The Stock Exchange of Hong Kong Limited
8/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

27 November 2026

Dear Sir or Madam,

Subject: Consultation Paper on the Listing Framework Competitiveness Review (Phase II)

The International Corporate Governance Network (ICGN) welcomes the opportunity to respond to the Stock Exchange of Hong Kong Limited's (the Exchange) Consultation Paper on the Listing Framework Competitiveness Review (Phase II).[1]

Led by investors responsible for assets under management of >US$100 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries. ICGN's *Global Governance Principles* and *Global Stewardship Principles*, written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.

ICGN recognises the Exchange's objective of enhancing Hong Kong's competitiveness as a listing venue, and supports the ambition to simplify the rules and reduce the compliance burden for listed issuers. We welcome the proposals to enhance transaction announcements.

However, we are concerned that, taken together, the proposals would substantially weaken shareholders' right to approve major transactions, and would take some connected transactions outside the approval requirements altogether. These are important protections for minority shareholders.

On the Exchange's own estimates, these proposals together would mean that almost three quarters of the transactions currently classified as major transactions or above would no longer require shareholders' approval under the major transaction rules (paragraphs 98 and 119). Without a vote, investors would be unable to block transactions that erode shareholder value.

This letter summarises our position and sets out our general comments on the proposals. Our responses to the questions in the consultation paper are set out in the appendix.

1 HKEX, Consultation Paper on the Listing Framework Competitiveness Review (Phase II) (September 2026)

Summary of our position

- ICGN does not support raising the major transaction threshold from 25% to 50%, including for material spin-offs (Q3). Currently, a transaction requires shareholders' approval if it amounts to 25% or more of the company's total assets, revenue, profits, market value or issued shares, and we believe this threshold should be maintained. We do not support removing the profits ratio (Q1) or allowing issuers to measure the consideration against their net asset value, where higher, instead of their market value, which on the Exchange's own estimates would remove more transactions from shareholders' approval than the higher threshold (Q2). As stated in our Global Governance Principles, ICGN believes shareholders should have the right to vote on "major decisions which may change the nature of the company in which they have invested".[2]

- We do not support the proposed exemption from shareholders' approval for acquisitions or leasing of assets in an issuer's ordinary and usual course of business, as drafted. In the event that the Exchange proceeds, the exemption should expressly exclude transactions which would materially change an issuer's business, risk profile or investment strategy, assessed from an investor's perspective (Q7).

- We do not support raising, from 10% to 30%, the stake a connected person (such as a director or substantial shareholder) must hold in a subsidiary for transactions with it to be covered by the connected transaction rules. This would take some related party transactions outside those rules (Q21). We also do not support allowing annual caps for continuing connected transactions to be expressed as a percentage of revenue or other financial items (Q26). Nor do we support removing shareholders' assured entitlement in spin-offs, which gives them access to shares in the spun-off company (Q34).

- We support enhanced transaction announcements, including for spin-offs (Q13 to Q15 and Q33). Shareholders should benefit from this improved disclosure while keeping their right to approve major transactions.

General comments

Protecting minority shareholders

ICGN believes safeguards which apply before a transaction goes ahead remain essential for protecting shareholders in Hong Kong, where a significant proportion of listed issuers have concentrated ownership structures (paragraph 168) and enforcement mechanisms differ from those in some other jurisdictions. The Exchange reaches this conclusion for connected transactions (paragraph 169). We believe this applies equally to major transactions, where the circular and shareholders' approval are such safeguards. As stated in our Global Governance Principles, ICGN believes minority shareholders "should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly".[3]

International perspective

International comparisons are useful, but markets combine shareholder rights, ownership structures and enforcement mechanisms differently. Comparisons should consider the

[2] ICGN, Global Governance Principles (2021), Guidance 9.2 (Major decisions)
[3] ICGN, Global Governance Principles (2021), Guidance 9.7 (Equality and redress)

overall framework rather than individual elements. For example, the US and the UK, which are used for comparison, place greater reliance on disclosure than on prescriptive shareholders' approval requirements (paragraph 36). In the US, shareholders also have access to securities class actions and, for US domestic issuers, to remedies under state law on directors' fiduciary duties (paragraph 36).

The UK's 2024 listing reforms removed the shareholder vote on significant transactions (paragraphs 22 and 70). ICGN opposed this change, and strongly encouraged the UK Financial Conduct Authority (FCA) to maintain a mandatory shareholder vote for related party transactions and significant transactions above a certain threshold.[4] In June 2024, ICGN and seven other investor associations, including the Asian Corporate Governance Association, the Australian Council of Superannuation Investors and the Council of Institutional Investors, wrote to the Chair of the FCA that "the votes on significant transactions and related party transactions provide useful protections for investors and that removing them exposes unnecessary risks."[5]

These reforms aimed to make the UK a more attractive listing venue, but they have not led to a meaningful increase in initial public offering (IPO) activity: there were 11 Main Market IPOs in 2024, 14 in 2025 and two in the first half of 2026, compared with 22 in 2020 and 43 in 2021.[6]

Selective comparisons can also point the other way: Singapore, a peer market in Asia, requires shareholders' approval for transactions of 20% or more (paragraphs 37 and 70).

Investor protection and market competitiveness

Finally, investor protection and market competitiveness are mutually reinforcing objectives. Global investors provide capital to markets where they have confidence in shareholder rights and board accountability. As the UK experience suggests, reducing shareholder protections does not in itself attract new listings. Instead, it risks reducing investor confidence in Hong Kong listed companies and increasing their cost of capital, undermining the competitiveness the Exchange seeks to enhance.

Thank you for the opportunity to share our perspective. If you would like to follow up with questions or comments, please contact our Global Policy Director, Peter van Veen (peter.vanveen@icgn.org) or Policy Executive, Thomas Stables (thomas.stables@icgn.org).

Yours faithfully,



Jen Sisson

Chief Executive Officer, ICGN

[4] ICGN, "Listing rules reforms, Financial Conduct Authority (FCA)", response to CP23/31 (21 March 2024)
[5] Letter to the Chair of the FCA on listing rules reforms, signed by ICGN and seven other investor associations (13 June 2024)
[6] Financial Conduct Authority, FCA Listings data, accessed 17 November 2026

Appendix: Responses to the consultation questions

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)?

ICGN does not support this proposal and recommends that the Exchange retains the profits ratio.

Without the profits ratio, none of the size tests would reflect how significant a transaction is to the issuer's earnings. On the Exchange's figures, removing it would mean that 20 major transactions or above in 2024 and 2025 would no longer require shareholders' approval, and 48 disclosable transactions would no longer require an announcement (paragraph 62).

We acknowledge that the ratio can produce anomalous results, particularly where the target or the issuer has recorded losses or the issuer's results are affected by exceptional factors (paragraph 55). However, issuers can already seek the Exchange's consent to set aside such a calculation or propose another test (paragraph 46), and the Exchange consented in every such case in 2024 and 2025 (footnote 42 of the consultation paper). Anomalies can therefore be dealt with case by case, without losing the test for transactions where it works as intended.

Whichever approach the Exchange adopts, transactions which significantly change an issuer's earnings profile should remain subject to appropriate disclosure and scrutiny.

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)?

ICGN does not support this proposal and recommends that the Exchange retains the existing consideration ratio, which compares the consideration with the issuer's market capitalisation.

Allowing issuers to use their net asset value instead, where it is higher, would make transactions appear smaller for issuers whose shares trade below their net asset value. On the Exchange's figures, this change alone would remove more transactions from shareholders' approval than raising the major transaction threshold to 50% (paragraphs 63 and 96). Together with the removal of the profits ratio, 194 major transactions or above in 2024 and 169 in 2025, around 46% in each year, would no longer require a circular or shareholders' approval (paragraph 64).

Market capitalisation reflects the current value of shareholders' investment, and the Exchange describes it as "a relevant and important metric for assessing the market-perceived scale and significance of a transaction" (paragraph 60). This is consistent with our Global Governance Principles, which give shareholders the right to vote on major decisions which may change the nature of the company.[7]

In the event that the Exchange proceeds, the net asset value used should be taken from the issuer's latest audited accounts, rather than an unaudited interim report.

[7] ICGN, Global Governance Principles (2021), Guidance 9.2 (Major decisions)

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)?

ICGN does not support this proposal and recommends that the Exchange retains the existing 25% threshold.

Under the proposal, transactions between 25% and 50% of a listed issuer's size would no longer require a circular or shareholders' approval. The Exchange estimates that this would have affected 132 of 419 major transactions or above in 2024, and 127 of 366 in 2025 (paragraph 96). Together with its proposed changes to the size tests, around two thirds of these transactions would no longer require shareholders' approval under the major transaction rules (paragraph 98).

In 2024, ICGN suggested that the FCA could raise the UK threshold as an alternative to removing the shareholder vote altogether.[8] Here, however, the higher threshold is combined with other changes which, together, would remove the major transaction approval requirement from almost three quarters of the transactions currently subject to it (paragraphs 98 and 119).

Transactions of this size can change a company's business, risk profile and value, and once completed are difficult to reverse. The vote allows investors to block transactions that erode shareholder value, and the circular gives them the information they need to decide how to vote. Disclosure alone does not give shareholders this protection. A study we cited in our 2024 response to the FCA found that the UK's vote on transactions of 25% or more deterred boards from overpaying or pursuing transactions which were not in shareholders' interests.[9]

The Exchange notes that almost all transactions put to shareholders are approved (paragraphs 34 and 80). The research above points to one reason for this: boards take the prospect of a vote into account when deciding which transactions to propose and how to structure them.

The Exchange notes that the approval requirement can add time and execution uncertainty (paragraph 81). Singapore, a peer market in Asia, nonetheless requires shareholders' approval for transactions of 20% or more (paragraphs 37 and 70). We believe the discipline the vote provides matters most in competitive bidding, where the pressure to overpay is greatest.

As stated in our Global Governance Principles, ICGN believes shareholders should have the right to vote on major decisions which may change the nature of the company, including "material and extraordinary transactions such as mergers and acquisitions".[10]

The right to vote is particularly important in Hong Kong, where the Exchange notes that a significant proportion of listed issuers have concentrated ownership structures (paragraph 168), and that public enforcement and private litigation mechanisms differ from those in some other jurisdictions (paragraph 169).

The right to vote also supports investor stewardship. As stated in our Global Stewardship Principles, ICGN believes investors should determine "how, why, and when engagement

[8] ICGN, "Listing rules reforms, Financial Conduct Authority (FCA)", response to CP23/31 (21 March 2024), response to Q7

[9] Marco Becht, Andrea Polo and Stefano Rossi, "Does Mandatory Shareholder Voting Prevent Bad Acquisitions?", Review of Financial Studies, Volume 29, Issue 11 (2016)

[10] ICGN, Global Governance Principles (2021), Guidance 9.2 (Major decisions), including 9.2(g)

might be escalated to achieve their objectives", which can include voting against company resolutions.[11] Without a vote on these transactions, investors would lose that option.

The threshold for shareholders' approval of material spin-offs, which the Exchange proposes to raise to 50% in line with the major transaction threshold (paragraph 272), should also remain at 25%.

In the event that the Exchange raises the major transaction threshold, transactions between 25% and 50% should remain subject to disclosure broadly equivalent to the information currently provided in circulars, including material financial, strategic and sustainability risks. This would help to mitigate the loss of shareholder oversight.

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)?

ICGN does not support this proposal as it is currently worded. The exemption should expressly exclude transactions which would materially change an issuer's business, risk profile or investment strategy.

We believe the test should be materiality, assessed from an investor's perspective: a change is material if it could influence a reasonable investor's investment or voting decisions. The Exchange expects that transactions which would fundamentally alter an issuer's business, risk profile or investment strategy "would remain subject to the existing circular and shareholders' approval requirements" (paragraph 113), and the conditions of the exemption should reflect this.

As stated in our Global Governance Principles, ICGN believes shareholders should have the right to vote on "major decisions which may change the nature of the company in which they have invested".[12]

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?

ICGN supports the proposed enhancements to the content of notifiable transaction announcements (paragraph 123). In particular, the basis of the consideration, key financial information on the target and the impact of the transaction on the listed issuer would allow shareholders to assess a transaction when it is announced. The explanation of the transaction's impact should include financially material sustainability considerations where relevant.

For transactions which do not require a circular, the announcement is the only information shareholders receive.

Announcements should also disclose any material dissent among directors and how the board addressed it, particularly for significant transactions which are exempt from shareholders' approval.

[11] ICGN, Global Stewardship Principles (2024), 3.6 (Escalation)
[12] ICGN, Global Governance Principles (2021), Guidance 9.2 (Major decisions)

As stated in our Global Governance Principles, ICGN believes the board should disclose material information on a timely basis "for shareholders and relevant stakeholders to assess the company's position, performance, business model, strategy, and long-term prospects".[13]

With the 25% threshold retained, shareholders would benefit from better announcements and keep the circular and the vote on major transactions. As we noted in our response to the FCA in 2024, an enhanced disclosure regime would not protect shareholders from potentially value destroying transactions.[14]

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)?

ICGN supports this proposal. Where a board decides on a transaction without audited financial information on the target, shareholders need to know why it was unavailable, what the board relied on instead and how reliable that information is. Disclosure of the source of the figures and the basis on which they were prepared would help shareholders judge how much weight to place on them.

As stated in our Global Governance Principles, ICGN believes boards should oversee "timely and reliable company disclosures for shareholders and relevant stakeholders".[15]

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?

ICGN supports this proposal. Extensions of the long stop date, changes in the payment schedule and the amount of any consideration which was not fixed at the outset can change the value or risk of a transaction which shareholders have already assessed. Further announcements on these developments, and on completion, would keep shareholders informed on a timely basis. As set out in our response to Question 13, this reflects our Global Governance Principles on the timely disclosure of material information.[16]

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)?

ICGN does not support this proposal and recommends that the Exchange retains the existing 10% threshold. Unlike a materiality threshold, this change would remove transactions with these subsidiaries from the connected transaction requirements altogether, whatever their size: around 40 transactions in 2024 and 30 in 2025 (paragraph 185).

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[13] ICGN, Global Governance Principles (2021), Guidance 7.2 (Materiality)
[14] ICGN, "Listing rules reforms, Financial Conduct Authority (FCA)", response to CP23/31 (21 March 2024)
[15] ICGN, Global Governance Principles (2021), Principle 7 (Corporate reporting)
[16] ICGN, Global Governance Principles (2021), Guidance 7.2 (Materiality)

Where a connected person, such as a director or substantial shareholder of the issuer, holds a stake in one of the issuer's subsidiaries, transactions between the issuer and that subsidiary are related party transactions (RPTs), which can be used to extract private benefits of control at the cost of other shareholders. As stated in our Global Governance Principles, ICGN believes "shareholders should have the right to approve significant RPTs above an appropriate materiality threshold, and this should be based on the approval of a majority of disinterested shareholders."[17]

A stake of between 10% and 30% is a material economic interest. We agree with the Exchange that a materially higher threshold may "exclude cases where a connected person's interest is substantial enough to create a real risk that it may obtain disproportionate benefit from transactions between the issuer and that subsidiary" (paragraph 182).

In the event that the Exchange proceeds, it should first explain what safeguards would apply to transactions with subsidiaries in which a connected person holds a stake of between 10% and 30%.

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)?

ICGN does not support this proposal and recommends that the Exchange retains fixed monetary caps, with material increases subject to renewed independent shareholders' approval.

Continuing connected transactions are related party transactions which recur over time, often with controlling shareholders. Percentage-based caps could allow the absolute value of transactions with connected parties to increase substantially without renewed independent shareholders' approval, provided they remain within the approved formula. This could weaken an important safeguard against transfers of value from minority shareholders to controlling shareholders or other connected parties.

The Exchange already grants waivers allowing caps to be set by reference to revenue or other financial items where a fixed monetary cap would be inappropriate (paragraph 199). These cases can continue to be addressed through waivers.

This proposal should be considered together with the proposal to raise the connected subsidiary threshold (Question 21). One would narrow the scope of the connected transaction rules, and the other would allow greater flexibility over the value of transactions which remain within them. Together, they could substantially weaken protection for minority shareholders.

In the event that the Exchange proceeds, any percentage-based cap should be accompanied by a binding monetary ceiling, transparent disclosure of actual transaction values and cap utilisation, and clear requirements for renewed approval when material thresholds are exceeded.

[17] ICGN, Global Governance Principles (2021), Guidance 9.5 (Shareholder approval of RPTs)

As stated in our Global Governance Principles, ICGN believes "shareholders should have the right to approve significant RPTs above an appropriate materiality threshold, and this should be based on the approval of a majority of disinterested shareholders."[18]

Question 33: Do you agree to specify the disclosure requirements for Spin-off announcements (as set out in paragraph 246 of this paper)?

ICGN supports this proposal. A spin-off changes what shareholders of the listed issuer own. Consistent disclosure of the information set out in paragraph 246, including the reasons for and expected benefits of the spin-off and the listed issuer's expected shareholding in the spun-off company before and after the spin-off, will help shareholders understand its effect on their investment.

As set out in our response to Question 13, this reflects our Global Governance Principles on the timely disclosure of material information.[19]

Question 34: Do you agree to remove the assured entitlement requirement (as set out in paragraph 255 of this paper)?

ICGN does not support this proposal.

The assured entitlement requires a listed issuer spinning off a business to give its existing shareholders access to shares in the new company, through a preferential offering or a distribution in specie, with all shareholders treated equally (paragraph 250). Removing it could leave them with a smaller stake in a business that is already part of the company they own. This reflects the principle behind pre-emption rights: our Global Governance Principles state that the board should be mindful of dilution of existing shareholders and "provide full explanations to justify why it is in the best interests of the company when pre-emption rights are not offered".[20]

We recognise the practical difficulties the Exchange describes, including legal restrictions in some jurisdictions (paragraph 256). However, the requirement can already be waived by a resolution of minority shareholders (paragraph 251), and the Exchange has granted waivers where legal restrictions apply (paragraph 252). These cases can continue to be addressed through waivers.

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)?

ICGN does not support this proposal and recommends that the Exchange retains the existing three-year moratorium period, with justified case-by-case exemptions.

The moratorium recognises that investors made their investment choice based on the issuer's business portfolio at the time of its initial listing (paragraph 259). Shortening it could undermine investors' confidence in the original investment proposition of newly listed companies. Where an issuer has a specific and imminent spin-off plan, disclosed in its prospectus, this can continue to be addressed through waivers (paragraph 260).

[18] ICGN, Global Governance Principles (2021), Guidance 9.5 (Shareholder approval of RPTs)
[19] ICGN, Global Governance Principles (2021), Guidance 7.2 (Materiality)
[20] ICGN, Global Governance Principles (2021), Guidance 9.2 (Major decisions), 9.2(d)