets~~

(j) ~~42-~~ material contracts that are relevant to the proposed transaction (see paragraph 42 and Note 2 to Appendix D1B); and

(k) ~~43(2)(c), (3) and (4)-~~ documents on display (see paragraph 43(2)(c), (3) and (4) and Note 2 to Appendix D1B).~~;~~

~~*A working capital statement in paragraph 30 of Appendix D1B is not required if the issuer is a banking company or an insurance company and:—*~~

~~*(a) the inclusion of such a statement would not provide significant information for investors;*~~

~~*(b) the issuer's solvency and capital adequacy are subject to prudential supervision by another regulatory body; and*~~

~~*(c) the issuer will provide alternative disclosures on (i) the regulatory requirements as to the solvency, capital adequacy and liquidity of banking companies or insurance companies (as the case may be) in the relevant jurisdiction or place of operation; and (ii) the issuer's solvency ratios, capital adequacy ratios and liquidity ratios (as applicable) for the latest three financial years.*~~

~~(11) where required by Chapter 5, the information under that Chapter on the property interest being acquired or disposed of by the listed issuer;~~

Drafting change – move to rules 14.66(4) and (5)

~~(12) where the circular contains a statement as to the sufficiency of working capital, the Exchange will require a letter from the listed issuer's financial advisers or auditors confirming that:—~~

~~(a) the statement has been made by the directors after due and careful enquiry; and~~

~~(b) the persons or institutions providing finance have confirmed in writing that such facilities exist;~~

(5~~13~~) where applicable,

(a) the information required under rule 2.17~~,~~; ~~and~~

(b~~14~~) ~~where applicable,~~ the information required ~~in~~under Chapter 18;

(c) the information required under Chapter 5 on the property interest being acquired or disposed of by the listed issuer; and

(d) the independent valuation report where the consideration (or other material terms) of the transaction is primarily based on such independent valuation; and

Drafting change – originally under rule 14.66(11)

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(6) any additional information requested by the Exchange.

Major acquisition circulars

14.67 In addition to the requirements set out in rule 14.66, a circular issued in relation to an acquisition constituting a major transaction must contain:—

(1) [Repealed [date]]~~the information required under paragraphs 9 and 10 of Appendix D1B, if the acquisition involves securities for which listing will be sought;~~

Drafting change – moved to new rule 14.58

(2) [Repealed [date]]~~the information required under paragraph 22(1) of Appendix D1B, if shares are to be issued or transferred out of treasury as consideration;~~

(3) [Repealed [date]]~~where the consideration for a transaction includes the listed issuer's shares or securities that are convertible into the listed issuer's shares, a statement whether the transaction will result in a change of control of the listed issue;~~

(4) the information regarding the listed issuer required under paragraphs 31 (financial information) and 32 (no material adverse change) of Appendix D1B;

Note: The information regarding the listed issuer required under paragraph 31 (financial information) of Appendix D1B pursuant to Rule 14.67(4) may be incorporated in the circular by reference to other documents published by the issuer under the Exchange Listing Rules.

(5) the information required under paragraph 34 of Appendix D1B in relation to each new director and member of senior management joining the listed issuer in connection with the transaction;

Note: The fact that any director or proposed director is a director or employee of a company which has an interest or short position in the shares or underlying shares of the listed issuer which would fall to be disclosed to the listed issuer under the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance need not be stated.

(6) (a) on an acquisition of any business, company or companies:

(i) an accountants' report on the business, company or companies being acquired in accordance with Chapter 4 of the Exchange Listing Rules provided that, where any company in question has not or will not become a subsidiary of the listed issuer and all the applicable percentage ratios for the acquisition are less than 100%, the Exchange may be prepared to relax this requirement. The accounts on which the report is based must relate to a financial period ended six~~6~~ months or less before the circular is issued. The financial information on the business, company or companies being acquired as contained in the accountants' report must be prepared using accounting policies which should be materially consistent with those of the listed issuer; and

Remove VSA and VSD

Note: Where the accountants can only give a modified opinion in the accountants' report in respect of the acquisition of the business, company or companies, for example because the records of stock or work-in-progress are inadequate, the Exchange will not accept a written shareholders' approval for the transaction, but will require a general meeting to be held to consider the transaction. (See rule 14.86.) In these circumstances, listed issuers are urged to contact the Exchange as soon as possible.

(ii) a pro forma profit and loss statement, balance sheet and cash flow statement of the enlarged group ~~statement of the assets and liabilities of the listed issuer's group combined with the assets and liabilities of the business, company or companies being acquired~~ on the same accounting basis. The pro forma financial information must comply with Chapter 4 of the Exchange Listing Rules; and

(b) on an acquisition of any revenue-generating assets (other than a business or company) with an identifiable income stream or assets valuation:

(i) a profit and loss statement and valuation (where available) for the three~~3~~ preceding financial years (or less, where the asset has been held by the vendor for a shorter period) on the identifiable net income stream and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records. The financial information on which the profit and loss statement is based must relate to a financial period ended six~~6~~ months or less before the circular is issued. The financial information on the assets being acquired as contained in the circular must be prepared using accounting policies which should be materially consistent with those of the listed issuer;

(ii) a pro forma profit and loss statement ~~of the~~ and net assets statement of the enlarged group ~~and liabilities of the listed issuer's group combined with the assets being acquired~~ on the same accounting basis. The pro forma financial information must comply with Chapter 4 of the Exchange Listing Rules; ~~and~~

Note: *The requirements to disclose a profit and loss statement on the identifiable net income stream and a pro forma profit and loss statement on the enlarged group under rule 14.67(6)(b) will not apply to an acquisition of a revenue generating assets if:*

(1) the consideration for the acquisition is determined primarily based on an independent valuation of the assets (and not its historical profit or loss); and

(2) the circular contains:

(a) details of the independent valuation of the assets;

(b) disclosure relating to the historical financial performance of the assets (both quantitative and qualitative) to enable investors to assess the effect of the transaction on the earnings and assets and liabilities of the listed issuer; and

(c) a statement by the listed issuer's board of directors confirming that the terms of the transaction are fair and reasonable and in the interests of the issuer and its shareholders as whole.

Drafting change – exemption for acquisition of revenue-generating assets

(7) a discussion and analysis of results of the business, company or companies being acquired covering all those matters set out in paragraph 32 of Appendix D2 for the period reported in the accountants' report~~.~~; and

(8) material risk factors relating to the transaction and any new risks to the issuer group as a result of the proposed transaction.

Enhanced circular requirement – new requirement

Inability to access information to compile circulars for major transactions ~~or very substantial acquisitions~~

14.67A (1) Where a listed issuer has acquired and/or agreed to acquire equity capital in a company and the transaction constitutes a major transaction ~~or a very substantial acquisition~~, and the listed issuer does not have access or only has limited access to the non-public information on the target company that would be required for the purpose of complying with the disclosure requirements in respect of the target company and the enlarged group under rules 14.66 and 14.67 ~~(for a major transaction) or rule 14.69 (for a very substantial acquisition)~~, then the listed issuer may defer complying with certain of the disclosure requirements in the manner set out in paragraphs (2) and (3) below, provided that the following conditions are met:

…

(2) Subject to the conditions in paragraphs (1)(a), (b) and (c) being satisfied, the listed issuer may defer complying with the disclosure requirements for certain non-public information relating to the target company and/or the enlarged group. In such circumstances, the listed issuer must despatch an initial circular in

partial compliance with rules 14.66 and 14.67 ~~or rule 14.69~~ within the time frames stipulated in rules 14.41 and 14.42 ~~or rules 14.48 and 14.52~~. The initial circular shall include, as a minimum, the following:

(a) …

(b) where information required for the enlarged group is not available, to include the following information regarding the issuer:

(i) [Repealed [date]]~~statement of indebtedness (see rule 14.66(10), paragraph 28 and Note 2 to Appendix D1B);~~

Enhanced circular requirement

(ii) statement of sufficiency of working capital (see rule 14.66(4~~10~~), paragraph 30 and Note 2 to Appendix D1B), which must take into account the effect of the transaction;

(iii) [Repealed 1 January 2012];

(iv) [Repealed [date]] ~~discussion and analysis of results (this is applicable only to very substantial acquisitions, see rule 14.69(7));~~

(v) statement as to the trend of the business and the financial and trading prospects (see rule 14.66(4~~10~~), paragraph 29(1)~~(b)~~ and Note 2 to Appendix D1B);

(vi) particulars of any litigation or claims of material importance (see rule 14.66(4~~2~~), paragraph 33 and Note 2 to Appendix D1B);

(vii) particulars of directors' or experts' interests in group assets (see rule 14.66(4~~10~~), paragraph 40 and Note 2 to Appendix D1B);

(viii) material contracts that are relevant to the proposed transaction (see rule 14.66(4), paragraph 42 and Note 2 to Appendix D1B); ~~and~~

(ix) documents on display (see rule 14.66(4) and paragraph 43 and Note 2 to Appendix D1B); and

…

(3) Where an initial circular has been despatched by a listed issuer under paragraph (2) above, the listed issuer must despatch a supplemental circular at a later date which contains: (i) the prescribed information under rules 14.66 and 14.67 ~~or rule 14.69~~ which has not been previously disclosed in the initial circular; and (ii) any material changes to the information previously disclosed in the initial circular. The supplemental circular must be despatched to shareholders within 45 days of the earlier of: the listed issuer being able to gain access to the target company's books and records for the purpose of complying with the disclosure requirements in respect of the target company and the enlarged group under rules 14.66 and 14.67 ~~or rule 14.69~~; and the listed issuer being able to exercise control over the target company.

~~Very substantial~~ <u>Major</u> disposal circulars

14.68 <u>In addition to the requirements set out in rule 14.66, a</u> ~~A~~ circular issued in relation to a ~~very substantial~~ disposal <u>constituting a major transaction</u> must contain:~~—~~

(1) [Repealed [date]]~~the information required under rules 14.66 and 14.70;~~

(2) (a) on a disposal of a business, company or companies:

(i) financial information of ~~either:~~

~~(A)~~ the business, company or companies being disposed of<u>,</u>~~; or~~

~~(B) the listed issuer's group with the business, company or companies being disposed of shown separately as (a) disposal group(s) or (a) discontinuing operation(s),~~

for the relevant period (as defined in the note to rule 4.06(1)(a)). The financial information must be prepared by the directors of the listed issuer using accounting policies of the listed issuer and must contain at least the <u>profit and loss</u> ~~income~~ statement, balance sheet~~,~~ <u>and</u> cash flow statement ~~and statement of changes in equity~~.

~~The financial information must be reviewed by the listed issuer's auditors or reporting accountants according to the relevant standards published by the Hong Kong Institute of Certified Public Accountants or the International Auditing and Assurance Standards Board of the International Federation of Accountants or the China Auditing Standards Board of the China Ministry of Finance. The circular must contain a statement that the financial information has been reviewed by the issuer's auditors or reporting accountants and details of any modifications in the review report; and~~

Note~~s~~: 1. [Repealed [date]]~~The listed issuer may include an accountants' report instead of a review by its auditors or reporting accountants. In that case, the accountants' report must comply with Chapter 4 of the Exchange Listing Rules.~~

2. The Exchange may be prepared to relax the requirements in this rule if the assets of the company or companies being disposed of are not consolidated in the issuer's accounts before the disposal.

(ii) pro forma <u>profit and loss</u> ~~income~~ statement, balance sheet and cash flow statement of the remaining group on the same accounting basis. The pro forma financial information must comply with Chapter 4 of the Exchange Listing Rules;

(b) on a disposal of any revenue-generating assets (other than a business or company) with an identifiable income stream or assets valuation:

Enhanced circular requirement – remove auditors' review requirement

(i) a profit and loss statement and valuation (where available) for the three~~3~~ preceding financial years (or less, where the asset has been held by the listed issuer for a shorter period) on the identifiable net income stream and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records. The financial information on which the profit and loss statement is based must relate to a financial period ended six~~6~~ months or less before the circular is issued; and

(ii) a pro forma profit and loss statement and net assets statement on the remaining group on the same accounting basis. The pro forma financial information must comply with Chapter 4 of the Exchange Listing Rules;

(3) the financial information required under paragraph 32 of Appendix D2 on the remaining group; ~~and~~

(3A) material risk factors relating to the transaction and any new risks to the issuer group as a result of the proposed transaction; and

Enhanced circular requirement – new requirement

(4) the information regarding the listed issuer required under paragraph 32 (no material adverse change) of Appendix D1B.

~~Very substantial acquisition circulars, e~~Extreme transaction circulars and reverse takeover listing documents

14.69 A circular issued for ~~a very substantial acquisition or~~ an extreme transaction or a listing document issued for a reverse takeover must contain:—

(1) for ~~a reverse takeover or~~ an extreme transaction or a reverse takeover:

(a) the information required under rule 14.66 (except for the information required under rules ~~14.66(2),~~ 14.66(3)(a), 14.66(4~~10~~), 14.66(~~11~~5)(c)) and rules ~~14.67(3) and~~ 14.67(7) and 14.67(8);

(b) the information required under Appendix D1A, if it applies, except paragraphs 8, 15(2) (in respect of the 12 months before the issue of the circular or listing document) and 20(1). For paragraph 36, the statement on sufficiency of working capital must take into account the effect of the transaction; and

…

(2) [Repealed [date]] ~~for a very substantial acquisition, the information required under rules 14.66 to 14.67 (except for the information required under rule 14.67(6)) and rule 2.17;~~

Remove VSA and VSD

(3) [Repealed 1 January 2012];

(4) (a) on an acquisition of any business, company or companies:

(i) an accountants' report on the business, company or companies being acquired in accordance with Chapter 4 of the Exchange Listing Rules. The accounts on which the report is based must relate to a financial period ended ~~6~~<u>six</u> months or less before the listing document or circular is issued. The financial information on the business, company or companies being acquired as contained in the accountants' report must be prepared using accounting policies which should be materially consistent with those of the listed issuer; and

(ii) pro forma income statement, balance sheet and cash flow statement of the enlarged group on the same accounting basis. The pro forma financial information must comply with Chapter 4 of the Exchange Listing Rules; <u>and</u>

(b) on an acquisition of any revenue-generating assets (other than a business or a company) with an identifiable income stream or assets valuation

(i) a profit and loss statement and valuation (where available) for the <u>three</u>~~3~~ preceding financial years (or less, where, other than in the case of a reverse takeover, the asset has been held by the vendor for a shorter period) on the identifiable net income stream and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records. The financial information on which the profit and loss statement is based must relate to a financial period ended <u>six</u>~~6~~ months or less before the listing document or circular is issued. The financial information on the assets being acquired as contained in the listing document or circular must be prepared using accounting policies which should be materially consistent with those of the listed issuer; and

(ii) a pro forma profit and loss statement and net assets statement on the enlarged group on the same accounting basis. The pro forma financial information must comply with Chapter 4 of the Exchange Listing Rules~~;~~<u>.</u>

(5) [Repealed [date]] ~~where the transaction also involves a disposal by the listed issuer, the information required under rule 14.70(2);~~

(6) [Repealed [date]] ~~general information on the trend of the business of the group since the date to which the accounts of the listed issuer were made up and a statement as to the financial and trading prospects of the group for at least the current financial year (together with any material information which may be relevant); and~~

Drafting change – moved to rules 14.58 and 14.66

(7) [Repealed [date]] ~~in respect of a circular issued in relation to a very substantial acquisition a separate discussion and analysis of the performance of each of the existing group and any business or company acquired or to be acquired for the relevant period referred to in rule 4.06(1)(a), in both cases covering all those matters set out in paragraph 32 of Appendix D2.~~

~~Additional requirements for circulars in respect of disposals~~

14.70 [Repealed [date]] ~~In addition to the requirements set out in rule 14.66, a circular issued in relation to a disposal constituting a major transaction must contain:—~~

Drafting change – moved to rule 14.58

~~(3) the intended application of the sale proceeds (including whether such proceeds will be used to invest in any assets) and, if the sale proceeds include securities, whether they are to be listed or not; and~~

~~(4) the excess or deficit of the consideration over or under the net book value of the asset(s).~~

~~Circulars for s~~ Specific types of companies

14.71 Where a listed issuer is required to issue an announcement under rule 14.60, a circular or a listing document under the Exchange Listing Rules and the ~~a major~~ transaction~~, very substantial acquisition, very substantial disposal, extreme transaction or reverse takeover~~ involves acquiring or disposing of an interest in an infrastructure project or an infrastructure or project company, the listed issuer shall incorporate in the relevant ~~circular or listing~~ document a business valuation report on the business or company being acquired or disposed of and/or traffic study report in respect of the infrastructure project or infrastructure or project company. Such report(s) must clearly set out:

(1) all fundamental underlying assumptions including discount rate or growth rate used; and

(2) a sensitivity analysis based on the various discount rates and growth rates.

…

14.71A [Repealed [date]] ~~Where a discloseable transaction, major transaction or very substantial acquisition involves a Qualified Property Acquisition as described in Note to rule 14A.101, the Qualified Issuer shall comply with additional announcement and reporting requirements with details as described in Chapter 14A.~~

…

…

14.75 The following apply to an option involving a listed issuer, the exercise of which is at the listed issuer's discretion:—

Remove profits ratio

(1) on the acquisition by, or grant of the option to, the listed issuer, only the premium will be taken into consideration for the purpose of classification of notifiable transactions. Where the premium represents 10% or more of the sum of the premium and the exercise price, the value of the underlying assets, the ~~profits and~~ revenue attributable to such assets, and the sum of the premium and the exercise price will be used for the purpose of the percentage ratios; and

(2) on the exercise of such option by the listed issuer, the exercise price, the value of the underlying assets and the ~~profits and~~ revenue attributable to such assets, will be used for the purpose of the percentage ratios. Where an option is exercised in stages, the Exchange may at any stage as the Exchange may consider appropriate require the listed issuer to aggregate each partial exercise

of the option and treat them as if they were one transaction (see rules 14.22 and 14.23).

14.76 (1) For the purpose of rules 14.74(1) and 14.75(1), where, on the grant of the option, the actual monetary value of each of the premium, the exercise price, the value of the underlying assets and the ~~profits and~~ revenue attributable to such assets has not been determined, the listed issuer must demonstrate the highest possible monetary value, which value will then be used for the purpose of classification of notifiable transaction. Failure to do so will result in the transaction being classified as at least a major transaction. The listed issuer must inform the Exchange of the actual monetary value of each of the premium, the exercise price, the value of the underlying assets and the ~~profits and~~ revenue attributable to such assets as soon as it has been determined. If the actual monetary value results in the transaction falling within a higher classification of notifiable transaction, the listed issuer must announce this fact by means of an announcement which is published in accordance with rule 2.07C as soon as reasonably practicable and comply with the additional requirements of such higher classification.

(2) …

…

Distribution in specie to shareholders

14.94 Where a listed issuer proposes a distribution in specie (other than securities listed on the Main Board or GEM) and ~~the size of the assets to be distributed would amount to a very substantial disposal based on the percentage ratio calculations~~ <u>any percentage ratio for the distribution is 75% or more</u>:

Remove VSA and VSD

(1) The issuer must obtain prior approval of the distribution by independent shareholders in a general meeting. The issuer's controlling shareholders (or if there is no controlling shareholder, the directors (other than independent non-executive directors) and chief executive of the issuer) and their respective associates must abstain from voting in favour of the resolution. Further, the shareholders' approval for the distribution must be given by at least 75% of the votes attaching to any class of listed securities held by holders voting either in person or by proxy at the meeting, and the number of votes cast against the resolution is not more than 10% of the votes attaching to any class of listed securities held by holders permitted to vote in person or by proxy at the meeting.

(2) The issuer's shareholders (other than the directors (excluding independent non-executive directors), chief executive and controlling shareholders) should be offered a reasonable cash alternative or other reasonable alternative for the distributed assets.

Note<u>s</u>:

<u>*(1)*</u> <u>*The requirements in this rule do not apply to a distribution in specie proposed by a listed issuer where the assets proposed to be distributed are securities listed, on the Main Board or GEM, or where immediately upon completion of the proposed distribution, the securities will be listed on the Main Board or GEM.*</u>

<u>*(2)*</u> *Where the assets proposed to be distributed are securities listed<u>, or to be listed,</u> in other jurisdictions, the Exchange may waive the requirements in rule 14.94(2)*

if the issuer can demonstrate that there is a liquid market for the securities, the shareholders may readily dispose of those securities, and where appropriate, the issuer will make arrangements to facilitate the shareholders to hold or dispose of those securities.

Chapter 14A

EQUITY SECURITIES

CONNECTED TRANSACTIONS

…

Definitions

14A.06 In this Chapter, the following definitions apply:

…

(2) an "**associate**" has the meaning in rules 14A.12 to 14A.14~~5~~;

…

…

Exceptions

Persons connected with insignificant subsidiaries

14A.09 Rules 14A.07(1) to (3) do not include a director, chief executive, substantial shareholder or supervisor of the listed issuer's insignificant subsidiary or subsidiaries. For this purpose:

Remove profits ratio

(1) an "insignificant subsidiary" is a subsidiary whose total assets~~, profits~~ and revenue compared to that of the listed issuer's group are less than:

(a) 10% under the percentage ratios for each of the latest three financial years (or if less, the period since the incorporation or establishment of the subsidiary); or

(b) 5% under the percentage ratios for the latest financial year;

(2) if the person is connected with two or more subsidiaries of the listed issuer, the Exchange will aggregate the subsidiaries' total assets~~, profits~~ and revenue to determine whether they are together "insignificant subsidiaries" of the listed issuer; and

(3) when calculating the percentage ratios, 100% of the subsidiary's total assets~~, profits~~ and revenue will be used. If a percentage ratio produces an anomalous result, the Exchange may disregard the calculation and consider alternative test(s) provided by the listed issuer.

…

Definition of associate

…

14A.15 [Repealed [date]] ~~For PRC issuers only, a person's associates include any joint venture partner of a cooperative or contractual joint venture (whether or not it is a separate~~

~~legal entity) where:~~

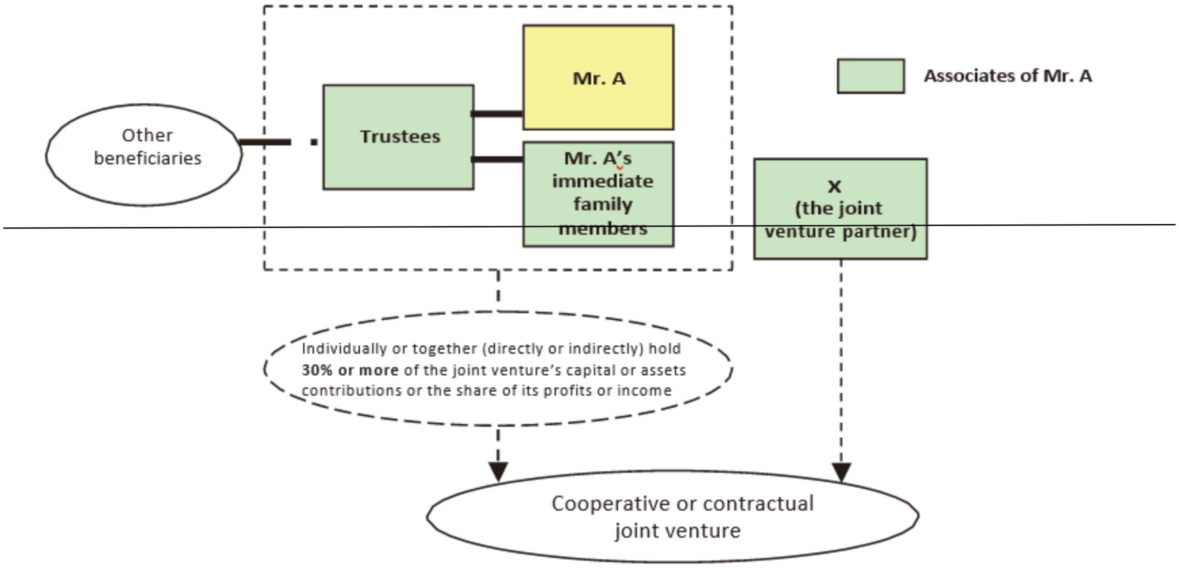
~~(1) the person (being an individual), his immediate family members and/or the trustees; or~~

~~(2) the person (being a company), any company which is its subsidiary or holding company or a fellow subsidiary of the holding company, and/or the trustees,~~

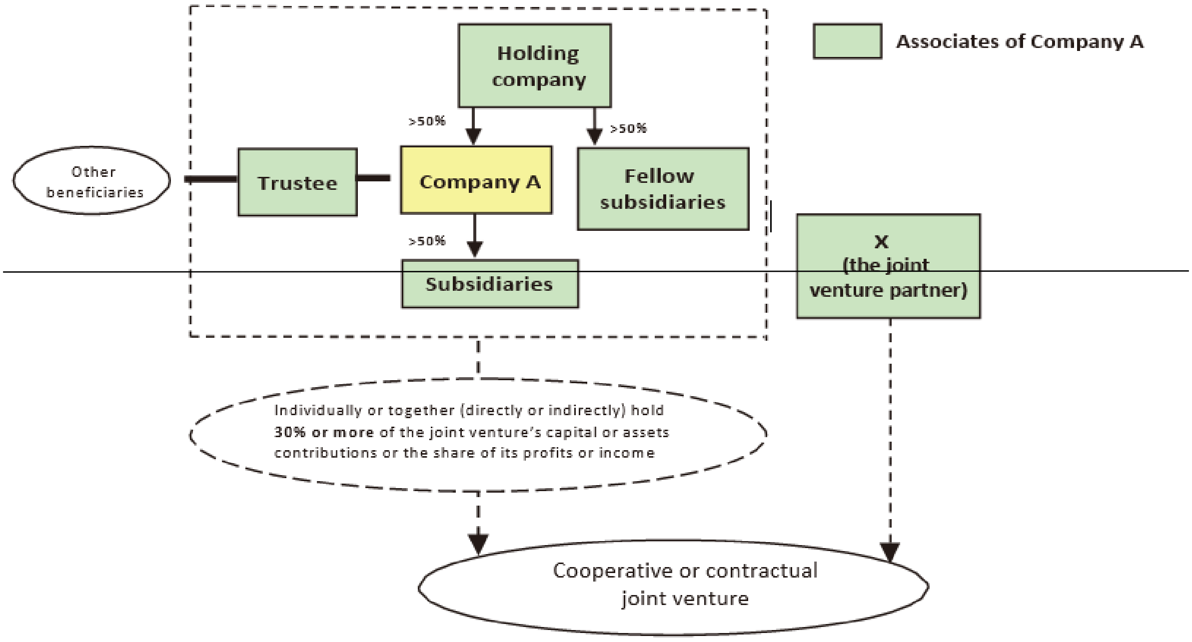
Remove requirement solely applicable to PRC issuers

~~together directly or indirectly hold 30% (or an amount that would trigger a mandatory general offer or establish legal or management control over a business enterprise under the PRC law) or more in the joint venture's capital or assets contributions, or the contractual share of its profits or other income.~~

~~Diagram 8~~



~~Diagram 9~~



Definition of connected subsidiary

14A.16 A "connected subsidiary" is:

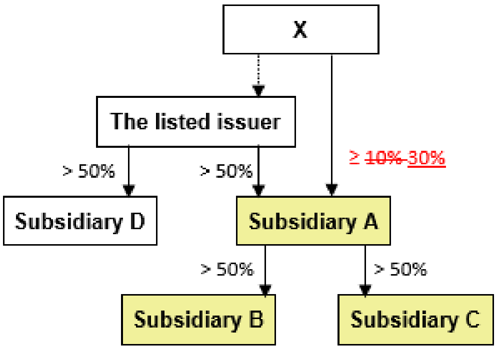
(1) a non wholly-owned subsidiary of the listed issuer where any connected person(s) at the issuer level, individually or together, can exercise or control the exercise of ~~10~~30% or more of the voting power at the subsidiary's general meeting. This ~~10~~30% excludes any indirect interest in the subsidiary which is held by the connected person(s) through the listed issuer; or

Modification to connected subsidiary

(2) any subsidiary of a non wholly-owned subsidiary referred to in (1) above.

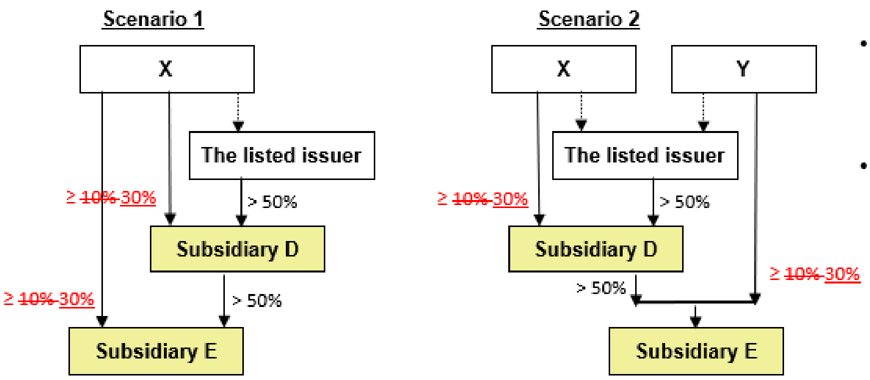
14A.17 If a listed issuer's subsidiaries are connected persons only because they are the subsidiaries of a connected subsidiary, transactions between these subsidiaries will not be treated as connected transactions.

Diagram 10



- X is a connected person at the issuer level, and he or it has a ~~10%~~30% (or more) shareholding in Subsidiary A.
  → Subsidiary A is a connected subsidiary.
  (See rule 14A.16(1))
- Subsidiaries B and C are subsidiaries of Subsidiary A.
  → Subsidiaries B and C are also connected subsidiaries.
  (See rule 14A.16(2))
- Transactions between the listed issuer or Subsidiary D with Subsidiary A/B/C are connected transactions.
- Transactions between any of Subsidiaries A, B and C are not connected transactions if Subsidiaries B and C are connected solely because of their relationship with Subsidiary A. (see rule 14A.17)

Diagram 11



- X and Y are connected persons at the issuer level.
  → Subsidiaries D and E are connected subsidiaries.
- Subsidiary E is a subsidiary of Subsidiary D. However, the exemption in rule 14A.17 does not apply to transactions between them because Subsidiary E is a connected subsidiary not only because of its relationship with Subsidiary D but also its relationship with X or Y.

…

Announcement

14A.35 The listed issuer must announce the connected transaction as soon as practicable after its terms have been agreed. See rule 14A.68 for the content requirements.

Note: If the connected transaction is subsequently completed or terminated, or there is any material variation of its terms or material delay in the completion of the transaction (including an extension of the long stop date or change in payment schedule), or where consideration (including any deferred consideration) is not a fixed amount, when the amount of the consideration is determined, the listed issuer must announce this fact as soon as practicable. The listed issuer must also comply with all other applicable provisions under the Rules.

Further announcement requirement

…

Requirements for continuing connected transactions

…

Annual cap

14A.53 The listed issuer must set an annual cap (the "cap") for the continuing connected transaction. The cap must be:

(1) expressed in monetary terms, except that for a continuing connected transaction of a revenue nature in the ordinary and usual course of business of the issuer, the cap may be expressed as a percentage of the listed issuer's annual revenue or other financial item in its audited accounts, subject to adequate disclosure of (i) the basis on which the cap is determined by reference to the financial item and (ii) the internal control systems for monitoring the transaction value as a percentage to the prevailing financial item from time to time; Percentage cap for CCTs

(2) determined by reference to previous transactions and figures in the published information of the listed issuer's group. If there were no previous transactions, the cap must be set based on reasonable assumptions; and

(3) approved by shareholders if the transaction requires shareholders' approval.

…

Announcements

14A.68 An announcement of a connected transaction must contain at least:

(1) the information set out in rules 14.58 ~~to~~and 14.60 (contents of announcements for notifiable transactions);

(1A) the identities and a description of the principal business activities of the parties to the transaction and of their ultimate beneficial owner(s);

(2) the connected relationship between the parties to the transaction, and the connected person's interests in the transaction;

(3) the independent non-executive directors' views on the matters set out in rules 14A.40(1) to (3) if no shareholders' approval is required;

(4) if the transaction is a continuing connected transaction, the basis for calculating the payments to be made (see rule 14A.51), ~~and~~ the amount of its cap and~~. If a circular is not required, the listed issuer must also disclose~~ how the listed issuer ~~it~~ determines and calculates the cap, including the assumptions and the amounts of previous transactions which form the basis of the cap. The listed issuer must also disclose the information required under rule 14A.53(1)(i) and

(ii) if the cap for a continuing connected transaction of a revenue nature in the issuer's ordinary and usual course of business is expressed as a percentage of the listed issuer's annual revenue or other financial item in its audited accounts;

…

Circulars

…

14A.70 The circular must contain at least:

…

(5) [Repealed [date]] ~~if the transaction is a continuing connected transaction, how the listed issuer determines and calculates the cap, including the assumptions and the amounts of previous transactions which form the basis of the cap;~~

…

(13) the following information regarding the listed issuer ~~set out in the following paragraphs of Appendix D1B~~:

Drafting change – conform with change under Chapter 14

(a)~~1 —~~ full ~~listed issuer's~~ name (see paragraph 1 of Appendix D1B)

(b)~~2 —~~ directors' responsibility statement (see paragraph 2 of Appendix D1B)

(c)~~5 —~~ in relation to an expert who has included a statement~~s~~ in the circular, a statement in relation to its qualification, shareholdings in the issuer group and written consent (see paragraph 5 of Appendix D1B)

(d)~~10 —~~ securities to be issued (if applicable) (see paragraph 10 of Appendix D1B)

(e)~~29(2) —~~ requirements if there is a profit forecast (see paragraph 29(2) of Appendix D1B)

(f)~~32 —~~ no material adverse change (see paragraph 32 of Appendix D1B)

(g)~~39 —~~ directors' service contracts (see paragraph 39 of Appendix D1B)

(h)~~40 —~~ directors' or experts' interests in group assets (see paragraph 40 of Appendix D1B)

(i)~~43(2)(c) —~~ documents on display (see paragraph 43(2)(c) of Appendix D1B);

(14) information regarding directors' and chief executive's interests in the listed issuer described in paragraphs 34 and 38 of Appendix D1B, and Practice Note 5;

(15) information regarding the competing interests of each of the directors and any proposed director of the listed issuer and his respective close associates as would be required to be disclosed under rule 8.10 as if each of them was a controlling shareholder; and

(16) any additional information requested by the Exchange.

<u>*Note: Information required under rules 14A.70(14) and (15) may be incorporated in the circular by reference to other documents published by the listed issuers under the Exchange Listing Rules.*</u>

…

De minimis transactions

14A.76 This exemption applies to a connected transaction (other than an issue of new securities, or a sale or transfer of treasury shares by the listed issuer) conducted on normal commercial terms or better as follows:

(1) The transaction is fully exempt if all the percentage ratios ~~(other than the profits ratio)~~ are:

(a) less than 0.1%;

(b) less than 1% and the transaction is a connected transaction only because it involves connected person(s) at the subsidiary level; or

(c) less than 5% and the total consideration (or in the case of any financial assistance, the total value of the financial assistance plus any monetary advantage to the connected person or commonly held entity) is less than HK$3,000,000.

(2) The transaction is exempt from the circular (including independent financial advice) and shareholders' approval requirements if all the percentage ratios ~~(other than the profits ratio)~~ are: Remove profits ratio

(a) less than 5%; or

(b) less than 25% and the total consideration (or in the case of any financial assistance, the total value of the financial assistance plus any monetary advantage to the connected person or commonly held entity) is less than HK$10,000,000.

…

Financial assistance

Financial assistance provided by the listed issuer's group

14A.87 For any financial assistance provided by a banking company in its ordinary and usual course of business to a connected person or commonly held entity:

(1) the transaction is fully exempt if it is conducted on normal commercial terms or better;

(2) the transaction is fully exempt if it is not conducted on normal commercial terms or better but all the percentage ratios ~~(other than the profits ratio)~~ are:

(a) less than 0.1%;

(b) less than 1% and the transaction is a connected transaction only because it involves connected person(s) at the subsidiary level; or

(c) less than 5% and the total value of the financial assistance plus any monetary advantage to the connected person or commonly held entity is less than HK$3,000,000; or

(3) the transaction is exempt from the circular, independent financial advice and shareholders' approval requirements if it is not conducted on normal commercial terms or better but all the percentage ratios ~~(other than the profits ratio)~~ are:

(a) less than 5%; or

(b) less than 25% and the total value of the financial assistance plus any monetary advantage to the connected person or commonly held entity is less than HK$10,000,000.

…

Transactions with connected persons at the subsidiary level

14A.101 A connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if:

(1) the listed issuer's board of directors have approved the transactions; and

(2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

Note: In the case of formation of a joint venture by a qualified issuer and a qualified connected person to make a qualified property acquisition, the qualified issuer must announce the transaction as soon as practicable after receiving notification of the success of the bid by the joint venture. If any details of the acquisitions or the joint venture required to be disclosed are not available when the qualified issuer publishes the initial announcement, it must publish *subsequent announcement(s) to disclose the details as soon as practicable after they have been agreed ~~or finalized~~.*

…

Chapter 17

EQUITY SECURITIES

SHARE SCHEMES

…

Share schemes involving new or existing shares of a principal subsidiary of a listed issuer

…

17.14 A “principal subsidiary” refers to a subsidiary whose revenue~~, profits~~ or total assets accounted for 75% (or more) of that of the issuer under the percentage ratios in any of the latest three financial years. Remove profits ratio

…

Chapter 18

EQUITY SECURITIES

MINERAL COMPANIES

…

DEFINITIONS AND INTERPRETATION

18.01 For the purposes of this Chapter unless otherwise stated or the context otherwise requires:—

…

(3) the following terms have the meanings set out below:—

…

"Relevant Notifiable Transaction"	a transaction where any percentage ratio (as set out in rule 14.07) is 25% or more, or a transaction that constitutes an ~~major transaction, very substantial disposal, very substantial acquisition,~~ extreme transaction ~~and~~ or a reverse takeover.

Increase MT threshold and remove VSA and VSD

…

RELEVANT NOTIFIABLE TRANSACTIONS INVOLVING THE ACQUISITION OR DISPOSAL OF MINERAL OR PETROLEUM ASSETS

18.09 A Mineral Company proposing to acquire or dispose of assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable Transaction must:—

(1) comply with Chapter 14 and Chapter 14A, if relevant;

(2) produce a Competent Person's Report, which must form part of the relevant announcement or circular (as required under Chapter 14), on the Resources and/or Reserves being acquired or disposed of as part of the Relevant Notifiable Transaction;

Note: The Exchange may dispense with the requirement for a Competent Person's Report on disposals where shareholders have sufficient information on the assets being disposed of.

(3) in the case of~~ a major (or above) ~~an acquisition, produce a Valuation Report, which must form part of the relevant circular (or announcement if a circular is not required), on the Mineral or Petroleum Assets being acquired as part of the Relevant Notifiable Transaction; and

(4) comply with the requirements of rules 18.05(2) to 18.05(6) in respect of the assets being acquired.

Note: Material liabilities that remain with the issuer on a disposal must also be discussed.

…

Chapter 18B

EQUITY SECURITIES

SPECIAL PURPOSE ACQUISITION COMPANIES

…

Announcement of De-SPAC Transaction

18B.44 A SPAC must make an announcement of the terms of a De-SPAC Transaction as soon as possible after the terms of the De-SPAC Transaction have been agreed~~finalised~~.

…

Chapter 19A

EQUITY SECURITIES

ISSUERS INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA

…

Chapter 14 — Notifiable Transactions

19A.38A Rule 14.07(4) is amended by adding the following provisions:

Where a PRC issuer has other listed shares, the market ~~value~~capitalisation of its other listed shares is to be determined based on the average closing price of those shares for the 5 days on which trading is conducted on the relevant regulated market immediately preceding the transaction.

Where a PRC issuer has issued unlisted shares, the market ~~value~~capitalisation of its unlisted shares is calculated by reference to the average closing price of its H shares for the 5 business days preceding the transaction.

…

Chapter 19C

EQUITY SECURITIES

SECONDARY LISTINGS OF OVERSEAS ISSUERS

...

Exceptions to the Rules

19C.11 The following rules do not apply to an overseas issuer that has, or is seeking, a secondary listing on the Exchange:

- 3.09F; 3.09G; 3.09H; 3.12A; 3.13A; 3.17; 3.21 to 3.23; 3.25 to 3.27C; 3.28; 3.29;
- 4.06; 4.07;
- Chapter 7;
- 8.08(1); 8.08A; 8.09(4) (exception limited to issues outside the Exchange's markets); 8.18 (exception limited to issues outside the Exchange's markets);
- 9.11(10)(b);
- 10.05; 10.06(2)(a) to (c); 10.06(2)(e); 10.06(4); 10.06(5); 10.06A(1); 10.06A(3); 10.06B; 10.07(1); 10.07(2) to (4); 10.08;
- 13.11 to 13.22; 13.23(1); 13.23(2); 13.25A; 13.27; 13.28; 13.29; 13.31(1); 13.32A to 13.32G; 13.36; 13.37; 13.38; 13.39(1) to (5A); 13.39(6) to (7) (exception limited to circumstances other than where a spin-off proposal requires approval by shareholders of the parent); 13.40 to 13.42; 13.44 to 13.45; 13.47; 13.48(2); 13.49; 13.51(1); 13.51(2) (except that each director or member of the overseas issuer's governing body must provide their contact information and personal particulars as soon as possible as required under rule 3.20); 13.51B; 13.51C; 13.52(1)(b) to (d); 13.52(1)(e)(i) to (ii); 13.52(1)(e)(iv) (exception limited to issues outside the Exchange's markets); 13.52(1)(g)~~13.52(2)~~; 13.67; 13:68; 13.74; 13.80 to 13.87 (exception limited to circumstances other than where a spin-off proposal requires approval by shareholders of the parent); 13.88; 13.89; 13.91;
- Chapter 14;
- Chapter 14A;
- Chapter 15 (exception limited to issues outside the Exchange's markets);
- Chapter 16 (exception limited to issues outside the Exchange's markets);
- Chapter 17;
- Practice Note 4 (exception limited to issues outside the Exchange's markets);
- Practice Note 15 paragraphs 1 to 3(b) and 3(d) to 5 (exception limited to circumstances where the spun-off assets or businesses are not to be listed on the Exchange's markets and the approval of shareholders of the parent is not required);
- ~~Appendix C3;~~
- Appendix C1;
- ~~Appendix D2; and~~
- Appendix C2;
- Appendix C3; and
- Appendix D2.

...

Chapter 21

INVESTMENT VEHICLES

INVESTMENT COMPANIES

…

21.13 The provisions of Chapter 14 do not apply to investment companies save for rules 14.06(3), ~~14.06(4),~~ 14.34 to 14.37, 14.38A, 14.40 to 14.46, ~~14.48 to 14.53 (for very substantial disposals),~~ 14.58, 14.60 to 14.63, 14.66 to 14.68, 14.71, 14.72~~14.70~~ to 14.77, 14.85 and 14.86.

…

APPENDIX II: PROPOSED AMENDMENTS TO THE GEM LISTING RULES RELATING TO NOTIFIABLE AND CONNECTED TRANSACTIONS

Chapter 1

GENERAL

INTERPRETATION

1.01 Throughout these Rules, the following terms, except where the context otherwise requires, have the following meanings:

…

"**PIE Engagement**" has the same meaning as an engagement specified in Part 1 of Schedule 1A of the AFRCO, that is any of the following types of engagement carried out by an auditor or a reporting accountant:

(a) an auditors' report on a PIE's annual financial statements required by the Companies Ordinance, the GEM Listing Rules or any relevant code issued by the Commission;

(b) a specified report required to be included in (i) a listing document for the listing of the shares or stocks of a corporation seeking to be listed or a listed corporation; or (ii) a listing document of a Collective Investment Scheme seeking to be listed or a listed Collective Investment Scheme; and

(c) an accountants' report required under the GEM Listing Rules to be included in a circular or a listing document issued by a PIE for (i) a reverse takeover; or (ii) a very substantial acquisition for the purpose of the AFRCO, which in the context of the GEM Listing Rules, means a notifiable transaction where any percentage ratio is 100% or more

Increase MT threshold

…

Chapter 7

GENERAL

ACCOUNTANTS' REPORTS AND PRO FORMA FINANCIAL INFORMATION

When required

7.01 This Chapter sets out the detailed requirements for accountants' reports on the profits and losses, assets and liabilities of, and other financial information on, an issuer and/or a business or company, to be acquired ~~or disposed of (as the case may be)~~ by an issuer for inclusion in listing documents or circulars. Accountants' reports are required to be included in the following ~~listing~~ documents ~~and circulars~~:~~—~~

(1) a listing document issued by a new applicant, but subject to rule 14.11(6) relating to a listing document supporting an introduction;

(2) a listing document issued by a listed issuer in connection with an offer of securities to the public for subscription or purchase which is required by either section 38(1) or section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to set out the reports specified in Part II of the Third Schedule to that Ordinance; and

(3) a listing document issued in connection with a reverse takeover (see rule 19.69(4)) or a circular issued in connection with an extreme transaction (see rule 19.69(4)) or a major transaction (see rule 19.67(6)(a))~~, a very substantial acquisition, an extreme transaction or a reverse takeover (see rules 19.67 and 19.69)~~ (unless the company being acquired is itself a company listed on GEM or the Main Board). Remove VSA and VSD

…

Reporting accountants

7.02 Reporting accountants must be independent both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants, or the International Federation of Accountants. Subject to rules 7.02(1) and 7.02(2), accountants' reports must normally be prepared by practising accountants who are registered and not prohibited under the AFRCO from holding any appointment as auditors of a company.

(1) Where the preparation of an accountants' report constitutes a PIE Engagement under the AFRCO, the issuer must normally appoint a firm of practising accountants that is a Registered PIE Auditor under the AFRCO. In the case of such a PIE Engagement that is required for (a) a listing document in relation to a reverse takeover; or (b) a ~~very substantial acquisition~~ circular in relation to a notifiable transaction where any percentage ratio is 100% or more (i.e. a very substantial acquisition for the purpose of AFRCO) issued by a listed issuer incorporated outside Hong Kong relating to the acquisition of an overseas company, the Exchange may be prepared to accept the Remove VSA and VSD

appointment of an overseas firm of practising accountants that is a Recognised PIE Auditor of that issuer under the AFRCO.

Notes:

1. *The preparation of an accountants' report included in (a) a listing document for the listing of the shares or stocks of a corporation seeking to be listed or a listed corporation; or (b) a listing document or a circular issued by a PIE for a reverse takeover or a notifiable transaction where any percentage ratio is 100% or more (i.e. a very substantial acquisition for the purpose of AFRCO) ~~very substantial acquisition~~ is a PIE Engagement under the AFRCO.*

…

…

Additional ~~d~~Disclosure of ~~p~~Pre-acquisition ~~f~~Financial ~~i~~Information for a Listing Document

7.04A Where a new applicant acquires any material subsidiary or business during the trading record period (see rule 7.03 (1)(a)) and such an acquisition if made by a listed issuer would have been classified at the date of application as a notifiable ~~major~~ transaction where any percentage ratio is 25% or more (see rule 19.06~~(3)~~)~~ or a very substantial acquisition (see rule 19.06(5))~~, it must disclose pre-acquisition financial information (which should include the full financial statements with information required under rules 7.03 and 7.04) on that material subsidiary or business from the commencement of the trading record period (or if the material subsidiary or business commenced its business after the commencement of the trading record period, then from the date of the commencing of its business) to the date of acquisition. Pre-acquisition financial information on the material subsidiary or business must normally be drawn up in conformity with accounting policies adopted by the new applicant and be disclosed in the form of a note to the accountants' report or in a separate accountants' report.

Increase MT threshold

Notes: (1) For the purpose of determining whether an acquisition is material and falls within the classification of as a notifiable ~~major~~ transaction where any percentage ratio is 25% or more (see rule 19.06)~~or a very substantial acquisition~~, reference shall be made to the total assets~~, profits~~ or revenue (as the case may be) for the most recent financial year of the trading record period of the acquired business or subsidiary and this shall be compared to the total assets~~, profits~~ or revenue (as the case may be) of the new applicant for the same financial year. If the financial year of the acquired business or subsidiary is not coterminous with that of the new applicant, the total assets~~, profits~~ or revenue (as the case may be) for the most recent financial year of the acquired business or subsidiary should be compared to those of the new applicant for the most recent financial year of its trading record period. For example, if a new applicant's trading record period covers year 1 and year 2 and it acquired a subsidiary during year 1, the total assets~~, profits~~ or revenue of the acquired subsidiary for year 2 should be compared to those of the new applicant for year 2; and

…

Basic contents of accountants' report for certain notifiable transaction circulars

7.05 In the cases referred to in rule 7.01(3)~~ concerning a circular in connection with a reverse takeover, a very substantial acquisition or a major transaction on the acquisition of a business, company or companies~~, the accountants' report must include:—

Three year history of results

(1) (a) the results, for the relevant period, of the business which, or of the company (or, if that company is itself a holding company, of the company and its subsidiaries) in whose share capital an interest, has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited financial statements of the issuer have been made up; provided always that where any company in question has not or will not become a subsidiary of the issuer, the Exchange may be prepared to relax this requirement;

Note: For the purposes of this rule, the "relevant period" comprises:

(1) in the case of a reverse takeover<u> or an extreme transaction</u>, each of the three financial years of the business or company immediately preceding the issue of the <u>listing document or the </u>circular and where applicable a stub period;

(2) in the case of ~~a very substantial acquisition or ~~a major transaction, (i) each of the three financial years of the business or company immediately preceding the issue of the circular and where applicable a stub period; or (ii) if the audited financial statements of the business or company for the latest completed financial year has not been prepared at the time of the issue of the circular, each of the three financial years of the business or company immediately preceding the latest completed financial year and a stub period; or

Remove VSA and VSD

(3) such shorter period as may be acceptable to the Exchange provided that the relevant period must have ended <u>six</u>~~6~~ months or less before the issue of the <u>relevant listing document or </u>circular. If the business or company has been in existence for less than the period set out in (1) or (2) above (as the case may be), the relevant period commences on the commencement of the business or the incorporation or establishment of the company.

…

…

Three year statement of changes in equity

…

(4) a statement of the indebtedness as at the end of each of the period reported on showing, as regards bank loans and overdrafts and separately as regards other borrowings of the business or company or company and its subsidiaries covered by the accountants' report, the aggregate amounts repayable:—

(a) on demand or within a period not exceeding 1 year;

(b) within a period of more than 1 year but not exceeding 2 years;

(c) within a period of more than 2 years but not exceeding 5 years; and

(d) within a period of more than 5 years~~,~~;

~~except that such an analysis of debt repayments need not be included in the case of a major transaction (see rule 19.67);~~

Enhanced circular requirement

…

…

Modified reports

…

7.23 Where the accountants' report to be included in a document required under rule 7.01(3) ~~relates to a very substantial disposal or an acquisition which is a major transaction, very substantial acquisition or a reverse takeover and the report~~ is expected to include a modified opinion, the Exchange must be consulted at an early stage.

…

Pro Forma Financial Information

7.27 [Repealed [date]]~~In the cases referred to in rule 7.01(3) concerning a circular in connection with a major transaction, the pro forma financial information required under rules 19.67(6)(a)(ii) or 19.67(6)(b)(ii) on the enlarged group (i.e. the issuer, its subsidiaries and any business or subsidiary or, where applicable, assets acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up (including but not limited to any business, company or companies being acquired)) must include all the information referred to in rule 7.31 in respect of such enlarged group.~~

Drafting change – moved to rule 7.28

7.28 ~~In the cases referred to in rule 7.01(3) concerning~~ For a listing document in connection with a reverse takeover or a circular in connection with a major acquisition or ~~reverse takeover,~~ an extreme transaction ~~or a very substantial acquisition~~, the pro forma financial information required under rule 19.67(6)(a)(ii), 19.67(6)(b)(ii), 19.69(4)(a)(ii) or 19.69(4)(b)(ii) on the enlarged group (i.e. the issuer, its subsidiaries and any business or subsidiary or, where applicable, assets acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up (including but not limited to any business, company or companies being acquired)) must include all the information referred to in rule 7.31 in respect of such enlarged group.

7.29 For a circular in connection with a ~~very substantial~~ major disposal, the pro forma financial information required under rules 19.68(2)(a)(ii) or 19.68(2)(b)(ii) on the remaining group must include the information referred to in rule 7.31 in respect of the remaining group. Remove VSA and VSD

…

Chapter 8

VALUATION OF AND INFORMATION ON PROPERTIES

…

Requirements for an issuer

8.02 For an acquisition or disposal of any property interest~~,~~ or of a company whose assets consist solely or mainly of property, where any of the percentage ratios (as defined in rule 19.04(9)) of the transaction is or is above 25%, then a valuation of and information on the property must be included in the relevant circular or announcement issued to shareholders in connection with the acquisition or disposal (see rule 19.60(1) or 19.66~~(12)~~(6)(c)), unless rule 8.02A applies. Enhanced announcement requirement

Note: In this rule and in rule 8.03, a circular issued "in connection with an acquisition" includes a listing document issued for a rights issue, the proceeds of which are to be used to retire a debt with which the property or company had previously been acquired but the listing document need not contain a valuation report if a circular containing such a valuation report was issued to shareholders when the property or company was acquired.

8.02A Valuation of a property interest is not required if:

(1) it is acquired from the Hong Kong Government (or, at the discretion of the Exchange, a body related to the Hong Kong Government) at a public auction or by sealed tender; or

(2) the property is acquired under a Qualified Property Acquisition (as defined in rule 19.04(10C)) by a Qualified Issuer (as defined in rule 19.04(10B) ~~falling under rules 19.33A to 19.33B~~; or Modification to Qualified Property Acquisition

(3) the company being acquired or disposed of is listed on the Exchange, except if it is a connected transaction; or

(4) subject to rule 8.03, the property interests in the company being acquired or disposed of is ancillary to the exploration for and/or extraction of Natural Resources (as defined in Chapter 18A) and the circular or announcement referred in rule 8.02 includes a valuation that encompasses these Natural Resources and ancillary property interests, and together have been valued as a business or as an operating entity by a Competent Evaluator (as defined in Chapter 18A); or Enhanced announcement requirement

Note: Rule 8.02 applies to property interests ancillary to the exploration for and/or extraction of Natural Resources if the circular or announcement does not include a valuation of all the ancillary property interests conducted by a Competent Evaluator.

(5) subject to rule 8.03, the carrying amount of a property interest in the company being acquired or disposed of is below 1% of the issuer's total assets. The total carrying amount of property interests not valued must not exceed 10% of the issuer's total assets.

8.02B Subject to rule 8.03, the circular or announcement issued under rule 8.02 must include:

(1) for a property interest, the full text of valuation reports;

(2) for an unlisted company whose assets consist solely or mainly of property:

(a) the full text of valuation reports of property interests that are required to be valued under rule 8.02 except where summary disclosure is allowed; and

(b) a summary disclosure if the value of a property interest as determined by the valuer is less than 5% of the total property interests that are required to be valued under rule 8.02. See Appendix D3 for the summary form of disclosure. The Exchange may accept variation of the summary form of disclosure based on the issuer's circumstances. The valuer's report setting out the information required by these Rules must be published on the Exchange's website and the issuer's own website; and

Note: The summary form of disclosure may be varied based on the issuer's circumstances. An issuer must include additional information necessary for investors to make an informed decision.

(c) an overview of property interests not covered by a valuation report, including their number and approximate size range, uses, how they are held and the general description of the area where they are located. The overview may include property interests voluntarily valued and disclosed separately in the relevant circular or announcement;

(3) for a company listed on the Exchange whose assets consist solely or mainly of property, an overview of property interests, including their number and approximate size range, uses, how they are held and the general description of the area where they are located; and

(4) the general information in rule 8.36, if it applies.

…

Effective Date

8.30 The effective date as at which the property was valued must not be more than three months before the date on which the relevant ~~relative~~ listing document, ~~or~~ circular or announcement is issued and if such effective date is not the same as the end of the last period reported on by the reporting accountants (see Chapter 7), it will be necessary for the listing document, ~~or~~ circular or announcement to include a statement reconciling the valuation figure with the figure included in the balance sheet as at the end of that period.

…

Other valuation reports

8.34 If the issuer has obtained more than one valuation report regarding any of the issuer's properties referred to in the listing document, ~~or~~ circular or announcement within three months before the issue of the listing document, ~~or~~ circular or announcement then all other such reports must be included.

…

General disclosure

8.36 A listing document, ~~or~~ a circular or an announcement issued under rules 8.02 and 8.03, must disclose relevant information on material properties (including leased properties).

Notes: Information may include the following:

(1) a general description of where the property is located (rather than only its address) and some market analysis if the property relates to property activities. For example, whether the property is located in the central business district, supply and demand information, occupancy rates, trends in property yield, sales prices, rental rates etc.;

(2) use and approximate area;

(3) any restrictions on its use;

(4) an indication of how the property is held. For example, owned or leased. If leased, the remaining term of the lease;

(5) details of encumbrances, liens, pledges, mortgages against the property;

(6) environmental issues, such as breach of environmental regulations;

(7) details of investigations, notices, pending litigation, breaches of law or title defects;

(8) plans for construction, renovation, improvement or development of the property and estimated associated costs;

(9) plans to dispose of or change the use of the property; and

(10) any other information considered material for investors.

Chapter 17

EQUITY SECURITIES

CONTINUING OBLIGATIONS

…

Specific matters relevant to the issuer's business

…

Winding-up and liquidation

17.27 (1) An issuer shall inform the Exchange of and announce the happening of any of the following events, as soon as it comes to its attention:—

Remove profits ratio

(a) …

…

(d) the entry into possession of or the sale by any mortgagee of a portion of the issuer's assets where the aggregate value of the total assets or the aggregate amount of ~~profits or~~ revenue attributable to such assets represents more than 5% under any of the percentage ratios defined under rule 19.04(9); or

(e) the making of any final judgment, declaration or order by any court or tribunal of competent jurisdiction whether on appeal or at first instance which is not subject to any or further appeal, which may adversely affect the issuer's enjoyment of any portion of its assets where the aggregate value of the total assets or the aggregate amount of ~~profits or~~ revenue attributable to such assets represents more than 5% under any of the percentage ratios defined under rule 19.04(9).

(2) Rules 17.25(1)(a), (b) and (c) will apply to a subsidiary of the issuer if the value of that subsidiary's total assets~~, profits~~ or revenue represents 5% or more under any of the percentage ratios defined under rule 19.04(9).

Note: 1 *For the purposes of rule 17.27(2), 100% of that subsidiary's total assets, profits or revenue (as the case may be) or, where that subsidiary itself has subsidiaries, the consolidated total assets~~, profits~~ or revenue (as the case may be) of that subsidiary is to be compared to the total assets~~, profits~~ or revenue (as the case may be) shown in the issuer's latest published audited consolidated financial statements irrespective of the interest held in the subsidiary.*

2 *[Repealed 1 January 2013]*

3 *[Repealed 1 January 2013]*

…

General matters relevant to the issuer's securities

…

17.29 …

(1) …

(5) any issue of shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed), or sale or transfer of treasury shares which satisfies the following requirements:

(a) the issue, sale or transfer is for the purpose of an acquisition of assets which would complement the listed issuer's business described in the listed issuer's initial listing document, and the acquisition does not constitute a major transaction, ~~very substantial acquisition,~~ reverse takeover or extreme transaction pursuant to rules 19.06(3), ~~19.06(5),~~ 19.06B and 19.06C respectively;

…

…

Announcements, circulars and other documents

Review of documents

17.53 Subject to rule 17.53A, where an issuer is obliged to publish any announcements, circulars or other documents for the purposes of the GEM Listing Rules, the documents need not be submitted to the Exchange for review before they are issued unless the documents fall within rule 17.53(1) ~~or (2)~~.

(1) The issuer shall submit to the Exchange drafts of the following documents for review before they are issued:

(a) listing document (including prospectus);

(b) circular relating to cancellation or withdrawal of listing of listed securities;

(c) circular relating to transaction or matter required under Chapter 19 of the GEM Listing Rules;

(d) circular relating to connected transaction (including continuing connected transaction) required under Chapter 20 of the GEM Listing Rules;

(e) circular to the issuer's shareholders seeking their approval of:

(i) any transaction or arrangement under rule 17.39, 17.40 or 17.47(7);

(ii) any matter relating to share scheme required under Chapter 23 of the GEM Listing Rules; or

(iii) any warrant proposal under rule 21.07(3); or

(f) circulars or offer documents issued by the issuer in connection with takeovers, mergers or offers~~.~~; or

(g) announcement for any:

(i) extreme transaction or reverse takeover under rule 19.34;

(ii) transaction or arrangement under rules 19.88 to 19.90; or

(iii) matter relating to a cash company under rules 19.82 and 19.83.

Drafting change – remove transitional arrangement under rule 17.53(2)

(2) The issuer shall not issue such documents under rule 17.53(1) until the Exchange has confirmed that it has no further comments thereon.

A document should be resubmitted to the Exchange for further comment prior to issue if any material change is made to the document after the Exchange has issued the "no further comment" confirmation (other than changes made to address the comments attached to the "no further comment" confirmation). If there is any doubt as to whether or not a change is material the Exchange must be consulted as soon as possible.

~~(2) The following transitional provisions apply to announcements set out in this rule and shall cease to have effect on such date as the Exchange may determine and promulgate.~~

~~An issuer shall submit to the Exchange drafts of the following announcements for review before they are issued:~~

~~(a) announcement for any very substantial disposal, very substantial acquisition, extreme transaction or reverse takeover under rules 19.34 and 19.35;~~

~~(b) announcement for any transaction or arrangement under rules 19.88 to 19.90; or~~

~~(c) announcement for any matter relating to a cash company under rules 19.82 and 19.83.~~

~~The issuer shall not issue such announcements until the Exchange has confirmed that it has no further comments thereon.~~

Notes: 1. Draft documents should be submitted in sufficient time for review and, if necessary, re-submission prior to dissemination or final printing.

2. [Repealed 5 July 2021]

3. In the case of documents issued in connection with takeovers, mergers or offers covered by the Takeovers Code, the Exchange will *pass its comments on the documents directly to the issuer and will at the same time provide a copy of such comments to the Commission.*

…

Chapter 18A

EQUITY SECURITIES

MINERAL COMPANIES

…

DEFINITIONS AND INTERPRETATION

18A.01 For the purposes of this Chapter unless otherwise stated or the context otherwise requires:–

…

(3) the following terms have the meanings set out below:-

…

"Relevant Notifiable Transaction" a transaction where any percentage ratio (as set out in rule 19.07) is 25% or more, or a transaction that constitutes an ~~major transaction, very substantial disposal, very substantial acquisition,~~ extreme transaction ~~and~~ or a reverse takeover.

Increase MT threshold / Remove VSA and VSD

…

RELEVANT NOTIFIABLE TRANSACTIONS INVOLVING THE ACQUISITION OR DISPOSAL OF MINERAL OR PETROLEUM ASSETS

18A.09 A Mineral Company proposing to acquire or dispose of assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable Transaction must:-

(1) comply with Chapter 19 and Chapter 20, if relevant;

(2) produce a Competent Person's Report, which must form part of the relevant announcement or circular (as required under Chapter 19), on the Resources and/or Reserves being acquired or disposed of as part of the Relevant Notifiable Transaction;

Note: The Exchange may dispense with the requirement for a Competent Person's Report on disposals where shareholders have sufficient information on the assets being disposed of.

(3) in the case ~~of a major (or above)~~ an acquisition, produce a Valuation Report, which must form part of the relevant circular (or announcement if a circular is

not required), on the Mineral or Petroleum Assets being acquired as part of the Relevant Notifiable Transaction; and

(4) comply with the requirements of rules 18A.05(2) to 18A.05(6) in respect of the assets being acquired.

Note: Material liabilities that remain with the issuer on a disposal must also be discussed.

…

Chapter 19

EQUITY SECURITIES

NOTIFIABLE TRANSACTIONS

…

Definitions

19.04 For the purposes of this Chapter:—

(1) any reference to a "transaction" by a listed issuer:

(a) includes the acquisition or disposal of assets, including deemed disposals as referred to in rule 19.29;

(b) includes any transaction involving a listed issuer writing, accepting, transferring, exercising or terminating (in the manner described in rule 19.73) an option (as defined in rule 19.72) to acquire or dispose of assets or to subscribe for securities;

(c) includes entering into or terminating finance leases where the financial effects of such leases have an impact on the balance sheet and/or profit and loss account of the listed issuer;

(d) includes entering into or terminating operating leases which, by virtue of their size, nature or number, have a significant impact on the operations of the listed issuer. The Exchange will normally consider an operating lease or a transaction involving multiple operating leases to have a "significant impact" if such lease(s), by virtue of its/their total monetary value or the number of leases involved, represent(s) a 200% or more increase in the scale of the listed issuer's existing operations conducted through lease arrangements of such kind;

(e) includes granting an indemnity or a guarantee or providing financial assistance by a listed issuer, other than by a listed issuer which:

(i) is a banking company (as defined in rule 19.04(4A)~~20.06(3)~~) and provides the financial assistance (as defined in rule 19.04(5A)~~20.06(17)~~) in its ordinary and usual course of business (as referred to in rule 19.04(8));

(ii) grants an indemnity or a guarantee, or provides financial assistance to its subsidiaries; or

(iii) is a securities house and provides the financial assistance ~~(as defined in rule 20.06(17))~~ in its ordinary and usual course of business (as referred to in rule 19.04(8)) and upon normal commercial terms, either:

(A) by way of securities margin financing (which means providing a financial accommodation in order to facilitate:

(aa) the acquisition of securities listed on any stock market, whether a ~~recognized~~ recognised stock market (as defined in Schedule 1 to the Securities and Futures Ordinance) or any other stock market outside Hong Kong; and

(bb) (where applicable) the continued holding of those securities,

whether or not those or other securities are pledged as security for the accommodation); or

(B) for the purpose of a proposed acquisition of securities in accordance with the terms of a prospectus which is registered in Hong Kong and issued in respect of an initial public offering of equity securities to be listed in Hong Kong.

Note: Such a transaction may nevertheless in some cases constitute a connected transaction under Chapter 20. In such cases, the listed issuer will have to comply with the provisions of Chapter 20.

(f) includes entering into any arrangement or agreement involving the formation of a joint venture entity in any form, such as a partnership or a company, or any other form of joint arrangement, other than a joint venture where:

(i) the joint venture is engaging in a single purpose project/transaction which is of a revenue nature in the ordinary and usual course of business of the issuer (see rule 19.04(1)(g));

(ii) the joint venture arrangement is on an arm's length basis and on normal commercial terms; and

(iii) the joint venture agreement contains clause(s) to the effect that the joint venture may not, without its partners' unanimous consent:

(A) change the nature or scope of its business; or

(B) enter into any transactions which are not on an arm's length basis; and

(g) to the extent not expressly provided in rules 19.04(1)(a) to (f), excludes any transaction of a revenue nature in the ordinary and usual course of business (as referred to in rule 19.04(8)) of the listed issuer;

Notes: 1 To the extent not expressly provided in rules 19.04(1)(a) to (f), any transaction of a revenue nature in the ordinary and usual course of business of a listed issuer will be exempt from the requirements of this Chapter.

2 (a) Any transaction involving the acquisition or disposal of properties will generally not be considered to be of a revenue nature unless such transaction is carried out as one of the principal activities and in the ordinary and usual course of business of the listed issuer.

(b) Any transaction involving the acquisition or disposal of securities will generally not be considered to be of a revenue nature unless it is carried out in the ordinary and usual course of business by a member of the listed issuer's group that is:

(i) a banking company ~~(as defined in rule 20.86)~~;

(ii) an insurance company; or

(iii) a securities house that is mainly engaged in regulated activities under the SFO <u>or a PRC securities house that is regulated under the PRC securities law and mainly engaged in businesses which are equivalent to regulated activities under the SFO</u>. It should be noted that proprietary securities trading and/or investment is not a regulated activity under the SFO and accordingly, this exemption is not available where proprietary securities trading and/or investment constitutes a significant part of the business of the securities house.

PRC securities house

3 Where a listed issuer, for the financial reporting purpose, has transferred an asset from the fixed asset account to the current asset account, a subsequent disposal of the asset by the listed issuer will not be exempt under rule 19.04(1)(g).

4 In considering whether or not a transaction is of a revenue nature, a listed issuer must take into account the following factors:

(a) whether previous transactions or recurring transactions that were of the same nature were treated as notifiable transactions;

(b) the historical accounting treatment of its previous transactions that were of the same nature;

(c) whether the accounting treatment is in accordance with generally acceptable accounting standards; and

(d) *whether the transaction is a revenue or capital transaction for tax purposes.*

These factors are included for guidance only and are not intended to be exhaustive. The Exchange may take into account other factors relevant to a particular transaction in assessing whether or not it is of a revenue nature. In cases of doubt, the listed issuer must consult the Exchange at an early stage.

(h) excludes a disposal or deemed disposal of interests in a principal subsidiary as a result of the grant of share options or share awards under a share scheme of the subsidiary that complies with Chapter 23.

…

(4A) a "banking company" means a listed issuer or its subsidiary which is a bank, a restricted licence bank or a deposit taking company as defined in the Banking Ordinance, or a bank constituted under appropriate overseas legislation or authority;

Drafting change

…

(5A) "financial assistance" includes granting credit, lending money, or providing an indemnity against obligations under a loan, or guaranteeing or providing security for a loan;

Drafting change

(5~~A~~B) an "insurance company" means a company which is authorized to carry out insurance business under the Insurance Ordinance or appropriate overseas legislation or authority. For the avoidance of doubt, an "insurance company" does not include an insurance broker or insurance agent;

…

(7) a "notifiable transaction" means a transaction classified as a share transaction, discloseable transaction~~,~~ or major transaction~~, very substantial disposal or very substantial acquisition~~ under rule 19.06 or a transaction classified as an extreme transaction or a reverse takeover ~~or extreme transaction~~ under rule 19.06C or 19.06B~~ or 19.06C~~;

Remove VSA and VSD

…

(9) "percentage ratios" means the percentage ratios set out in rule 19.07, and "assets ratio",~~ "profits ratio",~~ "revenue ratio", "consideration ratio" and "equity capital ratio" shall bear the respective meanings set out in rule 19.07;

Remove profits ratio

…

(10B) "Qualified Issuer" means an issuer actively engaged in property development as a principal business activity. For determining whether property development is a principal activity of an issuer, consideration will be given to the following factors:

(a) clear disclosure of property development activity as a current and continuing principal business activity in the Directors' Report of its latest published annual financial statements for the latest two full financial years;

Modification to Qualified Property Acquisition

(b) property development activity is reported as a separate and continuing segment (if not the only segment) in such ~~its latest published~~ financial statements; and

(c) ~~it's~~ the format for reporting segmental information in such ~~and its latest published annual~~ financial statements has ~~have~~ fully complied with the requirements of relevant accounting standards adopted for the preparation of its annual financial statements on reporting of segment revenue and segment expense.

...

(11A) "securities or other investment activities" mean transactions involving acquisitions or disposals of (i) securities; or (ii) wealth management products, digital assets and other investment products, that are held or to be held for investment or treasury management purpose;

Exception to increased MT threshold

(11~~A~~B) a "shipping company" means a company or other entity whose non-cash assets consist solely or mainly of vessels or interests in vessels or interests in companies or entities whose non-cash assets consist solely or mainly of vessels and whose income is mainly derived from those vessels; and

...

Classification

19.05 A listed issuer considering a transaction must, at an early stage, consider whether the transaction falls into one of the classifications set out in rule 19.06, 19.06B or 19.06C. In this regard, the listed issuer must determine whether or not to consult with its Compliance Adviser and/or its financial, legal or other professional advisers. Listed issuers, Compliance Advisers or other advisers which are in any doubt as to the application of the requirements in this Chapter should consult the Exchange at an early stage.

Note: Refer to rule 6A.23 regarding when a listed issuer is required to consult with and, if necessary, seek advice from its Compliance Adviser.

19.06 The transaction classification is made by using the percentage ratios set out in rule 19.07. The classifications are:

(1) share transaction — an acquisition of assets (excluding cash) by a listed issuer where the consideration includes securities for which listing will be sought and/or treasury shares to be transferred and where all percentage ratios are less than 5%;

(2) discloseable transaction — a transaction or a series of transactions (aggregated under rules 19.22 and 19.23) by a listed issuer where any percentage ratio is 5% or more, but all percentage ratios are less than:

(a) 25% for transaction(s) involving (i) provision of financial assistance or (ii) securities or other investment activities; or

(b) 50% for other transaction(s);

(3) major transaction — a transaction or a series of transactions (aggregated under rules 19.22 and 19.23) by a listed issuer where any percentage ratio is:

(a) 25% or more~~, but less than 100% for an acquisition or 75% for a disposal~~ for transaction(s) involving (i) provision of financial assistance or (ii) securities or other investment activities; or

Increase MT threshold

(b) 50% or more for other transaction(s).~~;~~

(4) [Repeated [date]]~~very substantial disposal — a disposal or a series of disposals (aggregated under rules 19.22 and 19.23) of assets (including deemed disposals referred to in rule 19.29) by a listed issuer where any percentage ratio is 75% or more;~~

Remove VSA and VSD

(5) [Repeated [date]]~~very substantial acquisition — an acquisition or a series of acquisitions (aggregated under rules 19.22 and 19.23) of assets by a listed issuer where any percentage ratio is 100% or more.~~

…

Reverse takeovers

19.06B A reverse takeover is an acquisition or a series of acquisitions of assets by a listed issuer which, in the opinion of the Exchange, constitutes, or is part of a transaction and/or arrangement or series of transactions and/or arrangements which constitute, an attempt to achieve a listing of the acquisition targets (as defined in rule 19.04(2A)) and a means to circumvent the requirements for new applicants as set out in Chapter 11.

Notes:

…

2. *Without limiting the generality of rule 19.06B, the following transactions are normally reverse takeovers (the bright line tests):*

(a) *an acquisition or a series of acquisitions (aggregated under rules 19.22 and 19.23) of assets ~~constituting a very substantial acquisition~~ where (i) any percentage ratio is 100% or more; and (ii) there is or which will result*

Remove VSA and VSD

in a change in control (as defined in the Takeovers Code) of the listed issuer (other than at the level of its subsidiaries); or

(b) *acquisition(s) of assets from a person or a group of persons or any of his/their associates pursuant to an agreement, arrangement or understanding entered into by the listed issuer within 36 months of such person or group of persons gaining control (as defined in the Takeovers Code) of the listed issuer (other than at the level of its subsidiaries), where (i) such gaining of control had not been regarded as a reverse takeover~~,~~; and (ii) any percentage ratio of such acquisition(s)~~ which~~ individually or together ~~constitute(s) a very substantial acquisition~~ is 100% or more. When calculating the ~~For the purpose of determining whether~~ percentage ratios~~ the acquisition(s) constitute(s) a very substantial acquisition~~, the lower of:*

(A) *the latest published figures of the asset value~~,~~ and revenue ~~and profits~~ as shown in the listed issuer's accounts and the total market capitalisation~~ value~~ of the listed issuer at the time of the change in control, which must be adjusted in the manner set out in rules 19.16, 19.17, 19.18 and 19.19, as applicable, up to the time of the change in control; and*

(B) *the latest published figures of the asset value~~,~~ and revenue ~~and profits~~ as shown in the listed issuer's accounts and the total market capitalisation~~ value~~ of the listed issuer at the time of the acquisition(s), which must be adjusted in the manner set out in rules 19.16, 19.17, 19.18 and 19.19, as applicable,*

is to be used as the denominator of the percentage ratios.

Rule 19.06B will apply irrespective of whether any general offer obligations under the Takeovers Code have been waived.

Remove profits ratio

…

Percentage ratios

19.07 The percentage ratios are the figures, expressed as percentages resulting from each of the following calculations:

(1) Assets ratio — the total assets which are the subject of the transaction divided by the total assets of the listed issuer (see in particular rules 19.09 to 19.12, 19.16, 19.18 and 19.19);

(2) [Repealed [date]] ~~Profits ratio — the profits attributable to the assets which are the subject of the transaction divided by the profits of the listed issuer (see in particular rules 19.13 and 19.17);~~

Remove profits ratio

(3) Revenue ratio — the revenue attributable to the assets which are the subject of the transaction divided by the revenue of the listed issuer (see in particular rules 19.14 and 19.17);

(4) Consideration ratio — the consideration divided by the higher of the total market capitalisation or the net assets of the listed issuer (see in particular rules 19.15, 19.16A, 19.18 and 19.19). The total market capitalisation is the average closing price of the listed issuer's securities as stated in the Exchange's daily quotations sheets for the five business days immediately preceding the date of the transaction ~~(see in particular rule 19.15)~~; and

Alternative consideration ratio

(5) Equity capital ratio — the number of shares to be issued and/or treasury shares to be transferred by the listed issuer as consideration divided by the total number of the listed issuer's issued shares (excluding treasury shares) immediately before the transaction.

Notes: 1. The numerator includes shares that may be issued or transferred out of treasury upon conversion or exercise of any convertible securities or subscription rights to be issued or granted by the listed issuer as consideration.

2. The listed issuer's debt capital (if any), including any preference shares, shall not be included in the calculation of the equity capital ratio.

Listed issuers must consider all the percentage ratios to the extent applicable for classifying a transaction. In the case of an acquisition where the target entity uses accounting standards different from those of the listed issuer, the listed issuer must, where applicable, perform an appropriate and meaningful reconciliation of the relevant figures for the purpose of calculating the percentage ratios.

19.08 The table below summarises the classification and percentage ratios resulting from the calculations set out in rule 19.07. However, listed issuers should refer to the relevant rules for the specific requirements.

Increase MT threshold / Remove VSA and VSD

Transaction type	**Percentage ratio (including assets ratio, consideration ratio, revenue ratio and equity capital ratio *(Note)*) threshold:**
Share transaction	less than 5%
Discloseable transaction	(i) **For transactions involving (a) provision of financial assistance or (b) securities or other investment activities**: 5% or more but less than 25% (ii) **For other transactions**: 5% or more but less than 50%
Major transaction	(i) **For transactions involving (a) provision of financial assistance or (b) securities or other investment activities**: 25% or more (ii) **For other transactions**: 50% or more

~~Transaction type~~	~~Assets ratio~~	~~Consideration ratio~~	~~Profits ratio~~	~~Revenue ratio~~	~~Equity capital ratio~~
~~Share transaction~~	~~less than 5%~~	~~less than 5%~~	~~less than 5%~~	~~Less than 5%~~	~~less than 5%~~
~~Discloseable transaction~~	~~5% or more but less than 25%~~	~~5% or more but less than 25%~~	~~5% or more but less than 25%~~	~~5% or more but less than 25%~~	~~5% or more but less than 25%~~
~~Major transaction – disposal~~	~~25% or more but lessthan 75%~~	~~25% or more but lessthan 75%~~	~~25% or more but lessthan 75%~~	~~25% or more but lessthan 75%~~	~~Not applicable~~
~~Major transaction – acquisition~~	~~25% or more but lessthan 100%~~	~~25% or more but lessthan 100%~~	~~25% or more but lessthan 100%~~	~~25% or more but lessthan 100%~~	~~25% or more but less than 100%~~
~~Very substantial disposal~~	~~75% or more~~	~~75% or more~~	~~75% or more~~	~~75% or more~~	~~Not applicable~~
~~Very substantial acquisition~~	~~100% or more~~	~~100% or more~~	~~100% or more~~	~~100% or more~~	~~100% or more~~

Note: The equity capital ratio relates only to an acquisition (and not a disposal) by a listed issuer issuing new equity capital and/or transferring treasury shares.

…

~~Profits~~

19.13 [Repealed [date]]~~Profits mean net profits after deducting all charges except taxation and before non-controlling interests (See also rule 19.17). In the case of an acquisition or disposal of assets (other than equity capital) through a non wholly-owned subsidiary, the profits attributable to the assets acquired or disposed of (and not the listed issuer's proportionate interest in such profits) will form the numerator for the purpose of the profits ratio.~~

Remove profits ratio

…

Figures used in total assets, net assets, ~~profits~~ and revenue calculations

19.16 A listed issuer must refer to the total assets shown in its accounts or latest published interim report (whichever is more recent) and adjust the figure~~s~~ by:

Remove profits ratio

(1) the amount of any dividend proposed by the listed issuer in such accounts and any dividend declared by the listed issuer since the publication of such accounts or interim report; and

(2) where appropriate, the latest published valuation of assets (excluding businesses and intangible assets) of the listed issuer if such valuation is published after the issue of such accounts.

Note: Rule 19.16(2) will normally apply to a valuation of assets such as properties, vessels and aircraft.

19.16A The net assets figure to be used by a listed issuer for computing the consideration ratio (see rule 19.07(4)) refers to the equity attributable to the owners of the issuer as shown in its accounts or latest published interim report (whichever is more recent), which shall be adjusted by the items under rules 19.16(1) and (2), as applicable.

Alternative consideration ratio

19.17 The ~~profits (see rule 19.13) and~~ revenue (see rule 19.14) figures to be used by a listed issuer for the basis of the ~~profits ratio and~~ revenue ratio must be the figures shown in its accounts. Where a listed issuer has discontinued one or more of its operating activities during the previous financial year and has separately disclosed the ~~profits and~~ revenue from the discontinued operations in its accounts in accordance with applicable accounting standards adopted for the preparation of its annual financial statements, the Exchange may request the listed issuer ~~be prepared~~ to exclude ~~accept the exclusion of~~ such ~~profits and~~ revenue for the purpose of the ~~profits ratio and~~ revenue ratio ~~respectively~~.

Remove profits ratio

19.18 The value of transactions, issues of securities, or sales or transfers of treasury shares by the listed issuer in respect of which adequate information has already been published and made available to shareholders in accordance with the GEM Listing Rules and which have been completed must be included in the total assets and net assets of the listed issuer.

19.19 In calculating total assets and net assets, the Exchange may require the inclusion of further amounts where contingent assets are involved.

Alternative consideration ratio

Note: *Contingent assets normally refer to assets that will have to be acquired by a listed issuer pursuant to an agreement upon occurrence or non-occurrence of certain event(s) after the listed issuer has entered into the agreement. Such event(s) is/are normally beyond the control of the listed issuer and the parties to the transaction. Contingent assets must be determined in accordance with applicable accounting standards adopted for the preparation of the listed issuer's annual financial statements.*

…

Interpretation of the classification rules in circumstances where the listed issuer or a subsidiary acquires or realises equity capital

…

19.26 In an acquisition or disposal of equity capital, the numerators for the purposes of the (a) assets ratio~~,~~ and (b) ~~profits ratio and (c)~~ revenue ratio are to be calculated by reference to the value of the total assets~~, the profits attributable to such capital~~ and the revenue attributable to such capital, respectively.

Remove profits ratio

19.27 For the purpose of rule 19.26:

(1) the value of an entity's total assets is the higher of:

(a) the book value of the entity's total assets attributable to the entity's capital as disclosed in its accounts; and

(b) the book value referred to in rule 19.27(1)(a) adjusted for the latest published valuation of the entity's assets if such valuation is published after the issue of its accounts; and

Note: *This will normally apply to a valuation of assets such as properties, vessels and aircraft.*

(2) the value of an entity's ~~profits and~~ revenue is the ~~profits and~~ revenue attributable to the entity's capital as disclosed in its accounts.

Remove profits ratio

19.28 The value of the entity's total assets~~, profits~~ and revenue, calculated in accordance with rule 19.27, is to be multiplied by the percentage of the equity interest being acquired or disposed of by the listed issuer. However, 100% of the entity's total assets~~, profits~~ and revenue will be taken as the value of the total assets~~, profits~~ and revenue, irrespective of the size of the interest being acquired or disposed of, if:

(1) the acquisition will result in consolidation of the assets of the entity in the accounts of the listed issuer; or

(2) the disposal will result in the assets of the entity no longer being consolidated in the accounts of the listed issuer.

…

Deemed disposals

19.29 Allotments of share capital by a subsidiary of a listed issuer, whether or not such subsidiary is consolidated in the accounts of the listed issuer, may result in a reduction of the percentage equity interest of the listed issuer in such subsidiary. Such allotments give rise to deemed disposals. Profits or losses may be recorded on such transactions and such transactions may also ~~fall to~~ be treated as ~~very substantial disposals,~~ discloseable or major ~~or discloseable~~ or connected transactions. Rules 19.30 to 19.32 set out how the percentage ratios are applied to such transactions.

Remove VSA and VSD

19.30 Where a subsidiary of the listed issuer (whether or not consolidated in the accounts of the listed issuer, whether or not wholly-owned and whether held directly or indirectly):

(1) allots shares; and

(2) after the allotment, the subsidiary will continue to be a subsidiary,

the percentage by which the interest is reduced will be multiplied by the subsidiary's total assets~~, profit~~ and revenue as disclosed in the accounts of the subsidiary allotting shares and that shall be taken as the respective numerators for the purpose of the assets ratio, ~~profits ratio,~~ revenue ratio and de minimis ratio.

Note: For example, if the interest is reduced from 90% to 80%, then 10% of the subsidiary's total assets~~, profits~~ and revenue will form the respective numerators for the assets ratio, ~~profits ratio,~~ revenue ratio and de minimis ratio.

19.31 Where a subsidiary of the listed issuer (whether or not consolidated in the accounts of the listed issuer, whether or not wholly-owned and whether held directly or indirectly) allots shares such that, after the allotment, the subsidiary will cease to be a subsidiary, 100% of the subsidiary's total assets~~, profits~~ and revenue will form the respective numerators for the assets ratio, ~~profits ratio,~~ revenue ratio and de minimis ratio.

Remove profits ratio

Note: For example, if the interest is reduced from 60% to 40% and the subsidiary ceases to be a subsidiary, then 100% of the entity's total assets~~, profits~~ and revenue will form the respective numerators for the assets ratio, ~~profits ratio,~~ revenue ratio and de minimis ratio.

…

~~Notification, p~~Publication and shareholders' approval requirements

Remove VSA and VSD

19.33 The table below summarises the ~~notification,~~ publication and shareholders' approval requirements which will generally apply to each category of notifiable transaction. However, listed issuers should refer to the relevant rules for the specific requirements.

	~~Notification to Exchange~~	~~Publication of an announcement on Exchange's website~~ Announcement	Circular to shareholders	Shareholders' approval	Accountants' report
Share transaction	~~Yes~~	Yes	No	No[1]	No
Discloseable transaction	~~Yes~~	Yes[2]	No	No	No
Major transaction	~~Yes~~	Yes[2]	Yes	Yes[~~2~~3]	Yes[~~3~~4]
~~Very substantial disposal~~	~~Yes~~	~~Yes~~	~~Yes~~	~~Yes[2]~~	~~No[5]~~
~~Very substantial acquisition~~	~~Yes~~	~~Yes~~	~~Yes~~	~~Yes[2]~~	~~Yes[4]~~
Extreme transaction		Yes[2]	Yes	Yes[3]	Yes[5]
Reverse takeover	~~Yes~~	Yes[2]	Yes[6]	Yes[~~2~~3, ~~6~~]	Yes[~~4~~5]

Notes:

1 *No shareholder approval is necessary if the consideration shares are issued or transferred out of treasury under a general mandate. However, if the shares are not issued or transferred out of treasury under a general mandate, the listed issuer is required, pursuant to rule 17.39, to obtain shareholders' approval in general meeting prior to the issue of new shares or transfer of treasury shares as consideration shares.*

2 *In case of a notifiable transaction where any percentage ratio is 25% or more, additional information is required (see rule 19.60).*

~~2~~3 *Any shareholder and his close associates must abstain from voting if such shareholder has a material interest in the transaction.*

~~3~~4 *An accountants' report on the business, company or companies being acquired is required (see also rules 7.05 and 19.67(6)).*

~~4~~5 *An accountants' report on any business, company or companies being acquired is required (see also rules 7.05 and 19.69(4)).*

6 *A listed issuer proposing a reverse takeover is required to issue a listing document.*

~~5~~ *[(Repealed [date]]~~A listed issuer may at its option include an accountants' report (see note 1 to rule 19.68(2)(a)(i)).~~*

~~6~~ *[(Repealed [date]]~~Approval of the Exchange is necessary.~~*

Exemptions

Acquisitions or leasing of assets in the ordinary and usual course of business

19.33A(1) An acquisition or leasing of assets by a listed issuer which constitutes a major transaction is exempt from the circular and shareholders' approval requirements if: Exemption for ordinary course of business

(a) the assets are to be acquired or leased by the issuer in the ordinary and usual course of business to maintain or expand an existing principal activity which has been reported as a separate and continuing segment (if not the only segment) in the issuer's published financial statements for at least two full consecutive financial years immediately preceding the transaction;

(b) the issuer's board of directors has confirmed that:

(i) the transaction is entered into by the issuer in its ordinary and usual course of business and on normal commercial terms; and

(ii) the terms of the transaction are fair and reasonable and in the interests of the issuer and its shareholders as a whole.

(2) In addition to the information required under rules 19.58 and 19.60 (as applicable), the announcement relating to the transaction must contain information to demonstrate that the conditions set out in rule 19.33A(1) were met.

Note: The exemption also applies to the acquisition or leasing of assets by a listed issuer through a wholly owned special purpose vehicle which is established solely for the purpose of acquiring, holding or leasing the assets for use in the issuer's ordinary and usual course of business. Other than in this circumstance, the exemption is not applicable to transactions involving acquisitions or disposals of companies, businesses or securities, formation of joint ventures, provision of financial assistance, or securities or other investment activities.

~~Exemptions~~ Joint Ventures for Qualified Property Acquisitions ~~which constitute major transactions or very substantial acquisitions~~

19.33B~~A~~ (1) A Qualified Property Acquisition which is jointly undertaken by a Qualified Issuer and other parties and constitutes a major transaction ~~or very substantial acquisition~~ is exempt from the circular and shareholders' approval requirements if: Modification to Qualified Property Acquisition

~~(1) it is undertaken on a sole basis by a Qualified Issuer in its ordinary and usual course of business; or~~

~~(2) it is undertaken by a Qualified Issuer and other party or parties on a joint basis and:~~

(a) the joint venture (or other form of joint arrangement) is established for a ~~project will be~~ single purpose, relating to the acquisition and/or development of a specific property and consistent with the purpose specified in the auction or tender document;

(b) each joint venture arrangement must be on an arm's length basis and on normal commercial terms;

(c) the joint venture agreement contains clause(s) to the effect that the joint venture may not, without its partners' unanimous consent:

(i) change the nature or scope of its business, and if there are changes then they must still be consistent with the scope or purpose specified in the auction or tender document; or

(ii) enter into any transactions which are not on an arm's length basis; and

(d) the Qualified Issuer's board has confirmed that the Qualified Property Acquisition is in the Qualified Issuer's ordinary and usual course of business; and that the Qualified Property Acquisition and the joint venture, including its financing and profit distribution arrangements, are on normal commercial terms, fair and reasonable and in the interests of the Qualified Issuer and its shareholders as a whole.

~~19.33B~~ (2~~1~~) The Qualified Issuer must publish an announcement as soon as possible after notification of the success of a bid by ~~it or~~ the joint venture for a Qualified Property Acquisition falling under rule 19.33B~~A and send a circular to its shareholders~~.

(3~~2~~) In addition to the information required under rules 19.58 and 19.60, the ~~The~~ announcement ~~and circular~~ must contain:

(a) details of the acquisition;

(b) details of the joint venture, ~~if any,~~ including

(i) the joint venture's terms and status;

(ii) its dividend and distribution policy; and

(iii) the joint venture's financial and capital commitment and the Qualified Issuer's share in it; and

(c) information to demonstrate that the conditions in rule 19.33B~~A(1) or (2)~~ were met.

Note: If any of these details are not available when the issuer publishes the initial announcement, it must publish subsequent announcement(s) to disclose the details as soon as possible after they have been agreed ~~or finalised,~~.

~~(3)~~ [Repealed [date]]~~The announcement and circular requirements under chapter 19 apply to the acquisition and the joint venture, if any, according to the transaction classification, except that the information circular need not contain a valuation report on the property under the Qualified Property Acquisition.~~

Drafting change – remove duplication to Chapter 8

~~Exemptions for~~ Qualified Aircraft Leasing Activities ~~which constitute notifiable transactions~~

19.33C …

19.33D Where a Qualified Aircraft Leasing Activity is exempt from the announcement, circular and/or shareholders' approval requirements for notifiable transactions under rule 19.33C:

(1) the Qualified Aircraft Lessor must publish an announcement as soon as possible after the terms of the transaction have been agreed~~finalised~~. The announcement must contain:

…

Requirements for all transactions

~~Notification and a~~ Announcement

19.34 As soon as possible after the terms of a share transaction, discloseable transaction, major transaction, ~~very substantial disposal, very substantial acquisition,~~ extreme transaction or reverse takeover have been agreed~~finalised~~, the listed issuer must in each case:—

(1) [Repealed 1 March 2019]

(2) ~~submit~~ publish an announcement ~~to the Exchange to be published on the Exchange's website~~ as soon as possible, which must contain at least the information set out in rules 19.58 and 19.60 and any additional information requested by the Exchange. See also rule 19.37.

19.35 [Repealed [date]]~~For a share transaction, the announcement must contain the information set out in rules 19.58 and 19.59. For a discloseable transaction, major transaction, very substantial disposal, very substantial acquisition, extreme transaction or reverse takeover, the announcement must contain at least the information set out in rules 19.58 and 19.60. In all cases, listed issuers must also include any additional information requested by the Exchange.~~

Drafting change

19.36 In respect of ~~Where~~ a transaction previously announced pursuant to this Chapter, the listed issuer must publish further announcement(s) to inform the market of the following event(s) as soon as practicable:

Further announcement requirement

(a) the transaction is completed or ~~is~~ terminated according to its terms;

(b) ~~or~~ there is any material variation of its terms or material delay in the completion of the agreement (including an extension of the long stop date);

(c) there is any change in payment schedule; and

(d) where consideration (including any deferred consideration) is not a fixed amount, the amount of the consideration when determined.

The announcement must also include a statement that except as disclosed, there has been no material change affecting the terms of the transaction as previously disclosed by the listed issuer. ~~the listed issuer must as soon as practicable announce this fact by means of an announcement.~~

Note: *This requirement is without prejudice to the generality of any other provisions of the GEM Listing Rules and the listed issuer must, where applicable, also comply with such provisions.*

19.36A Where there is expected ~~to be~~ delay in despatch of the circular or publication of the announcement in relation to the transaction by the date previously announced under rule 19.60(4~~7~~) or this rule, the listed issuer must as soon as practicable disclose this fact by way of an announcement stating the reason for the delay and the new expected date of despatch of the circular or publication of the announcement.

…

Additional requirements for major transactions

Circular

19.38 In addition to the requirements for all transactions set out in rule 19.34 to 19.37, a listed issuer which has entered into a major transaction must send a circular to its shareholders ~~and the Exchange~~ and arrange for its publication in accordance with the provisions of Chapter 16.

…

Shareholders' approval

…

19.41 The circular must be despatched to the shareholders of the listed issuer:

(a) if the transaction is approved or is to be approved by way of written shareholders' approval from a shareholder or a closely allied group of shareholders under rule 19.44, within 15 business days after publication of the announcement; or

(b) if the transaction is to be approved by shareholders at a general meeting, at the same time as or before the listed issuer gives notice of the general meeting to approve the transaction.

The circular shall contain information required under rules 19.63, 19.66, 19.67 (for an acquisition only) and 19.~~70~~68 (for a disposal only).

…

Methods of approval

19.44 Shareholders' approval for a major transaction shall be given by a majority vote at a general meeting of the shareholders of the issuer unless all the following conditions are met, in which case written shareholders' approval may, subject to rule 19.86, be accepted in lieu of holding a general meeting *(Note 1)*:

(1) all the applicable percentage ratios are less than 100% (for an acquisition) or 75% (for other transactions); Increase MT threshold

(2~~1~~) no shareholder is required to abstain from voting if the issuer were to convene a general meeting for the approval of the transaction; and

(3~~2~~) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting *(Note 2)* to approve the transaction. Where a listed issuer discloses inside information to any shareholder in confidence to solicit the written shareholders' approval, the listed issuer must be satisfied that such shareholder is aware that he must not deal in the listed issuer's securities before such information has been made available to the public.

Notes:

1. *References to shareholder(s) in this rule shall mean shareholder(s) other than a holder of treasury shares.*

2. *Voting rights attaching to treasury shares are excluded.*

…

~~Additional requirements for very substantial disposals and very substantial acquisitions~~ Remove VSA and VSD

19.48 [Repealed [date]]~~In the case of a very substantial disposal or a very substantial acquisition, the listed issuer must comply with the requirements for all transactions and for major transactions set out in rules 19.34 to 19.38 and 19.41.~~

19.49 [Repealed [date]]~~A very substantial disposal and a very substantial acquisition must be made conditional on approval by shareholders in general meeting. No written shareholders' approval will be accepted in lieu of holding a general meeting. The Exchange will require any shareholder and his close associates to abstain from voting at the relevant general meeting on the relevant resolution(s) if such shareholder has a material interest in the transaction.~~

19.50 [Repealed 1 January 2009]

19.51 [Repealed [date]]~~The circular must be despatched to the shareholders of the listed issuer at the same time as or before the listed issuer gives notice of the general meeting to approve the transaction referred to in the circular. The circular must contain the information required under rules 19.63, 19.68 (for a very substantial disposal) and 19.69 (for a very substantial acquisition).~~

19.52 [Repealed [date]]~~A listed issuer shall despatch to its shareholders any revised or supplementary circular and/or provide any material information that has come to the attention of the directors after the issue of the circular (by way of announcement) on~~

~~the transaction to be considered at a general meeting not less than 10 business days before the date of the relevant general meeting.~~

~~*Note: The listed issuer must assess the scale of revisions or updating required and materiality of the new information, revisions or updating required that has come to its attention after publication of the circular, when deciding whether to issue a revised or supplementary circular or publish an announcement. Where the revisions or updating required are significant, the listed issuer must consider carefully whether it would be better to publish a revised or supplementary circular rather than provide particulars of the changes in an announcement. The listed issuer should not overwhelm or confuse investors with lengthy announcements describing changes to information contained in the original circular.*~~

19.53 [Repealed [date]]~~The meeting must be adjourned before considering the relevant resolution to ensure compliance with the 10 business day requirement under rule 19.52 by the chairman or, if that is not permitted by the listed issuer's constitutional documents, by resolution to that effect (see also rule 17.47B).~~

Additional requirements for extreme transactions

19.53A In the case of an extreme transaction, the listed issuer must:

(1) comply with the requirements for major transactions ~~very substantial acquisitions~~ set out in rules ~~19.48 to 19.53~~ 19.38 to 19.43. Shareholders' approval for an extreme transaction shall be given by a majority of vote at a general meeting of the shareholders of the issuer, and the Exchange will require any shareholder and his close associates to abstain from voting at the relevant general meeting on the relevant resolution(s) if such shareholder has a material interest in the transaction. No written shareholders' approval will be accepted in lieu of holding a general meeting. The circular must contain the information required under rules 19.63 and 19.69; and

Note: See also rule 19.57A if the extreme transaction involves a series of transactions and/or arrangements.

(2) appoint a financial adviser to perform due diligence on the acquisition targets to put itself in a position to be able to discharge its obligations set out in Appendix E2.

Note: See also rules 17.99A to 17.99C for the requirements relating to financial advisers.

Remove VSA and VSD

…

Contents of announcements

All transactions

19.58 The announcement of a ~~share~~ notifiable transaction~~, discloseable transaction, major transaction, very substantial disposal, very substantial acquisition, extreme transaction or reverse takeover~~ must contain at least the following information:

Enhanced announcement requirement

(1) <u>at the top of the announcement</u>:

<u>(a)</u> a prominent and legible disclaimer ~~at the top of the announcement~~ in the form set out in rule 2.19;

(<u>b</u>~~2~~) a <u>prominent and legible directors' responsibility</u> statement ~~of responsibility and confirmation on the part of the directors~~ in the form set out in rule 2.18;

(~~3~~<u>2</u>) a description of the principal business activities carried on by the listed issuer and the identity and a description of the principal business activities of the counterparty. <u>The listed issuer must also confirm that, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the counterparty and the ultimate beneficial owner of the counterparty are third parties independent of the listed issuer and connected persons of the listed issuer</u>; Drafting change – originally from rule 19.58(4)

(~~4~~<u>3</u>) the date<u>, general nature and material terms and conditions</u> of the transaction~~. The listed issuer must also confirm that, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the counterparty and the ultimate beneficial owner of the counterparty are third parties independent of the listed issuer and connected persons of the listed issuer~~; Drafting change – originally from rules 19.59(2) and 19.60(2)

<u>(4) brief details of the assets which are the subject of the transaction, including, where applicable, the name of the company being acquired or disposed of and a description of its principal activities;</u>

<u>(5) where the transaction involves an acquisition or disposal of an interest in a company, the percentage of the company's issued shares held by the listed issuer before and after the transaction and, in the case of a disposal, whether any remaining interest is to be sold or retained by the listed issuer. Where the company will become, or cease to be, a subsidiary of the listed issuer as a result of the transaction, a statement to that effect;</u> Drafting change – originally from rules 19.59(3), 19.60(6) and 19.66(6)

(~~5~~<u>6</u>) the aggregate value of the consideration, how it is being or is to be satisfied and details of the terms of any arrangements for payment on a deferred basis. If the consideration includes securities <u>being issued and/or transferred out of treasury</u> ~~for which listing will be sought and/or treasury shares~~, the listed issuer must also include the amounts and details of the securities ~~being issued and/or transferred out of treasury~~<u>, including any restrictions which apply to the subsequent sale of such securities</u>;

Note: …

(~~6~~<u>7</u>) the basis<u>, together with an adequate explanation,</u> upon which the consideration was determined<u>, and where the consideration (or other material terms) of the transaction is primarily based on an independent valuation, the details (including valuation approaches and methods together with key inputs and assumptions) of such valuation</u>; Codify GL 116-23

(~~7~~<u>8</u>) the value (book value and valuation, if any) of the assets which are the subject of the transaction;

(~~8~~9) where applicable, the net profits (both before and after taxation) attributable to the assets which are the subject of the transaction for the two financial years immediately preceding the transaction, and in case of an acquisition or disposal of a company or business, additional information in relation to the revenue, assets and liabilities (both on a current and total basis), cash flow from operating activities (where applicable) of the company or business for two financial years immediately preceding the transaction, together with any other key financial metrics commonly used in the relevant sector (such as gross profits) and adequate explanation(s) for shareholders and investors to better understand its performance during those financial years and any material subsequent changes;

Newly added requirement

Note: The listed issuer shall disclose the audited financial information. Where audited financial information is not available, the board of directors shall provide an adequate explanation of the reason thereof in the announcement, together with the basis on which the directors consider it reasonable to enter into the transaction based on the unaudited information and the reliability of such information. In addition, the listed issuer must disclose the source of the financial information and the basis on which such financial information has been prepared.

(10) in the case of a disposal:—

(a) details of the gain or loss expected to accrue to the listed issuer and the basis for calculating this gain or loss. Where the listed issuer expects to recognise in its income statement a gain or loss different from the disclosed gain or loss, the reason for the difference must be explained. The gain or loss is to be calculated by reference to the carrying value of the assets in the accounts; and

(b) the intended application of the sale proceeds (including whether such proceeds will be used to invest in any assets) and, if the sale proceeds include securities, whether they are to be listed or not and whether the issuer intends to hold such securities for investment or other purposes;

Drafting change – originally from rules 19.60(3) and 19.70(1)

(~~9~~11) the reasons for entering into the transaction, the benefits which are expected to accrue to the listed issuer as a result of the transaction and a statement that the directors have duly approved the transaction and believe that the terms of the transaction are fair and reasonable and in the interests of the shareholders as a whole;~~ and~~

(12) an explanation of the impact of the transaction on the listed issuer, including qualitative and quantitative analysis of any material effect on the listed issuer's profits and losses, assets, liabilities, liquidity and financial resources as well as financial and trading prospects and strategic direction, together with the key factors and assumptions underlying the effect;

Newly added requirement

(~~10~~13) where appropriate, details of any guarantee and/or other security given or required as part of or in connection with the transaction~~.~~; and

(14) where the transaction involves an issue of securities for which listing will be sought and/or transfer of treasury shares,

(a) a description of the nature and amount of the issue including the number of securities which have been or will be created and/or issued (if predetermined), together with details of the authorised share capital of the issuer, the amount issued or agreed to be issued, the amount paid up, the nominal value and a description of the shares;

Drafting change – originally from rules 19.67 and App. D1B

(b) a statement as to whether it will result in a change in control of the listed issuer;

(c) a statement that the announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities;

(d) where applicable, in the case of an issue of securities for which listing will be sought, a statement that application has been or will be made to the Exchange for the listing of and permission to deal in the securities; and

Drafting change – originally from rule 19.60(4)

(e) in case of a new class of securities to be listed, a statement:

(i) that all necessary arrangements have been made enabling the securities to be admitted into CCASS or an appropriate negative statement; and

(ii) the minimum prescribed percentage of securities to be held by the public and the expected percentage of public float in the relevant class of securities immediately upon listing.

Drafting change – originally from rules 19.67(1) and App. D1B

~~*Share transaction announcements*~~

19.59 [Repealed [date]~~In addition to the information set out in rule 19.58, the announcement for a share transaction must contain at least the following information:~~

Drafting change – moved to new rule 19.58

~~(1) the amount and details of the securities being issued and/or transferred out of treasury including details of any restrictions which apply to the subsequent sale of such securities;~~

~~(2) brief details of the asset(s) being acquired, including the name of any company or business or the actual assets or properties where relevant and, if the assets include securities, the name and general description of the activities of the company in which the securities are or were held;~~

~~(3) if the transaction involves an issue of securities of a subsidiary of the listed issuer, a declaration as to whether the subsidiary will continue to be a subsidiary of the listed issuer following the transaction;~~

~~(4) a statement that the announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities; and~~

~~(5) in the case where securities will be issued, a statement that application has been or will be made to the Exchange for the listing of and permission to deal in the securities.~~

Notifiable transactions with percentage ratios of 25% or more

~~*Discloseable transaction, major transaction, very substantial disposal, very substantial acquisition, extreme transaction and reverse takeover announcements*~~

19.60 In addition to the information set out in rule 19.58, the announcement of a notifiable ~~discloseable~~ transaction where any applicable percentage ratio is 25% or more, ~~major transaction, very substantial disposal, very substantial acquisition, extreme transaction or reverse takeover~~ must contain at least ~~brief details of~~ the following:

Drafting change – moved to new rule 19.58

~~(1) the general nature of the transaction including, where the transaction involves securities, details of any restrictions which apply to the subsequent sale of such securities;~~

~~(2) brief details of the asset(s) being acquired or disposed of, including the name of any company or business or the actual assets or properties where relevant and, if the assets include securities, the name and general description of the activities of the company in which the securities are or were held;~~

~~(3) in the case of a disposal:—~~

~~(a) details of the gain or loss expected to accrue to the listed issuer and the basis for calculating this gain or loss. Where the listed issuer expects to recognise in its income statement a gain or loss different from the disclosed gain or loss, the reason for the difference must be explained. The gain or loss is to be calculated by reference to the carrying value of the assets in the accounts; and~~

~~(b) the intended application of the sale proceeds;~~

~~(4) if the transaction involves an issue of securities for which listing will be sought or a transfer of treasury shares, the announcement must also include:~~

~~(a) a statement that the announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities; and~~

~~(b) in the case where securities will be issued, a statement that application has been or will be made to the Exchange for the listing of and permission to deal in the securities;~~

(1) in the case of an acquisition or disposal involving:

Drafting change – requirements applicable to NTs of 25% or more

(a) property interest and/or mineral or petroleum assets, information required under Chapter 8 and/or Chapter 18A (as applicable); and

(b) infrastructure project or an infrastructure or project company, information required under rule 19.71;

Note: If any of the information required under rule 19.60(1) is not available to the issuer at the time of the initial announcement published under rule 19.34, the issuer may disclose the information in a subsequent announcement or circular (if required) and publish such information prior to the completion of the transaction. The issuer must disclose in the initial *announcement the expected date of publication of the subsequent announcement or circular.*

(2) where applicable, the information required under paragraph 5 to Appendix D1B in relation to an expert statement included in the announcement;

(~~5~~3) where the transaction is a major transaction approved or to be approved by way of written shareholders' approval from a shareholder or a closely allied group of shareholders pursuant to rule 19.44, details of the shareholder or the closely allied group of shareholders (as the case may be), including the name of the shareholder(s), the number of securities held by each such shareholder and the relationship between the shareholders; and

(4) in case of a major transaction, extreme transaction or reverse takeover, the expected date of despatch of the circular and if it is more than 15 business days after the publication of the announcement, the reasons why this is so.

Note: If there is expected delay in despatch of the circular, the listed issuer must as soon as practicable publish a further announcement in accordance with rule 19.36A.

(6) [Repealed [date]]~~if the transaction involves a disposal of an interest in a subsidiary by a listed issuer, a declaration as to whether the subsidiary will continue to be a subsidiary of the listed issuer following the transaction; and~~

(7) [Repealed [date]]~~in the case of a major transaction, a very substantial disposal, a very substantial acquisition or a reverse takeover, the expected date of despatch of the circular and if this is more than 15 business days after the publication of the announcement, the reasons why this is so.~~

~~*Note: If there is expected to be delay in despatch of the circular, the listed issuer must as soon as practicable publish a further announcement in accordance with rule 19.36A.*~~

…

Contents of circulars

General principles

19.63 A circular of a major transaction~~, very substantial disposal, very substantial acquisition~~ or extreme transaction and a listing document for a reverse takeover sent by a listed issuer to holders of its listed securities must:—

(1) provide a clear, concise and adequate explanation of its subject matter having regard to the provisions of rule 17.56; and

…

…

Major transaction circulars

19.66 A circular relating to a major transaction must contain the following:—

(1) a prominent and legible disclaimer on the front cover or inside front cover of the circular in the form set out in rule 2.19;

(2) a statement, at a prominent position in the document, and in bold type, about the characteristics of GEM, in the form set out in rule 2.20;

(3) information which is required to be included in the announcement under rules 19.58 and 19.60 (as applicable); ~~the information regarding the listed issuer specified in the following paragraphs of Appendix D1B:—~~ Drafting change – originally under rule 19.66(5)

~~1- name~~

~~2- directors' responsibility~~

~~5- expert statements~~

~~29(2)-requirements if there is a profit forecast~~

~~33- litigation statement~~

~~35- details of secretary and other officers~~

~~36- address of registered office and head office;~~

(4) the information regarding:

(a) interests of directors and chief executive in the listed issuer required under paragraphs 34, 38 and 38A of Appendix D1B;

(b) details of any existing or proposed service contracts of directors and proposed directors of the listed issuer, or an appropriate negative statement; Drafting change – originally under rule 19.66(8)

Note: Details of contracts to expire or which may be terminated by the employer within a year without payment of any compensation (other than statutory compensation) need not be included.

(c) information as to the competing interests (if any) of each of the directors and any proposed director of the issuer (excluding its subsidiaries) and his/her respective close associates (as if each of them was treated as a controlling shareholder under rule 11.04); and Drafting change – originally under rule 19.66(9)

(d) particulars of directors' or experts' interests in group assets (see paragraph 40 and Note 2 to Appendix D1B).

Note: Information required under rules 19.66(4) may be incorporated in the circular by reference to other documents published by the listed issuers under the GEM Listing Rules. Drafting change – originally under rule 19.66(11)

~~(5) information which is required to be included in the announcement under rule 19.60;~~

~~(6) information concerning the effect of the transaction on the earnings and assets and liabilities of the listed issuer;~~

~~(7) where a company either becomes a subsidiary or ceases to be a subsidiary of the listed issuer:—~~

~~(a) the percentage of the company's issued shares (if any) held by the listed issuer after the acquisition or disposal; and~~

~~(b) in the case of a disposal, a statement whether the remaining shares are to be sold or retained;~~

~~(8) details of any existing or proposed service contracts of directors and proposed directors of the listed issuer, or an appropriate negative statement;~~

~~*Note: Details of contracts to expire or which may be terminated by the employer within a year without payment of any compensation (other than statutory compensation) need not be included.*~~

~~(9) information as to the competing interests (if any) of each of the directors and any proposed director of the issuer (excluding its subsidiaries) and his/her respective close associates (as if each of them were treated as a controlling shareholder under rule 11.04);~~

~~(10) any additional information requested by the Exchange;~~

(~~11~~5) the following information regarding the listed issuer ~~specified in the following paragraphs of Appendix D1B~~:—

Drafting change – originally under new rule 19.58 / re-organised in rule 19.66

(a) full name (see paragraph 1 Appendix D1B);

(b) directors' responsibility statement (see paragraph 2 of Appendix D1B);

(c) in relation to an expert who has included a statement in the circular, a statements in relation its qualification, shareholdings in the issuer group and written consent (see paragraph 5 of Appendix D1B);

(d) statement as to the trend of the business and the financial and trading prospects (see paragraph 29(1) and Note 2 to Appendix D1B);

(e) requirements if there is a profit forecast (see paragraph 29(2) of Appendix D1B);

(f) statement of sufficiency of working capital (see paragraph 30 and Note 2 to Appendix D1B), which must take into account the effect of the transaction;

Note: Where the circular contains a statement as to the sufficiency of working capital, the Exchange will require a letter from the listed issuer's financial advisers or auditors confirming that:—

(i) the statement has been made by the directors after due and careful enquiry; and

Drafting change – originally under rule 19.66(3) *(ii) the persons or institutions providing finance have confirmed in writing that such facilities exist.*

(g) particulars of any litigation or claims of material importance (see paragraph 33 and Note 2 to Appendix D1B);

(h) details of the company secretary ~~and other officers~~ (see paragraph 35 of Appendix D1B);

(i) address of registered office and head office (see paragraph 36 of Appendix D1B);

~~28- indebtedness~~

~~29(1)(b)- financial and trading prospects~~

~~30- sufficiency of working capital, which must take into account the effect of the transaction;~~

~~40- directors' or and experts' interests in group assets~~

(j) ~~41-~~ material contracts that are relevant to the proposed transaction (see paragraph 41 and Note 2 to Appendix D1B);

(k) ~~42(2)(c), (3) and (4)-~~ documents on display (see paragraph 42(2)(c), (3) and (4) and Note 2 to Appendix D1B);

~~(12) where required by Chapter 8, information under that Chapter on the property interest being acquired or disposed of by the listed issuer;~~

~~(13) where the circular contains a statement as to the sufficiency of working capital, the Exchange will require a letter from the listed issuer's financial advisers or auditors confirming that:—~~

~~(a) the statement has been made by the directors after due and careful enquiry; and~~

~~(b) the persons or institutions providing finance have confirmed in writing that such facilities exist; and~~

Drafting change – move to rules 19.66(5) and (6)

(~~14~~6) where applicable,

(a) the information required under rule 2.28~~.~~;

(b) the information required under Chapter 18A;

(c) the information required under Chapter 8 on the property interest being acquired or disposed of by the listed issuer;

Drafting change – originally under rule 19.66(12)

(d) the independent valuation report where the consideration (or other material terms) of the transaction is primarily based on such independent valuation; and

Codify GL116-23

(7) any additional information requested by the Exchange.

Major acquisition circulars

19.67 In addition to the requirements set out in rule 19.66, a circular issued in relation to an acquisition constituting a major transaction must contain:

(1) [Repealed [date]]~~the information required under paragraphs 9 and 10 of Appendix D1B, if the acquisition involves securities for which listing will be sought;~~

Drafting change – moved to new rule 19.58

(2) [Repealed [date]]~~the information required under paragraph 22(1) of Appendix D1B, if shares are to be issued or transferred out of treasury as consideration;~~

(3) [Repealed [date]]~~where the consideration for a transaction includes the listed issuer's shares or securities that are convertible into the listed issuer's shares, a statement whether the transaction will result in a change of control of the listed issuer;~~

(4) the information regarding the listed issuer required under paragraphs 31 (financial information) and 32 (no material adverse change) of Appendix D1B;

Note: The information regarding the listed issuer required under paragraph 31 (financial information) of Appendix D1B pursuant to rule 19.67(4) may be incorporated in the circular by reference to other documents published by the issuer under the GEM Listing Rules.

(5) the information required under paragraph 34 of Appendix D1B, in relation to each new director and member of senior management joining the listed issuer in connection with the transaction;

Note: The fact that any director or proposed director is a director or employee of a company which has an interest or short position in the shares or underlying shares of the listed issuer which would fall to be disclosed to the listed issuer under the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance need not be stated.

(6) (a) on an acquisition of any business, company or companies:

(i) an accountants' report on the business, company or companies being acquired in accordance with Chapter 7 provided that, where any company in question has not or will not become a subsidiary of the listed issuer and all the applicable percentage ratios for the acquisition are less than 100%, the Exchange may be prepared to relax this requirement. The accounts on which the report is based must relate to a financial period ended six~~6~~ months or less before the circular is issued. The financial information on the business, company or companies being acquired as contained in the accountants' report must be prepared using accounting policies which should be materially consistent with those of the listed issuer; and

Remove VSA and VSD

Note: Where the accountants can only give a modified opinion in the accountants' report in respect of the acquisition of the business, company or companies, for example because the records of stock or work-in-progress are inadequate, the Exchange will not accept a written shareholders' approval for the transaction, *but will require a general meeting to be held to consider the transaction (See rule 19.86). In these circumstances, listed issuers are urged to contact the Exchange as soon as possible.*

(ii) a pro forma profit and loss statement, balance sheet and cash flow statement of the enlarged group ~~statement of the assets and liabilities of the listed issuer's group combined with the assets and liabilities of the business, company or companies being acquired~~ on the same accounting basis. The pro forma financial information must comply with Chapter 7; and

(b) on an acquisition of any revenue-generating assets (other than a business or company) with an identifiable income stream or assets valuation:

(i) a profit and loss statement and valuation (where available) for the three~~3~~ preceding financial years (or less, where the asset has been held by the vendor for a shorter period) on the identifiable net income stream and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records. The financial information on which the profit and loss statement is based must relate to a financial period ended six~~6~~ months or less before the circular is issued. The financial information on the assets being acquired as contained in the circular must be prepared using accounting policies which should be materially consistent with those of the listed issuer; and

(ii) a pro forma profit and loss statement ~~of the~~ and net assets statement of the enlarged group ~~and liabilities of the listed issuer's group combined with the assets being acquired~~ on the same accounting basis. The pro forma financial information must comply with Chapter 7; ~~and~~

Note: The requirements to disclose a profit and loss statement on the identifiable net income stream and a pro forma profit and loss statement on the enlarged group under rule 19.67(6)(b) will not apply to an acquisition of a revenue generating assets if:

(1) the consideration for the acquisition is determined primarily based on an independent valuation of the assets (and not its historical profit or loss); and

(2) the circular contains:

(a) details of the independent valuation of the assets;

(b) disclosure relating to the historical financial performance of the assets (both quantitative and qualitative) to enable investors to assess the effect of the transaction on the earnings and assets and liabilities of the listed issuer; and

Drafting change – exemption for acquisition of revenue-generating assets

(c) *a statement by the listed issuer's board of directors confirming that the terms of the transaction are fair and reasonable and in the interests of the issuer and its shareholders as whole.*

(7) a discussion and analysis of results of the business, company or companies being acquired covering all those matters set out in rule 18.41 for the period reported on in the accountants' report; and~~.~~

(8) material risk factors relating to the transaction and any new risks to the issuer group as a result of the proposed transaction. Enhanced circular requirement – new requirement

Inability to access information to compile circulars for major transactions ~~or very substantial acquisitions~~

19.67A (1) Where a listed issuer has acquired and/or agreed to acquire equity capital in a company and the transaction constitutes a major transaction ~~or a very substantial acquisition~~, and the listed issuer does not have access or only has limited access to the non-public information on the target company that would be required for the purpose of complying with the disclosure requirements in respect of the target company and the enlarged group under rules 19.66 and 19.67 ~~(for a major transaction) or rule 19.69 (for a very substantial acquisition)~~, then the listed issuer may defer complying with certain of the disclosure requirements in the manner set out in paragraphs (2) and (3) below, provided that the following conditions are demonstrated:

…

(2) Subject to the conditions in paragraphs (1)(a), (b) and (c) being satisfied, the listed issuer may defer complying with the disclosure requirements for certain non-public information relating to the target company and/or the enlarged group. In such circumstances, the listed issuer must despatch an initial circular in partial compliance with rules 19.66 and 19.67 ~~or rule 19.69~~ within the time frames stipulated in rules 19.41 and 19.42 ~~or rules 19.48 and 19.52~~. The initial circular shall include, as a minimum, the following:

(a) …

(b) where information required for the enlarged group is not available, to include the following information regarding the issuer: Enhanced circular requirement

(i) [Repealed [date]]~~statement of indebtedness (see rule 19.66(11), paragraph 28 and Note 2 to Appendix D1B);~~

(ii) statement of sufficiency of working capital (see rule 19.66(~~11~~5), paragraph 30 and Note 2 to Appendix D1B), which must take into account the effect of the transaction;

(iii) [Repealed 1 January 2012];

(iv) [Repealed [date]]~~discussion and analysis of results (this is applicable only to very substantial acquisitions, see rule 19.69(8));~~

(v) statement as to the trend of the business and the financial and trading prospects (see rule 19.66(~~11~~5), paragraph 29(1)~~(b)~~ and Note 2 to Appendix D1B);

(vi) particulars of any litigation or claims of material importance (see rule 19.66(~~3~~5), paragraph 33 and Note 2 to Appendix D1B);

(vii) particulars of directors' or experts' interests in group assets (see rule 19.66(~~11~~5), paragraph 40 and Note 2 to Appendix D1B);

(viii) material contracts ~~and~~ that are relevant to the proposed transaction (see rule 19.66(5), paragraph 41 and Note 2 to Appendix D1B); ~~and~~

(ix) documents on display (see rule 19.66(5) and paragraph 42 and Note 2 to Appendix D1B); and

…

(3) Where an initial circular has been despatched by a listed issuer under paragraph (2) above, the listed issuer must despatch a supplemental circular at a later date which contains: (i) all the prescribed information under rules 19.66 and 19.67 ~~or rule 19.69~~ which has not been previously disclosed in the initial circular; and (ii) any material changes to the information previously disclosed in the initial circular. The supplemental circular must be despatched to shareholders within 45 days of the earlier of: the listed issuer being able to gain access to the target company's books and records for the purpose of complying with the disclosure requirements in respect of the target company and the enlarged group under rules 19.66 and 19.67 ~~or rule 19.69~~; and the listed issuer being able to exercise control over the target company.

~~Very substantial~~ Major disposal circulars

19.68 In addition to the requirements set out in rule 19.66, a ~~A~~ circular issued in relation to a ~~very substantial~~ disposal constituting a major transaction must contain:—

(1) [Repealed [date]]~~the information required under rules 19.66 and 19.70~~;

(2) (a) on a disposal of a business, company or companies:

(i) financial information of ~~either:~~

~~(A)~~ the business, company or companies being disposed of,~~; or~~

~~(B) the listed issuer's group with the business, company or companies being disposed of shown separately as (a) disposal group(s) or (a) discontinuing operation(s),~~

for the relevant period (as defined in the note to rule 7.05(1)(a)). The financial information must be prepared by the directors of the listed issuer using accounting policies of the listed issuer and must contain at least the ~~income~~ profit and loss statement, balance sheet~~,~~ and cash flow statement ~~and statement of changes in equity~~.

Enhanced circular requirement – remove auditors' review requirement

~~The financial information must be reviewed by the listed issuer's auditors or reporting accountants according to the relevant standards published by the Hong Kong Institute of Certified Public Accountants or the International Auditing and Assurance Standards Board of the International Federation of Accountants or the China Auditing Standards Board of the China Ministry of Finance. The circular must contain a statement that the financial information has been reviewed by the issuer's auditors or reporting accountants and details of any modifications in the review report; and~~

Note~~s~~: 1. *[Repealed [date]]~~The listed issuer may include an accountants' report instead of a review by its auditors or reporting accountants. In that case, the accountants' report must comply with Chapter 7.~~*

2. *The Exchange may be prepared to relax the requirements in this rule if the assets of the company or companies being disposed of are not consolidated in the issuer's accounts before the disposal.*

(ii) pro forma profit and loss ~~income~~ statement, balance sheet and cash flow statement of the remaining group on the same accounting basis. The pro forma financial information must comply with Chapter 7;

(b) on a disposal of any revenue-generating assets (other than a business or company) with an identifiable income stream or assets valuation:

(i) a profit and loss statement and valuation (where available) for the three~~3~~ preceding financial years (or less, where the asset has been held by the listed issuer for a shorter period) on the identifiable net income stream and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records. The financial information on which the profit and loss statement is based must relate to a financial period ended six~~6~~ months or less before the circular is issued; and

(ii) a pro forma profit and loss statement and net assets statement on the remaining group on the same accounting basis. The pro forma financial information must comply with Chapter 7;

(3) the information required under rule 18.41 on the remaining group;~~ and~~

(3A) material risk factors relating to the transaction and any new risks to the issuer group as a result of the proposed transaction; and

Enhanced circular requirement – new requirement

(4) the information regarding the listed issuer required under paragraph 32 (no material adverse change) of Appendix D1B.

~~Very substantial acquisition circulars, e~~Extreme transaction circulars and reverse takeover listing documents

19.69 A circular issued for ~~a very substantial acquisition or~~ an extreme transaction or a listing document issued for a reverse takeover must contain:—

(1) for ~~a reverse takeover or~~ an extreme transaction or a reverse takeover:

(a) the information required under rule 19.66 (except for the information required under rules ~~19.66(3),~~ 19.66(4)(a), 19.66(~~11~~5) and 19.66(~~12~~6)(c)) and rules ~~19.67(3)~~ 19.67(7) and 19.67(8);

(b) the information required under Appendix D1A, if it applies, except paragraphs 8 and 15(3) (in respect of the 12 months before the issue of the circular or listing document) and 20(1). For paragraph 36, the statement on sufficiency of working capital must take into account the effect of the transaction; and

…

(2) [Repealed [date]]~~for a very substantial acquisition, the information required under rules 19.66 to 19.67 (except for the information required under rule19.67(6)) and rule 2.28;~~

Remove VSA and VSD

(3) [Repealed 1 January 2012];

(4) (a) on an acquisition of any business, company or companies:

(i) an accountants' report on the business, company or companies being acquired in accordance with Chapter 7. The accounts on which the report is based must relate to a financial period ended six~~6~~ months or less before the listing document or circular is issued. The financial information on the business, company or companies being acquired as contained in the accountants' report must be prepared using accounting policies which should be materially consistent with those of the listed issuer; and

(ii) pro forma income statement, balance sheet and cash flow statement of the enlarged group on the same accounting basis. The pro forma financial information must comply with Chapter 7; and

(b) on an acquisition of any revenue-generating assets (other than a business or a company) with an identifiable income stream or assets valuation:

(i) a profit and loss statement and valuation (where available) for the three ~~3~~ preceding financial years (or less, where, other than in the case of a reverse takeover, the asset has been held by the vendor for a shorter period) on the identifiable net income stream and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records. The financial information on which the profit and loss statement is based must relate to a financial period ended six~~6~~ months or less before the listing document or circular is issued. The financial information on the assets being acquired as contained in the listing document or circular must be prepared using accounting policies which should be materially consistent with those of the listed issuer; and

(ii) a pro forma profit and loss statement and net assets statement on the enlarged group on the same accounting basis. The pro forma financial information must comply with Chapter 7; and

(5) [Repealed [date]]~~where the transaction also involves a disposal by the listed issuer, the information required under rule 19.70(2);~~

(6) [Repealed [date]]~~general information on the trend of the business of the group since the date to which the accounts of the listed issuer were made up and a statement as to the financial and trading prospects of the group for at least the current financial year (together with any material information which may be relevant);~~

Drafting change – moved to rules 19.58 and 19.66

(7) in the case of a listing document issued in relation to a reverse takeover, a statement of business objectives (in respect of the current financial year and the 2 financial years thereafter) (see rules 14.19 to 14.21).~~; and~~

(8) [Repealed [date]]~~in respect of a circular issued in relation to a very substantial acquisition a separate discussion and analysis of the performance of each of the existing group and any business or company acquired or to be acquired for the relevant period referred to in rule 7.05(1)(a), in both cases covering all those matters set out in rule 18.41.~~

~~Additional requirements for circulars in respect of disposals~~

19.70 [Repealed [date]]~~In addition to the requirements set out in rule 19.66, a circular issued in relation to a disposal constituting a major transaction must contain:—~~

Drafting change – moved to rule 19.58

~~(1) the intended application of the sale proceeds (including whether such proceeds will be used to invest in any assets) and, if the sale proceeds include securities, whether they are to be listed or not; and~~

~~(2) the excess or deficit of the consideration over or under the net book value of the asset(s).~~

~~Circulars for s~~Specific types of companies

19.71 Where a listed issuer is required to issue an announcement under rule 19.60, a circular or a listing document under the GEM Listing Rules and the ~~major~~ transaction~~, very substantial acquisition, very substantial disposal, extreme transaction or reverse takeover~~ involves acquiring or disposing of an interest in an infrastructure project or an infrastructure or project company, the listed issuer shall incorporate in the relevant ~~circular or listing~~ document a business valuation report on the business or company being acquired or disposed of and/or traffic study report in respect of the infrastructure project or an infrastructure or project company. Such report(s) must clearly set out:

(1) all fundamental underlying assumptions including discount rate or growth rate used; and

(2) a sensitivity analysis based on the various discount rates and growth rates.

…

19.71A [Repealed [date]]~~Where a discloseable transaction, major transaction or very substantial acquisition involves a Qualified Property Acquisition described in Note to rule 20.99, the Qualified Issuer shall comply with additional announcement and reporting requirements with details as described in chapter 20.~~

…

19.75 The following apply to an option involving a listed issuer, the exercise of which is at the listed issuer's discretion:—

Remove profits ratio

(1) on the acquisition by, or grant of the option to, the listed issuer, only the premium will be taken into consideration for the purpose of classification of notifiable transactions. Where the premium represents 10% or more of the sum of the premium and the exercise price, the value of the underlying assets, the ~~profits and~~ revenue attributable to such assets, and the sum of the premium and the exercise price will be used for the purpose of the percentage ratios;

(2) on the exercise of such option by the listed issuer, the exercise price, the value of the underlying assets and the ~~profits and~~ revenue attributable to such assets will be used for the purpose of the percentage ratios. Where an option is exercised in stages, the Exchange may at any stage as the Exchange may consider appropriate require the listed issuer to aggregate each partial exercise of the option and treat them as if they were one transaction (see rules 19.22 and 19.23).

19.76 (1) For the purpose of rules 19.74(1) and 19.75(1), where, on the grant of the option, the actual monetary value of each of the premium, the exercise price, the value of the underlying assets and the ~~profits and~~ revenue attributable to such assets has not been determined, the listed issuer must demonstrate the highest possible monetary value, which value will then be used for the purpose of classification of notifiable transaction. Failure to do so will result in the transaction being classified as at least a major transaction. The listed issuer must inform the Exchange of the actual monetary value of each of the premium, the exercise price, the value of the underlying assets and the profits and revenue attributable to such assets as soon as it has been determined. If the actual monetary value results in the transaction falling within a higher classification of notifiable transaction, the listed issuer must announce this fact in accordance with the requirements of Chapter 16 as soon as reasonably practicable and comply with the additional requirements of such higher classification.

(2) …

…

Distribution in specie to shareholders

Remove VSA and VSD

19.93 Where a listed issuer proposes a distribution in specie (other than securities listed on the Main Board or GEM) and ~~the size of the assets to be distributed would amount to a very substantial disposal based on the percentage ratio calculations~~ any percentage ratio for the distribution is 75% or more:

(1) The issuer must obtain prior approval of the distribution by independent shareholders in a general meeting. The issuer's controlling shareholders (or if there is no controlling shareholder, the directors (other than independent non-executive directors) and chief executive of the issuer) and their respective associates must abstain from voting in favour of the resolution. Further, the shareholders' approval for the distribution must be given by at least 75% of the votes attaching to any class of listed securities held by holders voting either in person or by proxy at the meeting, and the number of votes cast against the resolution is not more than 10% of the votes attaching to any class of listed securities held by holders permitted to vote in person or by proxy at the meeting.

(2) The issuer's shareholders (other than the directors (excluding independent non-executive directors), chief executive and controlling shareholders) should be offered a reasonable cash alternative or other reasonable alternative for the distributed assets.

Notes:

(1) The requirements in this rule do not apply to a distribution in specie proposed by a listed issuer where the assets proposed to be distributed are securities listed, on the Main Board or GEM, or where immediately upon completion of the proposed distribution, the securities will be listed on the Main Board or GEM.

(2) Where the assets proposed to be distributed are securities listed, or to be listed, in other jurisdictions, the Exchange may waive the requirements in rule 19.93(2) if the issuer can demonstrate that there is a liquid market for the securities, the shareholders may readily dispose of those securities, and where appropriate, the issuer will make arrangements to facilitate the shareholders to hold or dispose of those securities.

Chapter 20

EQUITY SECURITIES

CONNECTED TRANSACTIONS

…

Definitions

20.06 In this Chapter, the following definitions apply:

…

(2) an "associate" has the meaning in rules 20.10 to 20.12~~3~~;

…

…

Exceptions

Persons connected with insignificant subsidiaries

20.08 Rules 20.07(1) to (3) do not include a director, chief executive, substantial shareholder or supervisor of the listed issuer's insignificant subsidiary or subsidiaries. For this purpose:

Remove profits ratio

(1) an "insignificant subsidiary" is a subsidiary whose total assets~~, profits~~ and revenue compared to that of the listed issuer's group are less than:

(a) 10% under the percentage ratios for each of the latest three financial years (or if less, the period since the incorporation or establishment of the subsidiary); or

(b) 5% under the percentage ratios for the latest financial year;

(2) if the person is connected with two or more subsidiaries of the listed issuer, the Exchange will aggregate the subsidiaries' total assets~~, profits~~ and revenue to determine whether they are together "insignificant subsidiaries" of the listed issuer; and

(3) when calculating the percentage ratios, 100% of the subsidiary's total assets~~, profits~~ and revenue will be used. If a percentage ratio produces an anomalous result, the Exchange may disregard the calculation and consider alternative test(s) provided by the listed issuer.

…

Definition of associate

…

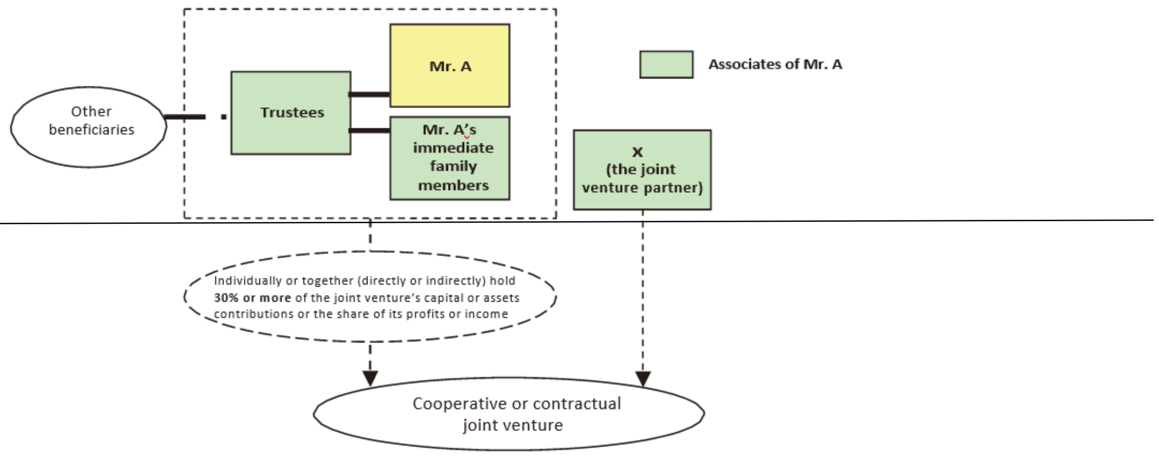
20.13 [Repealed [date]]~~For PRC issuers only, a person's associates include any joint venture partner of a cooperative or contractual joint venture (whether or not it is a separate legal entity) where:~~

~~(1) the person (being an individual), his immediate family members and/or the trustees; or~~

~~(2) the person (being a company), any company which is its subsidiary or holding company or a fellow subsidiary of the holding company, and/or the trustees,~~

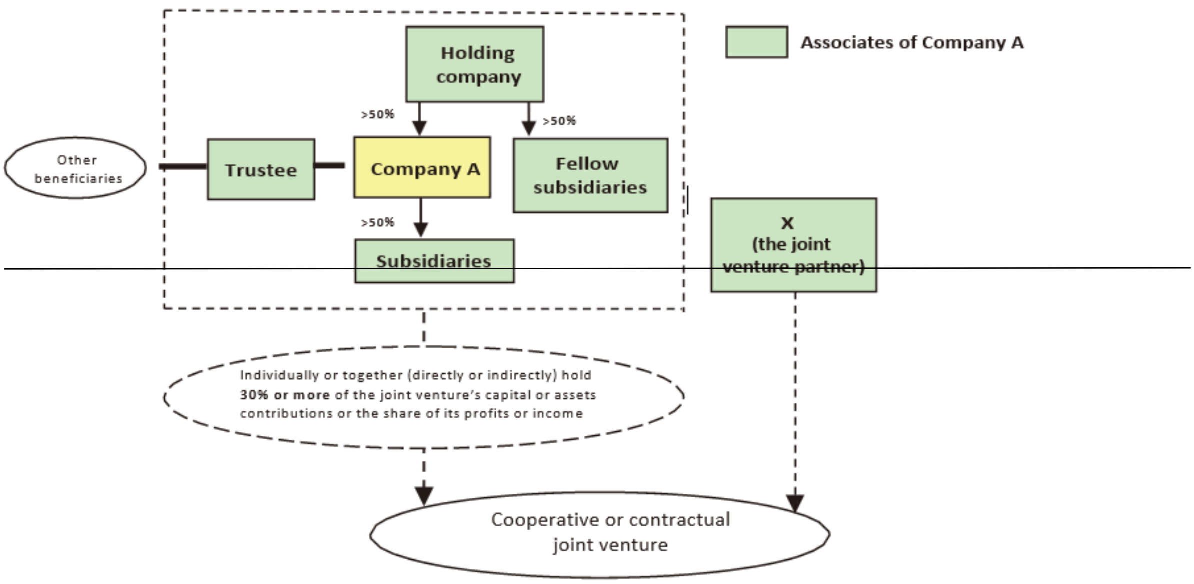
~~together directly or indirectly hold 30% (or an amount that would trigger a mandatory general offer or establish legal or management control over a business enterprise under the PRC law) or more in the joint venture's capital or assets contributions, or the contractual share of its profits or other income.~~

~~Diagram 8~~



Remove requirement solely applicable to PRC issuers

~~Diagram 9~~



Definition of connected subsidiary

Modification to connected subsidiary

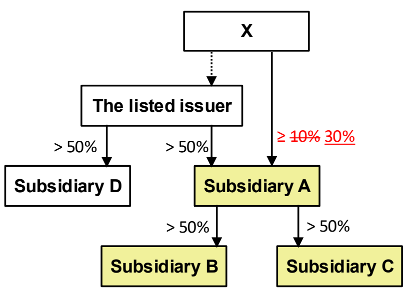
20.14 A "connected subsidiary" is:

(1) a non wholly-owned subsidiary of the listed issuer where any connected person(s) at the issuer level, individually or together, can exercise or control the exercise of ~~10~~30% or more of the voting power at the subsidiary's general meeting. This ~~10~~30% excludes any indirect interest in the subsidiary which is held by the connected person(s) through the listed issuer; or

(2) any subsidiary of a non wholly-owned subsidiary referred to in (1) above.

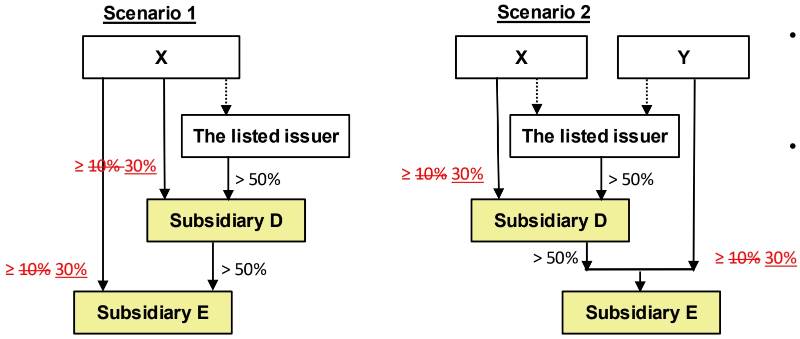
20.15 If a listed issuer's subsidiaries are connected persons only because they are the subsidiaries of a connected subsidiary, transactions between these subsidiaries will not be treated as connected transactions.

Diagram 10



- X is a connected person at the issuer level, and he or it has a ~~10%~~ 30% (or more) shareholding in Subsidiary A.
  → Subsidiary A is a connected subsidiary.
  (See rule 20.14(1))
- Subsidiaries B and C are subsidiaries of Subsidiary A.
  → Subsidiaries B and C are also connected subsidiaries.
  (See rule 20.14(2))
- Transactions between the listed issuer or Subsidiary D with Subsidiary A/B/C are connected transactions.
- Transactions between any of Subsidiaries A, B and C are not connected transactions if Subsidiaries B and C are connected solely because of their relationship with Subsidiary A. (see rule 20.15)

Diagram 11



- X and Y are connected persons at the issuer level.
  → Subsidiaries D and E are connected subsidiaries.
- Subsidiary E is a subsidiary of Subsidiary D. However, the exemption in rule 20.15 does not apply to transactions between them because Subsidiary E is a connected subsidiary not only because of its relationship with Subsidiary D but also its relationship with X or Y.

…

Announcement

20.33 The listed issuer must announce the connected transaction as soon as practicable after its terms have been agreed. See rule 20.66 for the content requirements.

Note: If the connected transaction is subsequently completed or terminated or there is any material variation of its terms or material delay in the completion of the transaction (including an extension of the long stop date or change in payment schedule), or where consideration (including any deferred consideration) is not a fixed amount, when the amount of the consideration is determined, the listed issuer must announce this fact as soon as practicable. The listed issuer must also comply with all other applicable provisions under the Rules.

Further announcement requirement

…

Requirements for continuing connected transactions

…

Annual cap

20.51 The listed issuer must set an annual cap (the “cap”) for the continuing connected transaction. The cap must be:

(1) expressed in monetary terms, except that for a continuing connected transaction of a revenue nature in the ordinary and usual course of business of the issuer, the cap may be expressed as a percentage of the listed issuer’s annual revenue or other financial item in its audited accounts, subject to adequate disclosure of (i) the basis on which the cap is determined by reference to the financial item and (ii) the internal control systems for monitoring the transaction value as a percentage to the prevailing financial item from time to time;

Percentage cap for CCTs

(2) determined by reference to previous transactions and figures in the published information of the listed issuer’s group. If there were no previous transactions, the cap must be set based on reasonable assumptions; and

(3) approved by shareholders if the transaction requires shareholders’ approval.

…

Announcements

20.66 An announcement of a connected transaction must contain at least:

(1) the information set out in rules 19.58 ~~to~~and 19.60 (contents of announcements for notifiable transactions);

(1A) the identities and a description of the principal business activities of the parties to the transaction and of their ultimate beneficial owner(s);

(2) the connected relationship between the parties to the transaction, and the connected person's interests in the transaction;

(3) the independent non-executive directors' views on the matters set out in rules 20.38(1) to (3) if no shareholders' approval is required;

(4) if the transaction is a continuing connected transaction, the basis for calculating the payments to be made (see rule 20.49), ~~and~~ the amount of its cap and~~. If a circular is not required, the listed issuer must also disclose~~ how the listed issuer ~~it~~ determines and calculates the cap, including the assumptions and the amounts of previous transactions which form the basis of the cap. The listed issuer must also disclose the information required under rule 20.51(1)(i) and (ii) if the cap for a continuing connected transaction of a revenue nature in the issuer's ordinary and usual course of business is expressed as a percentage of the listed issuer's annual revenue or other financial item in its audited accounts;

Percentage cap for CCTs

…

Circulars

…

20.68 The circular must contain at least:

…

(5) [Repealed [date]]~~if the transaction is a continuing connected transaction, how the listed issuer determines and calculates the cap, including the assumptions and the amounts of previous transactions which form the basis of the cap;~~

…

(13) the following information regarding the issuer ~~set out in the following paragraphs of Appendix D1B~~:

Drafting change – conform with change under Chapter 19

(a)~~1 —~~ ~~listed issuer's~~ full name (see paragraph 1 of Appendix D1B)

(b)~~2 —~~ directors' responsibility statement (see paragraph 2 of Appendix D1B)

(c)~~5 —~~ in relation to an expert who has included a statement~~s~~ in the circular, a statement in relation to its qualification, shareholdings in the issuer group and written consent (see paragraph 5 of Appendix D1B) (d)~~10 —~~ securities to be issued (if applicable) (see paragraph 10 of Appendix D1B)

(e)~~29(2) —~~ requirements if there is a profit forecast (see paragraph 29(2) of Appendix D1B)

(f)~~32 —~~ no material adverse change (see paragraph 32 of Appendix D1B)

(g)~~39—~~ directors' service contracts (see paragraph 39 of Appendix D1B)

(h)~~40—~~ directors' or experts' interests in group assets (see paragraph 40 of Appendix D1B)

(i)~~42(2)(c)—~~ documents on display (see paragraph 42(2)(c) of Appendix D1B);

(14) information regarding directors' and chief executive's interests in the listed issuer described in paragraphs 34, 38 and 38A of Appendix D1B;

(15) information regarding the competing interests (if any) of each of the directors and any proposed director of the listed issuer and his respective close associates as would be required to be disclosed under rule 11.04 as if each of them was a controlling shareholder; and

(16) any additional information requested by the Exchange.

Note: Information required under rules 20.68(14) and (15) may be incorporated in the circular by reference to other documents published by the listed issuers under the GEM Listing Rules.

…

De minimis transactions

20.74 This exemption applies to a connected transaction (other than an issue of new securities, or a sale or transfer of treasury shares by the listed issuer) conducted on normal commercial terms or better as follows:

(1) The transaction is fully exempt if all the percentage ratios ~~(other than the profits ratio)~~ are:

(a) less than 0.1%;

(b) less than 1% and the transaction is a connected transaction only because it involves connected person(s) at the subsidiary level; or

(c) less than 5% and the total consideration (or in the case of any financial assistance, the total value of the financial assistance plus any monetary advantage to the connected person or commonly held entity) is less than HK$3,000,000.

(2) The transaction is exempt from the circular (including independent financial advice) and shareholders' approval requirements if all the percentage ratios ~~(other than the profits ratio)~~ are:

Remove profits ratio

(a) less than 5%; or

(b) less than 25% and the total consideration (or in the case of any financial assistance, the total value of the financial assistance plus any monetary advantage to the connected person or commonly held entity) is less than HK$10,000,000.

…

Financial assistance

Financial assistance provided by the listed issuer's group

20.85 For any financial assistance provided by a banking company in its ordinary and usual course of business to a connected person or commonly held entity:

(1) the transaction is fully exempt if it is conducted on normal commercial terms or better;

(2) the transaction is fully exempt if it is not conducted on normal commercial terms or better but all the percentage ratios ~~(other than the profits ratio)~~ are:

(a) less than 0.1%;

(b) less than 1% and the transaction is a connected transaction only because it involves connected person(s) at the subsidiary level; or

(c) less than 5% and the total value of the financial assistance plus any monetary advantage to the connected person or commonly held entity is less than HK$3,000,000; or

(3) the transaction is exempt from the circular, independent financial advice and shareholders' approval requirements if it is not conducted on normal commercial terms or better but all the percentage ratios ~~(other than the profits ratio)~~ are:

(a) less than 5%; or

(b) less than 25% and the total value of the financial assistance plus any monetary advantage to the connected person or commonly held entity is less than HK$10,000,000.

…

Transactions with connected persons at the subsidiary level

20.99 A connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if:

(1) the listed issuer's board of directors have approved the transactions; and

(2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

Note: In the case of formation of a joint venture by a qualified issuer and a qualified connected person to make a qualified property acquisition, the qualified issuer must announce the transaction as soon as practicable after receiving *notification of the success of the bid by the joint venture. If any details of the acquisitions or the joint venture required to be disclosed are not available when the qualified issuer publishes the initial announcement, it must publish subsequent announcement(s) to disclose the details as soon as practicable after they have been agreed~~ or finalized~~.*

…

Chapter 23

EQUITY SECURITIES

SHARE SCHEMES

…

Share schemes involving new or existing shares of a principal subsidiary of a listed issuer

…

23.14 A "principal subsidiary" refers to a subsidiary whose revenue~~, profits~~ or total assets accounted for 75% (or more) of that of the issuer under the percentage ratios in any of the latest three financial years.

Remove profits ratio

…

Chapter 25

EQUITY SECURITIES

ISSUERS INCORPORATED
IN THE PEOPLE'S REPUBLIC OF CHINA

…

Chapter 19 – Notifiable Transactions

25.34C Rule 19.07(4) is amended by adding the following provisions:

Where a PRC issuer has other listed shares, the market ~~value~~ capitalisation of its other listed shares is to be determined based on the average closing price of those shares for the 5 days on which trading is conducted on the relevant regulated market immediately preceding the transaction.

Where a PRC issuer has issued unlisted shares, the market ~~value~~ capitalisation of its unlisted shares is calculated by reference to the average closing price of its H shares for the 5 business days preceding the transaction.

…

APPENDIX III: JURISDICTIONAL COMPARISON OF NOTIFIABLE TRANSACTION REQUIREMENTS

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
Scope of notifiable transactions	All agreements, grant or acquisition of an option and joint venture arrangements [2] but excluding a transaction in the ordinary course of business[3].	Any material definitive agreement not made in the ordinary course of business of the registrant [4].	A wide range of transactions specified under the Listing Rules, with transactions in the issuers' day-to-day operational activities subject to different materiality thresholds[5].	Acquisition or disposal of assets (including options to acquire or dispose of assets), and provision of financial assistance. Excludes transactions in, or in connection, with the ordinary course of	Transactions that may result in a significant change to the nature or scale of a listed entity's activities [8].

[1] New UK Listing Rules (**UKLR**) became effective from 29 July 2024 and applicable for issuers or applicants in the "Equity shares (commercial companies)" (ESCC) category of the Main Market of the London Stock Exchange. The listing reform was implemented following public consultation and the publication of PS24/6: Primary Markets Effectiveness Review: Feedback to CP23/31 and final UK Listing Rules .

[2] UKLR 7.1.6.

[3] Transactions that are unlikely to be in the ordinary course of business include (i) mergers with, or acquisitions of, other businesses; (ii) transactions that would lead to a substantial involvement in a business activity that did not previously form a significant part of the listed company's principal activities; (iii) transactions that would lead to the listed company no longer having a substantial involvement in a business activity that forms a significant part of its principal activities; or (iv) transactions which are entered into to alleviate financial difficulty. UKLR 7.1.10.

[4] Form 8-K.

[5] SSE/SZSE Listing Rules 6.1.1 and 6.2.2.

[8] ASX Listing Rule 11.1.

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
				business[6] or of a revenue nature (except for VSA or RTO)[7].	
Categories of notifiable transactions	Two categories of transactions[9]: (i) Significant transaction, where any of the class test is equal to or more than 25%[10]. (ii) Reverse takeover, where any of the class test is equal to	Significant transaction involving a business if significant to the registrant using the investment, asset, and income tests, being greater than 20%[12]. A transaction not involving a business is deemed significant if the listed company's equity in the	Can be categorised as transactions which require announcement only and transactions which require announcement and shareholders' approval (see below).	Four categories of transactions: (i) Non-discloseable transactions where size test is equal to or less than 5%[14]. (ii) Discloseable transactions where size test is more than 5% but equal	Three categories of transactions: (i) Transaction that results in **significant change to nature or scale of issuer's activities** (including acquisition that result in an increase

[6] An acquisition can be regarded to be in, or in connection with, the ordinary course of an issuer's business where (i) the asset to be acquired is part of the issuer's existing principal business (i.e. the asset acquisition is required to be reported within a specific reportable operating segment that contributes more than 20% of the issuer's net profits or total assets and has been reported in the issuer's latest audited financial statements); and (ii) the acquisition does not change the issuer's risk profile (there are a range of indicators, for example, risk profile may be changed if a proposed acquisition will result in a reduction in net profits or net assets value by 20% or more or an expansion into a new jurisdiction or an adverse impact on the issuer's gearing, or the asset to be acquired is loss-making or in a net liability position). A business disposal is usually not considered to be in the ordinary course of business.

[7] SGX Main Board Rules 1002 and 1015.

[9] Under the UKLR, no notification is required for a transaction that is equal to or more than 5% but less than 25% in each class test (equivalent to a "Class 2 transaction" before the listing reform).

[10] UKLR 7.1.3.

[12] Rule 3-05 of Regulation S-X.

[14] SGX Main Board Rule 1008.

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
	or more than 100%[11].	net book value of such assets or the consideration for the assets upon the transaction exceed 10% of the consolidated total assets of the listed company[13].		to or less than 20%[15]. (iii) Major transactions where size test exceeds 20%[16]. (iv) Very substantial acquisitions or reverse takeovers where size test is equal to or more than 100%[17].	of 25% or more in, or disposal where the disposed business accounts for 25% or more of the relevant measures[18]). (ii) Transaction that involves **disposal of main undertaking**[19], where main undertaking means those that account for 50% or more of the relevant measures[20]. (iii) Transaction that

[11] UKLR 7.1.4.

[13] Form 8-K.

[15] SGX Mainboard Rule 1010.

[16] SGX Mainboard Rule 1014.

[17] SGX Mainboard Rule 1015.

[18] Guidance Note 12 of the ASX Listing Rules (paragraph 2.5).

[19] ASX Listing Rule 11.2.

[20] Guidance Note 12 of the ASX Listing Rules (paragraph 1.3).

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
					involves **disposal of major assets** (i.e. assets that result in a decrease of 25% or more of the relevant measures) where the transaction is undertaken with a view to a separate entity becoming listed as a spin-out [21].
Size tests requirements	**Class tests**[22]: (i) Gross assets test calculated by dividing the gross assets the subject of the transaction by the gross assets of	**Significance tests**[27]: (i) Asset test calculated by comparing the total assets of the target and the consolidated total	**Transaction standard indicators**[29]**:** (i) Assets test calculated by comparing (a) total assets involved in the transaction	**Size tests**[30]: (i) Assets test calculated by comparing net asset value of the assets to be disposed of against	**Size tests**[31]: Measure against the listed entity's: (i) total assets (ii) total equity

[21] ASX Listing Rule 11.4.

[22] UKLR 7, Annex 1.

[27] Rule 1-02(w) of Regulation S-X.

[29] SSE/SZSE Listing Rules 6.1.2 and 6,1.3.

[30] SGX Mainboard Rule 1006. There is also a test to measure the size of the transaction involving disposal of mineral, oil or gas assets by a mineral, oil and gas company.

[31] Guidance Note 12 of the ASX Listing Rules (paragraphs 2.5 and 1.3) and Guidance Note 13 of the ASX Listing Rules (paragraph 3.2).

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
	the listed company[23]. (ii) Consideration test calculated by taking the consideration for the transaction[24] as a percentage of the market capitalisation of the listed company[25]. (iii) Gross capital[26] test calculated by dividing the gross capital of the company or business being acquired by the gross capital of the	assets of the listed company. (ii) Investment test calculated by comparing buyer's investments in and advances to the target, i.e. consideration transferred, with the listed company's aggregate worldwide market value. (iii) Income test[28] calculated by comparing the consolidated income or loss / total	against the total assets of the listed company, or (b) net assets of the target or consideration of the transaction against net assets of the listed company. (ii) Profits test calculated by comparing transaction gain or net profits of the target against net profits of the listed company. (iii) Revenue test calculated by	the group's net asset value (applicable to disposal only). (ii) Profits test calculated by comparing net profits attributable to the assets acquired or disposed of, against the group's net profits. (iii) Consideration test calculated by comparing consideration against issuer's	interests[32] (iii) annual revenue (iv) EBITDA (v) annual profit before tax

[23] Where the assets of the listed company or the acquiring target consists wholly or predominantly of cash or short-dated securities, the cash or short-dated securities shall be excluded.

[24] If the total consideration is not subject to any maximum (and any of the other class tests indicate a percentage ratio of at least 5%), the transaction is to be treated as a significant transaction.

[25] The consideration test does not apply to acquisitions or disposals of property by a listed property company.

[26] Gross capital means the aggregate of the consideration, shares and debt securities of the target not being acquired, non-current liabilities and any excess of current liabilities over current assets.

[28] The amended income test adds a revenue component to the income test, such that a tested subsidiary will meet the test only if both the net income and revenue components are met, but the revenue component does not apply if the registrant or the tested subsidiary did not have material revenue in each of the two most recently completed years.

[32] Not applicable to transactions involving disposal of main undertakings.

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
	listed company. This class test is only applicable to acquisition of company or business.	revenues of the target with the listed company's consolidated income or loss / total revenues.	comparing operating revenue of the target against operating revenue of the listed company.	market capitalisation. (iv) Equity capital test calculated by comparing number of equity securities issued as consideration for an acquisition against number of equities previously in issue.	
Notification requirements	• A notification is required as soon as possible after the terms of a significant transaction are agreed. The notification must contain an overview of the transaction and the company's	• A filing is required within four business days of signing a material definitive agreement. The notification should disclose agreement date, identities of parties, brief description of the	Disclosure is required: • For **transactions <u>not</u> in the ordinary course of business** (other than provision of financial assistance or guarantee), where (i) assets / revenue test	An issuer must, after terms of a discloseable (or above) transaction have been agreed, immediately announce the particulars of the transaction[41].	An entity is required to notify the full details of a proposed significant change to nature or scale of issuer's activities as soon as practicable[42] and in any event before making the change.[43]

[41] SGX Mainboard Rules 1010, 1014 and 1015.

[42] ASX interprets as "as soon as practicable after the entity has determined the details of the proposed transaction and is committed to proceeding with it" (See Guidance 12 of the ASX Listing Rule (paragraph 2.8)).

[43] ASX Listing Rule 11.1.

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
	reasons for entering into it. [33] • Further notification is required as soon as possible after the completion of the significant transaction[34].	terms and conditions of agreement[35]. • Another filing is required within 4 business days after the acquisition is consummated. [36]	is more than 10% and the transaction amount exceeds RMB10 million[37]; or (ii) profits test is more than 10% and the transaction amount exceeds RMB1 million[38]. • For **transactions in the ordinary course of business**, where contract sum equals to or exceeds 50% of total assets / revenue of the listed company and exceeds RMB500 million[39].		

[33] UKLR 7.3.1.

[34] UKLR 7.3.3.

[35] Form 8-K.

[36] Form 8-K.

[37] The transaction amount threshold is not applicable to assets test calculated by comparing total assets involved in the transaction against the total assets of the listed company.

[38] SSE/SZSE Listing Rules 6.1.2.

[39] SSE/SZSE Listing Rules 6.2.2.

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
			• All transaction involving **provision of financial assistance or guarantee** shall be announced, irrespective of size.[40]		
Shareholders' approval requirement	Shareholders' vote for significant transactions is not required, except for reverse takeover[44].	Shareholder approval is required when a listed company issues 20% or more of its pre-transaction outstanding shares or voting power, or if the issuance of securities will result in a change of control of the company[45].	Shareholders' approval is required: • For **transactions <u>not</u> in the ordinary course of business** (other than provision of financial assistance or guarantee), where (i) assets / revenue test is more than 50% and the transaction amount exceeds	Shareholders' approval required for major (or above) transactions[50].	ASX retains the discretion to require a transaction that involves significant change to nature or scale of issuer's activities to be subject to shareholders' approval. Specifically, in the following circumstances[51]: (i) back door listing; (ii) a significant transaction soon after its admission which is inconsistent

[40] SSE/SZSE Listing Rules 6.1.9.

[44] UKLR 7.5.1(2).

[45] NYSE Listed Company Manual Section 312.03 and NASDAQ Rule 5635.

[50] SGX Mainboard Rule 1014(2).

[51] Guidance Note 12 of the ASX Listing Rules (paragraph 3.2).

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
			RMB50 million[46]; or (ii) profits test is more than 50% and the transaction amount exceeds RMB5 million[47]. • For transaction involving **provision of financial assistance** where: (i) the amount of a single financial assistance or the cumulative amount of financial assistance over the past 12 months exceeds 10% of the company's net assets; or (ii) the assisted party's asset-		with the information contained in the prospectus; (iii) acquisition of a new main undertaking after a disposal; or (iv) acquisition that results in major change to the nature of main undertaking. Shareholders' approval is required for disposal of main undertakings.[52] Regarding spin-out of major assets, shareholders' approval is required where securities issued by the spin-out vehicle in connection with its listing, other than those to be retained by the listed entity, are not offered pro rata to the

[46] The transaction amount threshold is not applicable to assets test calculated by comparing total assets involved in the transaction against the total assets of the listed company.

[47] SSE/SZSE Listing Rules 6.1.3. Shareholders' approval requirement may be exempted if profits test is the only ratio which triggers the shareholders' approval requirement and the company's absolute earnings per share for the most recent accounting year is less than RMB 0.05 (SSE/SZSE Listing Rules 6.1.4).

[52] ASX Listing Rule 11.2.

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
			liability ratio exceeds 70% [48]. • For transaction involving **provision of guarantee** where: (i) the amount of the guarantee exceeds 10% (standalone amount) / 50% (aggregated amount provided by the listed company and its controlled subsidiaries) of the company's net assets; (ii) the aggregated amount of the guarantee provided by the listed company and its controlled subsidiaries or guarantee on a		shareholders or in any other fair way.[53]

[48] SSE/SZSE Listing Rules 6.1.9.

[53] ASX Listing Rule 11.4 and Guidance Note 13 of the ASX Listing Rules (paragraph 2).

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
			rolling 12-month cumulative basis exceeds 30% of the company's total assets; (iii) the guarantee is provided for a party with an asset-liability ratio exceeding 70%; or (iv) the counterparty is a shareholder or de facto controller or their related parties[49].		
Financial disclosure requirements	• Where a significant transaction involves a disposal of an interest in a target which will be deconsolidated from the listed company's account, the notification must	Require a registrant to provide separate audited annual and unaudited interim pre-acquisition financial statements of a significant business that it acquired or will acquire[57].	Audited financials for the most recent financial year and the latest financial period of the target are required where shareholders' approval is required for the transactions. No specific requirements for the	For circulars on VSAs or RTOs, the circular must include: (i) accountants' report on the assets to be acquired and the enlarged group; and	Audited financials are only required for transactions for which ASX requires the issuer to re-comply with the admission requirements (e.g. back door listing). Such issuers are required to prepare a prospectus and to present

[49] SSE/SZSE Listing Rules 6.1.10.

[57] Rule 3-05 of Regulation S-X.

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
	include the disposal target's financial information. Such financial information must be extracted from audited accounts[54]. • Pro forma financial information may be included in a notification, and if so, the listed company must cite the sources of unadjusted financial information disclosed[55]. • A circular for a reverse takeover must include audited consolidated financial information of the target for the	The periods for which a registrant is required to present financial statements are based on the significant subsidiary test resulting in the highest level of significance (e.g., a maximum of two years of audited financial statements and the latest unaudited year-to-date interim period for an acquired business exceeding 40% significance) [58].	audited reports to be prepared by the issuer's auditor (for so long as the PRC accounting standard is adopted)[59].	(ii) pro forma group accounts for the last three financial years[60].	audited accounts and pro forma statement of financial position (reviewed by a registered company auditor or an independent auditor)[61].

[54] UKLR 7, Annex 2.

[55] UKLR 7, Annex 2.

[58] Rule 3-05 of Regulation S-X.

[59] SSE/SZSE Listing Rules 6.1.6.

[60] SGX Mainboard Rule 1015.

[61] Guidance Note 12 of the ASX Listing Rules (paragraph 8.6).

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
	preceding two financial years[56].				
MD&A disclosure requirements	• No requirement to disclose target's or issuer's MD&A. Only require disclosure of effect of the transaction on the listed company and any risks to the company, including estimated synergies or financial benefits arising from a significant transaction.[62] • For reverse takeover circulars, require disclosures including risk factors, trend information, legal proceedings, significant change in financial position (for each of the issuer	No such requirement. Instead, the registrant's MD&A in next periodic filings should discuss material effects (liquidity, results of operations, trends) after completion of significant business acquisition[64].	For acquisition and disposal of assets, among others, disclosure on impact of the transaction on the listed company's future financial condition and operating results, as well as changes in management, personnel arrangements, land leasing, and other matters related to the assets involved in the transaction is required. For material asset restructurings, MD&A of the target must be disclosed in the material asset restructuring reports submitted for shareholders' approval (including target's	No such requirement, except for VSAs and RTOs where the circular must comply with the prospectus disclosure requirements.	No such requirement, except for significant transaction for which ASX requires the issuer to re-comply with the admission requirements and a prospectus has to be prepared.

[56] UKLR 10, Annex 1.

[62] UKLR 7, Annex 2.

[64] Item 303 of Regulation S-K.

Requirements	UK ESCC category (after listing reform)[1]	US	PRC SSE and SZSE Mainboard	Singapore Mainboard	Australia
	and target)[63] .		business model, industry characteristics, financial condition, compliance, potential risks, estimated synergies, etc.)[65].		
Requirement to include indebtedness statement in circular	No such requirement.	No such requirement.	No such requirement.	A statement of capitalisation and indebtedness required for circular that must comply with the prospectus disclosure requirements (e.g. VSA and RTO).	No such requirement.

[63] UKLR 10, Annex 2.

[65] Disclosure Standards for Material Asset Restructurings《公開發行證券的公司資訊披露內容與格式準則第 26 號——上市公司重大資產重組》.

APPENDIX IV: PROPOSED AMENDMENTS TO THE MAIN BOARD LISTING RULES RELATING TO SPIN-OFFS

Chapter 13

EQUITY SECURITIES

CONTINUING OBLIGATIONS

…

Meetings of Shareholders

13.39 …

(6) In relation to any transactions that are subject to independent shareholders' approval pursuant to the Exchange Listing Rules or spin-off proposals that are subject to approval of the shareholders of the issuer pursuant to paragraph ~~3~~4(e) of Practice Note 15 of the Exchange Listing Rules,

(a) …

(7) In relation to any transactions that are subject to independent shareholders' approval pursuant to the Exchange Listing Rules or spin-off proposals that are subject to approval of the shareholders of the issuer pursuant to paragraph ~~3~~4(e) of Practice Note 15 of the Exchange Listing Rules, the circular to shareholders must contain at least:

(a) …

…

Chapter 19C

EQUITY SECURITIES

SECONDARY LISTINGS OF OVERSEAS ISSUERS

…

Exceptions to the Rules

19C.11 The following rules do not apply to an overseas issuer that has, or is seeking, a secondary listing on the Exchange:

- 3.09F; 3.09G; 3.09H; 3.12A; 3.13A; 3.17; 3.21 to 3.23; 3.25 to 3.27C; 3.28; 3.29;
- 4.06; 4.07;
- Chapter 7;
- 8.08(1); 8.08A; 8.09(4) (exception limited to issues outside the Exchange's markets); 8.18 (exception limited to issues outside the Exchange's markets);
- 9.11(10)(b);
- 10.05; 10.06(2)(a) to (c); 10.06(2)(e); 10.06(4); 10.06(5); 10.06A(1); 10.06A(3); 10.06B; 10.07(1); 10.07(2) to (4); 10.08;
- 13.11 to 13.22; 13.23(1); 13.23(2); 13.25A; 13.27; 13.28; 13.29; 13.31(1); 13.32A to 13.32G; 13.36; 13.37; 13.38; 13.39(1) to (5A); 13.39(6) to (7) (exception limited to circumstances other than where a spin-off proposal requires approval by shareholders of the parent company); 13.40 to 13.42; 13.44 to 13.45; 13.47; 13.48(2); 13.49; 13.51(1); 13.51(2) (except that each director or member of the overseas issuer's governing body must provide their contact information and personal particulars as soon as possible as required under rule 3.20); 13.51B; 13.51C; 13.52(1)(b) to (d); 13.52(1)(e)(i) to (ii); 13.52(1)(e)(iv) (exception limited to issues outside the Exchange's markets); 13.52(~~2~~1)(g); 13.67; 13:68; 13.74; 13.80 to 13.87 (exception limited to circumstances other than where a spin-off proposal requires approval by shareholders of the parent company); 13.88; 13.89; 13.91;
- Chapter 14;
- Chapter 14A;
- Chapter 15 (exception limited to issues outside the Exchange's markets);
- Chapter 16 (exception limited to issues outside the Exchange's markets);
- Chapter 17;
- Practice Note 4 (exception limited to issues outside the Exchange's markets);
- Practice Note 15 paragraphs 1 to ~~3~~4(~~b~~a) and ~~3~~4(d) to 5 (exception limited to circumstances where the spun-off assets or businesses are not to be listed on the Exchange's markets and the approval of shareholders of the parent company is not required); Practice Note 15 paragraph 4(b);
- ~~Appendix C3;~~
- Appendix C1;
- ~~Appendix D2; and~~
- Appendix C2~~.~~;
- Appendix C3; and
- Appendix D2.

…

The Stock Exchange of Hong Kong Limited

Practice Note 15

to the Rules Governing the Listing of Securities
(the "Exchange Listing Rules")

Issued pursuant to rule 1.06 of the Exchange Listing Rules

PRACTICE WITH REGARD TO PROPOSALS ~~SUBMITTED BY~~ OF ISSUERS TO EFFECT THE SEPARATE LISTING ON THE EXCHANGE OR ELSEWHERE OF ASSETS OR BUSINESSES WHOLLY OR PARTLY WITHIN THEIR EXISTING GROUPS

1. Definitions

Unless otherwise stated or the context otherwise requires:—

(a) ~~Terms~~ terms used in this Practice Note which are defined or interpreted in the Exchange Listing Rules shall have the same meaning as in the Exchange Listing Rules; and

(b) the following terms used in this Practice Note shall have the meanings set out below:~~.~~

"issuer group"	means the listed issuer and its subsidiaries
"ParentCo"	means the listed issuer effecting the spin-off
"remaining group"	means the issuer group after excluding the ParentCo's interest in the SpinCo, and for the purpose of paragraphs 3(b)(ii) and 4(c) of this Practice Note, the "remaining group" means the issuer group after excluding the ParentCo's interest in (i) the SpinCo; (ii) its subsidiaries previously spun off for listing under this Practice Note; and (iii) any other subsidiaries listed on the Exchange
"SpinCo"	means the entity to be spun off by the listed issuer pursuant to the spin-off
"spin-off"	means the transaction or arrangement by a listed issuer (or any of its subsidiaries) to effect the separate listing on the Exchange or elsewhere of assets or businesses wholly or partly within the issuer group

2. Introduction

This Practice Note ~~is intended to~~ sets out the Exchange's policy ~~with regard to~~ on spin-offs ~~proposals submitted to effect the separate listing on the Exchange or elsewhere of assets or businesses wholly or partly within their existing groups ("spin-offs")~~ and ~~. This Practice Note sets out~~ the principles and requirements which listed issuers must comply with when making ~~which the Exchange applies when considering~~ spin-off ~~applications~~ proposals. ~~Issuers are reminded that they are required to submit their spin-off proposals to the Exchange for its approval.~~

Notes:

1. *Where a listed issuer proposing a spin-off is a subsidiary of another listed issuer, the listed holding company is exempt from compliance with the principles and requirements under this Practice Note in respect of the spin-off by the listed subsidiary.*

Refine the scope of PN15 applicability

2. *This Practice Note is ~~normally only~~ applicable to a~~n~~ listed issuer's spin-off proposal where ~~and entity~~ the SpinCo ~~which~~ is a subsidiary of the listed issuer at the time ~~of submission of~~ when the SpinCo submits its new listing application (Form A1 or its equivalent if listing is sought on another exchange) ~~the spin-off proposal~~. However, the Exchange will treat an entity as if it were a subsidiary of a~~n~~ listed issuer for the purpose of this Practice Note if such entity is, at the time of its new listing application for the ~~submission of the issuer's~~ spin-off ~~proposal~~, an associated company of the listed issuer and was, at any time during the latest completed financial year of the listed issuer (comprising at least 12 months) up to the date ~~of~~ when the entity submits its new listing application ~~submission of the spin-off proposal~~, a subsidiary of the listed issuer.*

   In such circumstances, the entity will be required to comply with ~~the~~ all the applicable principles and requirements ~~of~~ under this Practice Note and will be treated as if it has remained as a subsidiary of the listed issuer. The listed issuer is required to substantiate the changes in the beneficial ownership of the entity's issued shares in the period stated above.

3. Approval by the Exchange

(a) ParentCos must submit their spin-off proposals to the Exchange for approval, except as provided under paragraph 3(b).

Streamline regulatory process and self-assessment route

(b) A ParentCo is not required to submit its spin-off proposal to the Exchange for approval where:

   (i) the ParentCo has conducted a self-assessment of the spin-off proposal and is satisfied that the proposal complies with all the applicable principles and requirements under this Practice Note; and

   (ii) the ParentCo and the remaining group satisfy the following conditions at the time the SpinCo lodges its new listing application:

      (1) the ParentCo has a market capitalisation of at least HK$10 billion;

Note: The market capitalisation shall be calculated by multiplying (1) the number of shares of the ParentCo in issue (excluding treasury shares) as at the trading day immediately preceding the date of the new listing application of the SpinCo by (2) the volume weighted average price of the relevant class of shares of the ParentCo listed on the Exchange over the 125 trading days immediately preceding the date of the new listing application of the SpinCo. Where the ParentCo is a PRC issuer with other listed shares (as defined in MB Rule 19A.04), the Exchange will accept the market value of such other listed shares (e.g. A shares) being determined by reference to their volume weighted average price over the 125 trading days on the relevant regulated market immediately preceding the date of the SpinCo's new listing application;

(2) the ParentCo's principal business(es) has a revenue of at least HK$1 billion for the financial year as shown in its latest published audited accounts; and

(3) the revenue and total assets attributable to the business(es) of the remaining group account for more than 50% of the issuer group, which shall be calculated by reference to the revenue for the financial year as shown in its latest published audited accounts and the total assets as shown in its latest published audited accounts or published interim report (whichever is more recent).

Notes:

1. The ParentCo must submit the following information (in such form and manner as prescribed by the Exchange from time to time) to the Exchange at the time the SpinCo lodges its new listing application:

(i) a statement by the board of directors of the ParentCo, confirming that the spin-off proposal complies with all the applicable principles and requirements under this Practice Note; and

(ii) a detailed computation demonstrating that the conditions under paragraph 3(b)(ii) above are met.

2. If there are material subsequent changes to the spin-off proposal (including, for example, any information in the spin-off proposal relating to the remaining group has become stale as a result of an update to the ParentCo's track record period), the ParentCo must re-assess the spin-off proposal to ensure compliance with all the applicable principles and requirements under this Practice Note.

3. The ParentCo must also inform the Exchange as soon as practicable if the spin-off proposal is terminated or suspended. Where the ParentCo subsequently re-activates or resumes the spin-off proposal, it may rely on *the self-assessment only if the ParentCo has submitted to the Exchange the information referred to in note 1 in this rule as at the time the SpinCo re-submits its new listing application. Otherwise, the ParentCo must submit the spin-off proposal to the Exchange for approval under paragraph 3(a).*

(c) Where the SpinCo is to be listed on the Exchange, the ParentCo must confirm to the Exchange that the spin-off proposal continues to comply with the applicable requirements and principles under this Practice Note at least four clear business days before the expected hearing date of the SpinCo's new listing application. This is irrespective of whether the spin-offs proposal is subject to the Exchange's approval under paragraph 3(a) or the ParentCo relies on its self-assessment under paragraph 3(b).

4. ~~3.~~ Principles

The principles applied in consideration of spin-off proposals, which apply equally whether the SpinCo ~~entity to be spun off~~ is to be listed on the Exchange ~~in Hong Kong~~ or elsewhere ~~overseas~~, are as follows:

(a) *~~Newco~~SpinCo to satisfy basic listing criteria*

Where the SpinCo ~~entity ("Newco") to be spun-off by the existing issuer ("Parent")~~ is to be listed on the Exchange ~~stock market operated by the Exchange other than GEM~~, it must satisfy all the applicable requirements of the Exchange Listing Rules falling on new listing applicants~~, including the basic listing criteria contained in Chapter 8 of the Exchange Listing Rules~~.

(b) *No spin-off within one year ~~three years~~ of ParentCo's original listing*

(i) In recognition that the original listing of the ParentCo ~~will~~ would have been approved on the basis of the ParentCo's portfolio of businesses at the time of listing, and that the expectation of investors at that time would have been that the ParentCo would continue to develop those businesses, ~~the Listing Committee would not normally consider a spin-off application within three years of the date of listing of the Parent~~ the new listing application of the SpinCo shall not normally be made within one year of the date of listing of the ParentCo.

Shorten moratorium period

Note: For a ~~listed issuer~~ ParentCo that has transferred from GEM to the Main Board under Chapter 9A or 9B, its original listing date on GEM shall be regarded for the purpose of this paragraph 4(b)(i) as the date of listing of the ParentCo.

(ii) This one-year moratorium period does not apply if the ParentCo is:

(1) an issuer with a secondary listing on the Exchange; or

(2) an issuer with a dual-primary listing on the Exchange and a PRC

stock exchange or a Recognised Stock Exchange, which has been listed on such PRC stock exchange or Recognised Stock Exchange for at least two consecutive financial years immediately preceding its listing on the Exchange.

A new listing applicant that meets the condition set out in (1) or (2) and therefore exempt from the one-year moratorium period must disclose in its listing document for its initial listing on the Exchange details of any specific and imminent spin-off proposal(s) it has at that time, or make an appropriate negative statement.

(c) *~~The r~~ Remaining business of the ParentCo to meet new listing requirements*

Upon completion of the spin-off ~~The Listing Committee must be satisfied that, after the listing of Newco~~, the ParentCo must ~~would~~ retain a sufficient level of operations and ~~sufficient~~ assets to support its separate listing status. In particular, it would not be acceptable ~~to the Listing Committee that~~ for one business (being the business of the SpinCo ~~Newco's~~) to support~~ed~~ two listing statuses of both ~~(~~the ParentCo~~'s~~ and the SpinCo~~Newco's~~. In other words, the ~~Parent~~ remaining group itself would be required to retain~~, in addition to its interest in Newco,~~ sufficient operations and assets ~~and operations~~ of its own~~, excluding its interest in Newco,~~ to satisfy independently the requirements of Chapter 8 ~~of the Exchange Listing Rules~~.

Notes:

1. *Where the remaining group ~~Parent, excluding its interest in Newco,~~ cannot meet the minimum profit requirement of rule 8.05, the Exchange may grant a waiver to the ParentCo if the ParentCo is able to demonstrate that the remaining group ~~it, excluding its interest in Newco,~~ fails to meet the minimum profit requirement of rule 8.05 due solely to a significant market downturn. The ParentCo must also demonstrate that the circumstances that led to the remaining group's ~~its~~ inability to meet the minimum profit requirement was temporary and is not likely to continue or recur in the future or that appropriate measures have been taken by the ~~Parent~~ remaining group to negate the impact on its profit of the market downturn (as the case may be). In addition, the ~~Parent~~ remaining group~~, excluding its interest in Newco,~~ must have an aggregate profit attributable to shareholders of not less than HK$80 million in respect of any three out of the five financial years immediately preceding the spin-off ~~application~~.*

2. *~~Note:~~ For the purpose of meeting the minimum aggregate profit requirement referred to in note 1 above, the ~~Parent~~ remaining group must satisfy the following criteria:*

   (i) *~~(a)~~ the profit/loss in the three consecutive financial years immediately preceding the spin-off application must in aggregate amount to a net profit of not less than HK$80 million; failing which*

   (ii) *~~(b)~~ the profit/loss in any three of the four consecutive financial years* *immediately preceding the spin-off application must in aggregate amount to a net profit of not less than HK$80 million; failing which*

(iii) ~~*(c)*~~ *the profit/loss of any three of the five consecutive financial years immediately preceding the spin-off application must in aggregate amount to a net profit of not less than HK$80 million.*

The relevant profit/loss is the profit/loss attributable to shareholders of the ~~*Parent*~~ *remaining group after excluding* ~~*the Parent's interest in Newco, and should exclude*~~ *any income or loss of the* ~~*Parent*~~ *remaining group generated by activities outside the ordinary and usual course of its business.*

In the case of ~~*(b)*~~*(ii) or* ~~*(c)*~~*(iii) above, the* ~~*Parent*~~ *remaining group must demonstrate that the profit/loss of any financial year whose profit/loss is not taken into account in the calculation of the minimum net profit of HK$80 million was affected by the significant market downturn.*

(d) ~~*Principles applied in the consideration of spin-off applications*~~ *SpinCo to be clearly delineated from and independent of the ParentCo and other relevant considerations*

Upon completion of the spin-off ~~In considering an application for listing by way of spin-off, the Listing Committee would apply the following principles~~:

(i) there should be a clear delineation between the business(es) retained by the ParentCo and the business(es) of ~~Newco~~ the SpinCo;

(ii) ~~Newco~~ the SpinCo should be able to function independently of the ParentCo. In addition to ~~As well as~~ independence in respect of ~~as regards~~ its business and operations, the ~~Listing Committee would expect from Newco~~ SpinCo should demonstrate:

- **independence of directorship and management**. While common directors would not be a bar to qualification under this test, the SpinCo should ~~Listing Committee would require to be satisfied that Newco would~~ operate independently and in the interests of its shareholders as a general body, and not in the interests of the ParentCo only, where their ~~former~~ interests are, or may potentially be, ~~and the latter were actually or potentially~~ in conflict;

- **independence of administrative capability**. The SpinCo should carry out ~~Listing Committee would expect that~~ all essential administrative functions ~~would be carried out by Newco~~ without reliance ~~requiring the support of~~ on the ParentCo, although the Exchange may adopt a ~~Listing Committee is prepared to be~~ flexible approach in respect of ~~the~~ sharing of administrative, non-management functions, such as secretarial services; and

- **ongoing transactions on arm's length basis**. All ~~the Listing Committee must be satisfied that~~ ongoing and future connected transactions between the ParentCo and the SpinCo should ~~Newco would~~ be properly transacted under Chapter 14A ~~of the Exchange Listing Rules~~ and/or waivers thereunder and, in particular, that the ongoing relationship would not, in the context of any waivers granted, be unduly artificial or difficult to monitor from the perspective of safeguarding the interests of the respective minority shareholders of the ParentCo and of ~~Newco~~ the SpinCo.

(iii) there should be clear commercial benefits in the spin-off, both to the ParentCo and to ~~Newco~~ the SpinCo~~which should be elaborated upon in the listing document~~; and

(iv) there should be no adverse impact on the interests of shareholders of the ParentCo resulting from the spin-off.

(e) Shareholder approval of the spin-off

(i) ~~(1) At present, under the Exchange Listing Rules, as well as where the connected transaction provisions are applicable, shareholder~~ Shareholder approval will be required where, under rule 14.07, any of the percentage ratios of the transaction is 50~~25~~% or more, or where applicable, the connected transaction rules under Chapter 14A apply.

Align with proposal to increase MT threshold

(ii) ~~(2)~~ Where ~~The Exchange is of the view that the~~ approval of shareholders of the ParentCo is required under ~~must be sought for the proposal if it falls within~~ (~~1~~i) above, ~~and that~~ the ParentCo's controlling shareholder and its associates must abstain from voting if the controlling shareholder has a material interest in the proposal.

(iii) ~~(3)~~ [Repealed 1 January 2009]

(iv) ~~(4)~~ In cases where the spin-off proposal requires approval by shareholders of the ParentCo, whether or not the controlling shareholder or any of its associates is required to abstain from voting, the ParentCo must comply with the requirements set out in rules 13.39(6) and (7). The circular to shareholders must contain full details of the spin-off and its effect on the ParentCo. The independent financial adviser appointed under rule 13.39(6)(b) may not also be the sponsor or co-sponsor or an underwriter of or a financial adviser to ~~Newco~~ the SpinCo.

(v) ~~(5)~~ In any case where the controlling shareholder and its associates vote~~s through~~ in favour of the spin-off proposal notwithstanding ~~in the face of~~ significant ~~minority~~ opposition from the minority shareholders, the Exchange would expect to receive a report from the independent financial adviser as to the discussions at the relevant general meeting.

(f) [Repealed [date]] ~~*Assured entitlement to shares in Newco*~~

Remove assured entitlement requirement

~~The Listing Committee expects the Parent to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to shares in Newco, either by way of a distribution in specie of existing shares in Newco or by way of preferred application in any offering of existing or new shares in Newco. The percentage of shares in Newco allocated to the assured entitlement tranche would be determined by the directors of the Parent and by its advisers, and all shareholders of the Parent would be treated equally. There would be no bar to the controlling shareholder receiving his proportion of shares under such entitlement. Where Newco is proposed to be listed elsewhere than in Hong Kong, and where shares in Newco under the assured entitlement can only be made available to existing shareholders of the Parent by way of a public offering in Hong Kong, the Listing Committee would consider submissions as to why the assured entitlement requirement would not be for the benefit of the Parent or its shareholders. Further, the minority shareholders of the Parent may by resolution in general meeting resolve to waive the assured entitlement, even where Newco is to be listed in Hong Kong.~~

~~*Note: In case where Newco is made subject to this Practice Note by virtue of the Note to paragraph 2, the Parent should use its best endeavours to provide its shareholders an assured entitlement to the shares in Newco. Whether such assured entitlement is available will be taken into account by the Exchange when considering whether to approve the spin-off proposal.*~~

(g) *Announcement of spin-off*

(i) The ParentCo must announce the spin-off listing application by the time SpinCo ~~Newco~~ publishes its PHIP, provided that if SpinCo~~Newco~~ elects to publish its Application Proof or Updated Application Proof on the Exchange's website under rule 12.01A, the announcement must be made by the time the Public AP is published. Where SpinCo~~Newco~~ is to be listed on another exchange, the announcement must be made by the time as the relevant listing application is first made public there.

Until announcement of the application, strict confidentiality should be maintained and, if there is a leakage of information or a significant, unexplained movement in the price or turnover volume of the ParentCo's securities, an earlier announcement would be required.

(ii) The announcement made under paragraph (i) above must contain at least the following information:

(1) the identity and a description of the principal business activities of the SpinCo and the remaining group;

Enhanced announcement requirement

(2) the revenue and net profits (both before and after taxation) attributable to the SpinCo for the two consecutive financial years immediately preceding the proposed spin-off;

(3) details of the spin-off, including venue to which the SpinCo will be listed (i.e. the relevant stock exchange) and structure of the spin-off;

(4) the ParentCo's expected shareholding in the SpinCo before and after completion of the spin-off, and whether the SpinCo is expected to continue to be a subsidiary of the ParentCo;

(5) the total funds expected to be raised by the ParentCo and/or the SpinCo, if any, and the proposed use of proceeds by the ParentCo;

(6) reasons for, and the benefits which are expected to accrue to the ParentCo as a result of the spin-off, together with a statement that the directors confirm that the terms of the spin-off are fair and reasonable and in the interests of the shareholders as a whole; and

(7) a statement that the ParentCo has obtained the Exchange's approval under paragraph 3(a) of this Practice Note or relies on its self-assessment under paragraph 3(b) of this Practice Note, in each case together with a confirmation from the board of directors that the spin-off complies with all the applicable principles and requirements under this Practice Note.

(iii) In the event of any material development or subsequent change to a previously announced spin-off proposal, the ParentCo must publish further announcement(s) to inform the market as soon as practicable.

These are general principles intended to assist the market. The Listing Division should be consulted at an early stage of any spin-off proposal for clarification ~~as to the application~~.

5. ~~**4.**~~ The Exchange emphasises that it retains an absolute discretion to accept or reject a spin-off proposal ~~submitted by issuer to effect the separate listing of assets or businesses wholly or partly within its existing group~~. The principles and requirements under this Practice Note are not exhaustive and the Exchange may impose additional requirements or make a spin-off proposal subject to special conditions whenever it considers it appropriate.

6. ~~5.~~ Effective Date

This Practice Note takes effect from 12~~th~~ May~~,~~ 1997.

~~Hong Kong 8th May, 1997~~

~~Revised on 6th September, 2000~~

~~Revised on 16th July, 2001~~

~~Revised on 31st March, 2004~~

~~Revised on 25th June, 2007~~

~~Revised on 1st January, 2009~~

~~Revised on 1st January, 2013~~

Revised on [date]

D. Document Content Requirements

Appendix D1A

Contents of Listing Documents

Equity Securities

In the case where listing is sought for equity securities of an issuer no part of whose share capital is already listed

…

Spin-off

50A. For a new listing applicant that meets the condition set out in paragraph (4)(b)(ii)(1) or (2) of Practice Note 15 and is therefore exempt from the one-year moratorium period under paragraph 4(b)(i) of Practice Note 15, details of any specific and imminent spin-off proposal(s) it has, or an appropriate negative statement.

…

Chapter 17

EQUITY SECURITIES

CONTINUING OBLIGATIONS

…

Meetings of holders of securities

17.47 …

(6) In relation to any transactions that are subject to independent shareholders' approval pursuant to the GEM Listing Rules, any issue of shares or securities convertible into equity securities of an issuer pursuant to rule 17.29(5) or spin-off proposals that are subject to approval of the shareholders of the issuer pursuant to paragraph ~~3~~4(e) of Practice Note 3:

(a) …

(7) In relation to any transactions that are subject to independent shareholders' approval pursuant to the GEM Listing Rules, any issue of shares or securities convertible into equity securities of an issuer pursuant to rule 17.29(5) or spin-off proposals that are subject to approval of the shareholders of the issuer pursuant to paragraph ~~3~~4(e) of Practice Note 3, the circular to shareholders must contain at least:

(a) …

…

The Stock Exchange of Hong Kong Limited

Practice Note 3

to the Rules Governing the Listing of Securities
on GEM of The Stock Exchange of Hong Kong
Limited
(the "GEM Listing Rules")

Issued pursuant to rule 1.07 of the GEM Listing
Rules

PRACTICE WITH REGARD TO PROPOSALS ~~SUBMITTED BY~~ OF ISSUERS TO EFFECT THE SEPARATE LISTING ON THE EXCHANGE OR ELSEWHERE OF ASSETS OR BUSINESSES WHOLLY OR PARTLY WITHIN THEIR EXISTING GROUPS

1. Definitions

Unless otherwise stated or the context otherwise requires:—

(a) ~~Terms~~ terms used in this Practice Note which are defined or interpreted in the GEM Listing Rules shall have the same meaning as in the GEM Listing Rules; and

(b) the following terms used in this Practice Note shall have the meanings set out below:~~.~~

"issuer group"	means the listed issuer and its subsidiaries
"ParentCo"	means the listed issuer effecting the spin-off
"remaining group"	means the issuer group after excluding the ParentCo's interest in the SpinCo, and for the purpose of paragraph 4(c) of this Practice Note, the "remaining group" means the issuer group after excluding the ParentCo's interest in (i) the SpinCo; (ii) its subsidiaries previously spun off for listing under this Practice Note; and (iii) any other subsidiaries listed on the Exchange
"SpinCo"	means the entity to be spun off by the listed issuer pursuant to the spin-off
"spin-off"	means the transaction or arrangement by a listed issuer (or any of its subsidiaries) to effect the separate listing on the Exchange or elsewhere of assets or businesses wholly or partly within the issuer group

2. Introduction

This Practice Note ~~is intended to~~ sets out the Exchange's policy ~~with regard to~~ on spin-offs ~~proposals submitted to effect the separate listing on the GEM or elsewhere of assets or businesses wholly or partly within their existing groups ("spin-offs")~~ and ~~. This Practice Note sets out~~ the principles and requirements which the Exchange applies when considering spin-off applications. ParentCos ~~Issuers~~ are reminded that they are required to submit their spin-off proposals to the Exchange for its approval.

Notes:

1. *Where a listed issuer proposing a spin-off is a subsidiary of another listed issuer, the listed holding company is exempt from compliance with the principles and requirements under this Practice Note in respect of the spin-off by the listed subsidiary.*

Refine the scope of PN15 applicability

2. *This Practice Note is ~~normally only~~ applicable to ~~an~~ listed issuer's spin-off proposal where ~~and entity~~ the SpinCo ~~which~~ is a subsidiary of the listed issuer at the time ~~of submission of~~ when the SpinCo submits its new listing application (Form A or its equivalent if listing is sought on another exchange) ~~the spin-off proposal~~. However, the Exchange will treat an entity as if it were a subsidiary of ~~an~~ listed issuer for the purpose of this Practice Note if such entity is, at the time of its new listing application for the ~~submission of the issuer's~~ spin-off ~~proposal~~, an associated company of the listed issuer and was, at any time during the latest completed financial year of the listed issuer (comprising at least 12 months) up to the date ~~of~~ when the entity submits its new listing application ~~submission of the spin-off proposal~~, a subsidiary of the listed issuer.*

   In such circumstances, the entity will be required to comply with ~~the~~ all the applicable principles and requirements ~~of~~ under this Practice Note and will be treated as if it has remained as a subsidiary of the listed issuer. The listed issuer is required to substantiate the changes in the beneficial ownership of the entity's issued shares in the period stated above.

3. Approval by the Exchange

(a) ParentCos must submit their spin-off proposals to the Exchange for approval.

(b) Where the SpinCo is to be listed on the Exchange, the ParentCo must confirm to the Exchange that the spin-off proposal continues to comply with the applicable requirements and principles under this Practice Note at least four clear business days before the expected hearing date of the SpinCo's new listing application.

Streamline regulatory process

4. ~~3.~~ Principles

The principles applied in consideration of spin-off proposals, which apply equally whether the SpinCo ~~entity to be spun off~~ is to be listed on the Exchange ~~in Hong Kong~~ or elsewhere ~~overseas~~, are as follows:

(a) *~~Newco~~SpinCo to satisfy basic listing criteria*

Where the SpinCo ~~entity ("Newco") to be spun-off by the existing issuer ("Parent")~~ is to be listed on the Exchange ~~a stock market operated by the Exchange~~, it must satisfy all the applicable requirements of the relevant listing rules falling on new listing applicants~~, including the relevant basic listing criteria contained in Chapter 8 or Chapter 19A of the Main Board Listing Rules, or in Chapter 11 or Chapter 25 of the GEM Listing Rules, as the case may be~~.

(b) *No spin-off within one year ~~three years~~ of ParentCo's original listing*

In recognition that the original listing of the ParentCo ~~will~~ would have been approved on the basis of the ParentCo's portfolio of businesses at the time of listing, and that the expectation of investors at that time would have been that the ParentCo would continue to develop those businesses, ~~the Exchange would not normally consider a spin-off application within three years of the date of listing of the Parent~~ the new listing application of the SpinCo shall not normally be made within one year of the date of listing of the ParentCo.

Shorten moratorium period

(c) *~~The r~~Remaining business of the ParentCo to meet new listing requirements*

The Exchange must be satisfied that, after the listing of SpinCo ~~Newco~~, the ParentCo would retain a sufficient level of operations and ~~sufficient~~ assets to support its separate listing status. In particular, it would not be acceptable to the Exchange that one business (being the business of the SpinCo ~~Newco's~~) supported two listing statuses of both ~~(~~the ParentCo~~'s~~ and the SpinCo~~Newco's~~. In other words, the ~~Parent~~ remaining group itself would be required to retain~~, in addition to its interest in Newco,~~ sufficient operations and assets ~~and operations~~ of its own~~, excluding its interest in Newco,~~ to satisfy independently the ~~listing~~ requirements of Chapter 11 ~~of the GEM Listing Rules~~.

(d) *~~Principles applied in the consideration of spin-off applications~~ SpinCo to be clearly delineated from and independent of the ParentCo and other relevant considerations*

In considering an application for listing by way of spin-off, the Exchange would apply the following principles:

(i) there should be a clear delineation between the business(es) retained by the ParentCo and the business(es) of ~~Newco~~ the SpinCo;

(ii) ~~Newco~~ the SpinCo should be able to function independently of the ParentCo. In addition to ~~As well as~~ independence in respect of ~~as regards~~ its business and operations, the Exchange would expect from SpinCo ~~Newco~~:

- **independence of directorship and management**. While common directors would not be a bar to qualification under this test, the SpinCo should ~~Exchange would require to be satisfied that Newco would~~ operate independently and in the interests of its shareholders as a general body, and not in the interests of the ParentCo only, where their ~~former~~ interests are, or may potentially be, ~~and the latter were actually or potentially~~ in conflict;

- **independence of administrative capability**. The Exchange would expect that all essential administrative functions would be carried out by SpinCo ~~Newco~~ without reliance ~~requiring the support of~~ on the ParentCo, although the Exchange may adopt a ~~is prepared to be~~ flexible approach in respect of ~~the~~ sharing of administrative, non-management functions, such as secretarial services; and

- **ongoing transactions on arm's length basis**. The ~~the~~ Exchange must be satisfied that ongoing and future connected transactions between the ParentCo and the SpinCo ~~Newco~~ would be properly transacted under Chapter 20 ~~of the GEM Listing Rules~~ and/or waivers thereunder and, in particular, that the ongoing relationship would not, in the context of any waivers granted, be unduly artificial or difficult to monitor from the perspective of safeguarding the interests of the respective minority shareholders of the ParentCo and of ~~Newco~~ the SpinCo.

(iii) there should be clear commercial benefits in the spin-off, both to the ParentCo and to ~~Newco~~ the SpinCo ~~which should be elaborated upon in the listing document~~; and

(iv) there should be no adverse impact on the interests of shareholders of the ParentCo resulting from the spin-off.

(e) Shareholder approval of the spin-off

(i) ~~(1) At present, under the GEM Listing Rules, as well as where the connected transaction provisions are applicable,~~ Shareholder approval will be required where, under rule 19.07, any of the percentage ratios of the transaction is 50~~25~~% or more, or where applicable, the connected transaction rules under Chapter 20 apply.

Align with proposal to increase MT threshold

(ii) ~~(2)~~ Where ~~The Exchange is of the view that the~~ approval of shareholders of the ParentCo is required under ~~must be sought for the proposal if it falls within~~ (~~1~~i) above, ~~and that~~ the ParentCo's controlling shareholder and its associates must abstain from voting if the controlling shareholder has a material interest in the proposal.

(iii) ~~(3)~~ [Repealed 1 January 2009]

(iv) ~~(4)~~ In cases where the spin-off proposal requires approval by shareholders of the ParentCo, whether or not the controlling shareholder or any of its associates is required to abstain from voting, the ParentCo must comply with the requirements set out in rules 17.47(6) and (7). The circular to shareholders must contain full details of the spin-off and its effect on the ParentCo. The independent financial adviser appointed under rule 17.47(6)(b) may not also be the sponsor or co-sponsor or an underwriter of or a financial adviser to ~~Newco~~ the SpinCo.

(v) ~~(5)~~ In any case where the controlling shareholder and its associates vote~~s through~~ in favour of the spin-off proposal notwithstanding ~~in the face of~~ significant ~~minority~~ opposition from the minority shareholders, the Exchange would expect to receive a report from the independent financial adviser as to the discussions at the relevant general meeting.

(f) [Repealed [date]] ~~*Assured entitlement to shares in Newco*~~

~~The Exchange expects the Parent to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to shares in Newco, either by way of a distribution in specie of existing shares in Newco or by way of preferred application in any offering of existing or new shares in Newco. The percentage of shares in Newco allocated to the assured entitlement tranche would be determined by the directors of the Parent and by its advisers, and all shareholders of the Parent would be treated equally. There would be no bar to the controlling shareholder receiving his proportion of shares under such entitlement. Where Newco is proposed to be listed elsewhere than in Hong Kong, and where shares in Newco under the assured entitlement can only be made available to existing shareholders of the Parent by way of a public offering in Hong Kong, the Exchange would consider submissions as to why the assured entitlement requirement would not be for the benefit of the Parent or its shareholders. Further, the minority shareholders of the Parent may by resolution in general meeting resolve to waive the assured entitlement, even where Newco is to be listed in Hong Kong.~~

~~*Note: In case where Newco is made subject to this Practice Note by virtue of the Note to paragraph 2, the Parent should use its best endeavours to provide its shareholders an assured entitlement to the shares in Newco. Whether such assured entitlement is available will be taken into account by the Exchange when considering whether to approve the spin-off proposal.*~~

Remove assured entitlement requirement

(g) *Announcement of spin-off*

(i) The ParentCo must announce the spin-off listing application by the time SpinCo ~~Newco~~ publishes its PHIP, provided that if SpinCo~~Newco~~ elects to publish its Application Proof or Updated Application Proof on the Exchange's website under rule 16.01A, the announcement must be made by the time the Public AP is published. Where SpinCo ~~Newco~~ is to be listed on another exchange, the announcement must be made by the time as the relevant listing application is first made public there.

Until announcement of the application, strict confidentiality should be maintained and, if there is a leakage of information or a significant, unexplained movement in the price or turnover volume of the ParentCo's securities, an earlier announcement would be required.

(ii) The announcement made under paragraph (i) above must contain at least the following information:

(1) the identity and a description of the principal business activities of the SpinCo and the remaining group;

Enhanced announcement requirement

(2) the revenue and net profits (both before and after taxation) attributable to the SpinCo for the two consecutive financial years immediately preceding the proposed spin-off;

(3) details of the spin-off, including venue to which the SpinCo will be listed (i.e. the relevant stock exchange) and structure of the spin-off;

(4) the ParentCo's expected shareholding in the SpinCo before and after completion of the spin-off, and whether the SpinCo is expected to continue to be a subsidiary of the ParentCo;

(5) the total funds expected to be raised by the ParentCo and/or the SpinCo, if any, and the proposed use of proceeds by the ParentCo;

(6) reasons for, and the benefits which are expected to accrue to the ParentCo as a result of the spin-off, together with a statement that the directors confirm that the terms of the spin-off are fair and reasonable and in the interests of the shareholders as a whole; and

(7) a statement that the ParentCo has obtained the Exchange's approval under this Practice Note, together with a confirmation from the board of directors that the spin-off complies with all the applicable principles and requirements under this Practice Note.

(iii) In the event of any material development or subsequent change to a previously announced spin-off proposal, the ParentCo must publish further announcement(s) to inform the market as soon as practicable.

These are general principles intended to assist the market. The Listing Division should be consulted at an early stage of any spin-off proposal for clarification ~~as to the application~~.

5. ~~4.~~ The Exchange emphasises that it retains an absolute discretion to accept or reject a spin-off proposal submitted by a ParentCo ~~issuer to effect the separate listing of assets or businesses wholly or partly within its existing group~~. The principles and requirements under ~~in~~ this Practice Note are not exhaustive and the Exchange may impose additional requirements or make a spin-off proposal subject to special conditions whenever it considers it appropriate.

APPENDIX VI: JURISDICTIONAL COMPARISON OF SPIN-OFF REQUIREMENTS

Requirements	Jurisdictions			
	Australia[1]	**Chinese Mainland** [2]	**Singapore Mainboard**[3]	**Malaysia Main Market**[4]
Applicability of spin-off rules	Spin-off rules apply to disposal of "Major Asset". The listed company may not spin-off the "Major Asset" unless: (i) the transaction is approved by shareholders by way of ordinary resolution; (ii) the securities in the spun-off entity (other than those retained by the listed company) would be offered pro-rata to the holders of ordinary shares; or	Spin-off of subsidiaries for domestic and overseas listings[6].	Restructuring of assets or spin-off existing businesses for a separate listing on SGX or elsewhere[7].	Listing of securities of subsidiaries on any stock exchange[8].

[1] ASX Listing Rule 11.4 and Guidance Note 13 of the ASX Listing Rules - Spin-outs of Major Assets (December 2019) (**ASX GN 13**).

[2] CSRC,《上市公司分拆規則（試行）》, January 2022 (the **PRC Spin-off Rules**).

[3] SGX, Main Board Listing Rules, SGX Provides Guidance on Proposals for Restructuring or Spin-Offs, February 2010 (the **SGX Guidance**) and SGX Provides Further Guidance on Proposals for Restructuring and Spin-offs, February 2011 (the **SGX Further Guidance**).

[4] Bursa Malaysia Main Market Listing Requirement 8.24 and Malaysia Equity Guidelines (December 2024) issued by the Securities Commission of Malaysia.

[6] Rule 2 of the PRC Spin-off Rules.

[7] Paragraph 1 of the SGX Guidance and the SGX Further Guidance.

[8] Bursa Malaysia Main Market Listing Requirement 8.24.

Requirements	Jurisdictions			
	Australia[1]	Chinese Mainland [2]	Singapore Mainboard[3]	Malaysia Main Market[4]
	(iii) the securities are offered in another way that ASX considers to be fair in all the circumstances. Disposal of "Major Asset" means (i) its disposal will result in a decrease of 25% or more in the listed company's consolidated total assets, total equity interests, annual revenue, EBITDA, or annual profits before tax; or (ii) the consideration of the disposal of the asset exceeds 25% of the listed company's consolidated total assets. ASX may also regard an asset as a "Major Asset" if the listed company has made an announcement in relation to the asset which suggests that it is of strategic importance to the listed company[5].			

[5] ASX Listing Rule 11.4 and paragraphs 1 and 3 of ASX GN 13.

Requirements	Jurisdictions			
	Australia[1]	Chinese Mainland [2]	Singapore Mainboard[3]	Malaysia Main Market[4]
Sufficient business of the parent (excluding its interest in the spun-off entity), and other requirements on the parent	The spin-off of "Major Asset" may also constitute a significant change to activities of a listed company, which ASX has a discretion under ASX Listing Rule 11.1.3 to require the issuer to re-comply with ASX's admission and quotation requirements under rare circumstances[9].	The listed company must: - have been profitable in the latest three financial years, and the profits attributable to the remaining businesses must be at least RMB600 million[10]; and - have clean audit opinion on its financial statements for the latest financial year[11]. There are also other compliance requirements on the listed company and its controller[12].	The remaining businesses of the parent should be viable, profitable and comply with the admission requirements for new listings under the SGX listing rules[13].	The parent should have a separate autonomous and sustainable business of its own, which should meet the profit or the market capitalisation requirements for new listing and have a healthy financial position (with sufficient working capital to fund its operations for at least 12 months and positive cash flow from operating activities based on its latest audited financial statements), and have management

[9] ASX stated that among different types of significant change of activities, the discretion is mainly applied in acquisitions with back door listing concern (ASX Listing Rule 11.1 and paragraphs 1, 2.4 and 3.2 of Guidance Note 12 of the ASX Listing Rules – Significant Changes to Activities (August 2020)) (**ASX GN 12**).

[10] Rules 3(2) and (3) of the PRC Spin-off Rules.

[11] Rules 4(4) and (3) of the PRC Spin-off Rules.

[12] The listed company and its controller have not been subject to any administrative penalty imposed by the CSRC / or public censure by the PRC stock exchanges in the last 36 months and 12 months respectively (Rules 4(2) and (3) of the PRC Spin-off Rules). Further, the listed company's controller must not have seized funds from the listed company or conducted related party transactions that are detrimental to the listed company (Rule 4(1) of the PRC Spin-off Rules).

[13] Paragraph 3 of the SGX Guidance and the SGX Further Guidance.

Requirements	Jurisdictions			
	Australia[1]	Chinese Mainland [2]	Singapore Mainboard[3]	Malaysia Main Market[4]
				continuity for at least three financial years[14].
Business delineation	-	The listed company cannot spin-off a subsidiary with principal business and assets that form the principal businesses and assets of the parent at the time of its initial listing[15]. The listed company is also required to disclose how the spin-off would help the parent to highlight its principal business, and how the parent and spun-off entity would comply with the domestic rules on competing businesses (for	The entity seeking to list on SGX or elsewhere is subject to the principle of "chain listings" under the SGX listing rules[17], which states that a subsidiary of an existing issuer is normally not suitable for listing if its assets and operations are substantially the same as the issuer. Further, entities seeking separate listing should have	The entity seeking to list in Malaysia or elsewhere is subject to the principle of "chain listings" under the Malaysia Equity Guidelines. This means the spun-off entity must be involved in a distinct and viable business of the parent and spun-off entity must not give rise to intra-group competition or conflict-of-interest situations[19].

[14] Paragraph 5.09(d) of the Malaysia Equity Guidelines.

[15] Rule 5(3) of the PRC Spin-off Rules.

[17] SGX Main Board Rule 210(6).

[19] Paragraph 5.09(a) and (b) of the Malaysia Equity Guidelines.

Requirements	Jurisdictions			
	Australia[1]	Chinese Mainland [2]	Singapore Mainboard[3]	Malaysia Main Market[4]
		domestic spin-off), or there is no competing business (for overseas spin-off)[16].	businesses and assets that are clearly differentiated[18].	
Independence between the parent and the spun-off entity	-	The listed company is required to disclose that the parent's and the spun-off entity's assets, financial conditions and organisational structure is independent, and there is no overlap of senior management and financial staff following the spin-off. There should be no other circumstances that jeopardise the independence of the parent and the spun-off entity[20] .	Entities seeking separate listing should have businesses and assets that are managed independently[22].	The spun-off entity must demonstrate that it is independent from the parent in terms of its operations, including purchases and sales of goods, management, management policies and finance[23].

[16] Rules 6(1) and (2) of the PRC Spin-off Rules.

[18] Paragraphs 1 and 2 of the SGX Guidance and the SGX Further Guidance.

[20] Rules 6(3) and (4) of the PRC Spin-off Rules.

[22] Paragraph 2 of the SGX Guidance and the SGX Further Guidance.

[23] Paragraph 5.09(c) of the Malaysia Equity Guidelines.

Requirements	Jurisdictions			
	Australia[1]	Chinese Mainland [2]	Singapore Mainboard[3]	Malaysia Main Market[4]
		The listed company's directors and senior management cannot together hold more than 10% of spun-off entity's shares before the spin-off[21].		
Size and other restrictions on the spun-off entity	-	For domestic spin-off, it is required to comply with the domestic listing and restructuring requirements. For overseas spin-off, it is required to comply with the CSRC's requirements on overseas listing[24]. The net profits and net assets attributable to the spun-off entity in the latest financial year cannot exceed 50% and 30% of the listed company's consolidated net profits and net assets[25].	-	-

[21] Rule 4(5) of the PRC Spin-off Rules.

[24] Rule 12 of the PRC Spin-off Rules.

[25] Rule 3(4) of the PRC Spin-off Rules.

Requirements	Jurisdictions			
	Australia[1]	Chinese Mainland [2]	Singapore Mainboard[3]	Malaysia Main Market[4]
		There are also other restrictions on the spun-off entity[26].		
Prior regulatory approval	The spin-offs will be subject to in-principle advice from ASX that the transaction is fair, unless it is (i) approved by shareholders by way of ordinary resolution; or (ii) the securities in the spun-off entity (other than those retained by the listed entity) would be offered pro-rata to the holders of ordinary shares[27].	-	Pre-clearance of restructuring and spin-off proposals with SGX is required[28].	-

[26] The listed company cannot spin-off a subsidiary with principal business and assets that are financed with funds raised by the listed company or acquired through material asset reorganisations, within the last three years (Rules 5(1) and (2) of the PRC Spin-off Rules). In addition, the spun-off entity's directors and senior management cannot together hold more than 30% of spun-off entity's shares before the Spin-off (Rule 5(5) of the PRC Spin-off Rules).

[27] ASX Listing Rule 11.4 and paragraph 5.1 of ASX GN 13.

[28] The SGX Further Guidance.

Requirements	Jurisdictions			
	Australia[1]	Chinese Mainland [2]	Singapore Mainboard[3]	Malaysia Main Market[4]
Restriction on timing of spin-off	-	No spin-off within three years of the date of listing of the parent[29].	-	-
Prescribed disclosure requirements	-	The listed company is required to disclose, among other things, information relating to the clear business delineation and independence of the listed company and the spun-off entity, compliance with the applicable regulatory provisions on non-competing business and connected transactions, reasons for the spin-off and the associated risks, and timeframe and progress of the spin-off[30].	-	-

[29] Rule 3(1) of the PRC Spin-off Rules.

[30] Rules 6 to 8 of the PRC Spin-off Rules.

Requirements	Jurisdictions			
	Australia[1]	Chinese Mainland [2]	Singapore Mainboard[3]	Malaysia Main Market[4]
Shareholders' approval	As set out in "Applicability of Spin-off Rules" above, a listed company may proceed if it has at its option (i) obtained shareholders' approval, <u>or</u> (ii) provided pro-rata distribution to the parent's shareholders, <u>or</u> (iii) the securities are offered in another way that ASX considers to be fair in all the circumstances. In an extreme case where the spin-off amounts to a disposal of "Main Undertaking" (which is essentially the main business activity of the listed	All spin-offs are subject to shareholders' approval[33].	For spin-off of a principal subsidiary[34], prior shareholders' approval is required if the principal subsidiary will cease to be a subsidiary, or there will be a percentage reduction of 20% or more of the issuer's equity interest in the principal subsidiary[35]. Any spin-off is also subject to the shareholders' approval requirement if it constitutes a major transaction (20% or more)[36].	All spin-offs are subject to shareholders' approval[37].

[33] Rules 8 and 9 of the PRC Spin-off Rules.

[34] This means a subsidiary whose latest audited consolidated pre-tax profits (including discontinued operations that have not been disposed and excluding the non-controlling interest relating to that subsidiary) as compared with the latest audited consolidated pre-tax profits of the group (including discontinued operations that have not been disposed and excluding the non-controlling interest relating to that subsidiary) accounts for 20% or more of such pre-tax profits of the group (SGX Mainboard Rule Chapter 1).

[35] SGX Mainboard Rule 805.

[36] SGX Mainboard Rule 1014.

[37] Bursa Malaysia Main Market Listing Requirement 8.24.

Requirements	Jurisdictions			
	Australia[1]	Chinese Mainland [2]	Singapore Mainboard[3]	Malaysia Main Market[4]
	company)[31], ASX would require shareholders' approval even if the listed company has provided pro-rata distribution or the securities are offered in another way that ASX considers to be fair in all the circumstances [32].			
Assured entitlement	For spin-off of "Major Asset", a listed company may proceed if there is a pro-rata distribution, or, the securities are offered in another way that ASX considers to be fair in all the circumstances [38].	-	-	The shareholders of the parent must be given assured entitlement to any offering of existing or new shares in the spun-off entity. The percentage of spun-off entity's shares to be

[31] "ASX generally applies 50% in assessing whether a business constitutes the main undertaking of a listed company, with reference to the listed company's consolidated total assets, annual revenue, EBITDA and annual profit before tax. Where an entity is proposing to dispose of part only (but not all) of its main undertaking, ASX will have regard to whether or not the disposal will cause a change in the nature of the entity's main undertaking. If there is no change in the nature, the transaction will not usually be regarded as a disposal of its main undertaking. This applies even where the assets of businesses being disposed of in aggregate account for more than 50% of the listed company's scale.

[32] ASX Listing Rule 11.1.3 and paragraphs 1.2, 1.3 and 4 of ASX GN 12.

[38] ASX has provided in paragraph 5 of ASX GN 13 that (i) where the Spin-off involves an IPO and a pro-rata distribution of the spun-off entity's securities to the listed company's shareholders, it is generally considered fair if the shareholders can participate in the IPO on same or better terms as other investors, and the transaction does not confer benefits to related parties that are not available to other shareholders (e.g. where a related party acts as the underwriter of the IPO); (ii) where the spin-off does not involve any pro rata distribution of spun-off entity's securities and is conducted by way of IPO only, ASX will consider (i) the reasons for not providing pro-rata distribution; (ii) whether the listed company's shareholders are given the opportunity to invest in the spun-off entity's securities in priority, and the amount and terms; (iii) the percentage of spun-off entity's securities to be retained by the listed company (the higher the percentage to be retained, the larger the indirect interest retained by shareholders in the spun-off entity and the more likely ASX is to consider the spin-off is fair); (iv) whether the spin-off appears to confer benefits on related parties; (v) whether the spin-off appears to favour wholesale investors over retail investors; (vi) the allocation policy to be adopted in case of over subscription; and (vii) the exchange to be listed on, whether the listed company's shareholders would face any diminution in their rights or protection under the rules of that exchange or any practical difficulties in selling their securities in spun-off entity at a fair price.

Requirements	Jurisdictions			
	Australia[1]	Chinese Mainland [2]	Singapore Mainboard[3]	Malaysia Main Market[4]
				allocated to the assured entitlement tranche should be determined by the issuer's directors. All shareholders of the parent should be treated equally[39].

In considering whether a spin-off is fair, ASX will pay due regard to the fact that the creation of many small holdings would not help meeting ASX's minimum spread requirement (i.e. 300 non-affiliated shareholders each holding a value of at least AUD2,000), and that taking up a small parcel of securities is unlikely to be meaningful to shareholders. As such an otherwise pro-rata offer with a restriction attached to prevent the creation holdings of less than AUD2,000, or reasonably sized priority offer which allows shareholders to apply for a minimum allocation of AUD2,000, would not render the Spin-off unfair.

[39] Paragraph 5.09(h) of the Malaysia Equity Guidelines.

APPENDIX VII: PRIVACY NOTICE

Hong Kong Exchanges and Clearing Limited and its affiliated companies as referred in the **Annex** (together "**HKEX**", "**we**", **our**" or "**us**") are committed to protecting all Personal Data under our custody, control, or possession. Under applicable data protection laws, HKEX is the "**Data Controller**". "**Personal Data**" is any information that relates to an identifiable individual or can be used to identify an individual ("**Data Subject"** or "**you**", if/where applicable).

This privacy notice ("**Notice**") sets out the Personal Data that we collect and process from Data Subjects who respond to our public consultation papers and/or white papers, how we process those Personal Data, to whom those Personal Data may be transferred to, how we protect those Personal Data, and Data Subject rights under applicable data protection laws. For those Data Subjects from certain jurisdictions specifically referred to in this Notice, there may be additional rights and provisions that apply depending on their location and status, which are further stated in the relevant **Addendum** to supplement the generally applicable provisions of this Notice. By providing your Personal Data to HKEX in responding to our public consultation papers and/or white papers, you acknowledge that you understood this Notice.

We may revise this Notice from time to time to reflect any relevant developments relating to our business or operations that may impact upon our processes, functions or activities referred in this Notice, or due to changes in any applicable laws or regulations (as the case may be). To the extent required under applicable data protection laws, we will notify Data Subjects of material changes of this Notice and, if/where required, seek their consent.

If HKEX is not provided with correct or complete Personal Data, we may not be able to ensure that the correct details are published or contact respondents if we have queries about their comments. We may also be unable to process requests relating to your rights as a Data Subject under the applicable data protection laws.

The Notice is available in English and Chinese versions. In the event of any conflicts or discrepancies between these different language versions, the English version shall prevail.

1. What Personal Data do we collect? How do we collect it?

Information directly submitted by or collected from you:

- Identity data such as name and position in a company;
- Contact data such as phone number and email address;
- Opinion data such as your response to the consultation paper and/or white paper; and
- Communications data such as subsequent correspondence with you to clarify your comments or to confirm your identity data.

Specifically, for further information on our Personal Data collection for Data Subjects in Chinese Mainland, please see **Addendum 1**; and for Data Subjects who are California residents, please see **Addendum 2**.

2. Legal Basis

The "Legal Basis" is what data protection laws set out as the lawful reasons for processing Personal Data, such as a legitimate interest to operate our business so long as it does not materially and adversely impact your interests, rights, and freedoms.

Legal Basis	Purpose
Legitimate Interests	• Opinion data as part of the consultation process to understand the market/ public response to the proposal(s) set out in the consultation paper and/or white paper. • Identity and contact data to verify and clarify responses. • Identity data where consent has been provided for external publication.
Public Interest	• We may also process your personal data on the basis that it is necessary for the performance by HKEX of a task in the public interest.
Consent	• Separate consent required for Data Subjects in Chinese Mainland, please see **Addendum 1**.
Legal or Regulatory Obligations	• Discharge the functions of HKEX and any company of which HKEX is the recognised exchange controller. • Comply with a court order, subpoena or other legal process. • Comply with a request by a government authority, law enforcement agency or similar body. • Comply with laws applicable to us including domestic data protection laws.

3. Do we disclose Personal Data to third parties or transfer it to another jurisdiction?

HKEX discloses Personal Data to third parties that may facilitate our processes, functions or activities for or relating to our consultation papers and/or white papers, including without limitation the following:

- Affiliates of Hong Kong Exchanges and Clearing Limited;
- Our contractors or vendors who provide telecommunications, IT security, or other technical assistance;
- Our vendors who facilitate the availability of online forms;
- Our vendors who provide strategy or other consultancy services in respect of our businesses; and
- Our agents, contractors or vendors who provide administrative support to us.

To fulfil our legal obligations, we may also share your Personal Data with courts, regulatory authorities, government and law enforcement agencies, and other public authorities.

Further details about these third parties may be provided upon request to the address in the "**Contact Us**" section. We endeavour to provide such information to the extent we are required to do so under applicable data protection laws.

Where required under applicable data protection laws, we will only disclose Personal Data to third parties with your prior consent. In certain jurisdictions, we may also be required to take additional measures prior to giving effect to such transfers (e.g. carrying out privacy impact assessments prior to the transfer).

HKEX may process Personal Data outside of Data Subject's home jurisdiction, including sharing Personal Data with third parties referred above. HKEX shall use reasonable endeavours to ensure that the laws and regulations of the destination jurisdiction shall offer the same or comparable level of protection for Personal Data. Where this is not the case, we shall ensure appropriate safeguards are in place at the time of the transfer by implementing standard contractual clauses or other data transfer mechanism approved by the authorities of the relevant jurisdiction. Where required under applicable data protection laws, we shall also carry out additional measures for the offshore transfer such as carrying out a privacy impact assessment.

The regions where Personal Data may be hosted or transferred to will vary from time to time, but typically include Hong Kong, the UK, US, EU, Switzerland, Singapore, Japan, India, and Chinese Mainland. Further details on the processing locations and our measures for safeguarding international transfers of Personal Data (including adequacy decisions) may be obtained upon request to the address in the "**Contact Us**" section.

4. How long do we keep the Personal Data?

Your Personal Data will be retained by us for as long as is necessary to fulfil the purposes required for the processing outlined in this Notice and, in any event, retained in accordance with our internal policies and applicable law. HKEX will also refer to the following factors when determining or confirming the appropriate retention period of Personal Data:

- original purpose of collection;
- termination of any contract involving the Data Subject's Personal Data;
- limitation period as defined in the applicable law;
- existence of any legal or regulatory investigations or legal proceedings;
- specific laws or regulations setting out HKEX's functions, obligations, and responsibilities;
- retention period set out in non-statutory guidelines issued by our regulators or international bodies;
- sensitivity of the Personal Data and the degree of risk from the associated processing activity.

We will retain Personal Data in accordance with our prevailing internal policies and/or standards, including our Group Personal Data Retention Standard. Further details of our Personal Data retention period may be obtained upon request to the address in the "**Contact Us**" section.

Where any Personal Data is no longer necessary for the purposes for which it is collected, we shall cease the processing of that Personal Data as soon as reasonably practicable (although all or part of that Personal Data may continue to be retained as necessary for archival purposes, use in any actual or potential dispute, or compliance with any applicable laws, as the case may be), and take reasonable measures to delete or destroy the relevant Personal Data.

5. How do we keep your Personal Data secure?

We will take all practicable and reasonable steps to promote the security of the Personal Data we process in a manner consistent with applicable data protection laws and established international security standards, including physical, technical and administrative safeguards to help prevent unauthorised access, collection, use, disclosure, copying, modification, disposal or similar risks, such as Personal Data storage in a secure operating environment with restricted access, and relevant third parties being required to apply appropriate safeguards.

Where we occasionally provide links to any third-party websites (if any), this Notice will not apply, and we recommend that you check their respective privacy statements to understand how your Personal Data will be governed.

6. Rights over your Personal Data

As a summary, certain Data Subject rights may be exercised to the extent provided under applicable data protection laws that apply to you:

- confirm whether we hold your Personal Data and the type of your Personal Data held by us;
- access a copy of your Personal Data held by us;
- delete your Personal Data held by us;
- correct or supplement your Personal Data where it is found to be inaccurate or incomplete;
- restrict the processing performed on your Personal Data in certain circumstances;
- object to our use, or withdraw your consent to our processing, of your Personal Data relating to certain circumstances;
- transfer your Personal Data processed by us by automated means back to you or to another party in machine-readable format.

In certain jurisdictions, Data Subjects may be provided with additional rights. For Data Subjects in Chinese Mainland, please see **Addendum 1**; for Data Subjects who are California residents, please see **Addendum 2**; for Data Subjects in the UK or EU, please see **Addendum 3**; and for Data Subjects in Singapore, please see **Addendum 4**.

Where these rights apply, we shall use reasonable endeavours to fulfil the request or provide an explanation. If you withdraw your consent to the processing of your Personal Data, this will not affect any processing which has already taken place based on that consent. Please note that under applicable data protection laws, we may be limited in what Personal Data we can disclose which is also for the protection of your Personal Data.

We will endeavour to respond to you as soon as possible and, in any event, within the timeframe stipulated under applicable data protection law. In the event of a potential delay, we will provide an explanation and expected timeframe for delivery. Under applicable data protection law, we may also be required to charge a reasonable fee for the cost of processing the request.

Please note that we may need to seek confirmation of identity or clarification in order to fulfil the request. If you as the Data Subject would like to appoint an authorised agent to make a request on your behalf, we may require you to verify your identity with us directly before we provide any requested information to your authorised agent unless your authorised agent has power of attorney or acts as a conservator. Information collected for purposes of verifying your request will only be used for verification. For deletion requests under applicable data protection laws that apply to you, you will be required to submit a verifiable request for deletion and then confirm separately that you want Personal Data about you to be deleted.

If you would like to exercise your Data Subject rights, please contact HKEX Group Data Protection Office under the "**Contact Us**" section.

7. Contact Us

If you have any questions or comments relating to the content of this Notice, report any concerns about our Personal Data processing, or if you would like to exercise your Data Subject Rights, please contact us through any of the channels below:

By post:	Group Data Protection Officer HKEX Group Data Protection Office Hong Kong Exchanges and Clearing Limited 8/F., Two Exchange Square 8 Connaught Place Central Hong Kong
By email:	DataPrivacy@hkex.com.hk

Specifically, for Data Subjects in the UK or EU, please refer to the applicable contact channels as set out in **Addendum 3**.

Please include the following details in any request to exercise your Data Subject Rights (**required field*):

Identity of Data Subject:	• Full Name* • Company Name (if applicable) • Email Address* • Address of principal residence • Contact details held on file or document(s) to verify identity* • Identity particulars of the authorised agent (if acting on behalf of Data Subject)
Nature of the Request:	• Specific Right* • Product or Service to which the Data Subject has subscribed* • Purpose of the Request* • Preferred communication channel and address for receiving the results of the request* • Document(s) to support the rights request

Any Data Subject who has contacted us to express concerns about the way we manage their Personal Data and is of the view that we have not addressed the matter satisfactorily, may also contact the relevant privacy regulator to resolve the matter or seek assistance. If/where applicable, please see the relevant Addendum for further details.

Last updated: 24 August 2026

Annex

This Notice relates to privacy practices of our group entities, including but not limited to those listed below. Further details of the full list of our group entities and their contact details may be obtained upon request to the address in the "**Contact Us**" section.

- The Stock Exchange of Hong Kong Limited
    - The Stock Exchange Of Hong Kong Limited Singapore Branch
- Hong Kong Futures Exchange Limited
    - Hong Kong Futures Exchange Limited Singapore Branch
- Hong Kong Securities Clearing Company Limited
- HKFE Clearing Corporation Limited
- The SEHK Options Clearing House Limited
- OTC Clearing Hong Kong Limited
- HKEX Information Services Limited
- HKEX Information Services (China) Limited
- HKEX (China) Limited
- HKEX Investment (China) Limited
- HKEX Investment (Hong Kong) Limited
- Qianhai Mercantile Exchange Co. Limited
- HKEX (U.S.) LLC
- Integrated Fund Platform Limited
- HKEX (Middle East) Limited
- Core Climate Global Limited
- Sustainable and Green Exchange Limited

Addendum

Addendum 1 – Addendum for Data Subjects in Chinese Mainland

In addition to the generally applicable provisions in the Notice, this addendum sets out additional information for the corresponding sections that specifically apply to Data Subjects in Chinese Mainland:

Section 1 – What Personal Data do we collect? How do we collect it?

Information directly submitted by or collected from you:

- to verify your identity, we may process your name, position, phone number, and email address;
- to communicate with you, we may process your name, position, phone number, and email address;
- to register your response in our records or change your response upon your request, we may process your name, position, answers and reasons for those answers; and
- to prepare our publication material, we may process and publish your name and position (where your consent has been provided), and your answers and reasons for those answers.

Section 2 – Legal Basis

Without affecting other provisions in Section 2 of the Notice, the specific row on consent as the applicable legal basis for processing of Personal Data of Data Subjects in Chinese Mainland will read as follows:

Legal Basis	Purpose
Consent	• Separate consent: required if you are a Data Subject in Chinese Mainland and we need to share your Personal Data with a third party, publicly disclose it, or transfer it outside of Chinese Mainland.

Section 6 – Rights over your Personal Data

Additional rights for Data Subjects in Chinese Mainland:

- Explain the rules of processing Personal Data;
- Extend Data Subject rights to a surviving next-of-kin where the applicable laws permit;
- Transfer Data Subject's Personal Data to his/her designated party, where the applicable laws permit.

Addendum 2 – Addendum for Data Subjects who are California residents

To the extent that the California Consumer Privacy Act and California Privacy Rights Act apply, in addition to the generally applicable provisions in the Notice, this addendum sets out additional information for the corresponding sections that specifically apply to Data Subjects who are California residents:

Section 1 - What Personal Data do we collect? How do we collect it?

The types of Personal Data we collect (and have collected in the past 12 months) includes the categories listed below, as defined by California state law:

Category	Source	Purpose of Processing
Personal identifiers such as your name and email address	Collected directly from you	For verification of identity, clarification of comments, record keeping and/or publication
Information About You including your name, position, and telephone number		

Section 6 – Rights over your Personal Data

Additional rights for Data Subjects who are California residents:

- Request that we disclose the categories of third parties with whom we have shared the information and the categories of Personal Data that we have shared with third parties for a business purpose (if any).

We are only obligated to respond to Personal Data requests from the same Data Subject up to two times in a 12-month period.

Addendum 3 – Addendum for Data Subjects in the UK or EU

In addition to the generally applicable provisions in the Notice, this addendum sets out additional information for the corresponding sections that specifically apply to Data Subjects in the UK or EU:

Section 6 – Rights over your Personal Data

Additional rights for Data Subjects in the UK or EU:

- Object to certain processing: you have the right to object to processing to the extent we process your Personal Data because such processing is based on our legitimate interests.

Section 7 – Contact Us

For Data Subjects in the UK or EU, if you have any questions or comments relating to the content of this Notice, report any concerns about our Personal Data processing, or if you would like to exercise your Data Subject Rights, please contact us through your applicable channel below:

UK Representative:	10 Finsbury Square, London, EC2A 1AJ, United Kingdom
EU Representative:	Pursuant to Article 27 of the General Data Protection Regulation (GDPR), HKEX has appointed European Data Protection Office (EDPO) as its GDPR Representative in the EU. You can contact

	EDPO regarding matters pertaining to the GDPR: • by using EDPO's online request form: https://edpo.com/gdpr-data-request/ • by writing to EDPO at Avenue Huart Hamoir 71, 1030 Brussels, Belgium

As already mentioned above in Section 7, any Data Subject who has contacted us to express concerns about the way we manage their Personal Data and is of the view that we have not addressed the matter satisfactorily, may also contact the relevant privacy regulator to resolve the matter or seek assistance.

The privacy regulator in the United Kingdom is the Information Commissioner, who may be contacted at https://ico.org.uk/make-a-complaint/ or by post to: Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF, United Kingdom.

If you live outside of the UK, you may contact the relevant data privacy regulator in your country of residence.

Addendum 4 – Addendum for Data Subjects in Singapore

In addition to the generally applicable provisions in the Notice, this addendum sets out additional information for the corresponding section that specifically applies to Data Subjects in Singapore:

Section 6 – Rights over your Personal Data

Additional rights for Data Subjects in Singapore:

- In certain circumstances, receive information about the ways in which Personal Data has been or may have been used or disclosed by us in the year before the date of the request.

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