

The background of the slide is a photograph of the Hong Kong skyline at sunset, featuring the International Finance Centre and other skyscrapers. A semi-transparent red overlay covers the entire image. A yellow line graph with several data points is superimposed on the lower half of the slide, trending upwards from left to right.

Notifiable and Connected Transactions

under the HKEX Listing Rules

Chapters 14 & 14A, Main Board Listing Rules | Chapters 19 & 20, GEM Listing Rules

JULIA CHARLTON, CHARLTONS

Overview

- Requirements for notifiable transactions under MBLR Chapter 14 & GEM Chapter 19
- Requirements for connected transactions under MBLR Chapter 14A & GEM Chapter 20
- Definitions, obligations & exemptions
- HKEX guidance on LRs application to digital asset activities
- Multiple-choice quiz & evaluation form



Part I

Notifiable Transactions

Definition of “Transaction” - *MBLR Rule 14.04*

- Acquisition or disposal of assets, including deemed disposals under Rule 14.29
- Writing, accepting, transferring, exercising or terminating an option to acquire or dispose of assets or to subscribe for securities
- Entering into or terminating finance leases affecting the balance sheet or profit & loss account
- Entering into or terminating operating leases with a significant impact on operations (a 200%+ increase in scale)
- Granting an indemnity, guarantee or financial assistance (other than to subsidiaries, or by a banking company or licensed securities house)
- Entering into any arrangement for the formation of a joint venture (subject to exemption)

Transactions of a Revenue Nature

- Transactions of a **revenue nature** in the **ordinary & usual course** of business are exempt
- If the counterparty is a connected person – Chapter 14A may apply
- A transaction outside the notifiable transaction regime may still require disclosure as inside information under Part XIVA of the SFO

Assessing “Revenue Nature”

Relevant factors include:

- Whether previous or recurring transactions of the same nature were treated as notifiable transactions
- The historical accounting treatment of previous transactions of the same nature
- Whether the accounting treatment accords with generally acceptable accounting standards
- Whether the transaction is revenue or capital in nature for tax purposes

Properties, Shares & Securities

- Acquisitions & disposals of properties are generally **not** of a revenue nature & are exempt, unless carried out as a principal, ordinary course of business activity
- Acquisitions & disposals of shares/ other securities are generally **exempt**, except where carried out by:
 - a banking company
 - an insurance company
 - a “securities house” – an entity licensed or registered by the SFC to conduct regulated activity Type 1 (dealing in securities) or Type 8 (securities margin financing)

Note: proprietary securities trading/ investment is not regulated & not exempt

“Ordinary & Usual Course of Business”

- Defined (in LR 14.04(8)) as the existing principal activities of the listed company or an activity wholly necessary for its principal activities
- Financial assistance is only “in the ordinary & usual course of business” if provided by:
 - a banking company in its ordinary & usual course of business; or
 - by a securities house in its ordinary & usual course of business & on normal commercial terms to facilitate:
 - securities margin financing for listed share acquisition/continued holding; or
 - share subscription in Hong Kong IPO (LR 14.04(1)(e)(iii))

Classification of Notifiable Transactions

- MBLR Rule 14.06

- **Share transaction** – an asset acquisition where the consideration includes securities & all percentage ratios below are 5%
- **Discloseable transaction** – transaction/transaction series where any ratio is $\geq 5\%$ but $< 25\%$
- **Major transaction (disposal)** – any ratio $\geq 25\%$ but $< 75\%$
- **Major transaction (acquisition)** – any ratio $\geq 25\%$ but $< 100\%$
- **Very substantial disposal** – any ratio $\geq 75\%$
- **Very substantial acquisition** – any ratio $\geq 100\%$

Percentage Ratios - *MBLR 14.07*

- Assets ratio
- Profits ratio
- Revenue ratio
- Consideration ratio
- Equity capital ratio

HKEX may allow substitute size indicators if a test produces an anomalous or inappropriate result (MBLR 14.20)

Acquisition and Disposal Transactions

MBLR 14.24

If a transaction involves both an acquisition & a disposal:

- percentage ratios apply to both the acquisition and the disposal
- the transaction is classified based on the larger
- if a circular is required, each transaction is subject to the content requirements for its own classification

Aggregation of Transactions - *MBLR 14.22*

HKEX can require aggregation of series of transactions conducted within 12 months or that are otherwise related.

Relevant factors include whether the transactions:

- were entered into with the same party or with connected or associated parties
- involve the acquisition or disposal of securities or an interest in one company or group or parts of one asset
- together lead to Listco's substantial involvement in a new business activity

Aggregation is not automatic because one factor is triggered

Reverse Takeovers - *MBLR Rule 14.06B*

A reverse takeover is:

- an acquisition or series of acquisitions by a Listco, which in HKEX's opinion is an attempt to list the acquired assets while circumventing the new listing requirements of Chapter 8

HKEX treats a Listco proposing a reverse takeover as a new listing applicant:

- Assets being acquired must meet LR 8.04 suitability requirement and LR 8.05 financial tests
- Enlarged group must meet all other Chapter 8 new listing requirements
- Listco must issue new listing document

Extreme Transactions - MBLR Rule 14.06C

An acquisition (or series) which may achieve a listing of the targets, but is **not** an attempt to circumvent Chapter 8, provided Listco meets 3 conditions:

- Listco has not been controlled or de facto controlled by a person or group for a long period (normally 36+ months), & the transaction will not itself alter its control
- Listco has an existing principal business of substantial size that will continue
- Targets meet LR 8.04 suitability and LR 8.05 financial tests, & enlarged group meets all Ch 8 new listing requirements (other than LR 8.05)

Notifiable Transaction Requirements

MBLR 14.33

- **Share & discloseable transactions:** announcement required
- **Share transactions:** shareholders' approval is required if the consideration shares are not issued under a general mandate
- **Major transactions:** announcement, circular and shareholders' approval; an accountants' report on business/companies being acquired
- **Very substantial disposals & acquisitions:** announcement, circular, shareholders' approval. An accountants' report is required on business/companies being acquired for acquisitions, but optional for disposals

Announcement Requirement

MBLRs 14.34 & 14.37

- Must be published as soon as possible after the terms of the transaction are finalised
- Published on the HKEX & Listco websites (MBLR 2.07C)
- If the information is “inside information”, Listco must ensure its confidentiality under publication of an announcement
- If Listco cannot maintain confidentiality or believes the information has been leaked, it must publish an announcement or apply for a trading halt or suspension (MBLR)

Announcement Contents – General Requirements

MBLR 14.58

- Prominent, legible disclaimer (see MBLR 14.88)
- Description of the principal business activities of the Listco & the counterparty, & the counterparty's identity
- The transaction date
- Directors' confirmation that the counterparty & its ultimate beneficial owner are independent 3rd parties
- Aggregate consideration, manner of settlement & details of any deferred payment

Announcement Contents – General Requirements (cont.)

MBLR 14.58

- Basis on which the consideration was determined
- Book value and (where available) valuation of the assets concerned
- Attributable net profits (before and after tax) for the two preceding financial years
- Commercial rationale, anticipated benefits and a directors' fair and reasonable statement
- Details of any guarantee or security given or required

Additional Requirements – Share Transactions

MBLR 14.59

- Amount & details of shares issued or transferred from treasury, & any restrictions on subsequent sale
- Brief details of assets being acquired, name of any company or business, or the assets or properties concerned
- Where securities are involved, the name & general description of the activities of the company in which they are held

Additional Requirements – Other Transactions

MBLR 14.60

- General nature of the transaction, including restrictions on subsequent sale of any securities
- Details of the assets acquired or disposed of
- For a disposal: Listco's expected gain or loss, basis of calculation, & intended use of sale proceeds
- On disposal of an interest in a subsidiary: whether it will remain a subsidiary after completion
- Expected date of despatch of the shareholders' circular, and reasons if more than 15 business days after the announcement

Pre-Vetting and Shareholders' Approval

MBLR 13.52(2)

- Announcements of a VSD, VSA, reverse takeover or extreme transaction must be pre-vetted by HKEX before publication
- Major transactions, VSDs, VSAs, RTOs & extreme transactions must be conditional on shareholders' approval in general meeting (MBLR 14.40)
- Major transactions may alternatively be approved in writing by a 50%+ holder, provided no abstention would be required (MBLR 14.44)
- Termination or material variation of a previously announced transaction or material delay in completion must be announced as soon as practicable

Voting at General Meetings

- Voting must be taken by poll (MBLR 13.39(4))
- Poll results must be announced before the market opens on the next business day (MBLR 13.39(5))
- Auditors, share registrar or external accountants must act as scrutineer
- Any shareholder with a material interest in the transaction must abstain from voting

Shareholders' Circular – Contents

MBLR 14.63

- Clear, concise & adequate explanation of the subject matter
- All information necessary for an informed voting decision
- Heading emphasising the document's importance & advice to consult independent advisers
- Directors' recommendation on how shareholders should vote & their opinion that transaction is fair & reasonable & in the interests of the shareholders as a whole
- Statement that shareholders with a material interest & their close associates must abstain from voting
- Directors' confirmation that the counterparty & its beneficial owner are independent of Listco & its connected persons

Circular to Shareholders – Timing

- Major transaction by written approval: within 15 business days after the announcement (MBLR 14.41(a))
- All other notifiable transactions: at the same time as, or before, notice of the general meeting (MBLR 14.41(b), 14.51)
- Revised or supplementary circulars: at least 10 business days before the general meeting (MBLR 14.42/14.52)

Shareholders' Circular – Additional Information

MBLR 14.66-70

Additional requirements for shareholders' circulars involving an acquisition or disposal of a business, company/ies or revenue-generating assets with an identifiable income stream or asset valuation including:

- Major Transactions involving an acquisition of any business or company(ies) or other revenue generating assets
- VSAs, extreme transactions & Reverse Takeovers involving an acquisition of a business or company/ies or revenue generating assets
- VSDs involving a disposal of any business or company(ies) or revenue-generating assets

Additional Circular Requirements – Acquisition of Business or Company – *MBLR 14.67*

- **Major transaction:** accountants' report on business or company/ies being acquired; pro forma statement of combined assets & liabilities of group & target(s); discussion & analysis of target's results
- **VSA:**
 - accountants' report on the business or company/ies being acquired;
 - pro forma income statement, balance sheet & cash flow statement of enlarged group on same accounting basis
 - general information on the group's business trend since its last accounts & statement of group's trading prospects for current financial year
 - discussion & analysis of existing group's & target's performance

Additional Circular Requirements – Disposals

Circular for Major or VSD of business or company must state:

- intended use of sale proceeds
- excess or deficit consideration over or under assets' net book value

Circular for VSD of business or company must include financial information:

- on business or company/ies being disposed of OR of listed group with business/company/ies being disposed shown separately
- income statement, balance sheet & cash flow statement & statement of changes in equity
- reviewed by Listco's auditors or reporting accountants
- include pro forma income statement, balance sheet & cash flow statement of remaining group on same accounting basis

Large-Scale Issues of Securities - MBLR 14.06D

Under MBLR 14.06D, HKEX may refuse to list securities where Listco proposes a large-scale issue of securities (including shares, options, warrants or convertible securities) for cash to acquire or develop a new business which in HKEX's opinion:

- is a means to list the new business & circumvent requirements for new listings under Ch 8

Note: this is an anti-avoidance provision to prevent a large scale issue of securities for cash involving a change of control where the proceeds will be used to acquire or develop a business substantially larger than Listco's existing principal business



Part II

Connected Transactions

Connected Transactions

- Governed by Chapter 14A of the Main Board Listing Rules (Chapter 20 of the GEM Listing Rules)
- Among the most detailed & stringent connected transaction regimes of any exchange worldwide
- Objective: to ensure Listcos act in the interests of shareholders as a whole
- Protect against directors, CEO & substantial shareholders (& their associates) taking advantage of their position

What is a Connected Transaction?

- A transaction between a Listco (or its subsidiaries) & a connected person or their associate
- A connected transaction can also be a notifiable transaction, requiring compliance with both Chapters 14 & 14A
- HKEX may aggregate connected transactions if conducted over a 12-month period or otherwise related (MBLR 14A.81)
- Factors relevant to aggregation include whether transactions:
 - entered into with same party or connected parties
 - involve acquisition or disposal of parts of one asset, or securities or interests in a company or group
 - result in Listco's substantial involvement in a new business (MBLR 14A.82)

Definition of “Transaction” – *MBLR 14A.24*

Includes:

- an acquisition or disposal of assets, including a deemed disposal under MBLR 14.29
- an option to acquire or dispose of assets or to subscribe for securities
- a decision not to exercise an option to acquire or dispose of assets or to subscribe for securities
- entering into or terminating finance or operating leases or sub-leases
- granting an indemnity or providing financial assistance (granting credit, lending money, giving an indemnity for loan obligations, or guaranteeing or securing a loan)
- entering into a joint venture in any form

Definition of “Transaction” (cont.)

- issuing new securities, selling or transferring treasury shares, of Listco or its subsidiaries, including underwriting or sub-underwriting of a securities issue or a sale or transfer of treasury shares
- providing, receiving or sharing services
- providing or acquiring raw materials, intermediate products or finished goods

Definition of “Connected Persons” - LR 14A.07-11

- a director (or director within the past 12 months), chief executive or substantial shareholder (10%+ voting rights), of Listco or any of its subsidiaries, or their associate
- a supervisor of a PRC issuer or its subsidiaries, & their associate
- a “connected subsidiary” – a non wholly-owned subsidiary where connected persons at the Listco level control 10%+ of voting power at subsidiary’s general meetings
- a subsidiary of a connected subsidiary

Note: A wholly-owned subsidiary of Listco is not a connected person

Associates of an Individual - LR 14A.12-15

- **Immediate family members**: spouse & children or step-children under 18
- **Trustees**: the trustees of a trust of which the individual or an immediate family member is a beneficiary (or discretionary object of a discretionary trust)
- A **“30%-controlled company”**: one in which the individual, their immediate family members and/or trustees together control 30%+ of voting power or composition of a majority of the board, and any of its subsidiaries
 - *Not an associate if the individual's (and associates') direct interests together are less than 10%, despite 30%+ control*

Associates of an Individual (cont.)

- “**Family member**”: a person cohabiting as a spouse, or a child, step-child, parent, step-parent, sibling or step-sibling
- “**Family controlled company**”: a company controlled (50%+ voting power, or majority board control) by family members together with the individual, immediate family members and/or trustees
- The Exchange may deem “relatives” (parents, siblings, grandparents, grandchildren, aunts, uncles, nieces, nephews and in-laws), or companies they control, to be associates where appropriate

Associates of a Company – MBLR 14A.13

- Its subsidiary or holding company, or a fellow subsidiary of that holding company
- Trustees of a trust of which the company is a beneficiary (or, to its knowledge, a discretionary object)
- A 30%-controlled company; a company in which the company, group companies and/or trustees together control 30%+ of voting power, or control composition of a majority of the board
 - *Not an associate if the company's (and associates') direct interests together are less than 10%, despite 30%+ control*
- A subsidiary of a 30%-controlled company

Deemed Connected Persons – *MBLR 14A.20*

HKEX can deem a person to be a connected person if:

- they entered, or propose to enter:
 - a transaction with the listed group; and
 - an agreement, arrangement, or undertaking with a director, chief executive or substantial shareholder (or a director within the past 12 months) with respect to the transaction; and
- in the HKEX's opinion, the person should be considered a connected person

Deemed Connected Persons – *MBLR 14A.21*

HKEX can deem a person to be a connected person if they are:

- a “relative”, which includes parents, siblings, grandparents, grandchildren, uncles, aunts, nieces & nephews & individuals related by marriage
- a majority-controlled company held by the relatives or by the relatives together with the connected person, the trustees, the connected person’s immediate family members and family members
- a subsidiary of a majority-controlled company,

if, in HKEX’s opinion, the transaction should be subject to the connected transaction requirements

Transactions with Non-connected Counterparty

– *MBLR 14A.28*

Acquiring an interest in a company (**target**) from a non-connected person is a connected transaction if target's substantial shareholder:

- is (or is proposed to be) a controller (i.e., a director, chief executive or controlling shareholder of Listco); or
- will become an associate of a controller or proposed controller as a result of the transaction

An acquisition of target's assets is also a connected transaction if they represent $\geq 90\%$ of target's net assets or total assets

Financial Assistance as a Connected Transaction

– *MBLR 14A.26*

- Provided by Listco or its subsidiaries to a connected person or a Commonly Held Entity; or
- Provided by a connected person or a Commonly Held Entity to Listco or its subsidiaries
- A “Commonly Held Entity” is a company whose shareholders include a Listco group member and a connected person controlling 10%+ of its voting power (MBLR 14A.27)

Options Involving Connected Persons

– *MBLR 14A.61*

- Grant, acceptance, transfer, exercise, termination or non-exercise of an option with a connected person is a connected transaction
- Terminating an option under its original terms, without discretion, is not a “transaction”
- If the listed group has no discretion to exercise an option granted to a connected person, it is classified as if exercised
- The percentage ratios are calculated based on the consideration for the transaction, the underlying assets and revenue attributable to the assets

Options Acquired from a Connected Person

- On acquisition (or grant), only the premium is used to calculate the percentage ratios
- If the premium represents $\geq 10\%$ of the sum of the premium & exercise price – then the option is classified as if it has been exercised
- On exercise, the exercise price, value of underlying assets & attributable revenue are used to classify the option

Transfer, Termination/ Non-Exercise of an Option

- Classified as if the option has been exercised
- Percentage ratios are calculated on basis of:
 - the exercise price
 - the value of the underlying assets & revenue attributable to them
 - the consideration for transferring the option or amount receivable or payable by Listco's group for terminating the option
- HKEX may allow classification by reference to asset & consideration ratios based on the higher of:
 - for a put option: the exercise price over the value of assets subject to the option
 - for a call option: the value of the assets over the exercise price

Joint Ventures & Continuing Connected Transactions

- A joint venture entered into with a connected person is a connected transaction (MBLR 14A.24(5))
- Continuing connected transactions involve the provision of goods, services or financial assistance on a continuing or recurring basis, expected to extend over a period of time (MBLR 14A.31)
- Connected and continuing connected transactions fall into three categories: non-exempt, fully exempt & partially exempt

Connected Transaction Requirements

- Written agreement with all relevant parties (MBLR 14A.34)
- Announcement as soon as practicable after terms are agreed (MBLR 14A.35)
- Announcement must include information for a notifiable transaction, the parties' connected relationship, parties' identities & business activities, & independent board committee's view on:
 - Whether the transaction is on normal commercial terms & in interests of shareholders as a whole
 - How shareholders should vote ((MBLR 14A.68)
- On an acquisition, the original cost of connected person's acquisition
- On a disposal, Listco's original acquisition cost

Connected Transaction Reporting – LR 14A.71

- Listcos' annual reports must include:
 - details of connected transactions entered during the financial year & of continuing connected transactions entered into in previous years
 - nature of the connected person's interest in transaction
 - for continuing connected transactions:
 - INEDs' confirmation of matters in LR 14A.55 (on whether the connected transactions were entered into in the ordinary & usual course of business & on normal commercial terms)
 - Board statement on whether auditors have confirmed matters in LR 14A.56

Shareholders' Approval

MBLR 14A.36 & 14A.37

- Connected transactions must be conditional on shareholders' approval in general meeting
- HKEX may accept written approval instead of a general meeting if:
 - no shareholder would be required to abstain from voting at a general meeting; and
 - approval is obtained from a shareholder (or closely allied group of shareholders) holding > 50% of the voting rights

Independent Board Committee – LR 14A.39

- Must be established to advise shareholders where shareholders' approval is required
- Must comprise only independent non-executive directors (**INEDs**) with no material interest in the transaction
- Advises on: whether the terms are fair and reasonable; whether the transaction is in interests of Listco & shareholders as a whole; whether it is on normal commercial terms; and how to vote

Independent Financial Adviser – LR 14A.44

- Must be appointed to make recommendations to the Independent Board Committee & shareholders

Shareholders' Circular Requirements

- Must be sent at the same time as notice of the general meeting; or
- Within 15 business days after the announcement, if approved by written shareholders' approval (MBLR 14A.46)
- Required contents are set out in MBLR 14A.69 and 14A.70

Continuing Connected Transactions

– LR 14A.51-59

- Must be on normal commercial terms & for a fixed period not exceeding 3 years (save in special circumstances, supported by an independent financial adviser)
- A maximum aggregate annual cap must be set in monetary terms & approved by shareholders if shareholders' approval is required
- If the cap is exceeded, or the agreement is renewed or materially varied, Listco must re-comply with announcement & shareholders' approval requirements
- INEDs must review & confirm compliance annually (MBLR 14A.55)
- Auditors must provide annual letter to Board on matters set out in 14A.56

Auditors' Annual Confirmation

– LR 14A.56

- Auditors must provide an annual letter to the board confirming whether anything indicates that non-exempt continuing connected transactions:
 - have not been approved by the board
 - have exceeded the annual cap
 - were not entered into in accordance with the governing agreement, or the group's pricing policies

Exemptions – Overview

– LR 14A.74

- **Fully exempt transactions:** exempt from shareholders' approval, annual review & all disclosure requirements
- **Partially exempt transactions:** exempt only from the shareholders' approval requirement
- **Fully exempt:** transactions between a Listco and a non wholly-owned subsidiary (or between such subsidiaries), where no connected person controls $\geq 10\%$ of voting power at the subsidiary level (MBLR 14A.18)

Fully Exempt: De Minimis Transactions

– LR 14A.76

Connected transaction (other than issue of new securities or transfer of treasury shares) on normal commercial terms **is fully exempt** if:

- if all percentage ratios (except the profits ratio) are:
 - $< 0.1\%$
 - $< 1\%$ where transaction is connected only because it involves a connected person at the subsidiary level; or
 - $< 5\%$ & total consideration is $< \text{HK\$}3$ million

Exempt from Circular & Shareholders' Approval

– *LR 14A.76(2)*

- Exempt from the shareholders' circular & approval requirements if all percentage ratios (other than profits ratio) are:
 - < 5%; or
 - < 25% & total consideration (or value of financial assistance) is < HK\$10 million

Wholly Exempt Issues of New Securities

- Securities issued under a “top-up placing and subscription” meeting MBLR 14A.92(4)
- The connected person subscribes in a rights issue or open offer through excess application
- The connected person receives a pro rata entitlement as a shareholder
- The securities are issued under a share option or award scheme approved under Chapter 17

Other Wholly Exempt Connected Transactions

- Repurchase of own securities from a connected person on HKEX unless the connected person knowingly sells to the listed group
- Repurchase of own securities from a connected person under a general offer under the Code on Share Buy-backs
- Directors' service contracts
- Purchase of directors' third-party liability insurance
- Sharing of administrative services between the group and a connected person on a cost basis

Fully Exempt: Buying or Selling Consumer Goods or Services - *LR 14A.97*

Buying or selling consumer goods or service is fully exempt if:

- of a type ordinarily supplied for private use or consumption
- are for the buyer's own consumption & use, not processed or resold
- not used by the buyer for any business or contemplated business
- used or consumed in the same state as bought
- on terms no more favourable to the connected person, & no less favourable to listed group, than those available to/from independent third parties

Fully Exempt: Transactions with Associate of Passive Investor - LR 14A.99

- A passive investor is a substantial shareholder that is a sovereign fund, authorised unit trust or mutual fund with widespread investments
- Connected transaction between listed group & associate of passive investor is fully exempt if passive investor :
 - is connected only because it is a substantial shareholder (i.e. an associate) of Listco or its subsidiary
 - is not a controlling shareholder of Listco or its subsidiaries
 - has no board representation, is not involved in management, & is independent of directors, CEO, controlling shareholder(s) & substantial shareholders of Listco & its subsidiaries
 - the transaction is of revenue nature, in ordinary & usual course of business, & on normal commercial terms

Transactions with Persons Connected at Subsidiary Level - *LR 14A.101*

- A connected transaction between listed group & a connected person at the subsidiary level on normal commercial terms is exempt from the shareholders' circular & approval requirements if:
 - Listco's board has approved the transaction; and
 - the INEDs have confirmed the terms are fair & reasonable & that the transaction is on normal commercial terms & in the interests of Listco & its shareholders as a whole

Exemptions for Financial Assistance by Banks

- LR 14A.87

- Financial assistance by a bank in the group to a connected person or Commonly Held Entity is fully exempt if:
 - on normal commercial terms (or better)
 - not on normal commercial terms if all percentage ratios (except profits) are
 - $< 0.1\%$
 - $< 1\%$ & transaction is connected only because it involves a connected person at subsidiary level
 - $< 5\%$ & total value of financial assistance & any monetary advantage to connected person or Commonly Held Entity is $< \text{HK\$ } 3 \text{ million}$

Exemptions for Financial Assistance by Banks

- LR 14A.87

- Financial assistance by a bank in the group to a connected person or Commonly Held Entity is exempt from the shareholders' circular & approval requirements if:
 - not on normal commercial terms & all percentage ratios (except profits) are
 - < 5%; or
 - < 25% & total value of financial assistance & any monetary advantage to connected person or Commonly Held Entity is < HK\$ 10 million

Exemptions for Financial Assistance

- Financial assistance by a Listco that is not a bank to a connected person or Commonly Held Entity is fully exempt if it is:
 - on normal commercial terms (or better)
 - in proportion to the equity interest held directly by Listco or its subsidiary in the connected person or Commonly Held Entity (MBLR 14A.89)
- Financial assistance received by a listed group from a connected person or Commonly Held Entity is fully exempt if it is:
 - on normal commercial terms (or better); and
 - not secured on assets of listed group (MBLR 14A.90)



Part III

HKEX Guidance on Digital Assets

HKEX Guidance Letter GL122-26

- Sets out how Listing Rules apply to Listcos' digital asset-related activities
- “Digital assets” defined as: digital representations of value relying primarily on cryptography and distributed ledger (or similar) technology, used for payment, investment or to access goods or services (e.g. tokenised real-world assets, stablecoins, cryptoassets such as Bitcoin)

Digital Assets – Notifiable & Connected Transactions

- The notifiable & connected transaction rules apply to acquisitions & disposals of digital assets based on transaction size
- Acquisitions or disposals of the same type of digital asset within a 12-month period must be aggregated
- Blanket shareholder mandates for digital asset acquisition/disposal with no key transaction terms will generally not be acceptable
- Central bank digital currencies & licensed stablecoins under the Hong Kong Stablecoins Ordinance are outside the notifiable transaction rules

Digital Assets – Disclosure Obligations

- Engagement in digital asset activities does not, of itself, trigger a disclosure obligation
- Disclosure is required only if the obligation arises under the LRs (e.g., a notifiable transaction)
- Disclosures should comply with general principles re. disclosure of accurate information sufficient to inform investors
- Specific disclosure requirements for Listcos' proposals to acquire digital assets or tokenise real world assets