

Submitted via Qualtrics

CFA Society Hong Kong and CFA Institute

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.

We recognize in principle the rationale brought forward by HKEX to lower the WVR financial eligibility thresholds. Our starting point remains that one-share-one-vote is the preferred governance standard. Further relaxation should therefore be exceptional, narrowly calibrated, and accompanied by stronger safeguards.

Since the 2018 Listing Reforms, a significant volume of IPO capital from Greater China issuers has been captured by US markets, with nearly 40% of those funds raised coming from companies that would have been structurally excluded from listing in Hong Kong under the current thresholds. By lowering these requirements, the Exchange is taking a necessary step to address a competitive gap that could be discouraging a significant cohort of innovative companies from seeking a primary listing in Hong Kong. This move aligns Hong Kong with peer jurisdictions, such as the US and Singapore, which do not impose WVR-specific financial thresholds in addition to standard listing requirements and instead rely on structural safeguards to manage governance risks.

While we can see the case for this reduction, we do not advocate for the complete elimination of financial thresholds. In the absence of a US-style litigation infrastructure, including class action rights, financial thresholds serve as a meaningful upstream quality filter. They ensure that issuers possess a minimum level of commercial maturity and disclosure capacity, which helps protect retail and southbound investors who have fewer private legal remedies when governance fails. Furthermore, we agree with the decision to refrain from imposing a profit requirement for WVR applicants. We believe that the appropriate mechanism for screening issuer quality should remain the qualitative innovative company requirement, as adding a profit test would contradict the regime's

founding principles and its alignment with other listing chapters like Chapter 18A. As we elaborate in our response to Question 7, while we concur with the decision not to mandate a rigid profit threshold for eligibility, we advocate for a more granular assessment of financial sustainability, such as unit economics and path to profitability, particularly for issuers whose innovation is driven by business models (Route B) rather than proprietary technology.

To make this assessment operational, the Exchange could monitor key performance metrics such as cash burn rate, gross margin, Customer Acquisition Cost (CAC) payback periods, contribution margin, and net revenue retention. Rather than setting rigid pass/fail numbers, the Exchange could provide indicative ranges for different industries. To ensure these figures are reliable, we suggest requiring a formal management attestation supported by independent (e.g., auditor) assurance. This would allow the Exchange committee to exercise informed judgment based on published, transparent criteria.

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.

We understand the rationale for the proposed thresholds of HK\$20 billion market capitalization for Test A and HK\$6 billion market capitalization plus HK\$600 million revenue for Test B. Having said that, the lowered thresholds should remain tightly calibrated and should not be treated as a general invitation to expand the use of WVR structures.

Regarding Test A, the HK\$20 billion threshold is appropriately calibrated as it sits between the PRC main board standards and represents an absolute size where institutional analyst coverage and market liquidity are generally sufficient to mitigate the information asymmetry risks inherent in WVR structures.

Regarding Test B, the reduction targets the growth-stage cohort which most likely would consider alternative listing venues like the STAR Market, ChiNext Market or US exchanges. The retention of a revenue requirement ensures that WVR applicants have demonstrated commercial traction rather than relying solely on speculative private-market valuations.

Accordingly, to further balance market efficiency with investor protection, we suggest a refinement to the application of Test B. We suggest that these lowered thresholds be reserved exclusively for issuers qualifying under Route A (Technology-driven) pathway as defined in the Consultation Paper. Our rationale is that companies with verifiable, objective hard tech or R&D substance provide a more stable foundation for a lower financial entry point. In contrast, Route B (Business Model-driven) issuers often carry higher sustainability risks and can be more difficult to value without a longer commercial track record.

By restricting the lower financial entry point of Test B to Route A, the Exchange could ensure that the benefit of reduced thresholds is granted to companies with clear intellectual property moats. As we elaborate in our response to Question 7, because business-model innovators are more susceptible to the risks of aggressive customer subsidization and volatile growth, we believe they should remain subject to the higher existing financial scrutiny. This calibrated approach ensures that Hong Kong remains competitive for the next generation of tech giants while maintaining a robust quality filter for more speculative business models.

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 understand the objective of the proposal to increase the WVR Ratio Cap to 20:1 for large-cap applicants, as it aligns Hong Kong with international norms.

However, we would be cautious with this approach, given the widened divergence between voting control and economic ownership and heightened entrenchment and minority shareholder protection concerns.

In comparable global financial centers like the US and UK, we can observe that voting caps are either non-existent or being relaxed. The HK\$40 billion market capitalization threshold provides a practical safeguard, as companies of this size generally attract higher levels of institutional scrutiny, analyst coverage and market monitoring (i.e. natural checks). Furthermore, a 20:1 ratio allows the Exchange to codify what is already permitted for certain grandfathered issuers, creating a more consistent and competitive framework for attracting global innovative companies.

Shall the Exchange decide to proceed with a 20:1 cap, we believe this higher ratio should be accompanied by additional governance safeguards to mitigate the increased risk of entrenchment. Because a 20:1 ratio significantly widens the wedge between voting control and economic interest, we suggest that the Exchange introduce enhanced disclosure and board-level protections. While we recognize that Rule 8A.20 already deems WVR beneficiaries as connected persons, we believe that for a 20:1 structure, the risk of soft influence over significant transactions remains high.

Specifically, we suggest that for issuers adopting the 20:1 ratio, the Exchange consider extending the one-share-one-vote mechanism beyond the current matters set out in Rule 8A.24 to include significant connected transactions and other major matters involving heightened conflict risk. While we acknowledge the existing role of the Corporate Governance Committee under Chapter 8A, the concentration of voting power in a 20:1 structure warrants this additional layer of protection. Ensuring that voting power is balanced for transactions where a higher risk of conflict exists would safeguard the interests of minority shareholders in line with international best practices. Also, we suggest mandatory annual disclosures including how the board has ensured alignment between WVR beneficiaries and minority shareholders, which ensures that transparency keeps pace with the increased concentration of voting power.

To enable investors to make informed decision on whether the value of their shares is commensurate with their limited rights, these disclosures should provide a breakdown of the share structure detailing classes weighted voting, limited, or non-voting rights, while also including details on periodic board reviews regarding the continued effectiveness of

the WVR structure in supporting the company's long-term strategy, alongside clear reporting on the specific events that would trigger a conversion of WVR shares into ordinary shares and enhanced operational transparency regarding related party transactions and product development milestones to allow without weighted voting rights to monitor the underlying commercial justification for the entrenchment.

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.

We understand the rationale of moving from a discretionary approach to a clearer numerical framework.

This dual-test approach provides a functional framework for balancing founder influence with capital commitment. The percentage floor ensures a proportional stake in the company's success, while the absolute dollar floor ensures that even in very large entities, the founders maintain a substantial "skin in the game" that aligns their interests with minority shareholders. Moving from a discretionary approach to these codified, numerical floors increase transparency and provide greater certainty for listing applicants and investors alike.

At the same time, we would be cautious about lowering the minimum economic interest requirement, particularly when considered together with a higher WVR ratio cap.

To illustrate the governance implications of the proposed combined changes, a WVR beneficiary holding the minimum 5% economic interest under the 20:1 ratio cap would command approximately 51.28% of total voting power. This means a founder with minimal economic exposure retains absolute majority control on ordinary resolutions,

while bearing only a fractional share of economic downside. This quantifies precisely the wedge-widening risk that our ongoing disclosure suggestions are designed to address.

If the Exchange proceeds with the proposed 5% / HK\$4 billion framework, we suggest that it monitors the potential for wedge widening after the initial listing. While these thresholds are appropriate at the time of admission, the misalignment between control and ownership can grow over time due to share issuances or disposals. We suggest introducing a requirement for ongoing periodic disclosure of the aggregate economic interest held by WVR beneficiaries relative to their voting power, so that investors can dynamically assess governance risk post-listing.

Drawing on international practices, such as the SGX Listing Rules, this disclosure should clearly detail for each WVR beneficiary: their name, the number and total voting rights of their WVR shares, their ordinary shareholding, and their resulting total voting power. Providing this breakdown allows investors to assess the governance risk and the specific degree of wedge between ownership and control for each beneficiary post-listing. This is particularly important as a lower initial economic stake increases the market's sensitivity to future dilution or secondary sales by WVR beneficiaries, thereby facilitating a more dynamic assessment of governance risks post-listing.

Additionally, we encourage the Exchange to provide clear guidance on the calculation of underlying economic interest, specifically clarifying that this interest must be unhedged and calculated on a look-through basis. This would prevent the use of complex financial instruments that might formally meet the 5% / HK\$4 billion test while effectively neutralizing the beneficiary's actual exposure to economic downside.

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.

We support the introduction of Route A and Route B as it provides a clearer structural framework that reflects the reality of the modern economy. It is important to distinguish between technology-driven innovation (Route A) and business model-driven innovation (Route B), as these two pathways carry materially different risk profiles for investors. Technology-based companies often have defensible moats through intellectual property and R&D, whereas business model innovators rely more on execution, network effects, and first-mover advantage, which can be more readily replicated by competitors with equivalent capital.

By separating these criteria, the Exchange increases transparency and reduces regulatory uncertainty. However, our support for Route B is subject to a structural caveat regarding financial eligibility. We suggest that the proposed lowering of financial thresholds (as discussed in Question 1 and 2) be reserved exclusively for Route A applicants. Given that Route B companies lack the objective technology-based moats of Route A, they should be required to meet the higher, existing financial thresholds to ensure they have achieved a more significant level of commercial maturity and market scrutiny before being granted WVR privileges.

To ensure this distinction remains visible to the market both at the time of listing and on an ongoing basis, we suggest that the Exchange require a prominent Innovation Classification statement within the Summary section of the Listing Document, as well as periodic identification of the qualifying route (Route A or Route B) within the mandatory WVR disclosure section of the annual Corporate Governance Report. This ensures that investors can make an informed assessment of the specific nature and durability of the innovativeness being used to justify the WVR governance structure.

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.

We agree with the proposed sub-elements for Route A. Retaining the Specialist Company Presumptions for Biotech and Specialist Technology companies is a sensible

approach that avoids duplicative vetting for issuers who have already met rigorous criteria under Chapters 18A or 18C. We also support the refinement of the Novelty Characteristic to include those who are one of the first few to adopt a technology, as this better reflects commercial reality than a strict first-mover requirement.

To ensure consistency, we suggest that the Exchange provide illustrative guidance on the “one of the first few” criteria, perhaps by referencing adoption timelines relative to industry peers. This would prevent the standard from becoming subjective. We also emphasize that while a company may be presumed innovative under this route, it should still be required to independently demonstrate the success of the company and external validation to maintain the integrity of the suitability assessment.

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.

We agree with the proposed sub-elements for Route A. Retaining the Specialist Company Presumptions for Biotech and Specialist Technology companies is a sensible approach that avoids duplicative vetting for issuers who have already met rigorous criteria under Chapters 18A or 18C. We also support the refinement of the Novelty Characteristic to include those who are one of the first few to adopt a technology, as this better reflects commercial reality than a strict first-mover requirement.

To ensure consistency, we suggest that the Exchange provide illustrative guidance on the “one of the first few” criteria, perhaps by referencing adoption timelines relative to industry peers. This would prevent the standard from becoming subjective. We also emphasize that while a company may be presumed innovative under this route, it should still be required to independently demonstrate the success of the company and external validation to maintain the integrity of the suitability assessment.

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.

We agree with the proposed sub-elements for Route A. Retaining the Specialist Company Presumptions for Biotech and Specialist Technology companies is a sensible approach that avoids duplicative vetting for issuers who have already met rigorous criteria under Chapters 18A or 18C. We also support the refinement of the Novelty Characteristic to include those who are one of the first few to adopt a technology, as this better reflects commercial reality than a strict first-mover requirement.

To ensure consistency, we suggest that the Exchange provide illustrative guidance on the “one of the first few” criteria, perhaps by referencing adoption timelines relative to industry peers. This would prevent the standard from becoming subjective. We also emphasize that while a company may be presumed innovative under this route, it should still be required to independently demonstrate the success of the company and external validation to maintain the integrity of the suitability assessment.

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.

We broadly agree with the proposed sub-elements for Route B, particularly the use of objective metrics such as the 30% revenue CAGR and the 10% meaningful third-party investment threshold. Since Route B applicants lack the objective technology-based benchmarks like R&D or IP expenditure, these quantitative filters are important to distinguish genuine high-growth innovators from mature businesses.

However, we believe that the inherently higher risk profile and weaker innovation moat of business-model innovators require additional layers of protection. Consistent with our position in Question 1, where we agree that a historical profit requirement should not be a prerequisite for WVR eligibility, we are not suggesting a new eligibility threshold. We suggest that the Exchange look beyond top-line revenue growth to ensure that an applicant's success is sustainable. Top-line growth can often be achieved through heavy subsidisation or aggressive customer acquisition that may not be economically viable in the long term. We suggest supplementing the revenue test with a focus on unit economics, EBITDA trends, or the revenue-to-net-loss ratio. These metrics would help identify companies that lack long-term commercial viability or failed to establish a credible path to sustainable earnings. Furthermore, where alternative metrics like Gross Merchandise Value (GMV) are used in place of revenue, we suggest requiring an independent audit or verification to ensure these figures are not susceptible to manipulation.

Regarding the proposed guidance on sophisticated investor for the external validation requirement, we support a principles-based approach that qualifying investors include institutional investors with meaningful assets under management, established venture capital or private equity funds with demonstrated sector expertise, and sovereign wealth funds or family offices with documented investment mandates. Conversely, the guidance should explicitly exclude passive index funds whose participation is driven by index inclusion rather than fundamental analysis, short-term trading-oriented hedge funds, and any affiliated or connected parties of the applicant or its controlling shareholders. The latter exclusion is particularly important to prevent circular validation arrangements that do not reflect genuine third-party conviction.

Regarding meaningful third-party investment, we suggest the Exchange clarify that the qualifying investment should meet the existing pre-IPO investment requirements under the Listing Rules as a baseline. Beyond that, the investment should represent a materially significant stake relative to the applicant's pre-IPO valuation, and the investing party must qualify as a sophisticated investor as described above. These conditions collectively ensure that external validation reflects genuine commercial conviction rather than a cosmetic exercise.

Consistent with our views on Question 5, we reiterate that our support for Route B is based on the understanding that these applicants should remain subject to the higher, existing financial eligibility thresholds. Because the competitive durability of a business

model is often harder to assess than a proprietary technology, maintaining the higher threshold ensures that Route B issuers have achieved sufficient commercial scale and market validation before they are granted the governance privileges associated with a WVR structure.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We broadly agree with the proposed sub-elements for Route B, particularly the use of objective metrics such as the 30% revenue CAGR and the 10% meaningful third-party investment threshold. Since Route B applicants lack the objective technology-based benchmarks like R&D or IP expenditure, these quantitative filters are important to distinguish genuine high-growth innovators from mature businesses.

However, we believe that the inherently higher risk profile and weaker innovation moat of business-model innovators require additional layers of protection. Consistent with our position in Question 1, where we agree that a historical profit requirement should not be a prerequisite for WVR eligibility, we are not suggesting a new eligibility threshold. We suggest that the Exchange look beyond top-line revenue growth to ensure that an applicant's success is sustainable. Top-line growth can often be achieved through heavy subsidisation or aggressive customer acquisition that may not be economically viable in the long term. We suggest supplementing the revenue test with a focus on unit economics, EBITDA trends, or the revenue-to-net-loss ratio. These metrics would help identify companies that lack long-term commercial viability or failed to establish a credible path to sustainable earnings. Furthermore, where alternative metrics like Gross Merchandise Value (GMV) are used in place of revenue, we suggest requiring an independent audit or verification to ensure these figures are not susceptible to manipulation.

Regarding the proposed guidance on sophisticated investor for the external validation requirement, we support a principles-based approach that qualifying investors include

institutional investors with meaningful assets under management, established venture capital or private equity funds with demonstrated sector expertise, and sovereign wealth funds or family offices with documented investment mandates. Conversely, the guidance should explicitly exclude passive index funds whose participation is driven by index inclusion rather than fundamental analysis, short-term trading-oriented hedge funds, and any affiliated or connected parties of the applicant or its controlling shareholders. The latter exclusion is particularly important to prevent circular validation arrangements that do not reflect genuine third-party conviction.

Regarding meaningful third-party investment, we suggest the Exchange clarify that the qualifying investment should meet the existing pre-IPO investment requirements under the Listing Rules as a baseline. Beyond that, the investment should represent a materially significant stake relative to the applicant's pre-IPO valuation, and the investing party must qualify as a sophisticated investor as described above. These conditions collectively ensure that external validation reflects genuine commercial conviction rather than a cosmetic exercise.

Consistent with our views on Question 5, we reiterate that our support for Route B is based on the understanding that these applicants should remain subject to the higher, existing financial eligibility thresholds. Because the competitive durability of a business model is often harder to assess than a proprietary technology, maintaining the higher threshold ensures that Route B issuers have achieved sufficient commercial scale and market validation before they are granted the governance privileges associated with a WVR structure.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We broadly agree with the proposed sub-elements for Route B, particularly the use of objective metrics such as the 30% revenue CAGR and the 10% meaningful third-party investment threshold. Since Route B applicants lack the objective technology-based

benchmarks like R&D or IP expenditure, these quantitative filters are important to distinguish genuine high-growth innovators from mature businesses.

However, we believe that the inherently higher risk profile and weaker innovation moat of business-model innovators require additional layers of protection. Consistent with our position in Question 1, where we agree that a historical profit requirement should not be a prerequisite for WVR eligibility, we are not suggesting a new eligibility threshold. We suggest that the Exchange look beyond top-line revenue growth to ensure that an applicant's success is sustainable. Top-line growth can often be achieved through heavy subsidisation or aggressive customer acquisition that may not be economically viable in the long term. We suggest supplementing the revenue test with a focus on unit economics, EBITDA trends, or the revenue-to-net-loss ratio. These metrics would help identify companies that lack long-term commercial viability or failed to establish a credible path to sustainable earnings. Furthermore, where alternative metrics like Gross Merchandise Value (GMV) are used in place of revenue, we suggest requiring an independent audit or verification to ensure these figures are not susceptible to manipulation.

Regarding the proposed guidance on sophisticated investor for the external validation requirement, we support a principles-based approach that qualifying investors include institutional investors with meaningful assets under management, established venture capital or private equity funds with demonstrated sector expertise, and sovereign wealth funds or family offices with documented investment mandates. Conversely, the guidance should explicitly exclude passive index funds whose participation is driven by index inclusion rather than fundamental analysis, short-term trading-oriented hedge funds, and any affiliated or connected parties of the applicant or its controlling shareholders. The latter exclusion is particularly important to prevent circular validation arrangements that do not reflect genuine third-party conviction.

Regarding meaningful third-party investment, we suggest the Exchange clarify that the qualifying investment should meet the existing pre-IPO investment requirements under the Listing Rules as a baseline. Beyond that, the investment should represent a materially significant stake relative to the applicant's pre-IPO valuation, and the investing party must qualify as a sophisticated investor as described above. These conditions collectively ensure that external validation reflects genuine commercial conviction rather than a cosmetic exercise.

Consistent with our views on Question 5, we reiterate that our support for Route B is based on the understanding that these applicants should remain subject to the higher, existing financial eligibility thresholds. Because the competitive durability of a business model is often harder to assess than a proprietary technology, maintaining the higher threshold ensures that Route B issuers have achieved sufficient commercial scale and market validation before they are granted the governance privileges associated with a WVR structure.

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.

We support. Maintaining parity between the two frameworks is a logical approach that ensures structural consistency. From an investor protection perspective, a WVR issuer presents a similar governance risk profile regarding the wedge between voting power and economic interest, regardless of whether it is a primary or secondary listing. Applying identical thresholds avoids creating perverse incentives that might encourage issuers to choose a listing type based solely on more lenient financial requirements.

Furthermore, we consider the case for alignment to be well-justified because secondary listing applicants already offer a market-tested quality signal. These issuers are already subject to the regulatory and enforcement frameworks of a Qualifying Exchange (such as the NYSE, Nasdaq, or LSE) and have demonstrated an established track record of compliance.

However, as the financial thresholds decline, the importance of this qualitative validation increases. We suggest that the Exchange ensure the two-year compliance track record requirement remains non-negotiable and is not subject to waivers. Additionally, we suggest that the list of Qualifying Exchanges remains under active review to ensure that the substantive investor protection standards of those venues continue to meet Hong Kong's requirements. We reiterate that the suggestions we made regarding Route B

applicants, specifically the focus on unit economics and ongoing disclosure, should apply with equal force to secondary listings to ensure long-term sustainability.

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.

We support. The existing HK\$10 billion threshold has acted as a barrier for mid-sized, overseas-listed issuers that possess a solid two-year track record on a Qualifying Exchange. Reducing this threshold broadens the pipeline for issuers, particularly China Concept Stocks listed in the US, while maintaining market integrity through the reliance on the robust continuous disclosure and governance.

A two-year compliance history on a major exchange like the NYSE or Nasdaq serves as a meaningful quality filter, as it demonstrates an issuer's ability to meet international continuous disclosure obligations and internal control standards (such as SOX compliance). The proposed HK\$6 billion bar ensures that those choosing the shorter two-year pathway still meet a higher financial standard than those under Criteria A, maintaining a logical differentiation between the two routes.

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.

Yes. This requirement, which couples a HK\$3 billion valuation with a five-year track record on a Qualifying Exchange, is appropriately calibrated for the Hong Kong market. An extended five-year history serves as a robust qualitative substitute for a higher

financial entry bar, as it provides both the Exchange and potential investors with a track record that approximates a full business cycle.

However, to ensure this criteria remains a reliable filter for smaller issuers, we suggest that the Exchange provide clearer guidance or illustrative examples of what constitutes a good regulatory compliance record. As the financial entry point for Criteria B is lowered, the qualitative integrity of the long-track-record route under Criteria A becomes even more critical for maintaining market quality. We suggest that the Exchange define a specific severity threshold for past infractions to increase transparency and market certainty for listing applicants.

Specifically, we suggest that the Exchange clarify the distinction between substantive violations of securities laws and minor technical or administrative breaches, such as procedural filing delays. Furthermore, guidance on how the Exchange views settled, no-fault regulatory inquiries or no-action letters in an issuer's primary jurisdiction would be highly beneficial. By providing a non-exhaustive list of disqualifying events or red flags, the Exchange can enhance transparency for applicants while ensuring that the HK\$3 billion threshold remains a hallmark of mature, well-governed issuers.

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)?

We propose several measures to enhance Hong Kong's competitiveness and reduce administrative friction for homecoming candidates, while ensuring that investor protection standards remain uncompromised.

- **Incorporation by Reference for Secondary Listings:** As noted in paragraph 195, peer jurisdictions such as the US, UK, and Singapore allow for the incorporation by reference of existing disclosure documents. The Exchange should permit secondary listing applicants already listed on a Qualifying Exchange to incorporate their existing overseas filings (e.g., Annual Reports, 20-F, or 10-K) into their Hong Kong prospectus. Currently, requiring a standalone prospectus drafted to local standards imposes significant time and cost burdens without a commensurate benefit, given the

accessibility of high-quality historical disclosures. This should be accompanied by a concise supplemental document specifically addressing material differences between the overseas regime and Hong Kong standards regarding connected transactions and corporate governance.

- **Formalized Grace Period for WVR Compliance:** We suggest establishing a structured grace period of up to 12 months post-listing for Non-Grandfathered Greater China Issuers to bring their WVR structures into full compliance with Main Board Chapter 8A. Paragraph 193 acknowledges that the Exchange has granted 6-month extensions on an ad-hoc basis; we believe replacing this case-by-case approach with a formalized window would provide the regulatory certainty required for complex homecoming listings. This grace period should be conditional upon the issuer providing a binding, board-approved restructuring plan with disclosed milestones at the time of listing, while core safeguards, such as reserved matters, should apply from day one.
- **Dedicated Pre-Application Engagement Channel:** Reflecting the stakeholder feedback mentioned in paragraph 190(c), the Exchange should establish a formal pre-application channel staffed by senior personnel. Because the determination of Innovative Company status involves significant qualitative judgment, an early engagement channel, similar to those utilized by the SEC or UK FCA, would allow prospective issuers to identify eligibility hurdles before incurring the significant abortive costs of a formal filing. This would improve the overall predictability of the listing process for the complex, high-growth companies Hong Kong seeks to attract.

To preserve market integrity, we do not support expanding the Qualifying Exchange list to include venues with lower governance or enforcement standards. Furthermore, the two-year overseas compliance track record (as cited in paragraph 191) must remain non-negotiable, as it serves as the quality signal for issuers in the absence of full local rule compliance.

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.

Yes. We support codifying the existing guidance into a formal Rule as it provides much-needed regulatory certainty. High-growth companies often undergo pre-IPO fundraising rounds that can shift controlling stakes; moving this from a discretionary guidance letter to a transparent Rule allows applicants and sponsors to plan listing timelines with greater confidence and ensures consistency across different cases.

To ensure the new Rule is applied consistently, we suggest the Exchange's "to its satisfaction discretion" be bounded by a clear evidentiary checklist. This checklist should specify the factors used to demonstrate "no material change in influence", such as the continuity of voting agreements or proxy arrangements; the historical consistency of board-level decision-making protocols; and a requirement for management to provide a formal attestation, supported by the sponsor's due diligence, confirming that strategic direction remained unchanged despite the shift in shareholding.

However, we wish to flag a conceptual tension in the underlying requirement. As the Exchange acknowledges, the Ownership Continuity Requirement is intended to prevent packaging (the artificial combination of businesses to meet financial tests). Yet, by allowing management continuity to satisfy the rule despite a change in ownership, the test effectively collapses into the Management Continuity Requirement.

Furthermore, we note that the current rule implicitly rewards shareholder-management entrenchment. From a corporate governance perspective, a well-governed company should ideally exhibit a healthy separation of ownership and control, and its financial performance should not be excessively dependent on the personal influence of any single controlling shareholder.

In future reviews, we suggest the Exchange consider replacing the Ownership Continuity Requirement with a more targeted Substantive Anti-Packaging Test. Such a test would focus on genuine business substance, for example, ensuring no material non-arm's length acquisitions or disposals, no artificial reshuffling of management or resources solely to meet eligibility criteria, and no cosmetic reorganization of group assets or business lines during the track record period. Moving toward an assessment of operational continuity, rather than using shareholder continuity as an imperfect proxy, would more precisely target the regulatory concern while better aligning with international governance best practices.

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.

Yes. We agree with the proposed updates as they provide the necessary procedural rigor to accompany the codification in Question 12.

Specifically, clarifying that the applicant bears the burden of proof ensures that the new Rule does not become an automatic safe harbor. It preserves the Exchange's discretion to reject applications where genuine packaging concerns remain, even if management has stayed the same. Management continuity should serve as a valid rebuttal to a change in ownership, but the Exchange must retain the power to assess the totality of the circumstances to protect market integrity.

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.

Yes. We support the expansion of permitted US GAAP use to subsidiaries of US-listed parents and companies with substantial US business operations. The current restrictions impose a significant and disproportionate compliance burden on these issuers, often requiring them to maintain parallel accounting systems and prepare dual sets of financial statements (US GAAP for group consolidation and HKFRS/IFRS for Hong Kong listing) at a cost that may outweigh the incremental benefit to investors.

As of the end of 2025, the vast majority of Greater China issuers listed in the US already report under US GAAP. For subsidiaries or companies with a deep US nexus, US GAAP often provides a more faithful representation of their economic substance. We believe the existing Reconciliation Statement requirement remains a robust safeguard that bridges the familiarity gap for Hong Kong investors. To prevent opportunistic use of this pathway, we suggest the Exchange provide clearer guidance on the quantitative and qualitative factors that constitute 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.

Yes. We support this proposal as the US listing status of an issuer is not a logical determinant of which accounting standard is appropriate for its ongoing Hong Kong reporting. Forcing a reversion to HKFRS or IFRS upon a US delisting creates a significant cliff effect. Issuers are penalized with the high costs of restating financial history and retraining staff at the exact moment they are deepening their commitment to the Hong Kong market.

The investor protection framework for US GAAP reporters, including the Reconciliation Statement and oversight of auditors by the Accounting and Financial Reporting Council (AFRC), operates independently of the issuer's US listing status. Removing this requirement eliminates a perverse disincentive for homecoming issuers to make Hong

Kong their sole listing venue and ensures that the accounting standard remains consistent for long-term investors regardless of administrative changes in other jurisdictions.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Yes. Currently, interim financial statements are not required to be audited or reviewed by external auditors; they are prepared by management and reviewed by the Audit Committee. Holding the Reconciliation Statement to a higher standard (auditor review) than the underlying unaudited financials is logically inverted and provides limited meaningful assurance. Since the reconciliation is derived from unreviewed management figures, an external auditor cannot provide independent validation of the output when the underlying input is unverified. Removing this requirement will reduce compliance costs and accelerate the release of interim results, ensuring faster information flow to the market. We note that the Audit Committee's oversight of the Reconciliation Statement remains a sufficient internal check, consistent with the standard applied to interim reporting generally.

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.

Yes. Currently, a biotech or specialist technology company that achieves commercial scale is forced into a standard Chapter 8 listing, losing access to the structural benefits, such as the specialized TECH channel, designed for their sector.

We believe that commercial success does not change the fundamental nature of these businesses; a biotech company with an approved drug generating revenue may still be primarily driven by a deep R&D pipeline. Forcing such companies onto an ordinary listing route ignores their specific risk profiles and the specialized investor base they attract. Furthermore, the current rules may also create a perverse timing incentive where companies might rush their IPO to list before hitting Chapter 8 thresholds just to remain eligible for the Specialist Chapters. Allowing this choice removes these distortions and rewards companies for achieving commercial maturity before listing.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We support. Since these issuers already meet the Main Board's Chapter 8 financial eligibility tests, many of the protective measures designed specifically for pre-revenue or pre-profit entities are no longer proportionate.

- **Track Record and Disclosure Adjustments:** We agree with the proposal to extend the track record requirement to three financial years. This appropriately reflects the commercial maturity of these issuers and provides a net enhancement to investor protection compared to the standard two-year requirement for pre-revenue companies. Furthermore, we support the disapplication of the Use of Proceeds restrictions and the mandatory Warning Statements. Once a company has successfully commercialized its core product, restricting capital deployment primarily to R&D is unnecessary, and development-risk warnings become less relevant than standard risk factor disclosures.
- **Validation and Allocation Safeguards:** We agree in principle with the disapplication of the sophisticated investor (SI) third-party investment requirement. For these companies, a proven financial track record serves as a more objective form of external validation than the participation of a specific class of investors. However, we note that the 50% post-listing lock-up associated with SIs also falls away as a consequence. We suggest the Exchange consider whether a modified version of this

lock-up should be retained for major pre-IPO investors to ensure market stability during the transition to public listing, similar to the treatment of major shareholders in standard listings.

- **Operational and Continuity Requirements:** The removal of the 12-month remedial period for insufficient operations and the associated continuing obligations is a logical step. These provisions are important for pre-revenue companies at risk of operational failure but are disproportionate for companies that have already demonstrated commercial viability. Similarly, we support reverting to the ordinary size-based exemption for double dipping. Financially mature companies have less reliance on existing shareholders to support their IPO, so the risk of artificial demand inflation through existing shareholder participation is significantly lower than for early-stage ventures.

To prevent any ambiguity regarding compliance obligations, we suggest the Exchange publish a clear comparison table or guidance letter. This document should explicitly list which Specialist Chapter requirements are retained, modified, or disapplied for Eligible Specialist Companies, helping issuers, sponsors, and investors navigate the modified regime efficiently.

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.

We support. This shift aligns Hong Kong with major global jurisdictions like the US, UK, and Singapore, and addresses a long-standing competitive disadvantage where applicants were forced to disclose sensitive commercial strategies and financial data before a listing outcome was certain. From our perspective, making information public only once a deal is confirmed or approved allows investors to conduct research based

on finalized data rather than speculative early-stage drafts. Experience suggests that the quality of disclosure does not suffer under confidential filing, and the Post Hearing Information Pack (PHIP) remains a more reliable foundation for investment analysis than an Application Proof that is often subject to heavy regulatory revision.

However, we wish to record a concern regarding the adequacy of the research window. With the average interval between the PHIP publication and the final prospectus currently being approximately one week, the timeframe for investors to digest complex innovative company filings is significantly compressed. We encourage the Exchange to provide guidance recommending that applicants, particularly those in complex or specialist sectors, allow for an adequate public exposure period for issuers utilizing the confidential filing route. This would ensure that the commercial benefits of confidentiality for the issuer do not compromise the integrity of the price discovery process or the ability of the public to perform adequate due diligence.

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 strongly support the proposal to publicly disclose the identities of all professional parties, including legal advisers, accountants, consultants and experts, when a listing application is returned. The quality of an application is a collective responsibility, and the current system of naming only the sponsor and the applicant creates a free-rider problem where other advisers lack sufficient reputational accountability. By extending public exposure to all responsible parties, the Exchange creates a powerful, market-based incentive for quality control. This symmetrical accountability ensures that all repeat players in the Hong Kong market are motivated to bring only high-quality, substantially complete applications.

To further enhance this mechanism, we suggest the Exchange provide a standardized description of the reason for the return (such as inadequate financial records or

disclosure deficiencies). This would allow the market to identify systemic quality trends among specific professional firms. We also request clarification that if a party's involvement was limited to a specific scope, such as a local law opinion, their role should be clearly defined in the public disclosure to avoid unwarranted reputational inferences.

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.

We strongly support the proposal to publicly disclose the identities of all professional parties, including legal advisers, accountants, consultants and experts, when a listing application is returned. The quality of an application is a collective responsibility, and the current system of naming only the sponsor and the applicant creates a free-rider problem where other advisers lack sufficient reputational accountability. By extending public exposure to all responsible parties, the Exchange creates a powerful, market-based incentive for quality control. This symmetrical accountability ensures that all repeat players in the Hong Kong market are motivated to bring only high-quality, substantially complete applications.

To further enhance this mechanism, we suggest the Exchange provide a standardized description of the reason for the return (such as inadequate financial records or disclosure deficiencies). This would allow the market to identify systemic quality trends among specific professional firms. We also request clarification that if a party's involvement was limited to a specific scope, such as a local law opinion, their role should be clearly defined in the public disclosure to avoid unwarranted reputational inferences.

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.

We agree with the proposal to amend the starting point of the 8-week moratorium. Currently, the moratorium begins on the date of the initial return decision, which allows applicants to consume much of that cooling-off period while pursuing review or appeal procedures. This effectively reduces the practical deterrent and the time available for genuine remediation. By shifting the starting point to the date when all review procedures are completed or the period for invoking them has lapsed, the Exchange ensures the moratorium remains a robust 8-week period. This technical fix is important to maintaining the integrity of the Return Mechanism and encouraging the submission of high-quality applications in the first instance.

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.

We broadly support the consequential changes for spin-offs from listed parents, as deferring the mandatory announcement to the PHIP stage is a logical extension of the confidential filing regime. The existing inside information framework under the SFO remains a sufficient safeguard in these cases, allowing parents to maintain confidentiality while ensuring disclosure if the transaction details leak. However, we have reservation regarding the lack of explicit guidance for listed issuers involved in confidential filings. Unlike a fresh IPO applicant, both a GEM issuer (in a transfer) and a listed parent (in a spin-off) have active shareholders and a live market; the application is material information that could trigger unusual trading activity or regulatory enquiries during the confidential period.

The risk of information asymmetry is significant for any listed entity. If an issuer's share price moves on speculation while they are in the confidential phase, they face a regulatory dilemma. They cannot confirm the application without forfeiting confidentiality, yet they cannot deny knowledge of material developments under the SFO. We suggest that the Exchange further clarify the guidance on how all listed issuers (including parent companies of spin-off candidates) should navigate unusual trading enquiries during a confidential filing period without breaching their statutory disclosure obligations.

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

CFA Society Hong Kong and CFA Institute welcome the opportunity to comment on Hong Kong Exchanges and Clearing Limited (HKEX)'s Consultation Paper on Proposals to Enhance Listing Competitiveness.

In considering the proposals, CFA Society Hong Kong and CFA Institute approach the consultation from the perspective of capital market integrity and investor protection, while balancing these imperatives with dynamism and long-term sustainable growth of the capital markets.

As with other consultations, our response has consistently advocated for a comprehensive, measured, and proportionate approach to policy measures.

At the same time, several of the proposals in this consultation engage important shareholder-rights and corporate governance issues on which CFA Society Hong Kong and CFA Institute has long-standing policy positions.

In particular, we have continued to advocate for the principle of proportionality between economic ownership and voting power (i.e., "one share, one vote"). By ensuring that control remains aligned with economic risk, it safeguards minority shareholders, disciplines management, and underpins the proper functioning of capital markets. Any

deviation from this principle should therefore be regarded as exceptional, carefully limited and supported by strong investor protection safeguards.

Our responses should therefore be read in that context.

We continue to hold the view weighted voting rights (WVR) structures represent a weakening of this foundational principle. Where the Exchange considers further recalibration of the WVR framework, including eligibility thresholds, voting ratio caps or minimum economic interest requirements, we encourage it to ensure that any added flexibility is matched by proportionate safeguards.

This includes imposing narrowly defined eligibility criteria, anti-avoidance measures, independent board oversight, and preserving critical shareholder rights on a one-share-one-vote basis in conflict-sensitive matters. Such guardrails can help mitigate the inherent risks of entrenchment and accountability failures.

Hong Kong's competitiveness as a listing venue is best supported not only by access and flexibility, but by maintaining investor confidence in the quality and credibility of its governance framework. It is in this spirit that we provide our feedback.