



**SECURITIES AND
FUTURES COMMISSION**
證券及期貨事務監察委員會

Consultation Conclusions on Proposed Amendments to the Securities and Futures (Stock Market Listing) Rules

12 October 2026

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Executive summary

1. On 28 March 2025, the Securities and Futures Commission (**SFC**) issued a consultation paper (**Consultation Paper**) inviting market participants and interested parties to submit written comments on a number of proposed amendments to the Securities and Futures (Stock Market Listing) Rules (Cap. 571V) (**SMLR**).
2. The consultation period ended on 23 May 2025. The SFC received 16 written submissions, including those from industry associations, law firms, and advisory and professional bodies. A list of respondents (other than those who requested anonymity) is set out in **Appendix 1**.
3. All proposals received general support and were welcomed by many respondents. After careful consideration of the comments received and for the reasons set out in this paper, the SFC will adopt the proposals with some clarifications and minor modifications.
4. This paper sets out the SFC's conclusions and responses to the comments received, and should be read in conjunction with the Consultation Paper. The Consultation Paper, the responses received (other than those from respondents who requested their submission to be withheld from publication) and this paper are available on the SFC's website at www.sfc.hk.

Market feedback and the SFC's overall responses

5. Having reviewed the feedback received, we note that certain aspects of the proposed amendments would benefit from further clarification. In this regard, we wish to highlight the following:
 - (a) Some respondents expressed concerns that the proposals may blur the current clear delineation of responsibilities between The Stock Exchange of Hong Kong Limited (**Stock Exchange**) and the SFC and create another layer of regulation. We wish to reaffirm and clarify that the respective powers and roles of the SFC and the Stock Exchange remain clearly delineated. As explained in the Consultation Paper, the SFC exercises its statutory powers of investigation, intervention and enforcement in cases involving fraud and other serious market misconduct under the Securities and Futures Ordinance (**SFO**) and its subsidiary legislation, including the SMLR. The SFC's principal objective is to safeguard the interests of investors while maintaining market efficiency. On the other hand, the Stock Exchange remains the primary front-line regulator responsible for administering and enforcing the Rules Governing the Listing of Securities on the Stock Exchange (**Listing Rules**) and taking disciplinary actions for Listing Rules breaches;
 - (b) With respect to the express provision for imposing continuing conditions on listing applications, the amendment is technical and clarificatory in nature and does not introduce any new substantive requirements or expand the SFC's existing powers. It merely clarifies that conditions imposed by the SFC on a listing application may, where appropriate, continue to apply after listing, rather than expiring upon the listing of securities under an initial public offering (**IPO**) pursuant to the existing framework. Importantly, the amendment will not lower the threshold for listing, permit lower-quality companies to list, or reduce investor protection;

- (c) Regarding the express provision for imposing post-listing conditions on listed issuers, the circumstances in which such conditions may be imposed are expressly set out in the new section 7A(2) of the SMLR. The SFC's power to impose post-listing conditions is not unfettered and may only be exercised where any of the statutory grounds is met. As with any other administrative decision, any decision to impose conditions must be made reasonably and proportionately, having regard to the facts and circumstances of each case under the common law principles. In addition, all decisions made under section 7A, as with all decisions made under sections 6(2), 6(3)(b) and 6(3A) etc, will be subject to due process and a full merits review. Before imposing any condition, the SFC will carefully assess all relevant facts and circumstances and provide the issuer with an opportunity to address the concerns identified;
 - (d) The proposal to require listed issuers to provide information under the new section 7B of the SMLR simply extends the existing power under section 6(1) to post-listing matters, which enables the SFC to require listing applicants to provide information reasonably required for the performance of its functions under the SMLR. Accordingly, the SFC may request information or documents under either the new section 7B or section 179 of the SFO, as appropriate, having regard to the circumstances of a particular case; and
 - (e) The removal of automatic exemptions for pre-emptive pro rata issuances and employee share option scheme issuances under sections 4(b) and 4(d) of the SMLR is intended to address circumstances where these exemptions may be abused and give rise to investor protection concerns. This would enable the SFC to intervene in exceptional circumstances involving serious concerns where regulatory action is necessary to protect shareholders and investors. The proposal is not expected to affect the vast majority of such transactions or impose additional disclosure or compliance obligations on listed issuers.
6. This paper sets out details of the key comments received along with the SFC's responses.

Conclusions and next steps

- 7. The revised form of amendments to the SMLR is set out in **Appendix 2**, with the latest revisions marked up in blue for reference only.
- 8. Both the notice to make the amendments to the SMLR and the notice to make the amendments to Schedule 8 to the SFO will be gazetted and tabled before the Legislative Council for negative vetting as soon as practicable. Subject to the legislative process, the amended SMLR and Schedule 8 to the SFO are expected to take effect in the first quarter of 2027.
- 9. The SFC has also revised the explanatory note on the application of sections 6(3)(b) and 7A(1) of the SMLR after taking into account the comments received. The revised draft explanatory note is set out in **Appendix 3**. The final version of the explanatory note (as may be updated from time to time) will be published on the SFC's website at www.sfc.hk.
- 10. The SFC would like to take this opportunity to thank all respondents for their valuable comments on the Consultation Paper. The feedback received has been carefully considered in finalising the amendments.

Comments received and the SFC's responses

A. IPO cases

11. We proposed to add a new section 6(3B)¹ to the SMLR to clarify that conditions imposed by the SFC on a listing application under section 6(3)(b) may continue to apply upon and after listing. This would allow a listing application to proceed on the condition that the listing applicant, after listing, must observe or comply with certain obligations or undertakings imposed at the time of listing.
12. A vast majority of respondents welcomed the proposal, noting that it enables manageable concerns to be addressed through appropriate continuing conditions, such as targeted disclosures that help investors assess risks and make informed decisions. Consequently, this approach may facilitate the processing of some listing applications while enhancing transparency.
13. In light of the broad support received, we will adopt the proposal.

Delineation of responsibilities between the SFC and the Stock Exchange

14. **Comment:** Two respondents opposed the proposal, expressing concern that it would create a second, parallel regulatory regime and blur the respective roles and responsibilities of the SFC and the Stock Exchange. One respondent suggested that the responsibility for vetting listing applications should rest solely with the Stock Exchange.
15. **Response:** Since 1 April 2003, a dual filing arrangement has been in place under which listing applicants and listed issuers are required to file listing applications and disclosure materials with the SFC via the Stock Exchange. The respective roles and powers of the SFC and the Stock Exchange remain clearly delineated. As explained in the Consultation Paper, the SFC exercises its statutory powers of investigation, intervention and enforcement under the SFO and the SMLR in cases involving fraud and other serious misconduct, whilst the Stock Exchange remains the frontline regulator responsible for administering and enforcing the Listing Rules. The regime has served the market well for over two decades and its effectiveness was recently reaffirmed in the [Joint Statement on Enhanced Timeframe for New Listing Application Process](#) issued by the SFC and the Stock Exchange. While each regulator independently assesses listing applications and identifies regulatory concerns within its remit, they maintain close coordination and communication throughout the listing process to avoid duplication and facilitate an efficient review process.

Duration of the SFC's right to raise queries and objections

16. **Comment:** One respondent contended that the SFC's involvement in listing applications is limited because its right to object expires 10 business days after requesting information (or further information) from a listing applicant. The respondent further argued that the SMLR does not give the SFC the right to comment on successive drafts of a listing document throughout the listing process.

¹ Section 6(3)(b) of the SMLR should be read in conjunction with the new section 6(3B).

17. **Response:** We wish to clarify that, under existing section 6(1) of the SMLR, the SFC's ability to raise queries or object to a listing application is not restricted to a single 10-business-day period. Instead, a new 10-business-day period commences each time (a) an application, or any amendment, supplement or supporting document relating to or in connection with, the application, is filed with the SFC, or (b) if the SFC has requested further information, from the date that such information is supplied.

Continuing conditions and listing standards

18. **Comment:** One respondent expressed concern that the proposal may increase listing costs and compliance burdens, potentially resulting in overregulation.
19. **Response:** The amendment is technical and clarificatory in nature, and does not introduce any new substantive requirements or expand the SFC's existing powers. It is intended to clarify that the conditions imposed by the SFC on a listing application may, where appropriate, continue to apply after listing, rather than expiring upon the listing of securities under an IPO. The proposal is expected to enhance the SFC's efficiency and flexibility in handling listing applications by allowing identified concerns that warrant ongoing regulatory attention, but do not justify an objection to the listing application, to be addressed through appropriate continuing conditions whilst permitting the listing applicant to proceed to listing. Importantly, the amendment will not lower the threshold for listing, permit lower-quality companies to list, or reduce investor protection. The standards for listing and safeguarding investors remain unchanged.

Grounds for and types of continuing conditions

20. **Comment:** Among the respondents who supported the proposal, some suggested that the SMLR should specify the grounds for imposing conditions and prescribe the types of conditions that may be imposed.
21. **Response:** We do not consider it appropriate to prescribe either the grounds for imposing conditions or the specific types of conditions that may be imposed. As with any other administrative decision, the SFC's exercise of its powers under section 6(3)(b) must be reasonable and proportionate having regard to the facts and circumstances of a particular case. The nature of any condition will necessarily depend on the circumstances involved. Prescribing generic categories of conditions in legislation would therefore unduly restrict the flexibility needed to address regulatory concerns effectively. Continuing conditions are expected to be imposed only in limited circumstances where identified concerns require ongoing regulatory attention but do not warrant an objection to the listing application.

Process, timing and monitoring of continuing conditions

22. **Comment:** A few respondents sought clarifications regarding the process, timing and criteria for imposing conditions, the distinction between the circumstances in which conditions may be imposed and those in which the SFC may object to a listing application, and how compliance with continuing conditions would be monitored.
23. **Response:** We acknowledge the requests for further guidance. The explanatory note provides additional information regarding the process and timing for imposing continuing conditions, together with illustrative examples of circumstances in which such conditions may be imposed. It also explains the operation of continuing conditions and the potential consequences of non-compliance. Having considered the comments

received, we have further refined the explanatory note to provide more clarity on the application of section 6(3)(b) of the SMLR. Market participants are encouraged to refer to the explanatory note for further details.

B. Withdrawal of an objection notice under section 6(2) of the SMLR

24. We proposed to introduce a new section 6(2A) to the SMLR to allow the SFC to withdraw an objection notice issued under section 6(2) so that a listing applicant may proceed with its original listing application.
25. All respondents agreed that the proposal would make the process more efficient, avoid unnecessary delays and save costs for listing applicants.
26. In light of the support, we will adopt the proposal.

Process for withdrawal of objection notices

27. **Comment:** One respondent suggested that the SMLR should include a time limit of 10 business days for the SFC to consider whether to withdraw the objection notice after receiving a complete response or remedial package from the listing applicant.
28. **Response:** We do not consider it appropriate to prescribe a statutory time limit for the withdrawal of an objection notice. In practice, the SFC will withdraw an objection notice only after all concerns identified in the notice have been satisfactorily addressed. Depending on the nature and complexity of the issues involved, this may require several rounds of correspondence and the submission of further information by the listing applicant. Accordingly, imposing a fixed time limit would not necessarily expedite the process and may reduce the flexibility needed to ensure that all relevant concerns have been appropriately resolved before an objection notice is withdrawn.

C. Post-IPO matters

29. We proposed to add a new section 7A to the SMLR to enable the SFC to impose conditions on a listed issuer, and such conditions must be complied with for dealings in the securities to continue. The new section 7A will also specify that the SFC may only impose post-listing condition(s) on a listed issuer if it appears to the SFC that any of the grounds specified under section 7A(2) is met.
30. We also proposed to issue an explanatory note to provide the market with greater transparency and a better understanding of the circumstances under which the SFC may exercise its power under the new section 7A of the SMLR.
31. A majority of respondents supported the proposals to introduce post-listing conditions and specify the grounds on which such conditions may be imposed. Respondents generally considered that the proposal would provide a targeted and proportionate alternative to an immediate trading suspension, while providing issuers with an opportunity to address or remedy concerns before trading suspension is imposed. Some respondents also considered that the specified grounds for imposing post-listing conditions are appropriate.
32. Many respondents supported the issuance of the explanatory note. They considered it clear and useful, helping market participants understand the types of conditions that the SFC may impose.

33. In view of the general support received and having considered the drafting comments on the proposed amendments, we will adopt the proposal with minor drafting changes to section 7A(2)(b) of the SMLR. We have also updated the explanatory note to provide more clarity on the SFC's regulatory approach and the process for imposing post-listing conditions.

Regulatory overlap and interaction with existing powers

34. **Comment:** A few respondents expressed concerns that the proposal would duplicate the SFC's existing powers under section 214 of the SFO and further blur the respective roles and responsibilities of the SFC and the Stock Exchange.
35. **Response:** The power under new section 7A of the SMLR serves a different purpose from, and does not duplicate, that under section 214 of the SFO. Section 214 is generally invoked where misconduct or harm has already occurred and may result in significant and much broader court-ordered remedies, such as disqualification², share repurchase, compensation or other orders³. By contrast, section 7A is intended to provide the SFC with more targeted and proportionate regulatory tools to address emerging risks at an earlier stage. This approach allows specific regulatory concerns to be addressed in a timely manner, enables investors to make informed decisions based on transparent and sufficient disclosures by listed issuers, and minimises market disruption caused by suspension.
36. **Response:** As regards concerns about regulatory overlap, the respective roles and powers of the SFC and the Stock Exchange remain clearly delineated. As discussed in paragraph 15 above, each regulator exercises its own statutory or regulatory powers within its respective remit. The SFC's intervention may be necessary where the relevant conduct may not constitute a breach of the Listing Rules but gives rise to concerns falling within the objectives of the SFO and the SMLR and warrants regulatory action to protect investors.

Grounds for imposing conditions and scope of the power

37. **Comment:** A few respondents noted that section 7A of the SMLR does not specify the types of conditions and raised concerns that the grounds set out in section 7A(2) are too broad or uncertain.
38. **Response:** The circumstances for imposing conditions are expressly set out in the new section 7A(2) of the SMLR. As the nature and details of any post-listing conditions will depend on the particular facts and circumstances of each case, it would not be appropriate to prescribe generic categories of conditions in the legislation. The SFC's power to impose conditions is not unfettered and may be exercised only where any of the statutory grounds is met. As with any other administrative decision, any decision to

² A disqualification order under section 214(2)(d) of the SFO may disqualify a person from acting as a director of any company, or directly or indirectly being concerned in, or taking part in, the management of any company, for a period of up to 15 years.

³ Section 214(2)(e) of the SFO provides that the Court may make any other order it considers appropriate, whether for regulating the conduct of the business or affairs of the company in future, or for the purchase of the shares of any members of the company by other members of the company or by the company, or otherwise.

impose conditions must be made reasonably and proportionately, having regard to the relevant facts and circumstances under the common law principles.

39. **Comment:** Some respondents expressed concerns regarding the term “dishonourable or improper practice” in section 7A(2)(b).
40. **Response:** Having considered these comments, we have amended section 7A(2)(b) of the SMLR to replace “dishonourable” with “misfeasance”. The term “misfeasance” is defined in Schedule 1 to the SFO⁴ and therefore provides consistency with the existing statutory framework.

Procedural safeguards and implementation

41. **Comment:** Some respondents sought clarification regarding the circumstances under which conditions would be imposed instead of a trading suspension, the process and timeline for imposing conditions, the consequences of breaching conditions and the role of the Stock Exchange.
42. **Response:** We wish to reassure market participants that all decisions made under section 7A will be subject to due process. Before imposing any condition, the SFC will undertake a careful assessment of all relevant facts and circumstances and provide the issuer with an opportunity to address the concerns identified. Decisions made under section 7A will also be subject to review by the Securities and Futures Appeals Tribunal (SFAT). For further details regarding the review mechanism, please refer to section G below.
43. **Response:** To facilitate a better understanding of how the SFC may exercise its powers under the new section 7A, the explanatory note will set out the SFC’s regulatory approach and include illustrative examples of conditions that may be imposed. It will also explain the process for imposing conditions, the review mechanism and the potential consequences of non-compliance. Market participants are encouraged to refer to the explanatory note for further guidance.

D. Amendment, revocation or imposition of conditions

44. We proposed to add new sections 6(3A)(a), 7A(4)⁵ and 9(2)(a) to allow the SFC to amend or revoke conditions imposed by the SFC in relation to a listing application, post-listing matter and resumption of dealings⁶, respectively. The SFC may also impose new conditions on listing applicants and listed issuers where the situation warrants⁷.
45. A majority of the respondents supported the proposal. While a few respondents opposed the proposal for reasons similar to those raised in relation to the proposal to impose conditions, supportive respondents generally agreed that the power to impose conditions should naturally encompass the ability to amend or revoke them. They

⁴ “Misfeasance” is defined in Schedule 1 to the SFO as the performance of an otherwise lawful act in a wrongful manner.

⁵ The corresponding provision was referred to as section 7A(3) in the Consultation Paper. Following drafting refinements, the provision is now numbered as section 7A(4).

⁶ For the purpose of this consultation conclusions, the terms “resumption of dealings” and “recommencement of dealings” are used interchangeably.

⁷ See sections 6(3A)(b), 7A(1) and 9(2)(b).

considered that this flexibility would enable the SFC to respond to subsequent changes or developments in circumstances, ensuring that conditions remain relevant and appropriate and continue to address the underlying regulatory concern.

46. In light of general support, we will adopt the proposal.

Amendment, revocation and imposition of conditions following a change in circumstances

47. **Comment:** A few respondents sought clarification on the circumstances in which the SFC may amend or revoke existing conditions or impose new conditions. They considered that amendments should only be made if the original grounds for imposing the conditions continue to exist and there has been a change in circumstances. They also suggested that the imposition of new conditions should be subject to the same requirements that apply to the initial imposition of conditions.
48. **Response:** We agree that the powers to amend or revoke existing conditions or impose new conditions should be exercised in accordance with the same principles that govern the initial imposition of conditions. In practice, the SFC would amend or revoke existing conditions or impose new conditions when circumstances change or new information emerges. As with any other administrative decision, such a decision must be reasonable and proportionate, having regard to the prevailing facts and circumstances of a particular case. Therefore, we do not consider it necessary to prescribe additional grounds in the SMLR.

Conditions imposed before listing and resumption

49. **Comment:** A respondent queried how the SFC would address subsequent changes to pre-listing concerns after listing, given that section 6(3B)(b) of the SMLR does not permit the amendment of existing conditions or the imposition of new conditions after listing.
50. **Response:** The approach reflected in section 6(3B)(b) is intended to provide certainty in the listing process. Once listing has taken place, conditions imposed before listing may not be amended and no further conditions may be imposed under section 6(3A). If circumstances subsequently change, the SFC may, where appropriate, impose new conditions under section 7A in respect of post-listing matters. The same principle applies to resumption of dealings under section 9(3)(b). Once dealings in the securities have resumed under section 9(1) of the SMLR, the SFC may not amend existing resumption conditions or impose new conditions under section 9(2).

Operational matters and implementation

51. **Comment:** A handful of respondents suggested that the SFC should be subject to a time limit for imposing new conditions, that listing applicants and listed issuers should be expressly permitted to apply for the variation or revocation of conditions, and that issuers should disclose any amendment to conditions.
52. **Response:** We have carefully considered these suggestions. We do not consider it appropriate to impose a statutory time limit on the exercise of the SFC's powers, as changes and developments may arise over time. Where circumstances evolve subsequently, listing applicants and listed issuers may notify the SFC in writing and provide any supporting documents or information for consideration. The SFC will consider whether the relevant conditions should be amended or revoked. Following any

amendment or revocation of existing conditions or imposition of new conditions, issuers are expected to make appropriate announcements to inform the public.

E. Requisition of information from listed issuers

53. We proposed to introduce a new section 7B to the SMLR under which the SFC may require listed issuers to supply information to the SFC that it may reasonably require for performing its functions under the SMLR.
54. A majority of the respondents supported the proposal. Supportive respondents generally considered the proposal both necessary and reasonable. They noted that extending the existing information requisition power to post-listing matters would enhance the timeliness and efficiency of information provision by listed issuers, thereby enabling the SFC to perform its functions under the SMLR more effectively.
55. In light of general support, we will adopt the proposal.

Existing information requisition powers

56. **Comment:** Some respondents observed that the SFC already has powers to obtain information from listed issuers under the Listing Rules⁸ and section 179 of the SFO, and queried the need for the proposed new section 7B.
57. **Response:** The proposed new section 7B simply extends the existing power under section 6(1) to post-listing matters, enabling the SFC to require listed issuers to provide information reasonably required for the performance of its functions under the SMLR to facilitate more effective communication between listed issuers and the SFC. Accordingly, the SFC may request information or documents under either new section 7B of the SMLR or section 179 of the SFO, as appropriate, having regard to the circumstances of a particular case. Section 7B therefore provides a more efficient mechanism for obtaining information in connection with the performance of the SFC's functions under the SMLR, rather than introducing a new substantive power.

Scope and operation of the new section 7B

58. **Comment:** Some respondents sought clarification on the scope, thresholds and operation of the power, including the purposes for which information collected would be used and whether issuers should be subject to a prescribed response period.
59. **Response:** Where the SFC identifies concerns or issues about a listed issuer in connection with the performance of its functions under the SMLR, it may require the listed issuer to provide information that it may reasonably require for that purpose. Any information obtained under section 7B will be used by the SFC for the performance of its statutory functions. We do not consider it appropriate to prescribe a fixed response time for issuers, as the nature, extent and urgency of information requests may vary depending on the facts and circumstances of each case. Instead, issuers will be given a reasonable period to respond, having regard to the specific facts and circumstances.

⁸ Main Board Listing Rule 2.12A.

F. Resumption of dealings

60. We proposed to amend sections 9 and 10 of the SMLR to:

- (a) clarify that the SFC may, upon a listed issuer's request for resumption or of its own volition, initiate the resumption procedures and consider, as appropriate, whether to withdraw the suspension direction it issued under section 8(1), refuse the issuer's request for resumption, or direct the Stock Exchange to cancel the listing of the suspended securities;
- (b) require that the listed issuer in question be given a reasonable opportunity of being heard before the SFC Board decides to refuse to permit dealings in the securities to recommence or to direct the Stock Exchange to cancel the listing of the securities; and
- (c) provide for the future delegation of the SFC Board's power to make resumption decisions.

61. A vast majority of the respondents supported the proposal. Supportive respondents considered that the simplified resumption procedures would shorten the duration of trading suspension, promote fair treatment of listed issuers and improve procedural efficiency.

62. In light of general support, we will adopt the proposal.

Initiation of resumption procedures and procedural safeguards

63. **Comment:** A respondent sought greater transparency regarding the circumstances and process by which the SFC may, of its own volition, initiate resumption procedures. A few others expressed concerns that the proposed simplified resumption procedures could prolong suspension periods or reduce the level of due process afforded under the existing regime.

64. **Response:** We wish to clarify that, consistent with the objective of minimising suspension periods, the proposal to allow the SFC to initiate resumption procedures of its own volition is intended to address situations where a suspended issuer fails or refuses to apply for resumption. Under the simplified resumption procedures, a suspended listed issuer will be asked to address the SFC's concerns. Once those concerns have been satisfactorily addressed, the responsible Division (usually the Corporate Finance Division or Enforcement Division) would be in a position to recommend to the SFC Board that trading be permitted to resume, with or without conditions. It is generally expected that the relevant listed issuer would have agreed with or not objected to such resumption. The SFC Board will then consider the recommendation and hear the case as presented by the responsible Division before deciding whether to allow resumption, refuse resumption, or direct the Stock Exchange to cancel the listing. We do not consider that the proposal diminishes due process. Rather, it streamlines the existing procedures while preserving the relevant procedural safeguards.

Reasonable opportunity of being heard

65. **Comment:** A respondent sought clarification as to whether a "reasonable opportunity of being heard" would include oral representations or be limited to written submissions.

Another respondent further suggested that any opportunity to be heard should be subject to a reasonable timeframe to avoid undue delay.

66. **Response:** The listed issuer will be given a reasonable opportunity to be heard before the SFC Board decides to refuse a resumption request or direct the Stock Exchange to cancel its listing. This opportunity may be provided through written submissions, oral representations, or a combination of both, as the SFC considers appropriate. While we do not propose to prescribe a fixed timeframe for issuers, we will remain mindful of this concern to ensure that the process remains fair and efficient in accordance with the applicable principles of administrative law.

Delegation of decision-making powers

67. **Comment:** Some respondents suggested clarifying the arrangements for delegating resumption decisions, including expressly providing that the SFC Board will remain the decision maker unless authority has been delegated and specifying the circumstances under which delegation may occur.
68. **Response:** The SFC Board will remain the primary decision maker in all resumption decisions. However, in appropriate and uncontroversial cases⁹, the SFC Board *may* decide to delegate decision-making authority to, for example, an Executive Director or an Executive Committee of the SFC¹⁰. We do not consider it necessary to prescribe in the SMLR the specific circumstances in which delegation may occur, as the appropriateness of delegation will depend on the facts and circumstances of a particular case. In any event, the procedural safeguards will be observed.

G. Review of SFC's decisions

69. We proposed that a listed issuer aggrieved by any of the following decisions of the SFC¹¹ should be entitled to a full merits review by the SFAT:
- (a) the imposition of conditions under the new section 7A(1);
 - (b) a direction to the Stock Exchange to suspend all dealings in securities of an issuer under section 8(1);
 - (c) the imposition of resumption conditions under the new section 9(1)(a);
 - (d) a refusal to permit resumption of dealings in the securities of an issuer under the new section 9(1)(b);

⁹ Any decision that could be detrimental to listed issuers, such as refusing a resumption application or directing the Stock Exchange to cancel a listing, would be made by the SFC Board to ensure procedural fairness.

¹⁰ Under section 10 of the SFO, the SFC may delegate any of its functions to its member, employee or a committee established under section 8 of the SFO, except for the functions specified in Part 2 of Schedule 2 to the SFO (Non-Delegate Functions of Commission). The SFC has established internal policies and procedures to ensure that delegation is exercised appropriately.

¹¹ For completeness and clarity, the following are the SFC's decisions under the SMLR which are currently reviewable by the SFAT: (a) the objection to a listing application under section 6(2); and (b) the imposition of conditions where the SFC does not object to the listing of any securities to which a listing application relates under section 6(3)(b).

- (e) a direction to the Stock Exchange to cancel the listing of an issuer's securities under the new section 9(1)(c); and
 - (f) an amendment or revocation of any condition under the new sections 6(3A)(a), 7A(4) and 9(2)(a), or the imposition of new conditions under the new sections 6(3A)(b) and 9(2)(b).
70. A vast majority of respondents supported the proposal, welcoming it as it strengthens procedural fairness and transparency. They also agreed with the rationale for having a single independent review body for all SFC decisions made under the SMLR.
71. In light of general support, we will adopt the proposal.

Concerns regarding dual review channels

72. **Comment:** One respondent expressed concern that the proposal could result in dual appeal channels for listing and suspension matters, as listing applicants and listed issuers may be subject to both the Listing Rules and the SFO (including the SMLR), and may receive comments from both the Stock Exchange and the SFC.
73. **Response:** We do not consider that the proposal gives rise to any additional overlap or duplication. As noted in paragraph 15 above, the dual filing regime has been in operation since 1 April 2003 and will remain unchanged under this proposal. The proposal simply replaces the existing review mechanism by transferring review jurisdiction from the SFC Board to the SFAT. It does not create an additional review channel or alter the respective roles and powers of the SFC and the Stock Exchange.

Independence and composition of the SFAT

74. **Comment:** One respondent requested a more transparent appointment process for SFAT members. Another respondent commented that the proposal could inadvertently consolidate the powers of two regulatory bodies (the SFC Board and the SFAT) into one, potentially compromising the balance of power and independence in exchange for administrative efficacy.
75. **Response:** We noted these comments. The SFAT was established under the SFO on 1 April 2003 as an independent review body to review, on application, the merits of a range of regulatory decisions made under the SFO. The Chairman of the SFAT, who must be a judge or a former judge, is appointed by the Chief Executive of the Hong Kong SAR Government on the recommendation of the Chief Justice¹². The SFAT also includes a panel of members, currently consisting of 25 individuals, appointed by the Chief Executive¹³. The proposal does not alter the composition, appointment mechanism or independence of the SFAT.

¹² <https://www.sfat.gov.hk/en/aboutus.html>

¹³ To conduct a review, the Chairman recommends two members from the panel for appointment by the Secretary for Financial Services and the Treasury as ordinary members for that specific review. Please refer to the SFAT's website for the list of the Chairmen and members (see Chairmen: [https://www.sfat.gov.hk/files/Web-SFAT_Chairmen_\(Eng\)_v2.pdf](https://www.sfat.gov.hk/files/Web-SFAT_Chairmen_(Eng)_v2.pdf); members: [https://www.sfat.gov.hk/files/SFAT_Members_2025-27_\(Eng\).pdf](https://www.sfat.gov.hk/files/SFAT_Members_2025-27_(Eng).pdf)).

76. **Response:** We respectfully disagree with the suggestion that the proposal would diminish the independence of the review process. On the contrary, transferring review jurisdiction from the SFC Board to the SFAT enhances the independence of the review mechanism by ensuring that decisions made under the SMLR are reviewed by an independent tribunal rather than by the SFC itself. The proposal therefore enhances, rather than reduces, the system of checks and balances applicable to decisions made under the SMLR.

H. Pre-emptive pro rata issuances and employee share option schemes under section 4 of the SMLR

77. We proposed to remove the automatic exemptions set out in sections 4(b) and 4(d) of the SMLR for pre-emptive pro rata issuances and employee share option scheme issuances so that they would fall within the scope of a “listing application”.
78. A majority of respondents either supported or did not object to the proposal. Supportive respondents generally considered that the proposal would help deter abusive conduct, strengthen the protection of minority shareholders’ interests and enhance overall market fairness.
79. In light of general support, we will adopt the proposal.

Investor protection and rationale for removing the exemptions

80. **Comment:** Some respondents contended that the Listing Rules already contain sufficient safeguards and that any necessary changes should be addressed through amendments to the Listing Rules. One respondent further expressed concern that the proposal could adversely affect issuers seeking to conduct pre-emptive rights issues or implement employee share option schemes within a short timeframe.
81. **Response:** The principal objective of the proposal is to strengthen investor protection by addressing circumstances where the existing exemptions may be abused and give rise to investor protection concerns. While the relevant transactions may appear to comply with the applicable Listing Rules, concerns may still arise where investors are not provided with sufficient, clear or accurate information for their informed assessment of the relevant transactions or proposed use of proceeds¹⁴. In the event that the transactions form part of a broader arrangement that is detrimental to the interests of shareholders or investors, the proposal ensures that the SFC is able to intervene in egregious circumstances where regulatory action is necessary to prevent or reduce significant harm to shareholders or the investing public. We also wish to emphasise that the removal of the automatic exemptions is unlikely to result in any practical change for

¹⁴ For example, a listed issuer with a pending winding-up petition undertakes a rights issue to raise funds for the repayment of overdue loans and confirms that it would have sufficient working capital for the next 12 months, but intelligence from some insiders suggests that the use of proceeds disclosed in the announcement does not reflect the latest plan. In such circumstances, concerns may arise as to whether shareholders and investors have been provided with accurate and sufficient information regarding the issuer’s intended use of proceeds and working capital sufficiency, which may result in investors making decisions on the basis of incomplete or misleading information and expose them to significant financial harm. Depending on the facts and circumstances, we may require the listed issuer to provide further information and disclosures regarding its working capital sufficiency statement, including its repayment plans and steps to address the winding-up petition.

the vast majority of listed issuers undertaking pre-emptive pro rata issuances or employee share option scheme issuances.

Concerns arising after listing approval

82. **Comment:** One respondent sought clarification on how the SFC's powers would apply where concerns relating to an employee share option scheme issuance came to light only after listing approval had been granted.
83. **Response:** Where concerns relating to an employee share option scheme issuance arise after listing approval and remain unresolved, the SFC may, where appropriate, impose conditions under section 7A(1) of the SMLR to prevent or reduce significant financial harm to the investing public.

I. Amendments to the SMLR

84. We invited comments on the proposed amendments to the SMLR set out in the indicative draft at **Appendix 1** to the Consultation Paper.
85. A vast majority of respondents supported the proposed amendments, while a few provided drafting comments on certain provisions.
86. In light of the support received, we will adopt the amendments to the SMLR with minor modifications as mentioned in paragraph 40 above, as well as other clarification or textual amendments described below.

Other minor clarification or textual amendments

87. We have revised sections 7A(1) and (3) to clarify that the SFC may impose conditions on a listed issuer regardless of whether dealings in its securities are continuing or have been suspended for reasons other than a suspension under section 8. This amendment is intended to provide more clarity and remove any ambiguity regarding the application of section 7A.
88. We have also revised sections 8(1), 9(1)(a), 9(1)(c) and 9(2) of the SMLR to clarify that any notice issued by the SFC to the Stock Exchange concerning a trading suspension, resumption of dealings or cancellation of listing must also be provided to the relevant listed issuer. This amendment is intended to enhance clarity and ensure consistency across the relevant provisions of the SMLR.
89. In addition, we have introduced a new section 9(3) to provide greater certainty in the resumption process. Once dealings in the securities have resumed under section 9(1) of the SMLR, conditions imposed before resumption may not be amended and no further conditions may be imposed under section 9(2).
90. Transitional provisions are set out in section 21 of the SMLR to facilitate the implementation of the amended SMLR and to provide certainty as to the treatment of listing applications, suspension matters and other matters that are ongoing when the amendments come into operation.
91. We have also made minor textual improvements to sections 2 (the definitions of "applicant" and "application"), 6(3B), 6(4)(c)(ii), 7A(4), 8(2), 9(1), 9(7)(b), 9(9) and 11 of

the SMLR. The revised indicative draft of the amendments to the SMLR is set out in **Appendix 2**, with the latest revisions marked up in blue for reference.

Conclusions and the way forward

92. In view of general support from respondents, the SFC will proceed with the proposals with some minor modifications as set out above.
93. Both the notice to make the amendments to the SMLR and the notice to make the amendments to Schedule 8 to the SFO will be gazetted and tabled before the Legislative Council for negative vetting as soon as practicable. Subject to the legislative process, the amended SMLR and Schedule 8 to the SFO are expected to take effect in the first quarter of 2027.
94. Once again, the SFC takes this opportunity to thank all the respondents for their submissions.

Appendix 1: List of respondents

(in alphabetical order)

Respondents who have no objection to publication of name and content of submission

Asia Securities Industry & Financial Markets Association
Association of Hong Kong Capital Markets Practitioners Limited
CFA Society Hong Kong and CFA Institute
Hong Kong General Chamber of Commerce
Hong Kong Institute of Certified Public Accountants
Hong Kong Professionals and Senior Executives Association
Hong Kong Securities & Futures Professionals Association
Hong Kong Sponsor Principal Association Limited
Slaughter and May
The Chamber of Hong Kong Listed Companies
The Hong Kong Chartered Governance Institute
The Hong Kong Institute of Directors
The Law Society of Hong Kong

Respondent who requested its name to be disclosed but its submission withheld from publication

Baker & McKenzie

Respondents who requested submission to be published on a “no-name” basis

Two submissions

Appendix 2: Revised form of amendments to the SMLR (Cap. 571V)

Securities and Futures (Stock Market Listing) Rules

(Cap. 571, section 36(1))

(Enacting provision omitted—E.R. 2 of 2017)

[1 April 2003] L.N. 12 of 2003

(Format changes—E.R. 2 of 2017)

Part 1

Preliminary

1. *(Omitted as spent—E.R. 2 of 2017)*

2. **Interpretation**

In these Rules, unless the context otherwise requires—

applicant (申請人) means a corporation or other body which has submitted an application ~~under-referred to in~~ section 3;

application (申請) means an application ~~submitted under-referred to in~~ section 3 and all documents in support of or in connection with the application including any replacement of and amendment and supplement to the application;

approved share registrar (認可股份登記員) means a share registrar who is a member of an association of persons approved by the Commission under section 12;

issuer (發行人) means a corporation or other body the securities of which are listed, or proposed to be listed, on a recognized stock market;

share registrar (股份登記員) means any person who maintains in Hong Kong the register of members of a corporation the securities of which are listed, or proposed to be listed, on a recognized stock market.

Part 2

Stock Market Listing

3. Requirements for listing applications

An application for the listing of any securities issued or to be issued by the applicant shall—

- (a) comply with the rules and requirements of the recognized exchange company to which the application is submitted (except to the extent that compliance is waived or not required by the recognized exchange company);
- (b) comply with any provision of law applicable; and
- (c) contain such particulars and information which, having regard to the particular nature of the applicant and the securities, is necessary to enable an investor to make an informed assessment of the activities, assets and liabilities and financial position, of the applicant at the time of the application and its profits and losses and of the rights attaching to the securities.

4. Exemptions from sections 3 and 5

Sections 3 and 5 do not apply to the listing of any—

- (a) securities issued or allotted—
 - (i) by a capitalization issue pro rata (apart from fractional entitlements) to existing shareholders, whether or not they are shareholders whose addresses registered in the books of the corporation are in a place outside Hong Kong and to whom the securities are not actually issued or allotted because of restrictions imposed by legislation of that place; or
 - (ii) pursuant to a scrip dividend scheme which has been approved by the corporation in general meeting; **or**
- ~~(b) securities offered on a pre-emptive basis, pro rata (apart from fractional entitlements) to existing holdings, to holders of the relevant class of shares in the corporation, whether or not they are shareholders whose addresses registered in the books of the corporation are in a place outside Hong Kong and to whom the securities are not actually offered because of restrictions imposed by legislation of that place;~~
- (c) shares issued in substitution for shares listed on a recognized stock market, if the issue of the shares does not involve any increase in the issued share capital of the corporation.;
- ~~(d) shares issued or allotted pursuant to the exercise of options granted to existing employees as part of their remuneration under a scheme approved by the shareholders of the corporation in a general meeting.~~

5. Copy of application to be filed with the Commission

- (1) An applicant shall file a copy of its application with the Commission within one business day after the day on which the application is submitted to a recognized exchange company.

- (2) An applicant is regarded as having complied with subsection (1) on the day it submits the application to a recognized exchange company if, prior to or at the time of submitting the application to the recognized exchange company, the applicant has authorized the recognized exchange company in writing to file the application with the Commission on its behalf.

6. Powers of the Commission to require further information and to object to listing

- (1) Subject to subsection (8), the Commission may, by notice to an applicant and a recognized exchange company given within 10 business days from the date the applicant files a copy of its application with the Commission (or if there is more than one such date, the latest date), require the applicant to supply to the Commission such further information as the Commission may reasonably require for the performance of its functions under these Rules.
- (2) The Commission may, within the period specified in subsection (6), by notice to an applicant and a recognized exchange company, object to a listing of any securities to which an application relates if it appears to the Commission that—
- (a) the application does not comply with a requirement under section 3;
 - (b) the application is false or misleading as to a material fact or is false or misleading through the omission of a material fact;
 - (c) the applicant has failed to comply with a requirement under subsection (1) or, in purported compliance with the requirement has furnished the Commission with information which is false or misleading in any material particular; or
 - (d) it would not be in the interest of the investing public or in the public interest for the securities to be listed.
- (2A) Where the Commission has objected under subsection (2) to the listing of any securities to which an application relates, the Commission may, by notice to the applicant and the recognized exchange company, withdraw the objection.
- (3) The Commission may, within the period specified in subsection (6), notify an applicant and a recognized exchange company that—
- (a) it does not object to the listing of any securities to which an application relates; or
 - (b) it does not object to the listing of any securities to which an application relates subject to such conditions as the Commission may think fit to impose.
- (3A) Where the Commission has given a notice under subsection (3)(b) in relation to an application, the Commission may, by notice to the applicant and the recognized exchange company—
- (a) amend or revoke any condition imposed in respect of its no-objection to the listing; or
 - (b) impose any new conditions it thinks fit to impose in respect of the no-objection.
- (3B) For subsections (3) and (3A)—
- (a) a condition that may be imposed under subsection (3)(b) or (3A)(b) in relation to an application is not limited to one that must be complied with before, and may continue to apply after, the listing of the securities; but

- (b) no such condition may be imposed or amended under subsection (3A) in relation to that application after the listing of the securities.
- (4) A recognized exchange company may list the securities to which an application relates only if—
- (a) the Commission has not, within the period specified in subsection (6), given a notice in relation to the application under subsection (2) or (3)(b);
 - (b) the Commission has given a notice in relation to the application under subsection (3)(a); or
 - (c) ~~the conditions referred to in subsection (3)(b) in relation to the application have been complied with.~~ where the Commission has given a notice in relation to the application under subsection (2) or (3)(b)—
 - (i) if a notice is given under subsection (2)—the objection to which the notice relates has been withdrawn; and
 - (ii) if any condition is imposed under subsection (3)(b) or (3A)(b)—all such conditions have been complied with (or, in the case of continuing conditions requiring ongoing compliance, are being complied with) or revoked.
- (5) Where the Commission objects to a listing under subsection (2) ~~or~~, imposes any condition under subsection (3)(b) ~~or (3A)(b) or amends or revokes any condition under subsection (3A)(a)~~, the objection ~~or~~, imposition, ~~amendment or revocation shall~~ takes effect immediately.
- (6) The period specified for the purposes of subsections (2), (3) and (4) is 10 business days—
- (a) where the Commission has not given a notice under subsection (1) in relation to the application, from the date the applicant files a copy of the application with the Commission (or if there is more than one such date, the latest date); or
 - (b) where the Commission has given a notice under subsection (1) in relation to the application, from the date when the further information is supplied.
- (7) A notice given under subsection (2) shall be accompanied by a statement specifying the reasons for the objection.
- (8) The Commission shall not give any notice to an applicant under subsection (1) after—
- (a) it has given a notice in relation to the application under subsection (3)(a); or
 - (b) ~~the conditions referred to in subsection (3)(b) in relation to the application have been complied with.~~ if it has imposed any condition in relation to the application under subsection (3)(b) or (3A)(b), all such conditions have been complied with or revoked.

7. Copy of ongoing disclosure materials to be filed with the Commission

- (1) An issuer shall file with the Commission a copy of any announcement, statement, circular, or other document made or issued by it or on its behalf to the public or to a group of persons comprising members of the public (including its shareholders)—
- (a) under the rules and requirements of a recognized exchange company or any provision of law applicable; or

- (b) pursuant to the terms of any listing agreement between the issuer and a recognized exchange company under the rules of the recognized exchange company,
within one business day following the day on which such announcement, statement, circular or other document is made or issued.
- (2) A person shall file with the Commission a copy of any announcement, statement, circular or other document made or issued by the person or on his behalf to the public or to a group of persons comprising members of the public (including holders of the securities of an issuer) under any codes published by the Commission under section 399(2)(a) and (b) of the Ordinance within one business day following the day on which such announcement, statement, circular or other document is made or issued.
- (3) An issuer or a person is regarded as having complied with subsection (1) or (2) if the issuer or the person has—
 - (a) filed with the recognized exchange company concerned; and
 - (b) authorized the recognized exchange company in writing to file with the Commission on behalf of the issuer or the person, as the case may be, a copy of the relevant announcement, statement, circular or other document.

7A. Power to impose conditions while securities are listed

- (1) ~~Where any securities are listed and it appears to the Commission that, in relation to any securities that are listed, any of the circumstances specified in subsection (2) exists, the Commission may, by notice to the recognized exchange company and the issuer of the securities and the recognized exchange company, impose any conditions the Commission thinks fit to impose, being conditions that—~~
 - ~~—(a) must be complied with in order for dealings in the securities to continue; or~~
 - ~~—(b) where dealings in the securities have been suspended otherwise than in accordance with a direction of the Commission under section 8, must be complied with in order for dealings in the securities to recommence.~~
- (2) The circumstances specified for subsection (1) are that—
 - (a) members, or any part of the members, of the issuer have not been provided with any particulars or information with respect to, or in connection with, the business or affairs of the issuer that is necessary to enable a member to make an informed decision on an investment in the securities;
 - (b) the business or affairs of the issuer have been conducted in a manner involving any misconduct, ~~or dishonourable misfeasance~~ or improper practice, towards the issuer, its members or any part of its members; or
 - (c) it is in the interest of the investing public or in the public interest, or it is appropriate for the protection of investors generally or for the protection of investors in any securities listed on a recognized stock market, to impose the conditions.
- (3) To avoid doubt—
 - (a) a condition may be imposed under subsection (1) even if dealings in the securities are suspended (unless the suspension is made pursuant to a direction under section 8(1)); and

- (b) compliance with such a condition does not affect any other grounds on which a power may be exercised in relation to the dealings in the securities.
- (34) The Commission may, by notice to ~~the recognized exchange company and the~~ issuer of any securities in relation to which a condition is imposed under subsection (1) and the recognized exchange company, amend or revoke any such condition.
- (45) Where the Commission imposes any condition under subsection (1) or amends or revokes any condition under subsection (34), the imposition, amendment or revocation takes effect immediately.

7B. Power to require information while securities are listed

The Commission may, by notice to the issuer of any securities that are listed, require the issuer to supply to the Commission any information the Commission reasonably requires for the performance of its functions under these Rules.

Part 3

Suspension of Dealings

8. Suspension of dealings in securities

- (1) Where it appears to the Commission that—
- (a) any materially false, incomplete or misleading information has been included in any—
 - (i) document (including but not limited to any prospectus, circular, introduction document and document containing proposals for an arrangement or reconstruction of a corporation) issued in connection with a listing of securities on a recognized stock market; or
 - (ii) announcement, statement, circular or other document made or issued by or on behalf of an issuer in connection with its affairs;
 - (b) it is necessary or expedient in the interest of maintaining an orderly and fair market in securities traded through the facilities of a recognized exchange company on the recognized stock market it operates;
 - (c) it is in the interest of the investing public or in the public interest, or it is appropriate for the protection of investors generally or for the protection of investors in any securities listed on a recognized stock market; or
 - (d) there has been a failure to comply with any condition **or requirement** imposed by the Commission under section ~~9(3)(c)~~6(3)(b) or (3A)(b), 7A(1), 7B or 9(1)(a) or (2)(b),
- the Commission may, by notice to the issuer and the recognized exchange company, direct that the recognized exchange company ~~to~~ suspend all dealings in any securities specified in the notice.
- (2) **Where the Commission gives a direction under subsection (1) ~~to a recognized exchange company in relation to any securities~~—**
- (a) **the direction takes effect immediately; and**

- (b) ~~The~~ recognized exchange company ~~shall~~ must comply with ~~any notice given under subsection (1)~~ the direction without delay.

9. Powers of the Commission upon the suspension under this Part of dealings in any securities

- ~~(1) An issuer which is aggrieved by a direction given by the Commission under section 8 may make representations in writing to the Commission and where an issuer makes such representations, the Commission shall notify the recognized exchange company.~~
- ~~(2) In respect of a direction given by the Commission under section 8, the recognized exchange company may make representations in writing to the Commission irrespective of whether representations in respect of that direction have been made by an issuer under subsection (1) and where the recognized exchange company makes such representations, the Commission shall notify the issuer.~~
- ~~(3) Where the Commission has—~~
- ~~(a) directed a recognized exchange company to suspend dealings in any securities under section 8(1); and~~
 - ~~(b) considered any—~~
 - ~~(i) representations made by the issuer under subsection (1);~~
 - ~~(ii) representations made by the recognized exchange company under subsection (2); and~~
 - ~~(iii) further representations made by the issuer or the recognized exchange company,~~
- ~~the Commission may, by notice to the recognized exchange company—~~
- ~~(c) permit dealings in the securities to recommence subject to such conditions as the Commission may think fit to impose, being conditions of the nature specified in subsection (4); or~~
 - ~~(d) direct the recognized exchange company to cancel the listing of the securities on a recognized stock market operated by it if the Commission—~~
 - ~~(i) is satisfied that there has been a failure to comply with any requirement in respect of listing set out in these Rules or in any other rules made under section 36 of the Ordinance; or~~
 - ~~(ii) considers that the cancellation of the listing is necessary to maintain an orderly market in Hong Kong,~~
- ~~and the recognized exchange company shall comply with the direction without delay.~~
- (1) Where the Commission has directed a recognized exchange company to suspend dealings in given a direction under section 8(1) in relation to any securities under section 8(1), the Commission may—
- (a) by notice to the issuer and the recognized exchange company, permit dealings in the securities to recommence, subject to any conditions the Commission thinks fit to impose, being conditions of the nature specified in subsection (34);

- (b) subject to subsection (45), by notice to the issuer, refuse any request by the issuer for the Commission to permit dealings in the securities to recommence; or
 - (c) subject to subsections (45) and (56), by notice to the issuer and the recognized exchange company, direct that the recognized exchange company ~~to~~ cancel the listing of the securities on a recognized stock market operated by it.
- (2) Where the Commission has given a notice under subsection (1)(a) in relation to any securities, the Commission may, by notice to the issuer and the recognized exchange company—
- (a) amend or revoke any condition imposed in respect of its permission for dealings in the securities to recommence; or
 - (b) impose any new conditions it thinks fit to impose, being conditions of the nature specified in subsection (34), in respect of the permission.
- (3) For subsections (1) and (2)—
- (a) a condition that may be imposed under subsection (1)(a) or (2)(b) in relation to a suspension of dealings is not limited to one that must be complied with before, and may continue to apply after, the recommencement of the dealings in the securities; but
 - (b) no such condition may be imposed or amended under subsection (2) in relation to that suspension of dealings after the recommencement.
- (34) The conditions which may be imposed under subsection ~~(3)(e)~~ (1)(a) or (2)(b) are—
- (a) where the Commission has given a direction under section 8(1)(a) or (d), conditions imposed with the object of ensuring, so far as is reasonably practicable, that the issuer remedies the default by reason of which the suspension of dealings was directed;
 - (b) where the Commission has given a direction under section 8(1)(b), such conditions as the Commission may consider necessary or expedient in the interest of maintaining an orderly and fair market in securities traded through the facilities of the recognized exchange company mentioned in that section; and
 - (c) where the Commission has given a direction under section 8(1)(c), such conditions as the Commission may consider to be in the interest of the investing public or in the public interest, or to be appropriate for the protection of investors generally or for the protection of the investors mentioned in that section.
- (45) The Commission must not exercise a power under subsection (1)(b) or (c) in relation to any securities without giving the issuer a reasonable opportunity of being heard.
- (56) The Commission may give a direction under subsection (1)(c) to cancel the listing of securities only if the Commission—
- (a) is satisfied that there has been a failure to comply with any requirement in respect of listing set out in these Rules or in any other rules made under section 36 of the Ordinance; or
 - (b) considers that the cancellation of the listing is necessary to maintain an orderly market in Hong Kong.

- (67) Where the Commission imposes any condition under subsection (1)(a) or (2)(b), or amends or revokes any condition under subsection (2)(a)—
- (a) the imposition, amendment or revocation takes effect immediately; and
 - (b) the recognized exchange company may allow dealings in the securities in relation to which such condition is imposed to recommence only if all such conditions have been complied with (or, in the case of conditions requiring ongoing compliance, are being complied with) or revoked.

(78) Where the Commission refuses under subsection (1)(b) to permit dealings in any securities to recommence, the refusal takes effect immediately.

(89) Where the Commission ~~directs~~ gives a direction under subsection (1)(c) to a recognized exchange company ~~under subsection (1)(c) to cancel a listing~~, the recognized exchange company must, upon the taking effect of the direction, comply with the direction without delay.

~~(5) In subsection (3), **further representations** (進一步申述) means representations either in writing or orally or both in writing and orally as the issuer or the recognized exchange company may determine which are submitted within such reasonable time as the Commission may determine.~~

~~(6) The powers of the Commission under this section may only be exercised by a meeting of the Commission and are not delegable.~~

~~(7) A member of the Commission who made the decision in the exercise of the Commission's powers under section 8 shall not participate in the deliberations or voting of the Commission in the performance of its functions under this section as regards that exercise of the Commission's powers.~~

~~(8) Notwithstanding subsection (7), the member of the Commission referred to in that subsection may attend any meeting or proceeding of the Commission in the performance of its functions under this section as regards the exercise of the Commission's powers under section 8 and may make such explanations of his decision as he thinks necessary.~~

10. Provisions supplementary to sections 8 and 9

~~(1) At any hearing held by the Commission to receive oral representations made to it under section 9(3)(b)(iii), the issuer and the recognized exchange company each have the right to be represented by its counsel or solicitor.~~

~~(2) If representations are made under section 9(1) or (2) against a direction made under section 8(1) then, pending the decision of the Commission under section 9(3), all dealings in the securities concerned shall remain suspended.~~

11. Restriction on re-listing

No security the listing of which has been cancelled pursuant to a direction under ~~section 9(3)(d) shall~~ section 9(1)(c) is to be listed again on a recognized stock market except in accordance with Part 2.

Part 4

Approved Share Registrars

12. Approval of share registrars

- (1) The Commission may approve an association of persons as an association each of whose members shall be an approved share registrar for the purposes of these Rules.
- (2) The Commission may cancel the approval of any association of persons approved under subsection (1).
- (3) The Commission shall maintain a list of associations of persons approved under subsection (1).

13. Securities not to be listed where approved share registrar not employed

No application made by a corporation to a recognized exchange company for the listing of any securities issued or to be issued by that applicant shall be approved by the recognized exchange company unless the applicant is an approved share registrar or employs an approved share registrar as its share registrar.

14. Suspension of dealings on cessation of employment, etc. of approved share registrar

- (1) Where—
 - (a) the securities of a corporation are listed on a recognized stock market; and
 - (b) the corporation ceases either to be an approved share registrar or to employ an approved share registrar as its share registrar,the recognized exchange company shall give the corporation a notice of its intention to suspend dealings in the securities of the corporation unless, before the date specified in the notice, being 3 months after the date on which the recognized exchange company first learned of such cessation or 21 days from the date of the notice, whichever is the later, the corporation becomes an approved share registrar or employs an approved share registrar as its share registrar.
- (2) Where the corporation fails to comply with the requirement stated in the notice given under subsection (1), the recognized exchange company shall suspend dealings in the securities of the corporation.
- (3) The Commission may require a recognized exchange company to give notice under subsection (1) to a corporation which has ceased either to be an approved share registrar or to employ an approved share registrar as its share registrar if, in the opinion of the Commission, the recognized exchange company has failed or neglected to do so within a reasonable time, and the recognized exchange company shall comply with the requirement without delay.
- (4) A recognized exchange company which has suspended dealings in the securities of any corporation under subsection (2) shall permit the recommencement of dealings in those securities when it is satisfied that the corporation has become an approved share registrar or has employed an approved share registrar as its share registrar.

15. Power to exempt

- (1) The Commission may exempt all or any particular class of securities issued by a corporation specified in a notice under subsection (2) from all or any of the provisions of this Part.
- (2) An exemption granted under subsection (1) shall be notified by the Commission to the corporation specified in the notice and to the recognized exchange company which operates the recognized stock market on which the exempted class of securities is, or is proposed to be, listed.
- (3) The Commission may withdraw any exemption granted under subsection (1), and the withdrawal shall be notified in the same manner as an exemption is required to be notified under subsection (2).
- (4) Where an exemption in respect of any securities of a corporation has been withdrawn under subsection (3), the recognized exchange company shall suspend dealings in those securities unless—
 - (a) at the date of notification of the withdrawal, the corporation is an approved share registrar or employs an approved share registrar as its share registrar; or
 - (b) within 3 months after the date of notification of the withdrawal, the corporation becomes an approved share registrar or employs an approved share registrar as its share registrar.

16. Appeal against suspension

- (1) Where a recognized exchange company suspends dealings in the securities of a corporation under section 14 or 15(4) the corporation may, within 21 days of the suspension, appeal in writing to the Commission against the suspension.
- (2) An appeal under subsection (1) shall be accompanied by such submissions in writing as the corporation wishes to make.
- (3) On any appeal under subsection (1), the Commission may—
 - (a) dismiss the appeal;
 - (b) direct the recognized exchange company to permit the recommencement of dealings in the securities; or
 - (c) direct the recognized exchange company to permit the recommencement of dealings in the securities subject to such conditions as the Commission thinks fit.

Part 5

Miscellaneous

17. Waiver of requirements of Parts 2 and 3

The Commission may, by notice to an applicant or an issuer and a recognized exchange company, modify or waive, subject to such reasonable conditions as the Commission may think fit to impose, any requirement of Parts 2 and 3 where the Commission is of the opinion that—

- (a) the applicant or issuer, as the case may be, cannot comply with the requirement or it would be unreasonable or unduly burdensome for the applicant or issuer to do so;
- (b) the requirement has no relevance to the circumstances of the applicant or issuer, as the case may be; or
- (c) compliance with the requirement would be detrimental to the commercial interests of the applicant or issuer, as the case may be, or to the interests of the holders of its securities.

18. Suspensions, etc. by a recognized exchange company to be notified to the Commission

- (1) If a recognized exchange company intends to suspend dealings in any securities it shall, where reasonably practicable, inform the Commission of its intention prior to such suspension or, if not so practicable, inform the Commission of the suspension as soon as possible after the suspension.
- (2) If a recognized exchange company, after having suspended dealings in any securities, intends to permit dealings in the securities to recommence, it shall, where reasonably practicable, inform the Commission of its intention to permit dealings to recommence or, if not so practicable, inform the Commission as soon as possible after permitting dealings to recommence.
- (3) A recognized exchange company shall not cancel the listing of any securities unless it gives the Commission at least 48 hours' notice of its intention to do so.
- (4) This section applies only to the suspension of dealings in any securities or the cancellation of dealings in any securities by a recognized exchange company other than in accordance with a direction of the Commission under section 8 or 9.

19. Notices, etc. to be in writing

Any notice or direction under these Rules shall be in writing.

~~20. Transitional~~

~~(1) Where~~

~~(a) before the commencement of these Rules, any power could have been, but was not, exercised under rule 9 or 10 of the Securities (Stock Exchange Listing) Rules (Cap. 333 sub. leg. C) which has been repealed under section 406 of the Ordinance (**the repealed Rules**); or~~

~~(b) before such commencement any power has been exercised under any provision referred to in paragraph (a), and the exercise of the power would, but for the commencement, continue to have force and effect on or after such commencement;~~

~~then—~~

~~(c) (i) where paragraph (a) applies, the power may be exercised; or~~

~~(ii) where paragraph (b) applies, the exercise of the power shall continue to have force and effect,
as if the repealed Rules had not been repealed; and~~

~~(d) the provisions of the repealed Rules shall continue to apply to the exercise of the power and to any matters relating thereto (including any right to make~~

~~representations in respect of the exercise of the power under rule 9) as if the repealed Rules had not been repealed.~~

- ~~(2) Subject to subsection (3), where before the commencement of these Rules, an application is made under rule 3 of the repealed Rules and immediately before such commencement the application has not been approved, refused or withdrawn, the application shall upon such commencement be treated as an application under section 3 and the provisions of these Rules (except section 3) shall apply accordingly.~~
- ~~(3) Section 5 shall apply only to any part of an application submitted on or after the commencement of these Rules.~~

2120A. Transitional provisions relating to Securities and futures (Stock Market Listing) (Amendment) Rules 2026

- (1) For the purposes of Part 2—
 - (a) that Part applies in relation to an application even if it has been submitted before, and is pending as at, the commencement of the Amendment Rules; and
 - (b) that Part does not apply in relation to a listing referred to in section 4(b) or (d) of the pre-amended Rules if the listing has started with the recognized stock exchange before, and is pending as at, the commencement of the Amendment Rules.
- ~~(12) Subsection (23) applies if, before the commencement of the Securities and Futures (Stock Market Listing) (Amendment) Rules—~~ **(Amendment Rules) Amendment Rules—**
 - ~~(a) any power has been exercised by the Commission under section 8(1) of the pre-amended Rules in relation to any securities;~~ and
 - ~~(b) any power or right has been exercised under section 9 or 10 of the pre-amended Rules in relation to those securities and the exercise of the power or right would, but for the commencement of the Amendment Rules, continue to have effect on or after such commencement.~~
- ~~(23) In the circumstances under subsection (42)—~~
 - ~~(a) anything that is in the process of being done in relation to the securities mentioned in that subsection under or by virtue of section 9 or 10 of the pre-amended Rules may be continued on or after the commencement of the Amendment Rules as if the section were not amended;~~
 - ~~(b) the exercise of the power or right continues to have effect, as if the Amendment Rules had not been made; and~~
 - ~~(c) the pre-amended Rules continue to apply to such exercise of power or right as if the Amendment Rules had not been made.~~
- ~~(34) Subsection (45) applies if, before the commencement of the Amendment Rules—~~
 - ~~(a) any power has been exercised by the Commission under section 8(1) of the pre-amended Rules in relation to any securities;~~ and
 - ~~(b) no power or right has been exercised under section 9 or 10 of the pre-amended Rules in relation to those securities.~~
- ~~(45) In the circumstances under subsection (34)—~~

- (a) the exercise of power under section 8(1) of the pre-amended Rules is to be treated as an exercise of power under section 8(1) of these Rules; and
- (b) these Rules apply to such exercise of power.

(56) In this section—

Amendment Rules (《修訂規則》) means the Securities and Futures (Stock Market Listing) (Amendment) Rules 2026;

commencement (生效) means coming into operation;

pre-amended Rules (《原有規則》) means these Rules as in force immediately before the commencement of the Amendment Rules.



Explanatory Note on the application of sections 6(3)(b) and 7A(1) of the Securities and Futures (Stock Market Listing) Rules

[Date]

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1. Introduction

- 1.1 The Securities and Futures (Stock Market Listing) Rules (Cap. 571V) (**SMLR**), which has been effective since 1 April 2003, provides the Securities and Futures Commission (**SFC**) with tools to utilise against false or misleading disclosures by listed issuers and listings that would not be in the interests of the investing public or the public interest. The SMLR also reinforces the legal and regulatory regime for listing in addition to the non-statutory Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (**Listing Rules**) administered by The Stock Exchange of Hong Kong Limited (**Stock Exchange**).
- 1.2 The amended SMLR, which came into effect on [date], provides more clarity and flexibility in the regulatory framework, while strengthening investor protection and mitigating risks that may result in significant financial harm to the investing public. Section 6(3)(b) (in conjunction with the new section 6(3B))¹ and the new section 7A(1) were introduced to enable the SFC to impose conditions on listing applicants and listed issuers respectively, which will in turn enhance the efficiency and transparency of the process.
- 1.3 This Explanatory Note provides non-exhaustive examples and discusses issues in particular situations to explain the operation and interpretation of sections 6(3)(b) and 7A(1) of the SMLR. It does not have the force of law and should not be relied upon as an authoritative legal opinion.

2. Regulatory approach

- 2.1 Investors play a crucial role in the financial markets. For investors to make informed investment decisions, it is essential for investors to have a clear understanding of the activities of listed issuers and the reasons behind their transactions. When listed issuers provide detailed disclosures and explanations about their business operations and transactions, it not only boosts investor confidence but also encourages investment. Providing accurate, timely and complete information enables investors to assess potential risks and returns associated with their investments.
- 2.2 However, not all listed issuers meet this standard of transparency and accuracy. A small number of listed issuers fail to provide adequate and complete information about their business activities and transactions, leaving investors uncertain about the true value of the issuer. This lack of clarity may create uncertainty and hesitation among potential investors. In addition, some instances of potential misconduct can be detrimental to shareholders. Such behaviour not only undermines investor confidence but can also lead to significant financial losses.
- 2.3 Since 2017, the SFC has adopted a front-loaded approach and exercised its powers under the SMLR to supplement traditional enforcement actions. The front-loaded approach aims to enable earlier and more targeted intervention in the most serious

¹ Section 6(3)(b) is an existing provision under the SMLR which enables the SFC to impose such conditions as the SFC may think fit when it does not object to the listing of any securities to which an application relates. The new section 6(3B) was introduced to clarify the conditions that the SFC may impose under section 6(3)(b) is not limited to one that must be complied with before, and may continue to apply after, the listing of the securities. For the purpose of this Explanatory Note, where reference is made to section 6(3)(b) in relation to continuing conditions, it should be read in conjunction with section 6(3B).

cases to prevent or reduce significant financial harm to the investing public². Addressing fraud and other serious misconduct at an early stage can help minimise potential losses to investors.

- 2.4 Front-loaded intervention is limited to circumstances where there is a clear risk of significant financial harm to the investing public as a result of suspected fraud or other serious misconduct. Where the financial harm has already occurred, the SFC will take appropriate enforcement actions in accordance with existing practice against relevant parties under the Securities and Futures Ordinance (**SFO**), which may also include actions under the SMLR. Front-loaded intervention aims to prevent or reduce clear and significant financial harm to the investing public and is not designed to function as punitive measure.
- 2.5 The SFC is committed to enhancing the quality of Hong Kong's securities market and listed issuers. The SMLR amendments aim to improve the quality of information provided by listing applicants and listed issuers, thereby helping boost investor confidence and encourage investment.

3. What are sections 6(3)(b) and 7A(1) of the SMLR about?

- 3.1 Section 6(3)(b) of the SMLR allows the SFC to impose pre-listing and/or continuing conditions on a listing application. While pre-listing conditions have to be complied with before listing, continuing conditions will be applicable upon and after listing. The SFC may impose continuing conditions where certain identified concerns warrant regulatory attention and intervention, but do not constitute statutory grounds for objection to listing.
- 3.2 Section 7A(1) of the SMLR allows the SFC to impose post-listing conditions on a listed issuer where it is suspected of misconduct, whilst offering a more targeted and proportionate alternative to an immediate or prolonged suspension of trading. This approach allows specific regulatory concerns to be addressed in a timely manner, enables investors to make informed decisions based on transparent and sufficient disclosures by listed issuers, and minimises market disruption caused by suspensions.

IPO cases

- 3.3 For initial public offering (**IPO**) cases, the SFC reviews all listing applications with a view to determining whether an application gives rise to any concerns under the SMLR and/or the SFO and ensuring that the overall disclosure is sufficient to enable investors to understand the listing applicant's business and make informed decisions.
- 3.4 If the SFC sees potential grounds for objection under section 6(2) of the SMLR but requires further clarification from the applicant or identifies any highly suspicious issues when vetting a listing application, it will proactively engage with the listing applicant and its sponsor(s) and issue direct requisition letters under section 6(1) of the SMLR. An example would be a listing application that displays one or more of the features of problematic IPOs highlighted in the [Joint Statement on IPO-related Misconduct](#) issued by the Stock Exchange and the SFC on 20 May 2021. These letters will set out the SFC's concerns on the listing application. If the listing applicant

² For the seven financial years ended 31 March 2024, the SFC directly intervened in approximately 200 cases involving IPO and listed issuers through the actual or potential use of its powers under the SMLR. Around two-thirds of these cases were related to IPO, while one-third were related to listed issuers.

and its sponsor(s) fail to address the SFC's concerns satisfactorily, the SFC may exercise its discretion to object to the listing of securities on the Stock Exchange under section 6(2) of the SMLR.

- 3.5 In some cases, certain identified concerns warrant regulatory attention and intervention, but do not constitute statutory grounds for objection to listing. Besides, the matter of concern may be one that a corporate insider controls or could significantly alter at its discretion after listing. For instance, if a member of former senior management and controlling shareholder with a criminal conviction has resigned and disposed of all shares in the listing applicant prior to listing in order to address the SFC's concerns regarding management's integrity, the applicant can appoint that individual as a board member immediately after listing.
- 3.6 To address this risk, the SFC could impose continuing conditions on the listing application under section 6(3)(b), in conjunction with section 6(3B)(a), of the SMLR. After listing, where the issuer intends to appoint the individual in question as senior management, it may be required to make relevant disclosures, such as that individual's criminal record, so that investors will have sufficient information to make an informed decision. Another possible condition may be to require that the individual be prohibited from being involved in any way in the issuer's management, operations and affairs.
- 3.7 Any breaches of a continuing condition after trading of the listing applicant's shares has commenced would not invalidate the listing approval granted by the Stock Exchange. Instead, the SFC would initially issue a letter warning the listed issuer that the SFC is minded to direct a suspension of trading if the breaches are not remedied to the SFC's satisfaction. This would give the listed issuer an opportunity to explain or rectify its conduct within an appropriate period. If the breach persists and cannot be mitigated, it may be necessary to suspend trading under section 8 of the SMLR.

Post-IPO matters

- 3.8 For post-IPO matters, when the SFC identifies a proposed corporate transaction that may warrant early intervention, it will notify the issuer of its concerns, usually along with a request for information under section 7B of the SMLR³ or a direction under section 179 of the SFO⁴. For example, concerns may arise where the issuer proposes to acquire an asset or a target company for significant consideration based primarily on forecasts that are not supported by any historical profit track record, and the net assets of the target company are minimal or negative. After considering the listed issuer's responses and submissions, the SFC may be satisfied and no further action will be taken. If the concerns remain but could be addressed by the listed

³ Under the new section 7B of the SMLR, the SFC may, by notice to the issuer of any securities that are listed, require the issuer to supply to the SFC any information the SFC reasonably requires for the performance of its functions under the SMLR.

⁴ Section 179(1) of the SFO provides that the SFC may require the production of any records and documents where it appears to the SFC that there are circumstances suggesting:

- (a) the business of the corporation has been conducted (i) to defraud creditors, (ii) for any fraudulent or unlawful purpose; or (iii) in a manner oppressive to its shareholders;
- (b) the corporation was formed for any fraudulent or unlawful purpose;
- (c) persons involved in the corporation's listing have engaged, in relation to such process, in defalcation, fraud, misfeasance or other misconduct;
- (d) persons who managed the corporation have engaged, in relation to such management, in defalcation, fraud, misfeasance or other misconduct towards it or its shareholders; or
- (e) shareholders of the corporation have not been given all the information with respect to its affairs that they might reasonably expect.

issuer by way of enhanced disclosures, the SFC may impose conditions under section 7A(1) of the SMLR requiring the listed issuer to disclose all relevant information for investors to make an informed decision.

- 3.9 Section 7A(1) of the SMLR enables the SFC to take a less disruptive alternative action to suspension in appropriate cases by imposing conditions that require the listed issuer to address regulatory concerns, without the need to direct a suspension of trading.

4. What type of conditions may be imposed?

- 4.1 Sections 6(3)(b) and 7A(1) of the SMLR provide the SFC with more targeted and proportionate tools to address regulatory concerns in a timely manner.
- 4.2 The conditions imposed will depend on the specific facts and circumstances of the particular listing applicant or listed issuer.
- 4.3 While no specific grounds for imposing conditions on listing applicants are provided in section 6(3)(b), it is important to note that this power is not unfettered. As with any other administrative decision it makes, the SFC must act *reasonably and proportionately* in exercising the powers under section 6(3)(b) of the SMLR.
- 4.4 For post-IPO matters, the SFC may only impose post-listing conditions on a listed issuer if it appears to the SFC that any of the following grounds is met:
- (a) members, or any part of the members, of the issuer have not been provided with any particulars or information with respect to, or in connection with, the business or affairs of the issuer that is necessary to enable a member to make an informed decision on an investment in securities;
 - (b) the business or affairs of the issuer have been conducted in a manner involving misconduct, misfeasance or improper practices towards the issuer, its members or any part of its members; or
 - (c) it is in the interest of the investing public or in the public interest, or it is appropriate for the protection of investors generally or for the protection of investors in any securities listed on the Stock Exchange, to impose the conditions.
- 4.5 If trading in a listed issuer's shares is suspended, the issuer remains under an obligation to make disclosures under Part XIVA of the SFO and under any applicable Listing Rules. In some circumstances, if the SFC identifies any potential irregularities, the SFC may still require the listed issuer to make specific disclosures to public investors even though trading in its securities has already been suspended voluntarily by the issuer or otherwise by the Stock Exchange. This would enhance transparency and public accountability.

- 4.6 The following illustrative examples will provide the market with a clearer understanding of the SFC's regulatory approach to imposing conditions under sections 6(3)(b) and 7A(1) of the SMLR. It is important to note that these scenarios are not specific cases, but are drawn from real events and intended to illustrate how the SFC might impose conditions in certain situations.

	Examples	Conditions that may be imposed
<u>Continuing conditions for listing applications (section 6(3)(b) of the SMLR)</u>		
<i>Exhibits features of problematic IPOs highlighted in the Joint Statement on IPO-related Misconduct</i>		
(a)	The listing applicant exhibits several features of problematic IPOs including: (i) its implied price-to-earnings ratios are significantly higher than those of comparable companies cited by the sponsor; and (ii) an unexceptionally high underwriting commission (for example, 10%) is proposed. There are concerns (i) that there may be side arrangements among the applicant and some intermediaries to enable the applicant to artificially satisfy the initial listing requirements, and (ii) as to whether there is sufficient genuine investor interest in the listing applicant and its securities.	Prior to listing, the listing applicant and the relevant intermediaries could be required to declare that no side agreement or arrangement has been or will be entered into by the parties other than the agreement or arrangement set out in the placing or underwriting agreements and/or the prospectus. The applicant could be required to disclose the details of any other subsequent transactions between the parties by way of timely announcements after listing. The applicant could also be required to disclose the confirmations, details of any other subsequent transactions between the parties and the usage of IPO proceeds in its annual report for the first full financial year after listing. These continuing conditions will be imposed before listing and the applicant will be required to disclose them in the prospectus.
<u>Conduct or integrity issues that may arise after listing</u>		
(b)	While a member of former senior management with a criminal conviction had resigned and disposed of all of his/her shares in the listing applicant before or upon listing following the SFC's enquiries as part of the IPO vetting	Prior to listing, the listing applicant and its directors could be required to disclose relevant information regarding that member in the prospectus.

	Examples	Conditions that may be imposed
	process, he/she is still the founder and family member of the current executive directors and substantial shareholders of the listing applicant.	After listing, if the issuer wishes to appoint the individual in question as a board director or senior management, it will be required to announce its intention and provide sufficient particulars (for example, the individual's criminal record). Another possible condition may be to prohibit that individual from being appointed as a director or from being involved in any way in the issuer's management, operations and affairs.
<u>Post-listing conditions (section 7A(1) of the SMLR)</u>		
<i>Placings without any genuine funding needs</i>		
(c)	While the terms of a placing proposed by the listed issuer complied with the requirements under the Listing Rules, a relatively insignificant amount was proposed to be raised (which was considerably less than one month's operating costs for the listed issuer) notwithstanding that such placing would lead to an enormous dilution to existing shareholders. The listed issuer failed to demonstrate any genuine funding needs and justify the cost and dilution effect of the placing on public shareholders.	The listed issuer could be required to demonstrate genuine funding needs and justify the cost and dilution effect of the placing on public shareholders. In the most extreme circumstance, the SFC could object to the listing of shares⁵.
<i>Undisclosed benefits or irregularities surface shortly after IPO</i>		
(d)	After listing, it was revealed that the listed issuer had entered into an investment agreement with a capital market intermediary involved in the listing. This agreement involved investing in a wealth management product issued by an affiliate of the intermediary, with the investment amount matching the total amount of placing proceeds raised by that intermediary. The investment was not disclosed in the prospectus and the use of the IPO proceeds did not align with the intended usage as disclosed in	The listed issuer and the board of directors could be required to disclose the reasons and provide explanations for the investment decision, clarify why the investment was not disclosed in the prospectus as well as justify the divergence of the IPO proceeds from the intended usage as disclosed in the prospectus.

⁵ The SFC may object to listing of any listed issuers' follow-on securities under section 6 of the SMLR.

	Examples	Conditions that may be imposed
	the prospectus.	
<i>Unreasonable consideration or valuations in proposed acquisitions</i>		
(e)	The consideration or valuations of the asset/target company in a proposed acquisition appear(s) unfounded or unjustifiable (for example, acquiring a shell company with no track record for a large sum of money, or the valuation of the target company is based on forecasts with no historical profit track record).	The listed issuer could be required to (i) obtain and disclose an independent professional valuation of the relevant asset/target company and (ii) disclose and demonstrate that its directors have carried out independent and sufficient investigation and due diligence in respect of the asset/target company with reference to the SFC's Statement on the Conduct and Duties of Directors when Considering Corporate Acquisitions or Disposals dated 4 July 2019 and Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions dated 15 May 2017, and have adequately discharged their fiduciary duties in this regard.
<i>Unfair and unreasonable terms in corporate transactions</i>		
(f)	The listed issuer entered into a cooperation agreement with a connected entity to develop projects beyond its primary business focus. Pursuant to the agreement, the listed issuer was required to pay a significant sum to the entity for the operation of these projects, and yet it had no right to question how these funds would be utilised. Additionally, there were no safeguards in place to ensure that the listed issuer would receive any revenue generated from the projects.	The listed issuer could be required to disclose and demonstrate the commercial rationale of such transaction and explain why the terms of the agreement are regarded to be fair and reasonable and are in the best interests of the shareholders.
<i>Insufficient due diligence on corporate transactions</i>		
(g)	The listed issuer proposed to acquire a target company engaged in property development business in Chinese Mainland. However, it was discovered that the target company has not obtained any land use certificates necessary for its on-going projects, and it is facing	The listed issuer could be required to provide additional details regarding the acquisition by way of announcements, including the timeline and costs associated with the target company for obtaining the land

	Examples	Conditions that may be imposed
	multiple lawsuits seeking substantial financial claims against it.	use certificates, the nature of the lawsuits, and the target company's plan for addressing these claims.
<i>Insufficient or incomplete disclosures of the issuer's affairs and financial position</i>		
(h)	Despite a major discrepancy between the listed issuer's internal financial records and actual bank balance concerning a substantial amount of bank balance, the issuer failed to provide information or explanation that caused the discrepancy.	The listed issuer could be required to publish an announcement that discloses sufficient particulars and information to enable investors to make an informed opinion with respect to its affairs and financial position, and such announcement should be reviewed by a financial adviser.
<i>Dubious loan transactions</i>		
(i)	The listed issuer has repeatedly granted loans to a third party without requiring any collaterals. These loans were offered either interest-free or at rates significantly lower than prevailing market rates. It is further noted that some of the earlier loans granted to the same borrower have been impaired. The listed issuer failed to provide detailed information regarding the background and financial position of the borrower or to devise a plan for recovering the loans in the event of default.	The listed issuer could be required to disclose and demonstrate that there was clear commercial rationale behind such loan transactions, and its directors have conducted proper credit assessments and background checks on the borrower prior to granting the loans, and have properly discharged their fiduciary duties to safeguard the issuer's assets and act in the best interests of the issuer and its shareholders with reference to the Joint Statement of the SFC and the Accounting and Financial Reporting Council in relation to Loans, Advances, Prepayments and Similar Arrangements Made by Listed Issuers dated 13 July 2023.

5. Processes for imposing conditions on listing applicants and listed issuers

IPO cases

- 5.1 For IPO cases, the SFC reviews all listing applications with a view to determining whether an application gives rise to any concerns under the SMLR and/or the SFO and ensuring that the overall disclosure is sufficient to enable investors to understand the business of the listing applicant and make informed investment decisions.
- 5.2 In vetting listing applications, the SFC seeks clarification by issuing comment letters via the Stock Exchange and, where appropriate, issues direct requisitions under section 6(1) of the SMLR. The SFC will cease to review and comment on a listing application once it determines that the case does not raise concerns under the SMLR.
- 5.3 If the SFC sees potential grounds for objection under section 6(2) of the SMLR⁶, it may request further information and clarification from the applicant and notify the applicant in writing of its concerns under section 6(1) of the SMLR.
- 5.4 If, after considering the applicant's submissions, the SFC forms a view that it is more likely than not that an objection would be raised under section 6(2) of the SMLR, or that pre-listing or continuing conditions should be imposed under section 6(3)(b) of the SMLR, it will notify the applicant of its detailed concerns in writing and that it is minded to object to the listing if such concerns are not addressed to the SFC's satisfaction. If the applicant's response fails to address these concerns, the SFC will issue a final decision notice⁷ under section 6(2) of the SMLR, accompanied by a statement specifying the reasons⁸, to object to the listing. On the other hand, if the applicant's response is adequate and the SFC does not have any concerns under the SMLR that warrant ongoing regulatory attention at that stage, the SFC will issue a "no comment" letter to the applicant without pre-listing or continuing conditions.
- 5.5 In the event that, after considering the applicant's submissions, the SFC considers that certain identified concerns warrant ongoing regulatory attention but do not justify an objection to the listing application, the SFC will issue a "no comment" letter to the applicant with pre-listing and/or continuing conditions.

⁶ Section 6(2) of the SMLR provides that the SFC may object to any listing applications if it appears to the SFC that:

- (a) the application does not comply with a requirement under section 3 of the SMLR, namely, (i) non-compliance with the Listing Rules except to the extent waived or not required; (ii) non-compliance with applicable law; or (iii) failure to contain such particulars and information which, having regard to the particular nature of the applicant and the securities, is necessary to enable an investor to make an informed assessment of the activities, assets and liabilities and financial position of the applicant at the time of the application and its profits and losses and of the rights attaching to the securities;
- (b) the application is false or misleading as to a material fact or is false or misleading through the omission of a material fact;
- (c) the applicant has failed to comply with a requirement to supply such further information as the SFC may reasonably require for the performance of its functions under the SMLR or, in purported compliance with the requirement has furnished the SFC with information which is false or misleading in any material particular; or
- (d) it would not be in the interest of the investing public or in the public interest for the securities to be listed.

⁷ A final decision notice is a specified decision under the SFO that is subject to review by the Securities and Futures Appeals Tribunal.

⁸ Such statement is required under section 6(7) of the SMLR.

Post-IPO matters

- 5.6 When the SFC identifies a proposed corporate matter that may warrant early intervention based on one or more of the grounds set out in section 7A(2) of the SMLR⁹, it will write to the listed issuer, usually together with directions under section 7B of the SMLR or section 179 of the SFO. The letter will set out the SFC's preliminary concerns and request an explanation and/or the relevant records or documents. It will also formally notify the listed issuer and the Stock Exchange that the SFC is considering the use of its powers under the SMLR if the issues noted in the letter are not resolved.
- 5.7 If the SFC's concerns were not adequately addressed, the SFC may issue a further letter to the listed issuer, copied to the Stock Exchange, summarising the findings arising from relevant directions under section 7B of the SMLR or section 179 of the SFO and restating the SFC's powers to intervene if the listed issuer proceeds with the transaction without satisfactorily addressing those concerns. The listed issuer may make further submissions in response.
- 5.8 If the listed issuer chooses to proceed with the transaction without adequately addressing the SFC's concerns, the SFC may intervene under the SMLR. The SFC may issue a "show cause letter" to the issuer setting out in detail the concerns behind the SFC's mindedness to impose conditions and giving the issuer an opportunity to respond. If the issuer's response does not adequately address the issues set out in the "show cause letter", the SFC may impose conditions on the listed issuer under section 7A(1) of the SMLR.

6. After imposition of a condition

- 6.1 In IPO cases, listing applicants would be required to disclose in prospectuses the conditions imposed by the SFC before listing.
- 6.2 For post-IPO matters that may warrant the SFC's early intervention, including cases where the suspected misconduct is uncovered after an applicant is listed, it will, in appropriate cases, require the listed issuer to make specific disclosures by way of imposing conditions on the issuer in lieu of suspension of trading. Where the SFC requires the listed issuer to disclose all relevant information for investors to make an informed decision by way of imposing conditions under section 7A(1) of the SMLR, the listed issuer is expected to disclose the conditions imposed by the SFC by an announcement. This announcement should also include the disclosures required by the SFC and the actions the listed issuer must undertake in response to these conditions.
- 6.3 Issuers on which conditions are imposed are encouraged to maintain constant dialogue with the SFC to resolve all relevant concerns as soon as possible. Timely notification of fulfilment of any imposed condition should be provided to the SFC in writing.
- 6.4 The SFC has discretion to amend or revoke any existing conditions or impose new conditions where circumstances have changed, so that any regulatory action taken can be appropriately modified to take into account subsequent changes and developments. All requests to vary or revoke any conditions imposed by the SFC

⁹ For listed issuers' follow-on securities listing (such as listing of new shares in a placing), the SFC may intervene under section 6 of the SMLR. The process for imposing conditions or objection to listing will be similar to an IPO case outlined in paragraphs 5.1 to 5.5 above.

should be made directly to the SFC in writing and accompanied by all relevant supporting documents or information for consideration. The SFC will then consider whether the conditions should be amended or revoked. Following any amendment or revocation of existing conditions or imposition of new conditions, issuers are expected to make appropriate announcements.

7. Right of review

- 7.1 A listing applicant or listed issuer is entitled to a full merits review by the Securities and Futures Appeals Tribunal if it is aggrieved by the outcome of the SFC's decision to:
- (a) impose continuing conditions that will be applicable upon and after listing (section 6(3)(b) in conjunction with the new section 6(3B));
 - (b) impose post-listing conditions on a listed issuer (section 7A(1)); or
 - (c) amend or revoke any conditions (sections 6(3A)(a) and 7A(4)) and impose new conditions (section 6(3A)(b)).

8. Consequence of breaching a condition

- 8.1 In IPO cases, while continuing conditions are imposed to allow a listing application to proceed, any breaches of such conditions after trading in the listing applicant's shares would not invalidate the listing approval granted by the Stock Exchange. Instead, the SFC will first issue a letter warning the listed issuer that the SFC is minded to direct a suspension of trading if the breaches are not remedied to its satisfaction. The listed issuer will be given an opportunity to explain or rectify its conduct within an appropriate period. Failure to fulfil the imposed condition despite the SFC's warning may result in a suspension of trading under section 8 of the SMLR.
- 8.2 For post-IPO matters, listed issuers will similarly be given an opportunity to rectify a breach of a condition within an appropriate period. Should the listed issuer fail to do so, the SFC may exercise its power to suspend trading under section 8 of the SMLR.

