



HKEX Publishes Consultation Paper on Phase 2 of Listing Framework Competitiveness Review

Background

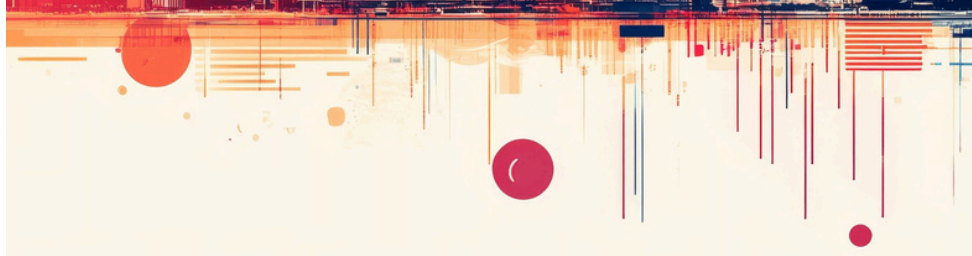
On 21 September 2026, The Stock Exchange of Hong Kong Limited (“HKEX” or the “Exchange”) published its Consultation Paper on Phase 2 of the Listing Framework Competitiveness Review (the “Consultation Paper”), seeking market participants’ feedback on proposed enhancements to Hong Kong’s listing regime. The proposals aim to provide listed issuers with greater operational flexibility and commercial efficiency when executing corporate transactions, while safeguarding investor protection through heightened disclosure standards and strengthened board accountability. The public consultation period will close on 30 November 2026.

As an experienced independent valuation and advisory firm dedicated to tracking regulatory developments and valuation disclosure standards, AVISTA has summarized the key highlights of the consultation paper below.

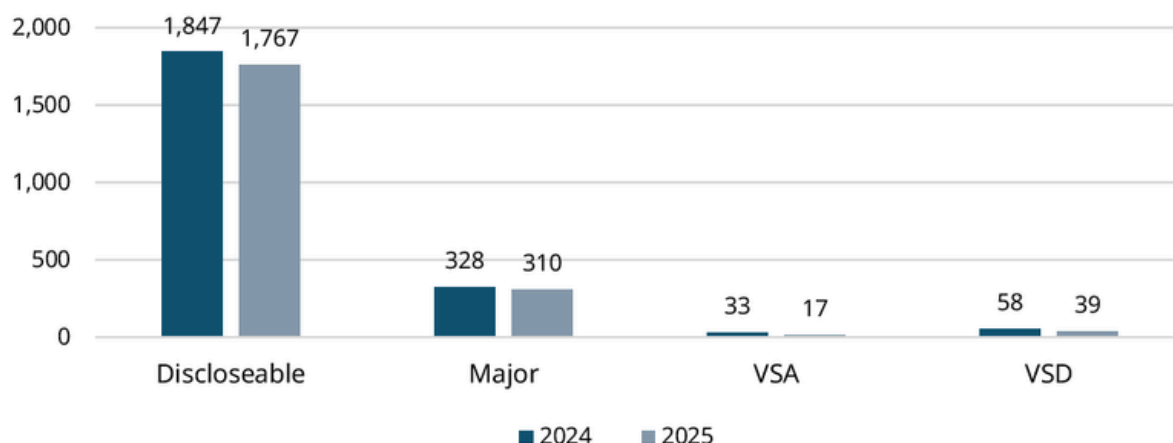
Market Overview & Observations

Hong Kong’s listing platform has expanded and re-energised. By the end of 2025, HKEX had 2,686 listed companies, up from 2,631 a year earlier. IPO fund raising in 2025 reached about HKD 285.8 billion from 119 listings, placing Hong Kong first in global IPO fundraising that year. Momentum continued into 2026, with first-half IPO proceeds of about HKD 210.2 billion.

Corporate transactions have kept pace. According to transaction statistics compiled by HKEX, listed issuers announced 2,266 and 2,133 notifiable transactions in 2024 and 2025, respectively. Discloseable transactions accounted for the vast majority of these deals, representing roughly 82%-83% of total volume in both years. Meanwhile, major (or above) transactions—comprising Major Transactions, Very Substantial Acquisitions (VSAs), and Very Substantial Disposals (VSDs)—represented approximately 17-18% of total notifiable transactions. Notably, almost all of these transactions were ultimately approved by shareholders. HKEX observed that while a small number of transactions raised regulatory concerns due to unsupportable terms or a lack of commercial rationale, the vast majority were conducted in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) requirements, demonstrating that the existing oversight and disclosure framework has generally functioned as intended.



Number of Notifiable Transactions Announced in 2024 and 2025

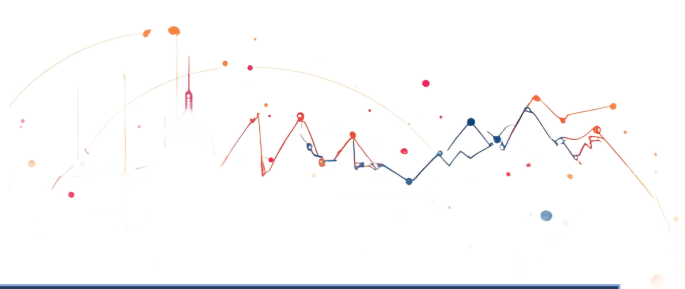


Source: The Consultation Paper

Summary of Major Listing Rules Proposals

The proposed major changes under the Consultation Paper are summarized in the table below:

Subject / Area	Current Rules	Key Proposal
I. Notifiable Transactions		
Percentage Ratios	Determining the transaction type with the below 5 percentage ratios: 1. Assets ratio 2. Revenue ratio 3. Profits ratio 4. Consideration ratio (comparing consideration against total market capitalization) 5. Equity capital ratio	- Remove the Profits Ratio - Modify the Consideration Ratio to compare transaction consideration against the higher of market capitalization or net asset value
Discloseable Transaction	- Any applicable size test $\geq 5\%$ and $< 25\%$ - Announcement only	- Any applicable size test $\geq 5\%$ and $< 50\%$ - Announcement only, but with enhanced content
Major Transaction	- Any applicable size test $\geq 25\%$ and ($< 100\%$ for acquisitions or $< 75\%$ for disposals) - Announcement, circular and shareholders' approval	- Any applicable size test $\geq 50\%$ - Announcement, circular and shareholders' approval Note: The 50% uplift does not apply to transactions involving provision of financial assistance and/or securities or other investment activities
VSAs and VSDs	Any applicable size test $\geq 100\%$ for acquisition or $\geq 75\%$ disposal with heavier circular financials.	Abolished. Those deals are treated as major transactions.



Subject / Area	Current Rules	Key Proposal
II. Connected Transactions		
Scope of Connected Persons	A non-wholly owned subsidiary is classified as a "connected subsidiary" if any connected person(s) at the issuer level holds $\geq 10\%$ of the equity interest in that subsidiary.	Raise the shareholding threshold of connected persons in a subsidiary from $\geq 10\%$ to $\geq 30\%$.
III. Spin-offs		
Post-Listing Moratorium Period	Parent company is restricted from submitting spin-off applications within 3 years of their initial listing.	Shorten the post-listing moratorium period for parent companies to 1 year .
Assured Entitlement	Parent company is generally required to provide existing shareholders with an assured entitlement to shares in the spin-off entity in principle.	Abolish the requirement to provide assured entitlement to existing shareholders in principle.
Regulatory Process and Approval	All spin-off proposals require prior formal application and approval from HKEX under Practice Note 15.	Streamline regulatory procedures by creating a self-assessment route , allowing eligible issuers meeting specified market capitalization and revenue conditions to proceed without obtaining prior HKEX approval.

Source: The Listing Rules and The Consultation Paper



Key Proposals on Valuation Disclosure Requirements

Under the Consultation Paper, HKEX proposes two key regulatory enhancements regarding valuation disclosures for notifiable transactions, formally elevating existing guidance into mandatory Listing Rules requirements:

- Initial Announcement Disclosure (Paragraph 123(b), Part IV): HKEX proposes to enhance disclosure requirements by requiring the initial transaction announcement to provide an adequate explanation of the basis of consideration. Where the consideration is determined primarily based on an independent valuation, detailed disclosures of that valuation must be included at the outset.
- Circular Requirements (Paragraph 140(f), Part V): HKEX proposes to explicitly codify the requirement for major transaction circulars to include the full independent valuation report.

Currently, the Listing Rules do not impose a strict requirement to perform an independent valuation for all notifiable transactions, focusing instead on recommended disclosure standards whether or not a valuation is conducted. Where consideration is determined primarily by reference to an independent business valuation, HKEX Guidance Letter GL116-23 (last updated in June 2024) expects the announcement to contain an explanation of the basis of consideration with sufficient quantitative detail, and the circular to contain the valuation report or a summary that fairly presents the valuer's views, analysis and all material factors.

That position, however, rests on guidance rather than a rule. The Consultation Paper proposes to prescribe a higher standard for every notifiable transaction and to embody that standard in the Listing Rules. A proper valuation therefore becomes more important. For transactions that would no longer proceed to a circular, the announcement would carry enhanced valuation disclosures; for those that still do, the report itself would become a required document rather than a matter of guidance.



How AVISTA Can Help

As a leading independent professional valuation firm in Hong Kong, AVISTA Group offers end-to-end valuation and advisory solutions to help our clients understand these potential regulatory changes, assess deal structures early, and establish strong valuation governance well ahead of rule implementation.

Against the backdrop of evolving disclosure requirements, early valuation planning has become increasingly important in supporting a well-substantiated basis of consideration and a defensible transaction rationale. AVISTA works closely with management teams from the outset of a transaction to develop robust valuation support that aligns initial announcement disclosures with subsequent circular requirements.

Over the past 15 years, AVISTA has prepared independent valuations for more than 120 listed-company circulars and has extensive experience in producing valuation reports suitable for full publication in circulars, as well as quantitative disclosure materials that clearly articulate the basis of consideration in transaction announcements. Our valuations are prepared with publication and regulatory scrutiny in mind, enabling issuers to meet applicable disclosure standards contemplated under the Listing Rules.

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ABOUT AVISTA GROUP

AVISTA Group ("AVISTA") is a leading professional advisory firm. We are experienced in performing a full range of Valuation Advisory, Risk Management Advisory, ESG Advisory, Corporate Advisory and Property Consultancy services for various purposes.

AVISTA is a corporate member of The International Valuation Standards Council (IVSC). With a strong presence in the Asia-Pacific region, we have offices in Hong Kong, Shanghai, Beijing and Shenzhen. Through effective utilization of our local and international networks and the synergies among our service lines, we aim at providing high-quality services to clients and assisting clients in formulating strategies to maximize their value under complex business circumstances.



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