Submitted via Qualtrics

Association of Hong Kong Capital Markets Practitioners Limited

Company/Organisation view

Professional Body / Industry Association

Question 1

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

Yes

Please give reasons for your views and any alternative suggestions.

As a preliminary comment we welcome any proposal which makes our market more attractive to potential issuers. Accordingly, we are in general agreement to the proposals set out in the Listing Framework Review Consultation Paper (except Questions 15, 16 and 20).

However, we do have concerns that, rather than making rules which are generally applicable to potential issuers of any size and from any sector, rules are being crafted with particular issuers in mind. This introduces inconsistencies into the rules. For example, generally weighted voting rights are regarded by the Exchange as undesirable, except for comparatively large companies of a certain kind. Furthermore, we do not believe that the approach of the Exchange should be to create "bespoke" rules for particular kinds of potential issuers when more general rules should easily apply. This is not an approach that has been adopted by any other major international exchange. More general rules would make the Exchange much more responsive to the changing appetites of investors as economic circumstances and technologies change, rather than playing catch-up for companies that fail to meet the Exchange's requirements but which the Exchange wishes to attract. It would also eliminate an increasing number of bright line tests, which are not necessarily consistent either. It also means that the rules are likely to introduced to meet a particular situation, which proves to be temporary. We note there have been few, if any listings, recently of infrastructure companies (Chapter 8) mining companies (Chapter 18), SPACs (Chapter 18D), or investment companies (Chapter 21).

Lastly, we are disappointed to see that no consideration has been given to smaller issuers to make the Exchange a more welcoming market on which to apply to list. As it stands, we now have a market where domestic Hong Kong issuers are becoming a rarity so that only a tiny percentage of the funds raised by initial public offerings in Hong Kong are invested here.

Question 2

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

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

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.

Please refer to our response to Question 1 above.

Question 4

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

Question 5

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

<u>Question 7(a)</u>

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

<u>Question 7(b)</u>

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

<u>Question 7(c)</u>

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

Question 10

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

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

Question 11

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 refer to our response to Question 1 above.

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

Please refer to our response to Question 1 above.

<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)?

Yes

Please give reasons for your views and any alternative suggestions.

Yes, we generally agree to this proposal.

<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)?

Yes

Please give reasons for your views and any alternative suggestions.

Yes, we agree with the proposed consequential updates to the Exchange's guidance.

<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)?

Yes

Please give reasons for your views and any alternative suggestions.

Yes, we generally agree to this proposal.

Question 15

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)?

No

Please give reasons for your views and any alternative suggestions.

We do not agree that the requirement should be removed in all cases. If a US-listed issuer subsequently delists from the US, then (absent ongoing US reporting obligations or a substantial shareholder base in the US) we do not see a clear policy reason for it to continue preparing financial statements under US GAAP for its Hong Kong listing, rather than reverting to HKFRS or IFRS to align with the reporting framework most relevant to Hong Kong investors (i.e. “familiarity” of HKFRS/IFRS by the local public investors in general should outweigh the cost-savings for the issuer); any flexibility should in our view be limited and accompanied by an appropriate transition period.

Question 16

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)?

No

Please give reasons for your views and any alternative suggestions.

We do not agree with the proposal to remove the requirement for the Reconciliation Statement (prepared for the purpose of unaudited financial results) to be reviewed by auditors. In our view, the reconciliation from one financial reporting framework to another is a key item of information for investors and is inherently judgmental and technical; an auditor review provides an important quality control and credibility safeguard, particularly where the market is relying on unaudited results. Given the potential for misstatements or misunderstandings in cross-framework reconciliations, retaining the review requirement is a proportionate measure to support comparability and investor confidence.

Question 17

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

<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)?

Yes

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 1 above.

<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)?

Yes

Please give reasons for your views and any alternative suggestions.

Yes, we agree with the proposal to remove the Publication Requirements for listing applicants such that an applicant may choose not to publish its application proof at the time it submits its listing application, and would instead publish an OC Announcement on the same date as it publishes its PHIP. The current application-stage publication requirement is a feature that appears to be unique to Hong Kong and, in practice, offers limited incremental benefit while creating timing pressure and avoidable sensitivity for applicants.

In our view, the proposed approach appropriately reduces unnecessary friction without undermining investor protection, given that the market will continue to receive key information through the PHIP and the OC Announcement at the relevant stage. We also note that keeping an application for listing confidential before Listing Committee approval, as in the past before this rule applied, is not easy. This is particularly difficult for large, well-known applicants. For this reason, the Exchange may wish to give guidance to issuers of this kind.

Question 20(a)

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)?

No

Please give reasons for your views and any alternative suggestions.

No, we do not agree. We believe there is a fundamental contradiction between the proposal in Question 19 and the enhanced "name and shame" mechanism proposed in Question 20.

The Exchange's primary rationale for removing the Publication Requirements is to avoid the "premature and prolonged disclosure of information" and to bring Hong Kong in line with international peer markets where draft prospectuses are not made public upon submission.

If an applicant exercises its right to file a confidential Application Proof (AP) to protect its business strategies and listing plans from unnecessary external attention, it is logically inconsistent to then mandate the public exposure of the identities of all professional parties involved if that same application is returned.

By displaying the names of the sponsor, legal advisers, reporting accountants, and experts on a designated webpage for a "Returned Application", the Exchange effectively nullifies the confidentiality the applicant sought to maintain. Such public disclosure would signal a failed application to the market. Even without publishing the AP itself, naming the specific group of professional parties linked to a returned application identifies the applicant by proxy and creates a "name and shame" effect that undermines the spirit of confidential filing.

If the goal is to enhance document quality and the deterrent effect of the Return Mechanism, we suggest that the Exchange consider non-public regulatory measures against professional parties rather than public disclosure, which contradicts the objective of enhancing Hong Kong's competitiveness through confidentiality.

If the Exchange decided to adopt a name and shame sanction, it should, as proposed, apply to all the professional parties engaged in the application and not just the sponsor.

Question 20(b)

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)?

No

Please give reasons for your views and any alternative suggestions.

Please refer to our response to Question 20(a) above.

Question 21

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Yes, we generally agree to this proposed amendment.

Question 22

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Yes, we generally agree to this proposed amendment.

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