



HKEX Listing Rules Consultation 2026: Phase 2 Reforms

On 21 September 2026, the Hong Kong Stock Exchange (the **HKEX**) published its [Consultation Paper on the Listing Framework Competitiveness Review \(Phase 2\)](#) (the **Consultation Paper**). The Consultation Paper forms the second phase of the HKEX's review of Hong Kong's listing framework. The first phase, which was the subject of a consultation paper published on 13 March 2026 and consultation conclusions published on 24 July 2026, focused on broadening the range of companies eligible and suitable for listing in Hong Kong. For details of the resulting amendments to the HKEX Listing Rules, please see our newsletter "[Revised HKEX Listing Rules Take Effect on 24 July 2026](#)".

The second phase turns to the post-listing regulatory framework governing corporate transactions of listed issuers. The Consultation Paper proposes targeted reforms to the requirements applicable to notifiable transactions under Chapter 14 of the Main Board Listing Rules (the **MB Rules**) (Chapter 19 of the GEM Listing Rules (the **GEM Rules**)), connected transactions under MB Rules Chapter 14A (GEM Rules Chapter 20) and spin-offs under MB Practice Note 15 (GEM Practice Note 3) (**PN15**). The stated objective is to afford listed issuers greater flexibility to conduct corporate transactions in pursuit of business growth and expansion, while maintaining robust investor protection. In formulating its proposals, the HKEX has had regard to developments in other major markets, in particular the 2024 reforms of the UK listing regime, which moved away from a prescriptive, transaction-approval model towards a more disclosure-based framework.

The HKEX proposes that the amendments would take effect shortly after publication of the consultation conclusions. Responses to the Consultation Paper should be submitted to the HKEX on or before **Monday, 30 November 2026** using the online questionnaire available on the HKEX website.

I. PROPOSED CHANGES TO HKEX NOTIFIABLE TRANSACTION RULES

The existing notifiable transaction requirements, including the definition of transaction, the percentage ratios and the materiality thresholds, were largely adopted in 2004. Since then, the number of listed issuers has grown to 2,686 (as at the end of 2025) and the issuer base has diversified considerably. In 2024 and 2025, listed issuers announced over 2,200 and 2,100 notifiable transactions respectively, of which approximately 18% were major (or above) transactions requiring shareholders' approval, almost all of which were approved. Against this background, and in response to market feedback that aspects of the Hong Kong regime are more stringent than those of other markets, the HKEX proposes to recalibrate the percentage ratios, materiality thresholds and associated disclosure and approval requirements.

1. Changes to the Percentage Ratios for Classifying Notifiable Transactions

Listed issuers currently classify transactions by reference to five percentage ratios under MB Rule 14.07 (GEM Rule 19.07): the assets ratio, the revenue ratio, the profits ratio, the consideration ratio and the equity capital ratio.

1.1 HKEX Proposes to Remove Profits Ratio

The HKEX proposes to remove the profits ratio, so that listed issuers would measure the impact of a transaction using the remaining four percentage ratios, namely the assets ratio, the revenue ratio, the consideration ratio and the equity capital ratio.

As a consequential change, the profits ratio would no longer be referenced in assessing a subsidiary's materiality for the purposes of the definitions of "insignificant subsidiary" (MB Rule 14A.09 (GEM Rule 20.08)) and "principal subsidiary" (MB Rule 17.14 (GEM Rule 23.14)), or in the disclosure requirements relating to the winding-up and liquidation of a subsidiary (MB Rules 13.25(1) and (2) (GEM Rules 17.27(1) and (2))).

The HKEX's rationale for the change is that the profits ratio is the ratio most likely to produce anomalous results, particularly where the target or the listed issuer has recorded losses or where the issuer's results are affected by exceptional factors. The change also aligns the notifiable transaction regime with the connected transaction regime, under which the profits ratio does not apply, and is consistent with the UK's abolition of the profits test in 2024.

1.2 Introduction of an Alternative Computation to the Consideration Ratio

The consideration ratio is currently calculated by dividing the consideration by the listed issuer's total market capitalisation, being the average closing price of its listed securities for the five business days immediately preceding the date of the transaction. The HKEX proposes to allow listed issuers to compare the consideration for the transaction with the **higher** of:

- (a) their market capitalisation (i.e. the existing basis); and
- (b) their net asset value, being the equity attributable to the owners of the issuer as shown in its accounts or latest published interim report, whichever is more recent (the **NAV ratio**).

The net asset figure would exclude non-controlling interests. The modified consideration ratio would also apply to connected transactions (see Part II.2 below).

The NAV ratio is intended to address a side effect of the 2004 change to the consideration ratio, which moved it from a net asset to a market capitalisation basis. That change helped issuers with negative or minimal net asset values, but it also meant that transactions by asset-heavy issuers whose shares are undervalued could be caught even when they were not material to the issuer's financial position. In 2024 and 2025, 1,388 and 1,223 transactions respectively were classified as discloseable or above solely because of the consideration ratio.

The HKEX estimates that, taken together, the removal of the profits ratio and the introduction of the NAV ratio would have resulted in 194 (2024) and 169 (2025) transactions no longer being classified as major (or above) transactions. The HKEX does not consider that this would adversely affect market transparency, since issuers would remain subject to the statutory obligation to disclose inside information under Part XIVA of the Securities and Futures Ordinance (the **SFO**), and transactions that remain notifiable will be subject to enhanced announcement disclosure.

2. Proposed Transaction Classifications and Materiality Thresholds

Under the current regime, a transaction is classified as a share transaction where all percentage ratios are less than 5%, a discloseable transaction where any percentage ratio is 5% or more but less than 25%, a major transaction where any percentage ratio is 25% or more (but less than 75% for a disposal or less than 100% for an acquisition), a very substantial disposal (a **VSD**) where any percentage ratio is 75% or more and a very substantial acquisition (a **VSA**) where any percentage ratio is 100% or more. Major transactions, VSAs and VSDs require an announcement, a circular and shareholders' approval, while discloseable and share transactions require an announcement only.

2.1 Major Transaction Threshold Raised from 25% to 50%

The HKEX proposes to increase the threshold for classifying a transaction as a major transaction from 25% to 50% (subject to the exception described in section 2.2 below).

Transactions where any percentage ratio is 25% or more but less than 50% would be reclassified as discloseable transactions and would therefore be subject to the announcement requirement only, without the need for a circular or shareholders' approval. However, the announcements would, as for all notifiable transactions, be subject to the enhanced disclosure requirements described in section 4 below, including key financial information on the target and an explanation of the impact of the transaction on the listed issuer.

In addition, for discloseable transactions where any percentage ratio is 25% or more but less than 50% which involve properties, mineral assets or infrastructure projects, the listed issuer would also have to disclose the relevant expert report(s) and expert statements 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), as applicable. Consistent with the existing approach, if this information is not available at the time of the initial announcement, it may be published in a subsequent announcement before completion, provided that the initial announcement states the expected date of publication.

The HKEX explains in the Consultation Paper that although shareholders' approval is an important safeguard, the veto has rarely been exercised in practice, while the circular and approval process imposes additional costs and time (including for the preparation of accountants' reports) and creates execution uncertainty, which can place issuers at a disadvantage in competitive or time-sensitive transactions. A 50% threshold would continue to capture disposals of at least half of an issuer's existing business and acquisitions that would represent a substantial portion of it. The HKEX acknowledges that transactions in the 25% to 50% band would no longer require an accountants' report on the target or the related pro forma financial information and management discussion and analysis, which are currently required to be included in the circular. However, announcements would be required to disclose the target's audited financial information (where available) and the source and basis of preparation of the financial information disclosed (see further at section 4 below). The HKEX also considers that concerns as to the reliability of financial information, given the removal of the accountants' report requirement for these transactions, can be addressed by directors' fiduciary duties to conduct adequate due diligence on the target.

The HKEX estimates that the increased threshold alone would have resulted in 132 (2024) and 127 (2025) transactions being reclassified from major to discloseable transactions. Taking into account the changes to the percentage ratios described in section 1 above, only 130 of 419 (2024) and 123 of 366 (2025) major (or above) transactions would have remained major transactions.

2.2 25% Threshold Retained for Financial Assistance and Securities or Other Investment Activities

The proposed increased 50% threshold for major transactions would not apply to transactions involving the provision of financial assistance and/or securities or other investment activities, for which the major transaction threshold would remain at **25%**. For this purpose, "securities or other investment activities" would include acquisitions or disposals of (i) securities, or (ii) wealth management products, digital assets and other investment products, that are or will be held for investment or treasury management purposes. The existing exemptions for financial assistance and securities transactions conducted by banking companies, securities houses and insurance companies in their ordinary and usual course of business would continue to apply.

Where a transaction comprises both a component to which the 50% threshold applies and a component involving financial assistance and/or securities or other investment activities to which the 25% threshold applies, the HKEX will apply the percentage ratios to each component separately and classify the transaction by reference to the component resulting in the higher classification.

The reason for retaining the 25% threshold for this category of transactions is that the HKEX considers them to be inherently higher risk. It notes that these transactions have more commonly been associated with regulatory concerns, including the facilitation of shell activities and inappropriate capital deployment. The HKEX has also observed an increase in cases of issuers granting loans and advances without proper consideration, risk assessment or monitoring, and an increasing trend of frequent or substantial securities trading and financial investment activities outside issuers' principal businesses.

2.3 Removal of VSA and VSD Transaction Classifications

Subject to the proposed alignment of circular disclosure requirements described in section 5 below, the HKEX proposes to remove the VSA and VSD classifications, so that transactions currently classified as VSAs or VSDs would be classified as major transactions. Two existing safeguards would, however, be preserved:

- (a) written shareholders' approval in lieu of a general meeting would continue to be allowed for major transactions, except where any percentage ratio is 100% or more (for acquisitions) or 75% or more (for

disposals and other transactions, such as the provision of financial assistance); and

- (b) for any acquisition where any percentage ratio is 100% or more, the accountants' report in the circular must be issued by a PIE Auditor, in line with the current requirements of the Accounting and Financial Reporting Council Ordinance (Cap. 588).

As a consequence, the requirement for announcements of VSAs and VSDs to be pre-vetted by the HKEX under MB Rule 13.52(2) (GEM Rule 17.53(2)) would fall away.

Removing the VSA and VSD classifications, together with the alignment of circular content, is intended to simplify the classification framework. Retaining the restriction on written shareholders' approval aims to ensure that transactions sufficiently material to affect an issuer's business or financial position continue to be approved at a general meeting. The removal of pre-vetting is consistent with the HKEX's shift to post-vetting since 2009 and is intended to promote the timely dissemination of information. Issuers can continue to seek guidance from the HKEX where appropriate.

The proposed transaction classifications and threshold requirements are summarised in the table below.

Classification	Percentage ratio	Announcement	Circular	Shareholders' approval
Share transaction	Less than 5%	Yes	No	No
Discloseable transaction	Transactions involving financial assistance and/or securities or other investment activities: 5% or more but less than 25% Other transactions: 5% or more but less than 50%	Yes (Note 1)	No	No
Major transaction	Transactions involving financial assistance and/or securities or other investment activities: 25% or more Other transactions: 50% or more	Yes (Note 1)	Yes (Note 2)	Yes (Note 3)

Note 1: Where any percentage ratio is 25% or more, the expert report(s) and expert statements required for properties, mineral assets or infrastructure projects must also be disclosed, if applicable.

Note 2: Where any percentage ratio is 100% or more, the accountants' report on the company or business being acquired must be issued by a PIE Auditor.

Note 3: Written shareholders' approval in lieu of shareholders' approval in general meeting is not acceptable where any percentage ratio is 100% or more (for an acquisition) or 75% or more (for other transactions).

3. Transactions in the Ordinary and Usual Course of Business

Transactions of a revenue nature in a listed issuer's ordinary and usual course of business are excluded from the definition of "transaction". However, transactions of a capital nature, such as acquisitions or leasing of fixed assets, are captured even where conducted in the ordinary and usual course of business. At present, relief is available only for specific categories of capital transactions, namely Qualified Property Acquisitions and Qualified Aircraft Leasing Activities.

3.1 New Ordinary Course of Business Exemption for Asset Acquisitions or Leasing

The HKEX proposes to exempt acquisitions or leasing of assets by a listed issuer in its ordinary and usual course of business which constitute major transactions from the **circular and shareholders' approval requirements**, subject to the following conditions:

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

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

The exemption would also be available where the assets are acquired or leased through a wholly-owned special purpose vehicle established solely to hold the assets for use in the issuer's ordinary and usual course of business. Otherwise, it would not apply to acquisitions or disposals of companies, businesses or securities, the formation of joint ventures (including joint ventures formed to acquire or lease capital assets for their own business), the provision of financial assistance, or securities or other investment activities. The existing exclusion for the formation of single-purpose joint ventures of a revenue nature under MB Rule 14.04(1)(f) (GEM Rule 19.04(1)(f)) would continue to apply.

Transactions relying on the exemption would remain subject to the announcement requirement. The announcement would be required to contain the information required for notifiable transaction announcements, the board's confirmation described above, information demonstrating that the conditions of the exemption are met and, where applicable, the expert report(s) and expert statements required for properties, mineral assets or infrastructure projects.

The proposed exemption would apply to acquisitions or leasing of fixed assets conducted by listed issuers to maintain or expand their existing principal businesses. The Consultation Paper gives the following non-exhaustive examples of transactions that may fall within the exemption: the acquisition of a vessel by a shipping company to optimise its fleet; the acquisition of an aircraft by an airline to expand fleet capacity; the acquisition of a land development right by a property developer; the acquisition of real estate for rental income by a property investment company; the acquisition or renewal of a mining right by a mining issuer; and the construction of a processing plant by a coal mining issuer.

In the Consultation Paper, the HKEX refers to listed issuers' obligations under the Corporate Governance Code (particularly Code Provision D.2 on risk management and internal control), and states that boards relying on the exemption would be expected to ensure that sufficient controls are in place to verify that the transaction is undertaken to maintain or expand the existing principal business and to prevent misuse of the exemption. Where any director raises material concerns (for example, as to whether the transaction is in the ordinary course of its business, its commercial rationale or its terms, such as its size relative to the issuer's operational needs, or the basis of the price), the board should seek to resolve them before entering into the transaction, and the announcement should explain the basis on which the transaction falls within the exemption, including its rationale, expected benefits and material risks. Where a reported principal business appears to have limited operations or substance, the HKEX will assess the substance of the issuer's operations as a whole. The HKEX has also invited views on whether announcements should disclose any dissenting views expressed by directors (see the Consultation Paper's question 9).

The exemption is intended to give listed issuers greater flexibility to plan and manage capital expenditure. Although these transactions may be material, the HKEX notes that they are carried out in the ordinary and usual course of business and do not change the nature of the issuer's principal business. The two-year track record condition is designed to prevent issuers from relying on the exemption in respect of newly established or acquired businesses about which investors have little or no information, and transactions that would fundamentally alter an issuer's business would remain subject to the circular and shareholders' approval requirements. The HKEX estimates that approximately 120 (29%) and 60 (17%) of the major (or above) transactions announced in 2024 and 2025 respectively would have fallen within the exemption.

3.2 Changes to the Qualified Property Acquisition Exemption for Property Developers

A Qualified Property Acquisition is an acquisition of land or a property development project in Hong Kong from the Government, or 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 (a **Qualified Issuer**). Such acquisitions which constitute major transactions or above are currently exempt from shareholders' approval if they are conducted, solely or jointly, in the Qualified Issuer's ordinary and usual course of business, but remain subject to the announcement and circular requirements (save that no valuation report is required). In light of the proposed new exemption for acquisitions or leasing of assets by listed issuers in their ordinary and usual course of business, the HKEX proposes to modify the specific exemption for Qualified Property Acquisitions to:

- (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);

- (b) remove the specific exemption for Qualified Property Acquisitions undertaken by a Qualified Issuer on a sole basis, as these acquisitions will be able to instead rely on the new general exemption for acquisitions or leasing of assets; and
- (c) retain the specific exemption for Qualified Property Acquisitions undertaken by Qualified Issuers jointly with other parties, and extend it to exempt these transactions from the circular requirement in addition to the shareholders' approval requirement.

The existing exemption from the property valuation requirement would continue to apply to Qualified Property Acquisitions.

The proposals aim to streamline the Qualified Property Acquisition exemption by bringing sole acquisitions within the new exemption, while preserving a tailored exemption for joint acquisitions given their distinct commercial characteristics. The two-year requirement aims to reduce the risk of abuse based on newly established or recently acquired activities. Since the circulars for these transactions largely restate information already disclosed in the announcements, the HKEX considers that removing the circular requirement would reduce duplication without undermining investor protection. Issuers are nevertheless reminded that all material information, including all material terms of the transaction documents, should be disclosed as soon as practicable and, where available, in the initial announcement.

4. Announcement Requirements for Notifiable Transactions

4.1 Enhanced Disclosure Requirements for Notifiable Transaction Announcements

An initial announcement of a notifiable transaction must currently contain the information prescribed under MB Rules 14.58 to 14.60 (GEM Rules 19.58 to 19.60), including the identity and principal business of the counterparty, the consideration and the basis on which it was determined, the value of the assets, the net profits attributable to the assets for the two preceding financial years, and the reasons for and benefits of the transaction. The HKEX proposes to expand the contents of initial announcements for all notifiable transactions, irrespective of size, by requiring them to additionally include:

- (a) the material terms and conditions of the transaction (for example, material undertakings, indemnities or representations and warranties included in the agreements);
- (b) an adequate explanation of the basis of the consideration, including details of any independent valuation on which the consideration was primarily based;
- (c) key financial information of the target for the two financial years immediately preceding the transaction, including revenue, assets and liabilities (on both 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 (such as gross profits) and an adequate explanation for shareholders of its performance during those financial years and any material subsequent changes, in addition to the existing requirement to disclose the value of the assets the subject of the transaction and the net profits attributable to them for the two preceding financial years;
- (d) an explanation of the impact of the transaction on the listed issuer, including qualitative and quantitative analysis of any material effect on its profits and losses, assets and liabilities, liquidity and financial resources, financial and trading prospects and strategic direction, together with the principal factors and assumptions underlying that effect;
- (e) information on the issuer's interest in the target after the transaction, where the target will become or cease to be a subsidiary;
- (f) where securities are issued, transferred out of treasury or listed as part of the transaction, the principal terms of the securities, the relevant listing and public float details and whether the transaction would result in a change of control of the issuer; and
- (g) a directors' responsibility statement confirming the accuracy and completeness of the information in the announcement.

Several of these items are currently required only in transaction circulars. In relation to the target's financial information, the issuer would be required to disclose the target's audited financial information where available. Where audited information is not available for either or both of the two preceding financial years, the announcement

must include an explanation by the issuer's board of why that is the case, the basis on which the directors consider it reasonable to proceed on the basis of unaudited information, and the reliability of that information. In all cases, the issuer would have to disclose the source of the financial information (for example, unaudited management accounts) and the basis on which it was prepared (including, for example, the applicable accounting standards and any adjustments or assumptions applied). These requirements will be reflected in the revised Listing Rules.

The Consultation Paper notes that the explanation of the transaction's impact is not expected to take the form of line-by-line pro forma financial statements under MB Rule 4.29 (GEM Rule 7.31); the HKEX will issue further guidance on the expected disclosure in due course. The HKEX also expects that where a transaction is entered into on the basis of unaudited information, the board should take the steps necessary to verify and assess the reliability of that information, including seeking the views of its independent non-executive directors (**INEDs**), and make such further enquiries or due diligence as it considers appropriate. However, no Listing Rule obligations are imposed in this respect. Question 12 to the Consultation Paper asks whether this expectation is sufficient or whether specific disclosures, governance arrangements or controls should be required where issuers rely on unaudited information.

The proposals are designed to ensure that investors receive, at the announcement stage, key information including the target's financial information and an understanding of how the transaction is expected to affect the issuer.

4.2 Additional Situations Requiring Further Announcement

Listed issuers are currently required to publish a further announcement where a previously announced transaction is terminated, or where there is a material variation of its terms or a material delay in completion (MB Rule 14.36 (GEM Rule 19.36)). The HKEX proposes that further announcements should also be required in the following situations:

- (a) an extension of the long stop date of a transaction;
- (b) a change in the payment schedule (for example, where consideration is payable in tranches subject to performance targets);
- (c) where the consideration (including any deferred consideration) is not a fixed amount, the amount of the consideration when determined; and
- (d) completion of a notifiable transaction.

Each further announcement must also include a statement that there has been no material change affecting the terms of the transaction as previously disclosed. Beyond these specific circumstances, the HKEX expects issuers to keep the market informed by promptly publishing a supplemental announcement whenever further material information relating to a previously announced transaction becomes available.

5. HKEX's Circular Requirements for Major Transactions

5.1 Alignment of Circular Disclosure Requirements

With the removal of the VSA and VSD classifications, the HKEX proposes to align the circular disclosure requirements for all major transactions by broadly extending the existing VSA and VSD requirements to major transactions, with certain refinements.

(a) **Acquisitions – financial information**

The HKEX proposes to retain the requirements for: (i) an accountants' report on the target business or company together with the HKEX's discretion to relax the accountants' report requirement for transactions with all percentage ratios below 100% (or, on an acquisition of revenue-generating assets, a profit and loss statement on the net income stream and valuation of the target assets which must be reviewed by the auditors or reporting accountants); and (ii) pro forma financial information (a pro forma profit and loss statement, balance sheet and cash flow statement) of the enlarged group or, for revenue-generating assets, a pro forma profit and loss statement and net assets statement of the enlarged group.

(b) **Disposals – financial information**

The HKEX proposes to:

- (i) remove the requirement for auditors or reporting accountants to review the financial information of the disposal target;
- (ii) require disclosure of the financial information of the disposal target only (removing the option to present the issuer group's financial information with the disposal target shown separately); and
- (iii) limit the required disclosure for the disposal target to its profit and loss statement, balance sheet and cash flow statement rather than the full set of financial statements including the statement of changes in equity, as currently required for a VSD. The requirement for a pro forma profit and loss statement, balance sheet and cash flow statement of the remaining group would be retained. Major disposals of revenue-generating assets would require disclosure of: (i) a profit and loss statement on the net income stream and a valuation of the assets, which must be reviewed by the auditors or reporting accountants; and (ii) a pro forma profit and loss statement and net assets statement of the remaining group.

(c) Management discussion and analysis (MD&A)

The Consultation Paper proposes to retain the requirement to include an MD&A on the performance of the target company or business (for acquisitions) or of the remaining group (for disposals), and to remove the requirement for an MD&A on the issuer group and other acquisitions.

(d) Risk factors

A new requirement would be introduced for all major acquisition or disposal circulars to include material risk factors relating to the proposed transaction (including any atypical terms) and any new risks to the issuer group arising from the transaction.

(e) Information on the issuer group

The HKEX proposes to:

- (i) remove the requirement for an indebtedness statement of the issuer group;
- (ii) remove the requirement for a summary of material contracts entered into by the issuer within the two years preceding the circular; and
- (iii) allow general information relating to the issuer's directors and chief executive (including their interests, service contracts and competing interests) to be incorporated by reference from other documents published by the issuer. This proposal would also apply to connected transaction circulars.

(f) Independent valuation reports

Where the consideration or other material terms of a transaction are primarily based on an independent valuation, the requirement for the circular to include the valuation report, which is currently set out in guidance,¹ would be codified.

The existing requirements for a statement of the financial and trading prospects of the issuer group for at least the current financial year, disclosure of any material adverse change since the latest audited accounts and a working capital sufficiency statement covering at least 12 months would remain unchanged.

The proposals are presented as an integrated package intended to focus circulars on information that is material and relevant to shareholders' assessment of the transaction, such as the target's financial information, risk factors and the effect of the transaction, while removing requirements that it considers to impose disproportionate burden.

5.2 Circular Disclosure Exemption for Revenue-generating Asset Acquisitions

The HKEX has previously granted waivers from the requirements to include in the circular: (i) a profit and loss statement of revenue-generating assets being acquired (for example, properties held for leasing); and (ii) a pro forma profit and loss statement of the enlarged group. The HKEX proposes to codify these waivers as an exemption, subject to the following conditions:

¹ HKEX-GL116-23 "[Disclosure of the basis of consideration and business valuations in notifiable transactions](#)"

- (a) the consideration for the acquisition is determined primarily on the basis of an independent valuation of the asset, and not its historical net profit or loss; and
- (b) the circular contains:
 - (i) details of the valuation;
 - (ii) alternative qualitative and quantitative disclosure of the historical financial performance of the asset, which enables investors to assess the effect of the transaction on the issuer's earnings, assets and liabilities; and
 - (iii) a statement by the board that the terms of the transaction are fair and reasonable and in the interests of the issuer and its shareholders as a whole.

6. Notifiable Transactions Exemption Extended to PRC Securities Houses

Acquisitions and disposals of securities carried out in the ordinary and usual course of business by a securities house that is mainly engaged in regulated activities under the SFO are currently fully exempt from the notifiable transaction requirements, unless proprietary securities trading and/or investment activities constitute a significant part of its business. The HKEX proposes to extend this exemption to securities transactions carried out by a **PRC securities house** that is regulated under the Securities Law of the PRC and mainly engaged in businesses equivalent to regulated activities under the SFO.

The HKEX will determine on a case-by-case basis whether an issuer is mainly engaged in such activities, for example where 50% or more of its revenue is derived from them. The exemption would not be available where proprietary securities trading and/or investment activities constitute a significant part of the securities house's business, consistent with the existing approach. Transactions by securities houses regulated under other overseas legislation will be considered on a case-by-case basis, subject to the issuer demonstrating that the securities house is subject to prudential supervision comparable to that of the SFC.

The exemption is designed to reduce the compliance burden on issuers that are already subject to prudential supervision. The HKEX has previously granted a waiver on this basis to an issuer engaged in securities-related activities approved by the China Securities Regulatory Commission, recognising that compliance would create difficulties for the issuer given the high-frequency and time-sensitive nature of its securities transactions.

7. Effective Date and Transitional Arrangements for Notifiable Transactions

The amended HKEX Listing Rules would take effect on the effective date specified in the consultation conclusions (the **Effective Date**), which is expected to be shortly after their publication. The new HKEX Listing Rules would apply to notifiable transactions with terms agreed on or after the Effective Date, subject to the following arrangements:

- (a) **Grace period for enhanced announcement disclosure:** for notifiable transactions announced during the one-month period beginning on the Effective Date, any additional information required under the amended HKEX Listing Rules which is not readily available when the initial announcement is published may be disclosed in a supplemental announcement (or, where applicable, a circular) as soon as practicable and in any event **within one month** of the initial announcement.
- (b) **Transactions with terms agreed before the Effective Date:** (subject to (c) below) these would continue to be governed by the existing HKEX Listing Rules, and issuers should not re-classify them by reference to the amended Rules.
- (c) **Transactions agreed within two weeks before the Effective Date:** for a major transaction, VSA or VSD whose terms were agreed within two weeks before the Effective Date and for which the circular has not been issued before the Effective Date, the issuer may, by reference to the percentage ratios originally computed, opt to:
 - (i) publish an announcement, in lieu of obtaining shareholders' approval, stating that the transaction would have been exempt from shareholders' approval under the amended HKEX Listing Rules, and setting out any additional information required for notifiable transactions under the amended HKEX Listing Rules that was not included in its initial announcement, no later than **one month** after the initial announcement;

- (ii) where the transaction would remain subject to shareholders' approval under the amended HKEX Listing Rules, apply the circular and shareholders' approval requirements based on the transaction's classification under the amended Listing Rules; or
- (iii) rely on the new exemption for acquisitions or leasing of assets in the ordinary and usual course of business, where applicable, by publishing an announcement detailing how the exemption's conditions are met.

These options are subject to the terms of the relevant contractual arrangements, constitutional documents and applicable law. They would not be available where the initial announcement had not been issued before the Effective Date (for example, because it was still subject to pre-vetting), in which case the existing Listing Rules would continue to apply.

II. PROPOSED CHANGES TO HKEX CONNECTED TRANSACTION RULES

The HKEX considers that its connected transaction regime remains a critical component of the post-listing framework given the concentrated ownership structures of many Hong Kong listed issuers, and that ex ante safeguards remain a primary means of investor protection in Hong Kong. It therefore does not propose a fundamental revamp of the regime, but rather targeted refinements in areas where the risk of abuse is considered low.

1. "Connected Subsidiary" Threshold Raised from 10% to 30%

Under MB Listing Rule 14A.16 (GEM Listing Rule 20.14), a "connected subsidiary" is a non-wholly owned subsidiary of a listed issuer in which one or more connected persons at the issuer level can, individually or together, exercise or control the exercise of 10% or more of the voting power at its general meetings (disregarding any indirect interest held through the issuer), together with any subsidiary of such a subsidiary. Transactions between an issuer and its connected subsidiaries are subject to the connected transaction requirements.

The HKEX proposes to revise the definition to increase this threshold from 10% to **30% or more** of the voting power. Any subsidiary of a connected subsidiary would continue to be treated as a connected person.

The HKEX's justification for the amendment is that a transaction between an issuer and a connected subsidiary does not give rise to the same level of conflict of interest as a transaction with an external connected person, since the issuer retains control of, and consolidates, the subsidiary. Where the connected person's interest in the subsidiary is relatively limited, the risk of value being transferred to it is correspondingly lower. The 30% threshold is consistent with the thresholds used in defining an "associate" of a connected person (a "30%-controlled company") and a "controlling shareholder", and is considered to identify an interest sufficiently significant to create a real risk of influence. Approximately 40 (2024) and 30 (2025) connected transactions, representing around 5% and 4% of connected transactions, would no longer have been subject to the connected transaction requirements under the proposal.

2. Notifiable Transactions Reforms Extended to Connected Transactions

The percentage ratios under the notifiable transaction rules generally apply to connected transactions for the purposes of the de minimis exemptions, except that the profits ratio does not apply. The HKEX proposes that the following proposed changes to the notifiable transaction rules should also apply to connected transactions:

- (a) the modified consideration ratio, allowing issuers to compare the consideration for a transaction with the higher of their market capitalisation and net asset value (see Part I, section 1.2);
- (b) the enhanced disclosure requirements for initial announcements and the additional situations requiring further announcements (see Part I, section 4); and
- (c) the ability to incorporate general information relating to the directors and chief executive by reference into circulars (see Part I, section 5.1(e)).

The existing de minimis thresholds for connected transactions are not proposed to change.

3. Removal of PRC Issuer Joint Venture Partner Rule

Under MB Rule 14A.15 (GEM Rule 20.13), in the case of a PRC issuer (i.e. an issuer incorporated in the Chinese Mainland as a joint stock limited company), an associate of a connected person includes any joint venture partner

of a cooperative or contractual joint venture in which the connected person, together with his immediate family members or, in the case of a company, its group companies, and relevant trustees, holds 30% or more of the capital or asset contributions or of the contractual share of profits or other income. The HKEX proposes to **remove** this requirement since a joint venture partner is generally not in a position to control or exert significant influence over a listed issuer, or to benefit from transactions with it, merely by reason of its joint venture arrangements with a connected person. Applying the connected transaction requirements to such parties by default is considered disproportionate, and the proposal would promote consistency between PRC issuers and other listed issuers.

4. Percentage-based Annual Caps for Continuing Connected Transactions

Under MB Listing Rule 14A.53 (GEM Listing Rule 20.51), annual caps for continuing connected transactions must be expressed in monetary terms with reference to previous transactions and figures included in the listed group's published information. The HKEX may waive this requirement for continuing connected transactions involving purchases or sales of commodity products in favour of volume-based caps, and has granted individual waivers allowing caps to be set by reference to revenue or other financial items.

The HKEX proposes to allow annual caps for continuing connected transactions to be expressed as a **percentage of the issuer's revenue or 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 cap by reference to the relevant financial item and the internal control procedures for monitoring the transaction value as a percentage of the prevailing financial item from time to time.

The proposal caters for issuers that cannot set a meaningful fixed monetary cap, either because doing so would impose an arbitrary ceiling that does not reflect the scale or fluctuation of the underlying transactions, or because there is insufficient historical data on which to base a reliable monetary cap. Issuers adopting a percentage-based cap would be expected to maintain appropriate internal controls to ensure that transactions remain within the approved cap on an ongoing basis.

5. Effective Date and Transitional Arrangements for Connected Transactions

The amended HKEX Listing Rules would apply to connected transactions with terms agreed **on or after** the Effective Date. The one-month grace period for enhanced announcement disclosure described in Part I, section 7 would also apply, so that information not readily available at the time of the initial announcement may be disclosed in a supplemental announcement (or, where applicable, a circular) as soon as practicable and in any event within **one month** of the initial announcement.

III. HKEX SPIN-OFF RULE REFORMS UNDER PRACTICE NOTE 15

PN15 governs proposals by listed issuers (**ParentCos**) to effect a separate listing, on the HKEX or elsewhere, of assets or businesses within their existing group (a **Spin-off**). A Spin-off may be effected by the ParentCo disposing of its interest in the entity proposed to be spun off (the **SpinCo**), either by way of an offer of existing or new SpinCo shares, or by a distribution in specie of the SpinCo's shares by the ParentCo to its shareholders. PN15's fundamental principle, that "one business cannot support two listings", will be retained. Of the 123 Spin-offs approved by the HKEX between 2021 and 2025, over 60% involved listings on other exchanges (mostly on PRC stock exchanges), almost half involved ParentCos with a market capitalisation above HK\$10 billion spinning off less than 10% of their assets, and over 30% involved dual-primary or secondary listed ParentCos. The HKEX stresses that the proposed reforms are procedural refinements and targeted relaxations which do not alter the substance of PN15.

1. PN15 Exemption for Listed Holding Companies

PN15 currently applies to Spin-offs effected by a listed issuer or any of its subsidiaries. Where the Spin-off is effected by an HKEX-listed issuer which is itself a subsidiary of another HKEX-listed issuer, both the listed subsidiary and the listed holding company are subject to PN15. The HKEX proposes that, where a Spin-off is proposed by an HKEX-listed issuer (or any of its subsidiaries) which is subject to PN15, its holding company that is also listed on the HKEX would be **exempt** from PN15 in respect of that Spin-off.

2. New Self-Assessment Route for Spin-offs by Large Main Board Issuers

ParentCos are currently required to make a detailed submission demonstrating that a Spin-off proposal complies with PN15 and to obtain the HKEX's approval before proceeding with the Spin-off. The HKEX proposes to introduce a **self-assessment route**, under which a ParentCo would not require the HKEX's prior approval of the Spin-off provided that:

- (a) the ParentCo has conducted a self-assessment of the Spin-off proposal and is satisfied that it complies with all the applicable principles and requirements of PN15; and
- (b) 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 the number of its shares in issue (excluding treasury shares) on the trading day before the date of the SpinCo's new listing application by the volume weighted average price² of the class of ParentCo's shares listed on the HKEX over the 125 trading days immediately preceding the date of SpinCo's new listing application;
 - (ii) the ParentCo's principal business(es) has revenue of at least **HK\$1 billion** for the financial year 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 those of the issuer group, calculated by reference to the revenue for the financial year shown in its latest published audited accounts, and the total assets shown in its latest published audited accounts or published interim report, whichever is more recent.

For this purpose, the "Remaining Group" means the issuer group after excluding the ParentCo's interest in: the SpinCo; its subsidiaries previously spun off under PN15; and any other HKEX-listed subsidiaries.

A ParentCo relying on the self-assessment route would be required to submit to the HKEX, at the time the SpinCo lodges its listing application, a ParentCo board confirmation that the Spin-off proposal complies with all applicable PN15 principles and requirements, together with a detailed computation demonstrating that the eligibility conditions on size are met. If there are material subsequent changes to the Spin-off proposal (for example, where information on the Remaining Group becomes stale because of an update to the track record period), the ParentCo must re-assess the Spin-off proposal's compliance. The ParentCo will be required to inform the HKEX as soon as practicable if the proposal is terminated or suspended, and, on re-activating a Spin-off proposal, may only rely on the self-assessment route if it submits a fresh board confirmation and computation; otherwise, the proposal must be submitted for the HKEX's prior approval. Once the size conditions are met at the time of the listing application, the ParentCo would not need to demonstrate that it continues to meet them for so long as the proposal continues.

The self-assessment route would be available only to Main Board issuers whose Remaining Group meets the new listing requirements of MB Listing Rules Chapter 8. Spin-offs by GEM issuers would remain subject to the HKEX's prior approval. In addition, where the SpinCo is to be listed on the HKEX (whether the ParentCo has obtained prior approval or relies on self-assessment), the ParentCo must confirm to the HKEX, at least four clear business days before the expected hearing date of the SpinCo's listing application, that the Spin-off continues to comply with the requirements and principles of PN15.

The self-assessment route is intended to give large issuers greater certainty in planning and executing Spin-offs and to allow the HKEX to focus its resources on other cases. The market capitalisation and revenue thresholds are at least double those of the market capitalisation/revenue test for new listing applicants under MB Rule 8.05(3) (HK\$4 billion and HK\$500 million), and the requirement that the Remaining Group represent more than 50% of the issuer group in terms of revenue and total assets is intended to ensure that the ParentCo retains a majority of its original businesses to support its listing status. As at 30 June 2026, around 500 Main Board issuers met the market capitalisation and revenue thresholds, and over 60% of the Spin-offs approved between 2021 and 2025 would have been eligible for the self-assessment route. No GEM issuer conducted a Spin-off during that period.

3. Announcement Content for Spin-offs

A ParentCo must currently announce a Spin-off listing application under paragraph 3(g) of PN15, but PN15 does not prescribe the content of the announcement. The HKEX proposes that a Spin-off announcement must include:

- (a) the identity and a description of the principal business activities of the SpinCo and the Remaining Group;
- (b) the revenue and net profits (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 the stock exchange on which the SpinCo will be listed and the structure

² 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.

of the Spin-off;

- (d) the ParentCo's expected shareholding in the SpinCo before and after completion of the Spin-off, and whether the SpinCo is expected to remain a subsidiary of the ParentCo;
- (e) the total funds expected to be raised by the ParentCo and/or the SpinCo, if any, and the ParentCo's proposed use of the proceeds;
- (f) the reasons for the Spin-off, and how the ParentCo is expected to benefit from it, together with a directors' confirmation that its terms are fair and reasonable and in the interests of shareholders as a whole; and
- (g) a statement as to whether the ParentCo has obtained the HKEX's approval of the Spin-off or relies on its self-assessment, together with a board confirmation that the Spin-off complies with all applicable principles and requirements of PN15.

The Consultation Paper reminds issuers that the ParentCo should also assess the implications of the Spin-off and any ongoing transactions with the SpinCo under the notifiable and connected transaction rules, and comply with the applicable disclosure and shareholders' approval requirements. Where possible, details of these transactions should be included in the same announcement. The ParentCo must publish an announcement as soon as practicable of any material development or subsequent change to a previously announced Spin-off proposal, such as its delay, suspension or completion.

The content of Spin-off announcements currently varies in the absence of specific requirements. The proposal is intended to ensure that shareholders receive key information to support informed investment decisions, which the HKEX considers particularly important given the proposed self-assessment route.

4. Assured Entitlement Requirement for Spin-offs to Be Removed

PN15 currently requires a ParentCo to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to shares in the SpinCo, either by way of a distribution in specie or a preferential offering, unless waived by a resolution of its minority shareholders. The HKEX has granted general waivers from compliance with the assured entitlement requirement for Spin-offs to PRC exchanges and specific waivers in other cases. Secondary listed issuers are exempt in certain circumstances under MB Rule 19C.11.

The HKEX proposes to **remove the assured entitlement requirement for all Spin-offs**, regardless of the listing venue of the SpinCo and whether the ParentCo is primary or secondary listed.

The HKEX's reasons for the proposal include that assured entitlements have generally been small and preferential offerings have frequently been undersubscribed. Cross-jurisdictional legal and regulatory constraints have also increasingly made assured entitlements impracticable, necessitating frequent waivers.

5. Spin-off Moratorium Cut from Three Years to One Year

Under PN15, the Listing Committee will not normally consider a Spin-off proposal within three years of the ParentCo's initial listing. The HKEX proposes to:

- (a) shorten the moratorium period so that a Spin-off listing application must not be filed within **one year** of the ParentCo's initial listing (instead of three years);
- (b) clarify that compliance with the moratorium period requirement will be assessed by reference to the time the SpinCo lodges its new listing application, rather than the time the Spin-off proposal is considered by the Listing Committee as provided under the current HKEX Listing Rules; and
- (c) exempt the following issuers from the moratorium requirement:
 - (i) secondary listed issuers listed under MB Listing Rules Chapter 19C; and
 - (ii) dual-primary listed issuers that have been listed on a PRC stock exchange³ or a Recognised Stock Exchange for at least two consecutive financial years immediately before their listing in Hong Kong.

A dual-primary listed issuer with a shorter prior listing record, or a listing applicant seeking simultaneous

³ "PRC stock exchange" is currently defined as the Shanghai, Shenzhen or Beijing stock exchanges

listings in Hong Kong and elsewhere, would remain subject to the one-year moratorium. A new listing applicant that is exempt from the one-year moratorium will be required to disclose in its listing document any specific and imminent Spin-off proposal it has at that time, or include an appropriate negative statement.

While the rationale for a moratorium (namely, that investors subscribed on the basis of the ParentCo's business portfolio at listing) continues to apply, the HKEX considers a three-year period to be unduly onerous given issuers' post-listing expansion and funding needs. A one-year period is consistent with the existing restriction on fundamental changes in principal business within 12 months of listing under MB Rule 14.89 (GEM Rule 19.88).

6. Other Amendments

6.1 Spin-off Shareholder Approval Threshold Raised to 50%

Under paragraph 3(e) of PN15, a Spin-off requires shareholders' approval where any percentage ratio is 25% or more. Given the proposed increase in the major transaction threshold, the HKEX proposes to amend PN15 to raise this threshold from 25% to **50%**, aligning the threshold at which shareholders' approval is required. A Spin-off which constitutes a disposal would also be subject to the enhanced announcement disclosure requirements for notifiable transactions, including, for disposals with any percentage ratio of 25% or more, expert reports for properties, mineral assets or infrastructure projects where applicable.

6.2 Spin-off Approvals Delegated to the Listing Division

The HKEX proposes to delegate the power to approve Spin-off proposals from the Listing Committee to the Listing Division, which would approve a proposal where satisfied that it complies with all applicable PN15 principles and requirements. The Listing Division would continue to refer any proposal with unusual features or requiring a waiver of any PN15 requirement to the Listing Committee for guidance, and would provide the Listing Committee with regular updates on Spin-offs. Where the SpinCo is to be listed in Hong Kong, its new listing application would remain subject to the Listing Committee's approval. The HKEX will seek the Listing Committee's endorsement of the proposed delegation in due course. This proposal is intended to streamline the regulatory process and enhance administrative efficiency, while preserving the Listing Committee's overall oversight.

6.3 SpinCos May Be Listed under Any HKEX Listing Regime

Paragraph 3(a) of PN15 currently requires a SpinCo to be listed on the HKEX to satisfy the basic listing criteria under MB Rules Chapter 8. Since the HKEX has introduced additional listing regimes with their own eligibility criteria, it proposes to remove the reference to "the basic listing criteria under Main Board Rules Chapter 8" to clarify that a SpinCo may be listed under any of the HKEX's listing regimes, provided that it satisfies all the new listing requirements applicable to that regime.

6.4 Implementation and Transitional Arrangements

The amended requirements (including the delegation of decision-making to the Listing Division) would apply to all active Spin-off proposals on or after the Effective Date, subject to the following:

- (a) the self-assessment route would not be available for Spin-off proposals submitted to the HKEX before the Effective Date, which would continue to be vetted and approved by the HKEX. Unless otherwise agreed with the HKEX, issuers are not expected to withdraw a submitted proposal solely in order to rely on the self-assessment route;
- (b) the removal of the assured entitlement requirement would apply to all active proposals, except those for which the record date and distribution ratio of the assured entitlement have been announced on or before the Effective Date. An issuer which adjusts its Spin-off proposal on this basis should announce the change and its implications; and
- (c) the shortened one-year moratorium would apply to all listed issuers, including those listed before the Effective Date. The exemption for secondary and dual-primary listed issuers would apply to issuers listed on or after the Effective Date. Any waiver granted, or any exemption from compliance with the moratorium requirement (i.e., the exemption for secondary listed issuers for Spin-offs of assets or businesses for listing other than on the HKEX under MB Rule 19C.11) available to an issuer listed before the Effective Date, would continue to apply provided that any applicable conditions continue to be met.

IV. OTHER HOUSEKEEPING AMENDMENTS TO THE HKEX LISTING RULES

The HKEX also proposes a number of housekeeping amendments which do not involve any change in policy direction. These include:

- (a) removing the transitional provisions under MB Listing Rule 13.52 (GEM Listing Rule 17.53);
- (b) repealing MB Listing Rule 14.71A (GEM Listing Rule 19.71A) for simplification. A Qualified Property Acquisition which constitutes a connected transaction would remain subject to the announcement and reporting requirements under MB Listing Rules Chapter 14A (GEM Listing Rules Chapter 20), if applicable;
- (c) clarifying in MB Listing Rule 14.94 (GEM Listing Rule 19.93) that the shareholders' approval requirement does not apply where a 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 distribution, in addition to where the securities to be distributed are already listed on the Main Board or GEM at the time of the proposed distribution;
- (d) updating the wording of GEM Listing Rule 19.34(2) to align with the Main Board Rules by requiring the announcement to be published (rather than submitted to the HKEX);
- (e) adding a cross-reference to GEM Listing Rule 19.67(7) in GEM Listing Rule 19.69 to align with the Main Board Rules; and
- (f) correcting other clerical errors.

The proposed amendments to the Main Board Rules and the GEM Rules relating to notifiable and connected transactions are set out in Appendices I and II to the Consultation Paper, and those relating to Spin-offs in Appendices IV and V.

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