

Substandard conduct of Sponsors

(I) Serious deficiencies in the preparation of some listing documents, and responses to regulatory comments as well as failure to attend to key regulatory processes and procedures at the offer stage

A. Poor quality of draft listing documents

1. A Sponsor's primary role is to provide assurance to regulators that a listing document provides sufficient particulars and information for investors to form a valid and justifiable opinion on a listing applicant's shares, financial condition and profitability, pursuant to paragraph 17.1(b) of the Code of Conduct. However, it is increasingly common that listing documents are poorly drafted and inadequately reviewed.
2. The SFC is concerned that draft listing documents often involved unclear or convoluted descriptions of business models, excessive use of marketing or promotional language, and selective presentation of industry data aimed to overstate the applicant's market position. These documents, as they were drafted and submitted to the regulators, failed to serve their intended purpose of providing sufficient particulars and information for investors to form a valid and justifiable opinion of the listing applicants.
3. In the examples below, the listing documents lacked sufficient information and analysis on how the relevant applicants were eligible and suitable for listing.

Example A:

The draft listing document lacked sufficient qualitative and quantitative information on the applicant to adequately explain, illustrate or substantiate the (a) significant fluctuations in financial performance, (b) historical non-compliance, (c) legal proceedings, (d) sanction related risks, and/or (e) competitive landscape/market share, thereby hindering investors' understanding of the applicant's business and implications on the listing.

Example B:

The draft listing document lacked disclosure on a certain bribery incident that the applicant's director (and also a controlling shareholder) was involved in, and failed to provide any analysis or Sponsor's due diligence on how such incident would affect the applicant's suitability for listing or the director's competence and integrity.

Example C:

In a number of listing applications relating to biotech and specialist technology companies, the draft listing documents lacked sufficient disclosure demonstrating how the relevant applicants fulfilled the applicable eligibility requirements. Consequently, the regulators requested further information from the relevant Sponsors to demonstrate how the applicants' Core Products¹ had been developed beyond the concept stage, and whether the applicants owned the relevant patent and patent rights, and how the applicants could meet the revenue threshold for a commercial company under Chapter 18C of the Main Board Listing Rules and the qualifications of the pathfinder SIs².

4. The substandard disclosures in the above cases may indicate that certain Sponsors may not have developed a thorough understanding of the listing applicants and their industries, and cast doubt on whether they have performed all reasonable due diligence before submitting the listing applications. These practices may be non-compliant with paragraphs 17.1(b), 17.2(b), 17.4(a) and (b) and 17.6(d) of the Code of Conduct.

Insufficient Understanding of the Applicant and Its Industry

5. Pursuant to paragraph 17.6(d) of the Code of Conduct, a Sponsor should achieve a thorough understanding of the listing applicant and gain a sufficient understanding of the industry in which the applicant operates, with an assessment of its business performance, financial condition, development and prospects.

Failure to Conduct All Reasonable Due Diligence before Submitting Listing Application

6. Pursuant to paragraphs 17.2(b), 17.4(a) and 17.4(b) of the Code of Conduct, before submitting a listing application, a Sponsor should have performed all reasonable due diligence on the listing applicant except in relation to matters that by their nature can only be dealt with at a later date, and ensure that all material information as a result of this due diligence has been included in the application proof, which should be substantially complete.

Unreasonably Lengthy Listing Documents

7. Apart from the above, the SFC noted that the draft listing documents have become unnecessarily long for various reasons, including extensive repetition of the same information across different sections and the inclusion of boilerplate disclosures that do not meaningfully present the applicant's business or financial performance. Common

¹ Regulated product(s) that (alone or together with other Regulated Products) forms the basis of a biotech company's listing application under Chapter 18A of the Main Board Listing Rules (Core Product(s)).

² Sophisticated independent investors who have invested in the applicant at least 12 months before the date of the listing application (pathfinder SIs).

examples include the mere “copy-and-paste” of paragraphs from other sections into the “Summary” section, resulting in an overly lengthy summary that loses focus on information critical for investors’ understanding, and the use of generic descriptions in the “Business” section that are not specific to the applicant.

8. Sponsors are reminded to adhere to the Listing Rules and follow the Guide for New Listing Applicants³ when preparing a listing application. According to Chapter 3.1 of the Guide for New Listing Applicants, SEHK may exercise its discretion to suspend vetting in the following non-exhaustive examples:
 - (a) information in the “Summary” section (a) is almost entirely copied-and-pasted from other sections; or (b) does not explain material fluctuations of key financial or business data;
 - (b) the listing document contains extensive marketing and hyperbolic languages which may mislead or confuse investors, or includes overly emotional language or disclosure unrelated to the applicant’s principal business; and
 - (c) the listing document does not comply with any of the recommended page limits for the “Summary”⁴, “Industry Overview”⁵, “Regulations”⁶ and “History and Development”⁷ sections.
9. Pursuant to paragraph 17.8(a) of the Code of Conduct, Sponsors should in conjunction with the management of a listing applicant and its other advisers prepare a relevant, adequate and comprehensible “Management Discussion and Analysis of Financial Information and Condition” section that should avoid excessive or irrelevant disclosure in the listing document that may overwhelm investors and prevent them from identifying and understanding material matters and critical information.
10. In the European Union, with effect from 5 June 2026, in addition to existing section-specific page limits (e.g. no more than seven pages for the summary section, similar to the 10-page limit set out in the Guide for New Listing Applicants), there will be an overall page limit of 300 pages for the entire listing document. Although there is no overall page limit in the People’s Republic of China, the United States, the United Kingdom, Australia and Singapore, the SFC noted that the average number of pages of recent listing documents issued in the above jurisdictions is in the range of 250 to 600 pages.

³ [Guide for New Listing Applicants](#) published by SEHK from time to time (Guide for New Listing Applicants).

⁴ Chapter 3.2.1 of the Guide for New Listing Applicants.

⁵ Chapter 3.4.2 of the Guide for New Listing Applicants.

⁶ Chapter 3.5.1 of the Guide for New Listing Applicants.

⁷ Chapter 3.6.1 of the Guide for New Listing Applicants.

11. As the primary role of a Sponsor is to provide assurance to regulators that a listing document provides sufficient particulars and information for investors to form a valid and justifiable opinion of a listing applicant, it is reasonable to expect Sponsors to be disciplined in their preparation of listing documents, both in terms of quality and the length of the documents. An overly voluminous listing document can hinder investors' ability to clearly understand and properly evaluate a listing applicant, as well as consume excessive regulatory resources which may cause delays to the listing timetable. The SFC would generally expect the main body of a listing document to not exceed 300 pages in total (excluding the accountants' report, valuation report and competent person's report (applicable to mining companies) contained in the appendices).

B. Failure to address regulatory comments despite clear guidance

12. Since the launch of the Enhanced Application Timeframe⁸, SEHK has engaged directly with key representatives of Sponsors to facilitate understanding of material regulatory concerns and outline the regulators' expectations on their subsequent responses to comment letters. The SFC has also initiated contact with Sponsors on multiple occasions to explain the reasons for concern and how they might address such concern. However, a recurring concern is the failure of Sponsors to provide complete and satisfactory responses to regulatory comments, notwithstanding the clear and proactive guidance provided by the regulators during these engagements.
13. In numerous cases, despite explicit undertakings by Sponsors to address the issues raised, subsequent submissions still failed to provide satisfactory responses, resulting in unnecessary consumption of regulatory resources.
14. In the examples below, the Sponsors failed to address SEHK's concerns on the applicants' business sustainability and path to profitability and provide robust analyses of the impact of material complaints received by the applicants, or submitted to the regulators information that was incomplete, inconsistent, or even contradictory.

Example D:

Despite repeated enquiries and clear guidance, a Sponsor failed to provide reasonable and sufficient justification to support the waiver application from strict compliance with Rule 4.04(1) of the Main Board Listing Rules for not including the audited results of the most recent full financial year immediately preceding the issue of the final listing document, particularly given the applicant's deteriorating financial performance.

⁸ As set out in the [Joint Statement on Enhanced Timeframe for New Listing Application Process](#) published by the SFC and SEHK on 18 October 2024.

Example E:

In a listing application involving material complaints against the applicant, the Sponsor's initial response lacked critical details on the tax liabilities and a robust analysis of its impact on the applicant. Subsequently, the Sponsor also failed to timely notify or update the regulators of a change in status of certain tax proceedings with relevant tax authorities on underpaid tax and stamp duty.

Example F:

In a listing application involving material complaints against the applicant, the Sponsor failed to provide satisfactory responses fully substantiated with independent due diligence. Additionally, its submissions were found to contain incomplete, inconsistent, and even contradictory explanations.

15. The above examples raised concerns regarding the accuracy and completeness of the information provided by the Sponsors in response to the regulators' enquiries or the complaints received, which may be non-compliant with paragraphs 17.2(d) and 17.9(a) and (b) of the Code of Conduct.

Failure to Address Regulators' Enquiries in a Cooperative and Truthful manner

16. Pursuant to paragraphs 17.2(d) and 17.9(b) of the Code of Conduct, a Sponsor should deal with all enquiries raised by, and provide all relevant information and documents requested by, the regulators promptly, including answering any questions addressed to the Sponsor in a cooperative and truthful manner.

Failure to Provide Accurate, Complete and Not Misleading Information to the Regulators

17. A Sponsor should reasonably satisfy itself that all information provided to the regulators during the listing application process is accurate, complete and not misleading in all material respects, in accordance with paragraph 17.9(a) of the Code of Conduct.

C. *Failure to attend to processes and procedures at the offer stage*

18. Following the shortening of the settlement period to T+2 and the introduction of FINI⁹ in late 2023, Sponsors and designated overall coordinators (OCs) are expected under the Listing Rules and the Code of Conduct to allocate experienced and suitably senior staff to attend to the key regulatory processes during the offer stage, such as review and clearance of placees and announcements of allotment results.

⁹ Fast Interface for New Issuance (FINI).

19. In the examples below, the Sponsors and designated OCs failed to comply with and adhere to the required deadlines to facilitate the key processes and procedures at the offer stage. In addition, the responsible representatives were either not reachable in a timely manner or did not have adequate knowledge of the listing application and/or process.

Example G:

The sponsor-OC had failed to (i) submit all placees details as well as marketing and independence statement by 10:00 a.m. for clearance by the prescribed 5:00 p.m. deadline on T+1 on FINI, leading to a delay in the remaining processes and procedures; (ii) identify connected clients and only submitted the required consent applications on T+1 upon the regulators' request; (iii) publish the allotment results announcements on SEHK's website through the e-Submission System by the prescribed 11:00 p.m. deadline on T+1, which constituted a breach of Rule 12.08 of the Main Board Listing Rules; and (iv) accurately input its role as a designated sponsor-OC on FINI, leading to inability to submit final price, allocation adjustments and control list on FINI.

Example H:

The designated team responsible for handling offer stage/FINI related processes and procedures of a sponsor-OC was mainly stationed in the Philippines, and most of the time, the responsible personnel was unreachable resulting in prolonged response time and delay in various workstreams, processes and procedures, including failure to timely submit all placees details by 10:00 a.m. on T+1 for clearance.

Example I:

The sponsor-OCs failed to designate sufficiently senior and experienced persons to attend to the processes and procedures and handle the relevant matters at the offer stage, resulting in unnecessary consumption of regulatory resources in providing support and detailed guidance to their team members throughout the day on T+1.

20. The above examples suggest that Sponsors may have failed to put in place sufficient arrangements and resources to ensure that the public offer is conducted in a fair, timely and orderly manner pursuant to paragraphs 17.2(g) and 17.13(a)(ii) of the Code of Conduct. Additionally, they may not have allocated experienced and suitably senior staff to attend to the key regulatory processes during the offer stage, which may be non-compliant with paragraph 17.11(c)(i) of the Code of Conduct and paragraphs 1.2 and 3.1.1 of the Sponsor Guidelines.

Failure to Appoint a Transaction Team with Experienced and Suitably Qualified Staff

21. Pursuant to paragraph 17.11(c)(i) of the Code of Conduct, taking account of the nature, scale and complexity of the listing assignment and any other factors that may affect the standard of work, the Sponsor should appoint a Transaction Team which comprises staff with appropriate levels of knowledge, skills and experience in Hong Kong IPOs to carry out the assignment over the period of the assignment.

Failure to Put in Place Sufficient Arrangements and Resources When Acting as the Overall Manager of the Public Offer

22. Pursuant to paragraphs 17.2(g) and 17.13(a)(ii) of the Code of Conduct, where a listing application involves a public offer, a Sponsor should act as the overall manager of the public offer. In doing so, the Sponsor should put in place sufficient arrangements and resources to ensure that the public offer and all matters ancillary thereto are conducted in a fair, timely and orderly manner.
23. The Management should also ensure that there are sufficient Principals engaged to supervise the Transaction Teams as required under paragraph 1.2 of the Sponsor Guidelines. Moreover, under paragraph 3.1.1 of the Sponsor Guidelines, the Principal (as appointed by the Sponsor) is expected to be fully conversant with the key issues in each listing assignment, to be able to respond and react promptly to requests of the regulators (such as the SFC and SEHK) on such issues and to properly advise the listing applicant. These requirements are further discussed under paragraphs 30 and 32 below.

(II) *Over-reliance on experts and third parties without adequate assessments of their competency and resources*

24. The serious deficiencies noted in draft listing documents may indicate that the Sponsors have over-relied on experts and third parties, including legal advisers, accountants, valuers and others, to perform specific tasks, such as the drafting of the listing document, without adequate assessments of their competency and resources.

Inadequate Assessments on Competency and Resources of Experts and Third Parties

25. Under paragraphs 17.6(g) and 17.7(a) of the Code of Conduct, where a Sponsor engages experts and third parties to perform specific tasks, the Sponsor remains responsible for such tasks and should assess whether such experts or third parties are appropriately qualified, experienced and competent for the tasks, and whether they are sufficiently resourced. The Sponsor should evaluate whether these experts or third parties are adequately resourced, both in terms of suitably qualified personnel and technical capabilities, to fulfil their obligations to the required standard.

26. Given the serious concerns noted above, the SFC requested deal information from selected active Sponsors in the industry to understand the current situation of the Hong Kong IPO market, including the number of listing engagements and the resources of the Sponsors to undertake such engagements. The SFC noted additional serious concerns regarding the adequacy and competency of the human resources assigned to the listing engagements, as discussed below.

(III) *Insufficient capacity of Principals to supervise the Transaction Teams and participate in the listing engagements*

27. Principals are expected to play a key role in new listing applications, including supervising the Transaction Team, attending to key due diligence process and providing timely guidance to the Transaction Team when needed. However, the SFC noted that a concerning number of the Principals are simultaneously undertaking six or more active listing engagements. In the most serious cases, some Principals are acting as the signing Principal for up to 19 active listing engagements. This is significantly more than what they are reasonably expected to be able to manage¹⁰, raising serious concerns regarding their capability to provide adequate oversight and to fulfil their supervisory responsibilities. As a result, the quality of listing documents was adversely affected, further suggesting substandard sponsor work.
28. In the example below, Principals are simultaneously undertaking a significant number of active listing engagements.

Example J:

All the Principals of a Sponsor were simultaneously overseeing six or more active listing engagements. In fact, the most active Principal at this Sponsor was acting as the signing Principal for 10 active listing engagements simultaneously as of 31 December 2025, while also serving as a Transaction Team member for nine additional active listing engagements. In addition, the other Principals of this Sponsor were involved in 11 or more active listing engagements as signing Principals or Transaction Team members.

For three other active Sponsors, over 80% of their Principals were simultaneously supervising or participating in six or more active listing engagements. In fact, the most active Principals at these Sponsors were acting as the signing Principal for 19, 17 and seven active listing engagements, respectively.

¹⁰ As stated in paragraph 26 of the Thematic Report, the SFC raised doubt as to whether a Principal who was simultaneously overseeing six listing applications could adequately supervise the Transaction Team.

The most active Principal at another Sponsor was acting as the signing Principal in eight active listing engagements and as a Transaction Team member for six additional active listing engagements as of 31 December 2025.

29. The SFC has serious concerns that the Sponsors in the above example failed to appoint a sufficient number of Principals to oversee their listing engagements, which was a breach of paragraph 1.2 of the Sponsor Guidelines. Moreover, there were serious doubts as to whether the concerned Principals had the necessary capacity to, and in fact did, properly and adequately supervise the Transaction Teams at all times, as required under Note 2(B) to paragraph 17.11(c) of the Code of Conduct and paragraph 3.1.1 of the Sponsor Guidelines.

Insufficient Number of Principals

30. Pursuant to paragraph 1.2 of the Sponsor Guidelines, the Management should ensure that there are sufficient Principals engaged in a full-time capacity to discharge their role in supervising the Transaction Teams, taking into account the volume, size, complexity and nature of the sponsor work that is undertaken by the Sponsor. When there are joint Sponsors engaged in a particular transaction, each Sponsor should have its designated Principal to supervise the transaction.

Inadequate Supervisions of Transaction Teams by Principals

31. Note 2(B) to paragraph 17.11(c) of the Code of Conduct requires that if a Principal is assigned to supervise more than one Transaction Team, Management should be satisfied that each team is properly and adequately supervised by at least one Principal who has the necessary capacity, capability and competence to supervise.
32. Pursuant to paragraph 3.1.1 of the Sponsor Guidelines, Principals should be involved in, among other things, making key decisions relating to the work carried out by the Transaction Team, determining the breadth and depth of the due diligence review and the amount of resources to be deployed for such work, making a critical assessment of the results of the due diligence and overall assessment of the adequacy of the due diligence review, and ensuring that steps have been taken to properly resolve all issues arising out of such review.
33. Pursuant to part III(b) of the Circular and paragraph 26 of the Thematic Report issued in 2018, Principals should adequately supervise the Transaction Teams at all times, are expected to attend key due diligence interviews together with junior team members to be better informed about the listing applicants and provide timely guidance to the Transaction Team when needed.

(IV) Attempts to appoint Principals that are not suitably qualified

34. In the example below, Sponsors have sought to appoint Principals whose experience appears to be limited to client relationship or high-level management roles.

Example K:

Some Sponsors have attempted to appoint as Principals individuals with only “*client relationship*”, “*client management*”, “*sector coverage*” or high-level management duties and experience. When challenged as to the basis of such appointment and asked to provide supporting documents evidencing the individual’s actual involvement in past listing engagements, some Sponsors have been unable to provide any proper written records.

35. This casts significant doubts as to whether the Principals in question genuinely satisfy the eligibility requirements to serve as Principals, and whether the respective Sponsors have implemented adequate measures to ensure that Principals appointed are suitably qualified, as required under paragraphs 1.2, 1.3 and 3.2 of the Sponsor Guidelines. Sponsors in the above example may also have failed to ensure that adequate records were maintained regarding Principal appointments and their actual involvement in listing assignments, as required under paragraph 17.10(c) of the Code of Conduct.

Failure to Ensure Principals meet the Eligibility Criteria

36. Pursuant to paragraphs 1.2 and 1.3 of the Sponsor Guidelines, it is the responsibility of the Management to ensure that Principals appointed by the Sponsor meet the eligibility criteria as required under paragraph 3.2 of the Sponsor Guidelines; where records of the appointment, assessments made by the Management and the decision-making process of such appointment should be properly kept to demonstrate compliance with the Sponsor Guidelines.

Failure to Keep Adequate Records

37. Paragraph 17.10(c) of the Code of Conduct requires Sponsors to keep records, including relevant supporting documents and correspondence, within its control in respect of each listing assignment.

(V) Insufficient staff with appropriate levels of knowledge, skills and experience

38. The SFC noted that a number of Sponsors have appointed a considerable number of junior and temporary staff, including ITPs, to conduct sponsor work for listing engagements. During the two years ended 31 December 2025, the SFC noted that more than 40% of the total deal team members at two Sponsors had less than one year

of experience in Hong Kong IPOs, and ITPs constituted over 50% of the staff responsible for all listing engagements at these Sponsors.

39. In the examples below, the Sponsors failed to ensure that the ITPs met the eligibility criteria to conduct sponsor work and placed heavy reliance on ITPs with little or no experience in Hong Kong IPOs for certain listing engagements.

Example L:

Two Sponsors failed to ensure that all their ITPs met the eligibility criteria. In fact, these two Sponsors were unable to establish that all their ITPs had passed the required examination either prior to, or within six months after, the dates of their first engagement in sponsor work. A substantial proportion of their ITPs might not have met such eligibility criteria.

Example M:

The Transaction Team for three listing applications expected to be filed within two months were comprised primarily of ITPs. In the most extreme case, eight out of 10 members of a Transaction Team were ITPs and four were reported to have less than one year of experience in Hong Kong IPOs.

Example N:

It was also noted that approximately 50% and 75% of the ITPs engaged by two Sponsors during the two years ended 31 December 2025 held positions at the rank of vice president or above, and around 50% and 80% of these senior ITPs had no experience or less than one year of experience in Hong Kong IPOs.

40. The SFC has serious concerns that the Sponsors in the above examples may have failed to ensure that the appointed ITPs were eligible to conduct sponsor work, and that they had sufficient staff with appropriate levels of knowledge, skills and experience to devote to the listing engagements from start to finish, as well as to maintain an effective reporting line, as required under paragraphs 1.5, 4.1 and 4.4 of the Sponsor Guidelines, paragraphs 17.11(a) and 17.11(c)(i) of the Code of Conduct and paragraph 2.2(d) of the CFA Code.

Failure to Ensure that Appointed Staff, including the ITPs, Met the Eligibility Criteria to Conduct Sponsor Work

41. Pursuant to paragraph 4.1 of the Sponsor Guidelines, all RA6 licensed representatives, including ITPs, intending to engage in IPO sponsor work are required to have passed

HKSI LE Paper 16 not more than three years prior to and not later than six months after the date of their first engagement in such work, unless an exemption applies.

42. Paragraph 4.4 of the Sponsor Guidelines stipulates that individuals who fail to pass HKSI LE Paper 16 before the expiry of the six-month period are prohibited from engaging in any sponsor work until they have passed the examination.

Insufficient Staff with Appropriate Levels of Knowledge, Skills and Experience in Hong Kong IPOs

43. Paragraphs 17.11(a) and 17.11(c)(i) of the Code of Conduct provide that, taking account of other commitments, the Sponsor should ensure that it has sufficient staff with appropriate levels of knowledge, skills and experience to devote to the assignment throughout before accepting any appointment as a Sponsor, and ensure that such staff are appointed to the Transaction Team.
44. Paragraph 2.2(d) of the CFA Code provides that a corporate finance adviser, including Sponsors, should ensure that they have adequate competence, professional expertise, and human and technical resources for the proper performance of their duties.

Ineffective Reporting Line

45. Sponsors should ensure that all staff assigned to carry out sponsor work are appropriately qualified and experienced to conduct sponsor work in Hong Kong IPOs, and be properly supervised at all times.
46. Paragraph 1.5 of the Sponsor Guidelines requires Sponsors to maintain an effective reporting line and communication between the Transaction Teams and other members of the Management regarding the sponsor work undertaken.
47. The Sponsors should maintain an appropriate balance between Principals based in Hong Kong and those based outside Hong Kong¹¹, as well as a suitable ratio of members with appropriate seniority and knowledge of Hong Kong IPOs assigned to each Transaction Team. Each Principal should handle only a reasonable number of listing engagements, taking into account their capacity to effectively supervise and manage the staff responsible for executing the work. This ensures that adequate resources are allocated to manage new listing applications and to effectively oversee the necessary procedures and processes as stipulated under the Listing Rules.

¹¹ Pursuant to paragraph 3.2.2 of the Sponsor Guidelines, licences of non-Hong Kong based Principals should already be subject to the Non Sole Condition (see footnote 59 in the Sponsor Guidelines), and these non-Hong Kong based Principals' appointment is already subject to the Sponsor having another Option 1 Principal based in Hong Kong.