Submitted via Qualtrics

KPMG

Company/Organisation view

Accounting 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 WVR Financial Eligibility Test thresholds will enhance Hong Kong’s competitiveness by attracting a broader range of high-growth and innovative companies that might otherwise choose to list on other exchanges. This inclusivity will increase market diversity and depth, making Hong Kong a more attractive listing destination.

The proposed threshold aligns with those of other major stock exchanges and strike a balance between market competitiveness and investor protection, making Hong Kong more attractive to a broader range of companies while maintaining rigorous standards to mitigate risks associated with WVR structures.

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 Q1.

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.

Allowing a higher WVR Ratio Cap for larger companies provides added flexibility, ensuring that Hong Kong remains competitive and attractive to large, high-growth firms that require flexible governance structures. Moreover, limiting the 20:1 WVR Ratio Cap to companies with a substantial market capitalization mitigates the risk of expropriation and entrenchment, as the WVR beneficiaries of these larger companies would already have significant economic stakes that align with minority shareholders' interests.

To ensure ongoing investor protection, if a WVR company deviates from standard corporate governance practices or engages in corrupt behaviour, the Exchange should reserve the right to issue a market warning, and in severe cases, mandate a reduction in the WVR Ratio Cap, among other corrective measures.

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.

Similar to the response to Q3, a lower minimum economic interest provides added flexibility, enabling more companies requiring flexible governance structures to list. The absolute dollar threshold ensures that WVR beneficiaries have significant economic stakes that align with minority shareholders' interests.

Moreover, the recommendations as mentioned in the response to Q3 regarding ongoing investor protection would also apply to for lower minimum economic interest.

<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.

The Innovative Company Requirement was originally designed to limit WVR structures to “new economy” companies, primarily focusing on innovative technologies. However, the definition of “new economy” has evolved since then to encompass not only innovative technologies but also new business models. The addition of companies with new business models into the Innovative Company Requirement helps diversify the type of issuers able to list using the WVR structure in Hong Kong, enhancing the Exchange’s competitiveness.

Offering a choice between Route A and Route B allows companies to select the route that best aligns with their unique characteristics and business models. This tailored approach provides greater transparency and clarity for applicants, making it easier for them to understand and meet the requirements. The two distinct paths ensure that companies are evaluated based on criteria that accurately reflect their strengths and innovations, thereby maintaining the integrity and effectiveness of the WVR regime.

<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.

The current Specialist Company Presumptions have been effective in the past in identifying companies with significant technological innovation, and its retention would offer consistency, stability and predictability for new applicants. The proposed "innovative" presumption for Qualified Biotech Applicants and Qualified Specialist Technology Applicants is a logical extension of this approach.

The proposed refinements to the Innovative Characteristics for Route A, such as R&D expenditure, IP portfolio, and market capitalization, provide more specific and measurable criteria for evaluating a company's innovativeness. These refinements align closely with the overarching goals of the WVR regime, ensuring that only truly innovative companies are listed, supporting the Exchange's objective of attracting high-growth companies from emerging and innovative sectors.

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.

See response to Q6(a).

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.

See response to Q6(a).

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 refinements, such as CAGR growth and industry position, are highly relevant for companies with innovative business models. These criteria provide clear and quantifiable metrics for evaluating a company's performance and market position, ensuring that the assessment process remains objective and fair.

The proposed guidance on the meaning of a "sophisticated investor" and "meaningful third-party investment" further enhance the transparency and fairness of the assessment process. By clearly defining these terms, the Exchange ensures that only qualified and credible investors are considered in the external validation requirement. This not only reduces ambiguity but also promotes consistency across all applications, thereby upholding the credibility and attractiveness of the WVR regime for both issuers and investors.

<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.

See response to Q7(a).

<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.

See response to Q7(a).

<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.

The alignment helps ensure consistency across both primary and secondary listings, maintaining regulatory coherence and fairness, while also making secondary listings more accessible to a broader range of issuers.

<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.

Lowering the threshold to HK$6 billion makes the secondary listing process more accessible to a broader range of issuers, which can help attract more companies to list in Hong Kong. This move also addresses market feedback that seeks to ease the listing requirements while still adhering to the principle of ensuring that only relatively large and compliant issuers 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.

Maintaining this threshold ensures that issuers listed under Criteria A continue to meet high standards of regulatory compliance and size, which are crucial for protecting investor interests and maintaining market quality.

<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)?

We suggest that the Exchange develop a controlled pathway to accommodate non-compliant WVR structures for eligible non-grandfathered Greater China issuers, subject to robust safeguards to protect minority investors.

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

We respectfully submit that the current rigid prohibition on non-compliant WVR structures for non-grandfathered Greater China issuers unnecessarily limits Hong Kong's ability to attract high-growth innovative companies, while grandfathered issuers continue to operate under far more flexible rules.

The current regime creates an unfair two-tier system. Grandfathered Greater China issuers with pre-existing non-compliant WVR structures (e.g., corporate beneficiaries, voting ratios exceeding 10:1, or no mandatory conversion triggers) are permitted to continue listing in Hong Kong with minimal changes. Non-grandfathered issuers, by contrast, are forced to fully restructure their WVR structures to comply with Chapter 8A requirements, even if their structures are common and accepted in major international markets. This disparity discourages promising Greater China issuers from listing in Hong Kong, as they are forced to adopt more restrictive governance structures than their grandfathered peers.

While the Exchange already has the authority to approve non-compliant structures on a case-by-case basis under its general listing discretion, formalising this pathway would (1) provide clarity to issuers on the conditions for approval; (2) allow the Exchange to tailor safeguards to the specific risks of each structure (e.g., enhanced disclosure, independent oversight, or sunset clauses); and (3) avoid a one-size-fits-all ban that excludes otherwise eligible companies.

<u>**Question 12**</u>

Do you agree with the proposal to codify the existing guidance into a Rule to state that an applicant will be considered to have satisfied the Ownership Continuity Requirement if it can demonstrate, to the Exchange's satisfaction, that

there was no material change in influence on management during the Relevant Period despite the change in controlling shareholder over that period to address any packaging concerns (see paragraphs 205 and 206 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Codifying the existing guidance provides greater clarity and certainty for potential applicants, especially those from high-growth sectors, who may undergo fundraising rounds that trigger changes in ownership. The consequential updates to the guidance would help reinforce the existing principles and provide clear expectations for applicants.

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 Q12.

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.

Expanding the permitted use of US GAAP addresses the practical challenges faced by companies that are already using US GAAP due to their operations or parent company listings. The proposal reduces the administrative burden and costs associated with preparing dual sets of financial statements.

The requirement for a Reconciliation Statement ensures that investors can still make informed assessments of the issuer's financial position and performance, bridging the gap between US GAAP and HKFRS/IFRS.

<u>Question 15</u>

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

Yes

Please give reasons for your views and any alternative suggestions.

Issuers with a consistent track record of reporting under US GAAP have already demonstrated their ability to maintain accurate and reliable financial reporting. Reverting to HKFRS or IFRS after delisting would be an unnecessary and resource-intensive exercise, potentially disrupting the continuity of financial reporting for existing shareholders. Allowing issuers to continue using US GAAP facilitates smoother cross-period comparisons and supports the ongoing needs of investors.

<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.

This proposal aligns the approach for Reconciliation Statements with that for interim financial results, reducing the administrative burden on issuers without compromising the quality of financial reporting. The requirement for the audit committee to review any Reconciliation Statement included in interim reports ensures that there remains a robust oversight mechanism.

Listing Rules 19.25A states that the Exchange will normally require the annual accounts to contain a Reconciliation Statement. Note 3 further specifies that the Reconciliation Statement contained in the annual accounts must be reviewed by the auditors. However, since annual accounts are required to be audited, the Reconciliation Statement contained within would naturally, also be subject to an audit already.

Therefore, the specific requirement mentioned in Note 3 appears to be unnecessary and redundant. The Exchange should consider whether to streamline Note 3 in order to avoid redundancy.

<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)?

Yes

Please give reasons for your views and any alternative suggestions.

Allowing Eligible Specialist Companies to seek a listing under the applicable Specialist Chapters is a sensible and flexible approach that recognizes the unique characteristics and developmental stages of biotech and technology firms. It will also allow Eligible Specialist Companies to leverage the specific benefits offered for Specialist Tech Companies, such as access to TECH.

<u>Question 18</u>

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

Yes

Please give reasons for your views and any alternative suggestions.

The proposed modifications to the additional requirements under the Specialist Chapters for Eligible Specialist Companies are well-aligned with the maturity and financial stability of these companies. For instance, requirement for a track record of three financial years Eligible Specialist Companies is reasonable, considering that these companies are already generating revenue and have established a solid financial track record. Such modifications strike a balance between regulatory rigor and operational flexibility.

<u>Question 19</u>

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

Yes

Please give reasons for your views and any alternative suggestions.

Premature disclosure can pose significant risks, such as attracting undue attention or prompting imitation by competitors, which can hinder a company's competitive edge and operational strategies.

By allowing all applicants to make confidential filings, the Exchange can better accommodate the unique needs of individual applicants. This approach aligns with international practices, such as those in the UK and Singapore, where draft prospectuses are not required to be published upon submission. Moreover, the US has expanded its confidential filing options, demonstrating the effectiveness and necessity of such provisions.

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

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

Yes

Please give reasons for your views and any alternative suggestions.

The proposed public exposure of identities of responsible parties would help strengthen the deterrent effect of the Return Mechanism, supporting the quality of listing documents.

To further reinforce the effectiveness of the proposal, the Exchange may consider disclosing – on a general basis - the reason(s) for the return, while limiting the disclosure of identities and roles to those professional parties directly responsible for the matter that led to the return.

While it is important for professional parties to collaborate in ensuring that APs meet the standard of disclosure, not specifying the reason for the return and the identities of those directly involved may dilute the impact of the proposal, shifting attention away from the core issue and those most accountable. Furthermore, it would not be fair for professional parties who act as subject matter experts and provide advice on specific topics to have their names disclosed publicly if they are not directly associated with the relevant issue.

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 Q20(a).

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 amendment to the starting point of the 8-week moratorium ensures that the period will take into account the additional time required for completion of the review procedures (or the time for invoking them).

<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.

These changes aim to ensure that issuers provide timely and comprehensive information to the market, which is crucial for maintaining transparency and investor confidence.

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