Submitted via Qualtrics

Deacons

Company/Organisation view

Law Firm

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.

Lowering the thresholds to be generally in line with those of our peer markets in the Chinese Mainland will facilitate more A-share WVR issuers to consider pursuing A+H listings.

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.

See our response in Question 1.

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.

A higher WVR Ratio Cap will make our bourse more competitive to attract issuers with WVR carrying more than ten votes. Tying the higher ratio to a high market capitalisation threshold of at least HK$40 billion (which represents a double of the proposed lowered market capitalisation threshold of HK$20 billion for WVR Test A), coupled with the minimum economic interest requirement, may help mitigate the risks associated with the higher WVR Ratio Cap.

<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)?

Yes

Please give reasons for your views and any alternative suggestions.

The proposed dual threshold (percentage and absolute value) would mean that only applicants with an expected market capitalisation at listing of exceeding HK$40 billion may have a WVR shareholding percentage at listing lower than the current 10%. The extent of reduction in the market capitalisation threshold for a lower minimum economic interest (from HK$80 billion to HK$40 billion) is in line with the extent of reduction in the market capitalisation threshold for WVR Test A (from HK$40 billion to HK$20 billion). This proposal therefore represents a sensible calibration, while preserving the core principle of ensuring WVR beneficiaries retain meaningful "skin-in-the-game".

<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)?

Yes

Please give reasons for your views and any alternative suggestions.

Restructuring the Innovative Company Requirements into two routes as proposed provides more clarity and certainty of the Exchange's approach in applying the Innovative Characteristics to "new economy" companies from emerging and innovative sectors on the one hand and companies in traditional industries whose success is attributable to their innovative business models on the other hand.

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.

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.

The Exchange may consider extending the remit of TECH to Qualified Biotech Applicants and Qualified Specialist Technology Applicants.

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.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

<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.

<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.

The Exchange may consider providing more certainty on the minimum size of third-party investment for applicants having an expected market capitalisation in the range of HIK$20 billion -HK$40 billion. In addition, similar guidance should also be provided for Route A applicants.

<u>Question 8</u>

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.

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.

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.

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)?

The Exchange may consider extending the remit of TECH or create a similar dedicated advisory channel for overseas issuers considering a primary or secondary listing in Hong Kong, to help them navigate the listing requirements in Hong Kong.

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

Question 12

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.

The Exchange may consider providing examples, by way of listing decisions, of cases considered by it in recent years where the applicant was considered to have satisfied the Ownership Continuity Requirement despite there was a change in its controlling shareholder(s) during the Relevant Period.

Question 13

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.

Question 14

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.

This measure will help attract more listings in Hong Kong of subsidiaries of US-listed parents and companies with substantial business operations in the US, which are otherwise deterred from pursuing a Hong Kong listing in view of the burden of having to change their financial reporting standards from US GAAP to HKFRS or IFRS. The Exchange may consider providing further guidance on how it determines whether a company is considered as having "substantial business operations" in the US.

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)?

Yes

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)?

Yes

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)?

No

Please give reasons for your views and any alternative suggestions.

We acknowledge the Exchange's objective of this proposal is to provide flexibility to commercialised Biotech Companies and Specialist Technology Companies.

However, we wonder if the proposed change is necessary for the purpose of allowing eligible companies to enjoy the benefits set out in paragraphs 227 and 228 of the Consultation Paper.

We believe most of such benefits would be achieved by way of other proposals put forward in parallel in this consultation, including: (a) the proposal to expand the confidentiality filing option to all listing applications, and (b) the proposal that Qualified Biotech Applicants or Qualified Specialist Technology Applicants would be presumed to meet the Innovative Company Requirements (which may be modified, as suggested in our response to Question 6(b), by extending the remit of TECH to such applicants).

Further, the proposed change would require modifications to quite a number of requirements under the Specialist Chapters for Eligible Specialist Companies, which may create unnecessary complexity and potential confusion to intended applicants.

Question 18

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.

Question 19

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.

Allowing confidential filing of listing applications will bring Hong Kong market in line with other major international markets. The regulators' objectives of the existing Publication Requirements may be better achieved by the enhanced "name and shame" mechanism as proposed in parallel.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We suggest the Exchange may also consider (a) publishing the reasons for its return decisions at the same time or shortly after the relevant Return Application Details are displayed on its website; and (b) the disclosure deficiencies be explained in greater detail in its published listing decisions by, in appropriate cases, quoting the relevant disclosures in the Application Proofs for readers to have a better understanding of the Exchange's regulatory approach and expectations.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

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.

The proposed extension of the starting point of the 8-week moratorium may strengthen the deterrent effect of the Return Mechanism.

<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)?

Yes

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.