THE LAW SOCIETY OF HONG KONG 香港律師會

Consultation Paper on Listing Framework Competitiveness Review (Phase 2)

Law Society Submissions

The Hong Kong Exchanges and Clearing Limited (HKEX) released a consultation paper on "Listing Framework Competitiveness Review (Phase 2)" ("Consultation Paper") on 21 September 2026.

In response, the Law Society provides the following submissions. Unless otherwise defined, the same abbreviations and definitions appearing in the Consultation Paper are used in this paper.

The Law Society strongly supports the Exchange's proactive measures to enhance the competitiveness of Hong Kong's capital markets through the streamlining of ongoing compliance obligations, which represent a meaningful structural pivot towards a more disclosure-based post-listing regime.

Question 1

Do you agree to remove the profits ratio from the types of percentage ratios listed issuers use to measure the impact of a transaction (as set out in paragraph 51 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

We agree with the Exchange's rationale for the proposal.

Question 2

Do you agree that the consideration ratio should be modified to allow listed issuers to compare the consideration for the transaction with the higher of their market capitalisation or their net asset value (as set out in paragraph 53 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

We agree with the Exchange's rationale for this proposal.

Question 3

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

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

As a general comment, we support the Exchange's initiative to reduce the circumstances in which transactions require prior shareholder approval while imposing more meaningful disclosure obligations at the announcement stage. Raising the major transaction threshold from 25% to 50% will reduce the compliance burden on issuers entering into transactions with percentage ratios between 25% and 50%. In practice, the 25% threshold frequently created unwarranted execution risks and delays for issuers engaging in strategic acquisitions, placing Hong Kong listed issuers at a distinctive competitive disadvantage compared to peers in jurisdictions with higher approval thresholds. We support the Exchange's proposed shifts of regulatory emphasis towards timely market transparency and board oversight.

Question 4

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

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

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

(iii) *given the usefulness of asset-specific information to investors, the requirement for inclusion of assets-specific expert report(s) and the relevant expert statements as specifically required under MB Rules Chapter 5 (GEM Rules Chapter 8), MB Rule 14.71 (GEM Rule 19.71) or MB Rules Chapter 18 (GEM Rules Chapter 18A), if applicable, continues to apply despite shareholders' approval is no longer required (as set out in paragraph 73 of this paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes. We agree with these proposals for transactions where any percentage ratio is 25% or more but less than 50%. For these transactions, the removal of the requirements for shareholders' approval and for a shareholders' circular containing an accountants' report on any company or business being acquired will bring cost savings and greater transaction certainty.

Question 5

If your answer to Question 3 is "yes", do you agree that the increased major transaction threshold of 50% should <u>not</u> be applicable for transactions involving provision of financial assistance and/or securities or other investment activities (i.e. these transactions will continue to be classified as major transaction based on the existing 25% threshold) (as set out in paragraph 74 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

We agree that the proposed increase in major transaction threshold should not generally apply to transactions involving the provision of financial assistance or securities or other investment activities. These transactions carry distinct risk profiles that can significantly alter a non-financial issuer's liquidity and balance-sheet risk without contributing to core operational expansion. Retaining a lower threshold serves as a necessary governance safeguard to protect minority shareholders against disproportionate capital deployment or off-balance-sheet exposure.

We would also ask the Exchange to clarify the scope of the products it regards as "wealth management products" and "other investment products … held or to be held for investment or treasury management purpose", which the proposals would expressly bring within the notifiable transactions regime (paragraph 75 of the Consultation Paper and proposed Main Board Listing Rule 14.04(11A)). These terms are not defined in any Hong Kong statute. To enable issuers to comply with Chapter 14, we consider it preferable for the Listing Rules to refer to existing statutory definitions, such as "structured products" as defined in the Securities and Futures Ordinance or modifications thereof.

We note that the FAQ No. 6 in the Exchange's FAQ Series 11.2 states that "wealth management products" are products classified as financial assets in the listed issuer's financial statements. It also states that notifiable transactions do not normally include acquisitions of investments classified as cash equivalents in those financial statements. Given the potential complexity of determining whether certain financial products qualify as cash equivalents, we consider that the Listing Rules themselves should define which wealth management products and products held for treasury purposes are within the scope of the notifiable transaction rules. The Rules should also include specific exemptions for products that fall outside their scope, including a specific definition of what constitutes a cash equivalent. We would also suggest an exemption for other low risk products, including principal protected products issued by licensed banks.

Question 6

Do you agree that, subject to the proposals to align and enhance the circular disclosure requirements applicable to major transactions as set out in ***Section V*** *of this chapter, the transaction classifications of VSA and VSD should be removed and hence transactions currently classified as VSAs or VSDs will be classified as major transactions (as set out in paragraph 76 of this paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes. We support removing the VSA and VSD classifications, as this, together with the alignment of the circular disclosure requirements in Section V, would simplify the notifiable transaction regime. The removal of the pre-vetting requirement for announcements of these transactions would also be welcome, as it would give issuers greater certainty over when they can publish an announcement.

Question 7

Do you agree to exempt acquisitions or leasing of assets conducted by a listed issuer in its ordinary and usual course of business, which constitutes a major transaction, from the circular and shareholders' approval requirements (as set out in paragraph 105 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

We agree with the Exchange's rationale for the proposal.

Question 8

If your answer to Question 7 is "yes", do you agree that the application of the proposed exemption should be subject to the conditions set out in paragraph 106 of this paper?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

We agree with the Exchange's rationale for the imposition of these conditions.

Question 9

If your answer to Question 7 is "yes", do you agree that the governance and disclosure approaches set out in paragraph 114 of this paper are sufficient?

Please give reasons for your views and any alternative suggestions. In particular, if you consider the governance and disclosure approaches set out in paragraph 114 are not sufficient, please provide any specific additional safeguards, disclosures, governance measures or controls that you consider necessary to protect shareholders' interests in transactions relying on the proposed exemption. For example, do you consider it necessary or appropriate for the transaction announcement to disclose dissenting views expressed by a director in relation to the transaction as a whole, together with the material concerns underlying those views and an explanation of how the board considered and responded to them? Please explain your views.

Law Society's response:

Yes. The governance and disclosure approaches in paragraph 114 are, in our view, sufficient. We do not consider that the Listing Rules should require issuers to disclose the dissenting views of directors in their announcements. Whether a director's dissent should be made public is a matter for the board to determine in accordance with the principles of company law.

Question 10

In relation to the exemption applicable to Qualified Property Acquisitions, do you agree to:

(i) require Qualified Issuers to have engaged in property development as a principal business for the two full consecutive financial years immediately preceding the transaction to align with the exemption condition applicable to acquisitions or leasing of assets by a listed issuer in its ordinary and usual course of business (as set out in paragraph 109(a) of this paper); and

(ii) modify the exemption such that Qualified Property Acquisitions undertaken by Qualified Issuers on a joint basis with other parties, which constitute major transactions, are exempt from the circular requirement, in addition to the existing exemption from the shareholders' approval requirement (as set out in paragraph 109(c) of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes. Extending the required track record in property development from one to two full consecutive financial years is a reasonable safeguard against issuers relying on the exemption on the basis of newly established or recently acquired activities. It is also consistent with the conditions for the proposed new exemption for transactions in the ordinary and usual course of business. We also support exempting joint Qualified Property Acquisitions from the circular requirement. This is logical given that these transactions are already exempt from shareholders' approval, and the main purpose of a circular is to give shareholders the information they need to decide how to vote.

Question 11

If your answer to Question 3 is "yes", do you agree that the enhanced disclosure requirement by requiring disclosure of the additional information (as set out in paragraph 123 of this paper) shall apply to all notifiable transaction announcements?

Please give reasons for your views and any alternative suggestions. In particular, please provide any comments in relation to the following additional information proposed for inclusion in all notifiable transaction announcements:

(i) material terms and conditions of the transaction (as set out in paragraph 123(a) of this paper);

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

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

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

(v) information as to the listed issuer's interests in a target company post-transaction where the transaction involves an acquisition or a disposal of an interest in a company which will become or cease to be a subsidiary of the issuer (as set out in paragraph 123(e) of this paper);

(vi) information where securities are issued, transferred out of treasury or listed as part of a transaction, including the principal terms of the securities, relevant listing and public float details, and whether the transaction would result in a

change of control of the listed issuer (as set out in paragraph 123(f) of this paper); and

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

Law Society's response:

We agree with the proposal to require the additional information in paragraph 123 to be disclosed in notifiable transaction announcements, subject to the following.

Smaller acquisitions and disposals

We propose that acquisitions and disposals of a company or business where any percentage ratio is 5% or more and all the percentage ratios are less than 25% should be exempt from the additional requirements in paragraphs 123(c) and (d). These transactions are currently discloseable transactions, for which the announcement is required to include only limited information on the assets that are the subject of the transaction (the value of the assets, and the net profits attributable to them for the two preceding financial years). The requirement for information on the impact of the transaction on the issuer currently applies only to circulars for major transactions under Listing Rule 14.66(5). Under the proposals, issuers would additionally have to disclose the target's revenue, assets and liabilities, cash flow from operating activities and other key financial metrics for the two preceding financial years, together with an explanation of the transaction's impact on the issuer. Preparing that information is likely to be disproportionate to the significance of transactions at the lower end of the discloseable range, which are unlikely to have a material effect on the issuer's financial position. For these transactions, the financial information currently required under Main Board Rules 14.58(6) and (7) should be sufficient.

Wealth management products & products held for treasury management

Our comments in response to question 5, requesting clarification in the Listing Rules of the scope of products that the Exchange regards as "wealth management products" and "other investment products … held or to be held for investment or treasury management purpose", apply equally here.

In particular, we consider that the Listing Rules should include specific exemptions from the announcement requirement for products that do not fall within those terms. These should include an exemption for investments that can be regarded as "cash equivalents", which should be defined in the Listing Rules rather than in FAQs, and for other low-risk products, such as principal-protected products issued by licensed banks. Issuers commonly place surplus cash in these products as part of their ordinary cash management, not as a deployment of resources outside their principal business.

For non-exempt products, we query whether the enhanced disclosure requirements are appropriate, as most of the additional content items do not readily apply to them. A

wealth management product has no target with financial statements to disclose (item (c)), the basis of consideration (item (b)) is simply the subscription amount, and items (e) and (f) would not apply. We suggest that announcements for non-exempt wealth management products and other investment products held for treasury management purposes should instead be subject to streamlined disclosure, covering:

- the product, the issuing bank or counterparty and the product's risk rating;
- whether the principal is protected, its tenor and expected return; and
- the board's reasons for the placement and how it is consistent with the issuer's treasury management policy.

Allowing supplemental announcements where target information is unavailable

Announcements of notifiable transactions must be published as soon as possible after their terms have been agreed. Under the proposals, announcements of major acquisitions of companies and businesses would have to include considerably more financial information on the target. A listed issuer may have no access, or only limited access, to the target's non-public information when the announcement is due. We therefore suggest that the Listing Rules provide for these circumstances in relation to the announcement disclosure requirements under Main Board Rule 14.58, along the lines of Main Board Rule 14.67A for circulars. The issuer would be allowed to disclose the information available to it in the initial announcement and to publish the remaining information in a supplemental announcement as soon as practicable once it has access to it.

Question 12

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

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

explanation of how the board considered and responded to them? Please explain your views.

Law Society's response:

Yes. We agree that the governance and disclosure approaches set out in paragraph 125 are sufficient where the directors consider entering into a transaction based on the unaudited information of the target.

Question 13

If your answer to Question 3 is "no", do you agree that the disclosure requirement applicable to notifiable transaction announcements should be enhanced by requiring disclosure of certain additional information as set out in paragraph 123 of this paper?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Not applicable.

Question 14

If your answer to Question 11 or Question 13 is "yes", do you agree that, when the listed issuer discloses the target's financial information, it shall:

(i) disclose the target's audited financial information (where available), or otherwise explain why such audited information is unavailable, the basis on which the directors consider it reasonable to enter into the transaction notwithstanding the absence of such information and the reliability of the unaudited financial information; and

(ii) also disclose the source of the target's financial information presented in the announcement and the basis on which such information has been prepared (as set out in paragraph 124 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes. Where the target's audited financial information is available, it should be disclosed, so that shareholders receive the same information the board considered when approving the transaction. Where it is not available, requiring the board to explain why, and the basis on which it considers the unaudited information reliable, is a reasonable safeguard. Disclosing the source of the financial information and the basis of its preparation will also help investors assess its reliability.

Question 15

Do you agree that further announcements should be required in relation to previously announced transactions in the situations as set out in paragraph 127 of this paper?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes. Requiring further announcements in these circumstances will keep the market informed of material developments in previously announced transactions. However, consistent with our responses to Questions 5 and 11, products that fall outside the scope of "wealth management products" and "other investment products … held or to be held for investment or treasury management purpose", such as cash equivalents and other low-risk products, should be exempt from the announcement requirements altogether.

Question 16

If your answer to Question 6 is "yes", do you agree that the disclosure requirements for major transaction circulars should be aligned and enhanced as a whole by broadly extending the requirements applicable to VSAs/VSDs under the existing regime to major transactions with certain refinements (as set out in paragraph 140 of this paper)?

Please give reasons for your views and any alternative suggestions. In particular, please provide any comments in relation to the following proposed changes:

(i) remove the requirement for auditors or reporting accountants to review financial information of the disposal target (as set out in paragraph 140(b)(i) of this paper);

(ii) *streamline the financial disclosure requirements for disposal transactions by removing the option to disclose the financial information of the issuer group with the disposal target shown separately and limiting the required historical financial information of the disposal target to the profit and loss statement, balance sheet and cash flow statement (as set out in paragraph 140(b)(ii) of this paper);*

(iii) *remove the requirement for MD&A on the issuer group and other acquisitions (as set out in paragraphs 140(c)(ii) of this paper);*

(iv) *add a new requirement to include in the circular material risk factors relating to the proposed transaction and any new risks to the issuer group as a result of the proposed transaction (as set out in paragraph 140(d) of this paper);*

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

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

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

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

Law Society's response:

Yes. We support aligning the circular disclosure requirements for major transactions. Under the proposals, circulars for acquisitions of a business or company where any percentage ratio is 50% or more but less than 100%, and for disposals where any percentage ratio is 50% or more but less than 75%, would be subject to the higher disclosure standards currently applying to VSAs and VSDs. In particular, there would be a significant increase in the pro forma financial information required to be provided, notably a pro forma profit and loss statement, for major acquisitions and disposals of companies, businesses and other revenue-generating assets. Although this would increase the disclosure burden for these transactions, we consider it acceptable in the interests of simplifying the regime.

Question 17

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

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

We agree with the proposed exemption and welcome the clarity it gives on the disclosure required where the consideration for an acquisition of revenue-generating assets is determined primarily by an independent valuation of the assets rather than by their historical profit or loss.

Question 18

Do you agree to extend the revenue exemption to cover securities transactions carried out by a PRC securities house that is regulated under the PRC Securities Law and mainly engaged in businesses which are equivalent to regulated activities under the SFO (as set out in paragraph 150 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

We agree with the Exchange's rationale for the proposal.

Question 19

If your answer to Question 18 is "yes", do you agree that the exemption will not be available where proprietary securities trading and/or investment activities constitute a significant part of the business of the securities house (as set out in paragraph 151 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

We consider it important that PRC-regulated securities houses relying on the revenue exemption should be subject to the same restriction on proprietary trading as securities houses regulated under the SFO. Applying the restriction equally will ensure a level playing field.

Question 20

Please provide your comments, if any, to the proposed implementation and transitional arrangements (as set out in paragraphs 157 and 158 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

We support the proposed implementation and transitional arrangements.

Question 21

Do you agree to modify the definition of "connected subsidiary" by increasing the threshold of a connected person's shareholding in the subsidiary from 10% to 30% or more of the voting power (as set out in paragraph 179 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

No

The Exchange's rationale for the proposed change is that:

(i) by contrast to a transaction with an external connected person, a transaction between a listed issuer and a connected subsidiary does not give rise to the same level of conflict of interest risk, given that the issuer retains control over the subsidiary and continues to consolidate its results into the group; and

(ii) where the connected person's interest in the subsidiary is relatively limited, the risk of abuse is proportionately less acute justifying that there is room to

increase the threshold to better capture those circumstances with real and substantive risk of abuse.

We are not convinced by these arguments. Even though the listed issuer retains control over the subsidiary, both the listed issuer and the subsidiary are subject to influence from the connected person. We therefore do not consider that the level of conflict of interest risk should be regarded as lower than when the listed issuer deals directly with a connected person. If, for example, a transaction between a wholly owned subsidiary and a non-wholly owned subsidiary results in value being transferred to, or a benefit or advantage being conferred on, the non-wholly owned subsidiary, the connected person who is a shareholder of that subsidiary benefits at the expense of the listed issuer's independent shareholders. Nor are we convinced that the risk of abuse is less acute in this situation. In fact, we fear that the risk will become more acute, as it will be easier for an unregulated transfer of value to be made to a connected person by the listed issuer transferring that value to a non-wholly owned subsidiary in which the connected person can hold an interest of up to just under 30%.

The Exchange provides analysis in paragraph 185 of the Consultation Paper suggesting that the impact of the proposed change would not be substantial: "Of the connected transactions announced during the years 2024 and 2025, around 40 and 30 transactions (approximately 5% and 4% of the connected transactions) involved connected subsidiary where the listed issuer's connected person(s) held less than 30% interests in such subsidiary."

We can foresee parties creating structures designed to benefit connected persons by taking advantage of this rule change. We believe it is more important to consider what transactions the rule change may give rise to in the future than how many past transactions between a listed issuer and a non-wholly owned subsidiary would not have been classified as connected transactions had the connected person's interest at the subsidiary level been below the proposed 30% threshold.

Question 22

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

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

See our response to Question 2.

Question 23

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

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes. We agree that the enhanced disclosure requirements for announcements of connected transactions should be the same as those for notifiable transactions.

Question 24

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

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

Allowing general information on directors and the chief executive to be incorporated by reference into connected transaction circulars is consistent with the approach for major transaction circulars. It also avoids repeating information already published by the issuer.

Question 25

Do you agree that the Listing Rule requirement in defining the scope of connected persons which is applicable to PRC issuers only should be removed (as set out in paragraph 195 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes. We agree with the Exchange's rationale for the proposal.

Question 26

Do you agree to modify the requirement such that the annual caps for continuing connected transactions of a revenue nature can be expressed as a percentage of the issuer's revenue or other financial items in its audited accounts (as set out in paragraph 200 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

Question 27

If your answer to Question 26 is "yes", do you agree that, for annual caps expressed as a percentage of the issuer's revenue and other financial items in its audited accounts, issuers should include the additional disclosure and explanation as set out in paragraph 200 of this paper?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

We agree that issuers should disclose the basis on which an annual cap expressed as a percentage of revenue or another financial item in the audited accounts has been determined. However, we do not agree with the proposed requirement to disclose the issuer's internal control procedures for monitoring the transaction value as a percentage of the prevailing financial item. Issuers adopting a percentage-based cap will need to have such procedures in place in any event, and compliance with the cap will remain subject to the existing annual review of continuing connected transactions by the auditors. The Listing Rules do not generally require issuers to disclose the specific internal controls applying to individual transactions, and we see no reason to depart from that approach for percentage-based caps.

Question 28

Please provide your comments, if any, to the proposed implementation and transitional arrangements (as set out in paragraphs 203 and 204 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

We support the proposed implementation and transitional arrangements.

Question 29

Do you agree with the proposal to exempt a listed issuer from compliance with PN15, if the Spin-off is effected by its subsidiary which itself is listed on the Exchange and subject to PN15 (as set out in paragraph 222 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

We agree with the Exchange's rationale for the exemption.

Question 30

Do you agree to streamline the regulatory process for Spin-off proposals by introducing a self-assessment route for eligible ParentCos to demonstrate compliance of the proposed Spin-offs with PN15, and, accordingly, no prior approval from the Exchange would be required?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

We support introducing a self-assessment route for eligible ParentCos. Removing the need for the Exchange's prior approval would give issuers greater certainty over the timing of their Spin-offs and let them take advantage of favourable market conditions.

Question 31

If your answer to Question 30 is "yes", do you agree with the proposed parameters in paragraph 230 of this paper for determining eligibility for the self-assessment route?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

While we welcome the introduction of a self-assessment route, we have reservations about limiting it to issuers that meet the size-based conditions in paragraph 230(b).

Issuers below the proposed thresholds of HK$10 billion in market capitalisation and HK$1 billion in revenue, many of which are substantial companies, often have as much to gain from a faster and more predictable Spin-off process, since a Spin-off may be an important means for them to raise capital and unlock value. Excluding them from the self-assessment route would mean that the benefits of the reform are concentrated among the largest issuers, which already have the greatest access to capital.

The safeguards underpinning the self-assessment route do not depend on the size of the ParentCo. Its directors would remain responsible for ensuring, on the basis of appropriate due diligence and analysis, that the Spin-off complies with PN15, and in practice they would be supported by professional advisers, as larger issuers are. In addition, paragraph 3(c) of PN15 requires every ParentCo, whatever its size, to retain sufficient operations and assets of its own, excluding its interest in the SpinCo, to satisfy Chapter 8 of the Main Board Listing Rules independently. The concern identified in paragraph 236 is therefore addressed by the requirements of PN15 itself.

We would therefore ask the Exchange to consider extending the self-assessment route to all listed issuers that meet the conditions in paragraph 230(a). Alternatively, if the Exchange considers some additional safeguard necessary for smaller issuers, it could require their board's self-assessment confirmation to be supported by a confirmation from an independent financial adviser, rather than excluding them from the route altogether.

Question 32

If your answer to Question 30 is "yes", do you agree that only Main Board issuers should be eligible for the self-assessment route (as set out in paragraph 232 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

No.

For the reasons set out in our response to Question 31, we do not consider that eligibility for the self-assessment route should depend on the size of the ParentCo. Since GEM issuers are excluded mainly because of their generally smaller market capitalisation, the same reasoning applies. We suggest that GEM issuers also be eligible for the self-assessment route, provided that their boards are satisfied that the Spin-off complies with the applicable principles and requirements under PN15. If the Exchange considers an additional safeguard necessary, the requirement we suggest in our response to Question 31 could also apply to GEM issuers: their board's self-assessment confirmation would be supported by a confirmation from an independent financial adviser.

Question 33

Do you agree to specify the disclosure requirements for Spin-off announcements (as set out in paragraph 246 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

We agree with the proposed disclosure requirements for the announcement of a Spin-off listing application under paragraph 3(g) of PN15. This announcement must be made by the time the SpinCo publishes its Post Hearing Information Pack, or its Application Proof where it chooses to publish one, or, where the SpinCo is to be listed on another exchange, by the time the listing application is first made public there. We consider that the information in paragraph 246 is appropriate at that stage. However, we would ask the Exchange to clarify that these requirements will not apply to any earlier announcement relating to the Spin-off, such as an announcement of inside information under Part XIVA of the SFO or a notifiable transaction announcement. At that stage, the ParentCo may not yet have finalised all the information required, such as the expected funds to be raised.

Question 34

Do you agree to remove the assured entitlement requirement (as set out in paragraph 255 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

No. We do not support removing the assured entitlement requirement. The requirement gives the ParentCo's existing shareholders the opportunity to participate directly in the SpinCo, and so to share in any value released by its separate listing on the same terms as new investors. Removing it would leave shareholders without that opportunity.

We also consider that the existing framework already provides enough flexibility to deal with the difficulties the Exchange has identified. The ParentCo's minority shareholders may waive the requirement by resolution (paragraph 251), and the Exchange has granted both general and case-specific waivers where legal restrictions in the jurisdiction of the SpinCo's listing make an assured entitlement impracticable or unduly burdensome (paragraph 252). Rather than removing the requirement entirely, we would suggest that the Exchange codify its existing waiver practice. This would give issuers greater certainty while preserving the entitlement wherever it can practicably be provided.

Question 35

Do you agree to shorten the requirement of the moratorium period for ParentCos to file the Spin-off listing applications to one year after initial listing (as set out in paragraph 264 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

We agree with the Exchange's rationale for the proposal.

Question 36

Do you agree to extend the exemption to secondary listed issuers and eligible dual-primary listed issuers (as set out in paragraph 265 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

We agree with the Exchange's rationale for the proposal.

Question 37

If your answer to Question 36 is "yes", do you agree with the condition on the exemption for dual-primary listed issuers (i.e. that they have been listed on a PRC stock exchange or a Recognised Stock Exchange for at least two consecutive financial years immediately before their listing in Hong Kong) (as set out in paragraph 265 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

We agree with the Exchange's rationale for imposing the condition.

Question 38

If your answer to Question 36 is "yes", do you agree to incorporate a prospectus disclosure requirement on any specific and imminent Spin-off plans for issuers exempt from the moratorium period requirement, or an appropriate negative statement (as set out in paragraph 266 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

A specific and imminent plan to spin off part of an issuer's business shortly after listing is material information for investors.

Question 39

Please provide your comments, if any, to the proposed implementation and transitional arrangements (as set out in paragraphs 281 and 282 of this paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

We support the proposed arrangements.

The Law Society of Hong Kong
17 November 2026