Submitted via Qualtrics

King and Wood

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.

The current financial requirements of the Hong Kong Stock Exchange Limited(Stock Exchange) are higher than the relevant requirements of mainland exchanges (such as the Shanghai or Shenzhen Stock Exchanges), while the US stock market has no financial indicator requirements for WVR structures. It is expected that proposed relaxation of the relevant requirements will help attract more companies to adopt the WVR structure, stabilise the existing management's control over the company, and encourage more companies already listed in the US and using the WVR structure to return to Hong Kong.

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 response to 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.

Currently, there is no cap on the ratio of weighted voting rights (WVR) in either the US or UK markets. Therefore, this proposal helps align the requirements of the Hong Kong stock market with those of other major international capital markets.

In addition, given this new rule will put new listing applicants in a better position than listed issuers, this will create discrepancies in the market. We suggest to allow listed issuers to seek shareholders' approval to amend their articles of association and increase their WVR Ratio Cap to 20:1, provided that such listed issuers' market capitalisation is at least HK$40 billion at the time of the relevant shareholders' meeting.

<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.

However, regarding the minimum economic interest of WVR beneficiaries, this proposal implies that: (1) for companies with a market capitalization exceeding HK$40 billion at the time of listing, the economic interest of WVR beneficiaries may be reduced to between 5% and 10% of the company's total share capital, provided that the market value of such economic interest still reaches at least HK$4 billion; and (2) for companies with a market capitalization of HK$80 billion or above at the time of listing, the economic interest of WVR beneficiaries shall not be less than 5% of the company's total share capital. Therefore, for applicants with a market capitalization between HK$6 billion and HK$40 billion, the economic interest of WVR beneficiaries must still be at least 10% of the company's total share capital. This puts smaller cap companies at a disadvantage and will create unequal treatment in the market. As such, we suggest to remove limb (b) of the proposed requirement (i.e. the requirement that the minimum economic interest held by WVR Beneficiaries at the time of listing must has an amount of at least HK$4 billion).

<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.

<u>Question 6(a)</u>

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.

Retaining the presumptions also promotes regulatory efficiency and predictability, which are particularly valuable for early-stage and R&D-driven issuers that already face significant execution risk when pursuing a listing.

<u>Question 6(b)</u>

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.

This proposal appropriately recognises that certain issuers, while meeting the substantive characteristics of specialist companies (for example, continued R&D activities, commercialisation of core products and ownership of relevant intellectual property), may, for commercial or structural reasons, prefer to list under the ordinary route rather than the Specialist Chapters.

Providing such applicants with an innovative presumption enhances flexibility without lowering regulatory standards, particularly as these applicants would still be required to satisfy the “success of the company” and “external validation” requirements. This strikes a balance between facilitating listings and maintaining the integrity of the WVR regime.

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.

Clarifying the Novelty Characteristic and refining the IP Characteristic while removing the reference to “unique features” to focus more squarely on intellectual property reduces subjectivity in application. These refinements enhance clarity and predictability, while remaining sufficiently flexible to accommodate evolving technologies and business models.

The Stock Exchange may wish to consider whether the current definition of IP, which refers to “material trademarks, patents registered and pending registration; and any IP disputes/infringements (whether they resulted in any legal actions)” is sufficient for this purpose.

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.

The clarification and tightening of the characteristics help to ensure that Route B remains focused on issuers that do not benefit from the Route A presumptions, while still demonstrating a sufficient level of innovation. As Route B issuers typically present higher uncertainty and variability in business models, clearer articulation of the relevant characteristics supports more consistent and effective vetting.

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.

See responses in question 7(a) above.

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.

See response in question 7(a) 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.

Based on market information understood by us, a number of Greater China issuers that have been listed overseas have, in the past, expressed an intention to pursue a secondary listing in Hong Kong. However, their listing plans were unable to make substantive progress for an extended period due to their inability to meet the relevant financial eligibility requirements. Accordingly, the above new rules introduced by the Stock Exchange are expected to help attract such issuers to return to Hong Kong for listing.

<u>**Question 9**</u>

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 agree this would facilitate further homecoming listings from Qualifying Issuers whilst still meeting the regulatory principle of ensuring that only relatively large issuers with a strong compliance track record are eligible for secondary listing.

<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)?

Yes

Please give reasons for your views and any alternative suggestions.

This would ensure that only relatively large issuers with a strong compliance track record are eligible for secondary listing.

<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)?

N/A

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.

Elevating existing guidance into provisions of the Hong Kong Listing Rules would enhance regulatory transparency and certainty. This would be particularly beneficial to high-growth companies, as it would allow them to carry out normal pre-listing financing activities without being subject to unnecessary uncertainty arising solely from technical changes in shareholding structures. At the same time, the Stock Exchange would retain its discretion in approval matters and its evidential requirements, thereby maintaining effective safeguards against the risks of packaging and achieving a reasonable balance between facilitating market development and protecting investors.

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.

See response to question 12 above.

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.

As the homecoming of US-listed Chinese companies accelerates and cross-border business activities become increasingly frequent, expanding the choice of accounting standards would help reduce the costs and time associated with duplicative financial reporting and enhance the competitiveness of the Hong Kong market. Retaining the reconciliation requirement would be sufficient to maintain comparability for investors and information transparency.

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.

Removing the requirement to revert preparing financial statements using HKFRS or IFRS accounting standards upon delisting would avoid imposing unnecessary compliance burdens and also facilitate existing investors to conduct cross-period comparison of financial information which are prepared under the same accounting standards even after delisting from the US. Retaining the reconciliation requirement would be sufficient to maintain comparability for investors and information transparency.

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.

Where the relevant financial statements (e.g. interim financial statements) are not audited or reviewed, the requirement to have the Reconciliation Statement reviewed creates unnecessary burden for dual-listed issuers.

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.

This proposal would allow Eligible Specialist Companies to benefit from vetting through the Stock Exchange's Technology Enterprises Channel (TECH), which is supported by a dedicated team with specialised experience in reviewing and providing guidance on applications under Chapters 18A and 18C. This also allows such companies to benefit from the tailored regimes under the Specialist Chapters while being subject to requirements that are more closely aligned with their actual risk profile. Overall, this would promote a more consistent and informed approach to the vetting of issuers from these industries.

We further suggest that the Stock Exchange consider requiring such issuers to adopt a distinctive stock marker, to signal to investors that these are relatively more mature biotech companies or specialist technology companies with a longer track record period. This would enhance market transparency and assist investors in differentiating between pre revenue or early stage specialist issuers and those that have progressed to a more advanced stage of development.

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.

As the Eligible Specialist Companies are already able to meet one or more of the Rule 8.05 Eligibility Tests, retaining requirements that were originally designed for pre-revenue or early-stage issuers—such as restrictions on use of proceeds, mandatory third-party investment requirements, prescribed warning statements and the shorter remedial period for insufficient operations—would be unnecessarily duplicative and disproportionate. Their removal better aligns the regulatory burden with the actual risk profile of such issuers.

See also response to question 17 above.

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.

Many other major international capital markets — such as the United States, Singapore and the United Kingdom — do not impose a mandatory requirement to publish listing applications. In recent years, the Stock Exchange has also begun to allow an increasing number of issuers (such as biotechnology companies and specialist technology companies) to submit listing applications on a confidential basis. The Stock Exchange's plan to allow confidential submission across the board represents a significant shift in Hong Kong's regulatory approach and will help align Hong Kong's listing regime more closely with international market practice.

Furthermore, we suggest the Stock Exchange to clarify in the consultation conclusion that confidential filing is also applicable when listing applicants re-submit their listing applications, even if such listing applicants have previously published AP.

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.

Taking into account the proposal that the requirement of publishing the application proof will be removed, the regulatory standards on the quality of listing applications in Hong Kong can be maintained by strengthening the mechanism for returning listing applications and enhancing transparency in the accountability of professional parties, thereby ensuring that listing documents meet the requisite standards.

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.

See 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.

The proposal enhances procedural fairness and regulatory proportionality. Under the current framework, the moratorium may commence before an applicant has exhausted its right to seek a review of a return decision, with the result that time spent pursuing legitimate review procedures effectively shortens the applicant's ability to re-file. This may deter applicants from exercising review rights that are expressly provided under the Listing Rules and guidance. Resetting the moratorium trigger to the completion or lapse of review procedures removes this disincentive and ensures applicants are not prejudiced merely for engaging constructively with the regulatory process.

<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.

While Issuer-related Listing Applications involve companies that are already listed, we do not consider that permitting confidential filing materially increases regulatory or investor risk. Listed issuers remain subject to ongoing disclosure obligations and the Inside Information Provisions, which continue to require timely disclosure of material developments arising from spin-offs, transfers or reverse takeover transactions. In practice, mandatory early publication of an Application Proof may give rise to greater risk of market confusion, particularly where transaction terms are preliminary or the application does not proceed.

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