<u>Submitted via Qualtrics</u>

(Anonymous)

Company/Organisation view

Listed Company

Question 1

Do you agree that the WVR Financial Eligibility Test thresholds should be lowered?

Please give reasons for your views and any alternative suggestions.

Question 2

Do you agree with the proposed WVR Financial Eligibility Test thresholds (as set out in paragraph 91 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 3

Do you agree with the proposal to accept a 20:1 WVR Ratio Cap if an applicant has a market capitalisation of at least HK$40 billion at the time of listing (see paragraph 103 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We fully support the proposal of a 20:1 WVR Ratio Cap, and we respectfully request the Stock Exchange to consider expanding the application of the 20:1 WVR Ratio Cap to listed issuers with WVR, for the reasons set out below.

Necessity of 20:1 WVR Cap Ratio

High-tech WVR companies operate in fiercely competitive markets where continuous R&D investment is critical for survival. Many of such companies remain pre-revenue or pre-profit for extended periods, requiring substantial external financing to fuel growth before achieving profitability. These companies need flexible financing mechanisms to raise capital while preserving founder control throughout their development lifecycle.

Dual-class structures allow founders to retain voting control despite diminished economic ownership after successive financing rounds. At the current 10:1 WVR Cap Ratio as allowed by the Listing Rules, founders need approximately 5% economic ownership to maintain roughly 50% voting control. At 20:1, the same 50% voting threshold can be achieved with just 2.5% economic ownership. Such doubling of voting power per share enables WVR companies to raise more capital without triggering control jeopardy, which is a critical advantage for capital intensive growth companies that usually need multiple follow-on financing.

Comparing with other active listing venues, the U.K. Financial Conduct Authority significantly reformed its listing rules effective July 2024, adopting a more permissive approach toward dual-class structures without imposing a fixed ratio cap. The U.S. exchanges, including the NYSE and Nasdaq, do not impose a statutory cap on voting multiples, with practice showing ratios ranging from 10:1 up to 150:1 in cases like Groupon in its U.S IPO. Snap Inc. further demonstrated the flexibility by issuing non-voting shares to the public, and its two co-founders control over 99% of its voting rights. Hong Kong’s current 10:1 cap lacks flexibility needed by high-tech companies and places it at a competitive disadvantage in attracting quality issuers with strong founder-led governance needs.

20:1 WVR Cap Ratio for Existing WVR Issuers

According to the Consultation Paper, the Stock Exchange’s 20:1 proposal applies only to new applicants, leaving existing WVR issuers locked at 10:1 without any path to upgrade. This creates an irrational distinction: two companies with similar market capitalization, corporate governance standards and founder economic interests are treated differently based solely on listing date.

Existing WVR issuers have already cleared the same stringent IPO eligibility thresholds and have operated under the Stock Exchange's heightened WVR governance requirements. They have maintained corporate governance committees with independent director oversight, complied with one-share-one-vote for reserved matters and adhered to sunset provisions. Their compliance records are publicly verifiable, while new applicants cannot offer such level of demonstrated governance quality. If the 20:1 ratio is safe for new applicants meeting a HK$40 billion market cap test, it is demonstrably safer for existing issuers with proven track records.

In addition, existing WVR issuers face a widening competitive gap when raising follow-on capital. A new applicant can raise dilutive financing with a 20:1 safety buffer, giving its founders a 2.5% control threshold, while an existing WVR issuer at 10:1 must closely monitor the approaching 5% control boundary after just one or two financing rounds. The consequence is that existing issuers may be forced to choose between raising necessary capital (and losing founder control) or preserving control (and forgoing growth financing). This unequal access to the capital markets distorts fair competition and may drive existing WVR issuers towards more costly or complicated financing structure.

The original 2015 WVR consultation concluded that WVR structures should be confined to new applicants with a WVR Cap Ratio of 10:1, but that policy decision was made before any WVR companies existed in Hong Kong. Now with nearly eight years of successful WVR experience and as we understand, rare compliance failures, we call for the Stock Exchange to expand the 20:1 WVR Cap Ratio to existing WVR issuers and provide them with more flexibility to adjust their WVR structure.

Safeguard Measures for Minority Shareholders and Public Investors

In relation to expansion of the 20:1 WVR Cap Ratio to existing WVR issuers, there are already measures in place to protect the interests of minority shareholders and public investors:

Class Meetings Approval

Pursuant to Appendix A1 of the Listing Rules, a super-majority vote of the issuer's members of the class to which the rights are attached shall be required to approve a change to those rights. A "super-majority vote" means at least three-fourths of the voting rights of the shareholders of the class. Rule 8A.24 further requires that in the general meeting, such variation of rights to class shares shall be voted on a one vote per share basis for all shareholders. Therefore, on a proposal to increase the WVR Cap Ratio from 10:1 to 20:1, the affected class of shareholders would vote separately and would have adequate channel and voting power to protect their interests. This class voting mechanism ensures minority WVR shareholders are not disadvantaged by any ratio adjustment.

INED Supervision

Pursuant to the requirements of the Listing Rules, all WVR issuers must establish a Corporate Governance Committee comprised entirely of independent non-executive directors (INEDs). The Corporate Governance Committee reviews WVR operation on a regular basis and annually confirms that WVR beneficiaries have complied with the relevant requirements under Chapter 8A of the Listing Rules. Additionally, the INEDs must constitute at least one-third of the board. These independent oversight mechanisms provide robust checks on any concentration of control, including the higher 20:1 WVR Cap Ratio.

One-vote-per-share for Reserved Matters

Rule 8A.24 mandates that WVR must be disregarded on resolutions concerning: changes to constitutional documents, variation of class rights, appointment or removal of INEDs, appointment or removal of auditors, and voluntary winding-up. On these fundamental matters, WVR beneficiaries are entitled to the same vote as other ordinary shareholders. Such mechanism ensures that even with 20:1 voting power on routine matters, founders cannot override minority shareholders on decisions that fundamentally alter the issuer's governance structure or existence.

Cessation of Weighted Voting Rights of WVR Beneficiaries

The Stock Exchange's WVR rules impose event-triggered sunset provisions for weighted voting rights. Under Rule 8A.17, a beneficiary's weighted voting rights must terminate upon: death, ceasing to be a director, the Stock Exchange's determination of incapacity to perform director duties, or non-compliance with director requirements. This ensures weighted voting rights do not perpetuate indefinitely or transfer across generations. No WVR can survive the beneficiary's departure from board service. These sunset mechanisms fundamentally limit the duration and transferability of weighted voting rights, providing a natural expiry aligned with the beneficiary's active involvement in company leadership.

<u>Question 4</u>

Do you agree with the proposal to clarify that the Exchange may be prepared to accept the listing of an applicant whose WVR beneficiaries collectively hold a lower minimum economic interest at listing only if such lower underlying economic interest, at the time of the applicant's initial listing: (a) represents at least 5% of the applicant's total issued share capital; and (b) has an amount of at least HK$4 billion (see paragraph 105 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 5</u>

Do you agree with the proposal to provide a choice of Route A and Route B that applicants can use to meet the Innovative Company Requirements (as set out in paragraph 126 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 6(a)

In respect of Route A, do you agree with the proposed retention of the current Specialist Company Presumptions (as set out in paragraph 127(a) of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 6(b)

In respect of Route A, do you agree with the proposed "innovative" presumption for Qualified Biotech Applicants and Qualified Specialist Technology Applicants (as set out in paragraphs 127(b), 132 and 133 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 6(c)

In respect of Route A, do you agree with the proposed refinements to the Innovative Characteristics that are applicable to Route A (as set out in paragraphs 127(c), 129 and 130 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 7(a)

Do you agree with the proposed refinements to the Innovative Characteristics that are applicable to Route B (as set out in paragraphs 129 and 131 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 7(b)

Do you agree with the proposed guidance on the meaning of a "sophisticated investor" for the purpose of the "external validation" requirement (as set out in paragraph 134 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 7(c)

Do you agree with the proposed guidance on what constitutes "meaningful third-party investment" for Route B applicants for the purpose of the "external validation" requirement (as set out in paragraph 135 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 8

Do you agree with the proposal to lower the financial eligibility thresholds for a secondary listing of an overseas issuer with a WVR structure to align them with those proposed for WVR issuers with a primary listing (see paragraph 173 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 9

Do you agree with the proposal to lower the market capitalisation threshold under Criteria B from HK$10 billion to HK$6 billion (see paragraph 177 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 10</u>

Do you agree with the proposal to retain the market capitalisation threshold under Criteria A (see paragraph 178 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 11</u>

What measures (if any) do you think the Exchange should implement to further facilitate the listings, in Hong Kong, of issuers listed overseas (see paragraphs 198 and 199 of the Consultation Paper)?

Please give reasons and specify any accompanying conditions for your suggested measures.

<u>Question 12</u>

Do you agree with the proposal to codify the existing guidance into a Rule to state that an applicant will be considered to have satisfied the Ownership Continuity Requirement if it can demonstrate, to the Exchange's satisfaction, that there was no material change in influence on management during the Relevant Period despite the change in controlling shareholder over that period to address any packaging concerns (see paragraphs 205 and 206 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 13</u>

Do you agree with the proposed consequential updates to our guidance (as set out in paragraph 207 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 14</u>

Do you agree with the proposal to expand the permitted use of US GAAP (as set out in paragraph 213 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 15</u>

Do you agree with the proposal to remove the requirement that a US-listed issuer using US GAAP must revert to preparing financial statements using HKFRS or IFRS if it subsequently delists from the US (see paragraph 214 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 16</u>

Do you agree with the proposal to remove the requirement for a Reconciliation Statement produced for the purpose of unaudited financial results to be reviewed by auditors (see paragraph 215 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 17</u>

Do you agree with the proposal to allow Eligible Specialist Companies to seek a listing under the applicable Specialist Chapters (see paragraph 232 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 18</u>

Do you agree with the proposed modifications to the additional requirements under the Specialist Chapters to be imposed on Eligible Specialist Companies (as set out in paragraph 233 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 19</u>

Do you agree with the proposal to remove the Publication Requirements for all listing applicants, such that a listing applicant (including a listing applicant associated with an Issuer-related Listing Application) may choose not to publish its AP at the time it submits its listing application, in which case it would only be required to publish an OC Announcement on the same date as it publishes its PHIP (as set out in paragraph 260 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 20(a)</u>

Do you agree with the proposal that, in addition to the existing Return Application Details, the identities of other professional parties responsible for the Application Materials also be displayed on the designated webpage of the Exchange (as set out in paragraphs 264 to 265 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 20(b)</u>

Do you agree with the list of professional parties proposed to be considered as responsible for the Application Materials for the above purpose (as set out in Box 1 under paragraph 265 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 21</u>

Do you agree with the proposal to amend the starting point of the 8-week moratorium to either: (a) the date on which all applicable review procedures in respect of the Listing Division's decision to return the listing application have been completed; or (b) the date on which the time period for invoking any such review procedures has lapsed (as set out in paragraph 266 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 22</u>

Do you agree with the consequential changes to issuers' disclosure obligations in relation to Issuer-related Listing Applications (as set out in paragraph 268 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Please provide your overall comments (if any) regarding the Consultation Paper which have not been covered in the questions above.