EY 安永
Shape the future with confidence
聚信心 塑未來

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Hong Kong Exchanges and Clearing Limited
8th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

8 May 2026

Submitted via email: response@hkex.com.hk

Dear Sirs,

Consultation Paper on Listing Framework Competitiveness Review

Ernst & Young is pleased to respond in this letter to the request of The Stock Exchange of Hong Kong Limited for feedback on the Consultation Paper. Terms used in this letter shall have the same meanings as in the Consultation Paper.

We welcome the Exchange's ongoing commitment to enhancing the competitiveness of Hong Kong's capital market while maintaining robust investor protections. We support the proposals which are expected to strengthen the competitiveness of the Exchange as a listing venue for overseas issuers. The proposals are also in line with the HKSAR Government's call for optimisation of the listing regimes to support China concept stock companies' return from overseas markets to Hong Kong and for deepening cooperation with Southeast Asian exchanges with a view to attracting Southeast Asian issuers to seek secondary listings in Hong Kong.

EY is very supportive of the Exchange's proposals to facilitate the Hong Kong listing of issuers listed overseas. We support further facilitative measures mentioned in the Consultation Paper such as a dedicated channel for dual listings and the allowance of incorporation by reference in secondary listing documents. We suggest that the Exchange may also consider implementing certain facilitative measures to assist secondary listing applicants in navigating the listing process. Please refer to our detailed comments set out in section A of this letter.

Whilst we support the Exchange's efforts to improve the quality of listing documents and enhance the efficiency of the listing application process, we have reservation about the proposal to extend the scope of public exposure for Returned Applications to cover other professional parties. We note the Exchange's emphasis on the applicant's and the sponsor's primary responsibilities for the Application Materials. However, we are concerned that the proposal may risk triggering unwarranted market perception of the respective responsibilities of different professional parties, potentially leading to counter-intuitive results. The Exchange may consider a further extension of the 8-week moratorium to further strengthen the deterrent effect of the Return Mechanism. Please refer to our detailed comments set out in section B of this letter.

Our comments on the other proposals are set out in Sections C and D of the letter.

Should you have any questions on our comments, please do not hesitate to contact our Professional Practice Partner in Hong Kong, [redacted]

Yours faithfully,

[redacted]

EY 安永
Shape the future
with confidence
聚信心 塑未來

DETAILED COMMENTS

A. Issuers listed overseas

EY is very supportive of the Exchange's further efforts to attract the homecoming listings of Greater China Issuers listed overseas, including those with WVR structures, as well as secondary listings of Southeast Asian issuers. We agree in principle with the proposal to lower the market capitalisation thresholds for secondary listing and the measures to facilitate conversion to primary listing, including redrafting the requirements for conversion and providing more guidance on the typical steps required.

Further facilitative measures for issuers listed overseas

- Dedicated channel for dual listings

We support the suggestion mentioned in paragraph 190 of the Consultation Paper about the introduction of a dedicated channel to provide prospective issuers listed overseas with more direct guidance and advisory services. The Exchange may consider supporting all dual listing applicants, not just secondary listing applicants, via the channel.

The introduction of a dedicated channel to support dual listings could be an effective and efficient way to maintain Hong Kong's competitiveness as a dual listing venue. Dual listings involve multiple regulatory and operational issues such as simultaneous dissemination of information and trading operations in different time zones. Overseas listed issuers would appreciate the opportunity to communicate directly with the Exchange to iron out other compliance and technical issues as well.

- Incorporation by reference for secondary listing documents

The Exchange explains in paragraph 195 of the Consultation Paper that its secondary listing regime applies the same level of prospectus disclosure requirements to applicants that are already listed in other jurisdictions even though they are already listed companies with an established public shareholder base and a track record of meeting public disclosure requirements. Other markets (such as the US, the UK, the EU, Singapore, and Australia) commonly allow incorporation by reference of documents filed under national regimes.

We agree that the Exchange should explore the approach of allowing incorporation by reference of documents under national regimes for the purpose of facilitating secondary listing. Listing documents and corporate communications are largely electronic and incorporation by reference can reduce duplication and streamline the listing documentation process. This approach is in line with the Exchange's rationale, as set out in paragraph 159 of the Consultation Paper, for exempting secondary listing applicants from compliance with a considerable number of Listing Rules as the Exchange places reliance on the regulatory and enforcement framework of an issuer's primary listing market. Disclosure requirements for the Recognised Stock Exchanges may differ. The Exchange may introduce a disclosure checklist for issuers listed on each of the Recognised Stock Exchanges, clearly setting out any additional disclosures required on top of the documents filed with the relevant Recognised Stock Exchange.

- Facilitative measures for navigating the secondary listing process

Pursuant to Rule 4.01(1) of the Main Board Listing Rules, all new listing applicants are required to include an accountants' report in their listing documents. Secondary listing applicants are not exempt from this requirement as the exemptions set out in Rule 19C.11 do not include this exemption.

The time and uncertainty involved in the recognition of overseas auditors is one of the hurdles to be overcome by overseas listed issuers seeking a listing in Hong Kong. The Exchange may consider the following facilitative measures to assist secondary listing applicants in navigating the process of recognition of overseas auditors.

To facilitate secondary listing applicants in the process of applying for a statement of no objection ("SNO") for recognition of overseas auditors, the Exchange may consider including a standard pre-IPO enquiry checklist containing those factors mentioned in the Exchange's FAQ 5 in Annex B.2 to the *Guide for New Listing Applicants* that are relevant to secondary listing applicants, as well as other factors normally considered by the Exchange in granting such SNOs. These factors include (a) whether the applicant is listed on a Recognised Stock Exchange, (b) whether the overseas auditor is the applicant's statutory auditor, (c) whether the overseas auditor is in alliance with a registered local auditor having the necessary experience and capabilities to support the compliance with local regulatory requirements (or whether the overseas auditor has sufficient in-house experience as such) and (d) whether the overseas auditor has been recognised before.

The Exchange may also consider providing transparency to the market by expanding its webpage on *Secondary Listings in Hong Kong* to include a list of existing, converted and delisted secondary listed issuers with hyperlinks to their listing documents and annual reports. This will enable potential secondary listing applicants and their professional advisers to have easy access to an official database containing public information about past successful listings for reference.

B. Public exposure of professional parties' identities for Returned Applications

Whilst we agree that the proposed extension of the starting date of the 8-week moratorium would strengthen the deterrent effect of the Return Mechanism, we are doubtful that the proposed public exposure of the identities of the other professional parties in an arguably indiscriminate manner would be an effective deterrent. We fully understand the Exchange's difficulties and frustration in dealing with substandard Application Materials and very much appreciate the Exchange's efforts in putting forward proposals to deal with the problem. We have given much thought to the proposal and, having considered the issues set out below, we have come to the conclusion of not supporting the proposal to extend the scope of public exposure.

- Root cause of substandard Application Proofs

In its announcement dated 30 January 2026 (the "SFC Announcement"), the SFC states that it has set forth in a circular (the "SFC Circular") highly concerning issues related to serious deficiencies in the preparation of some listing documents, sponsors' potential misconduct and significant mismanagement of resources amidst a surge in new listing applications in 2025. The shortcomings strongly suggest that some sponsors might not have a thorough understanding of the listing applicants, whilst others might have failed to perform reasonable due diligence before submitting listing applications and addressing regulators' enquiries. The SFC also noted serious resources issues on the part of some sponsors, including over-reliance on external professional parties to conduct specific tasks without adequate assessments of their competency and resources, insufficient capacity of sponsor principals to properly supervise transaction teams and participate in listing engagements, and a lack of staff with the requisite knowledge, skills and experience in Hong Kong IPOs to undertake sponsor work.

The root cause of substandard APs is certain sponsors not discharging the high standard of professionalism required.

- Unwarranted market perception of responsibilities leading to counter-intuitive results

Bringing a company to list is inevitably a collective effort of many parties involved but, as acknowledged by the Exchange, different parties have different levels and areas of responsibility.

As the Exchange emphasises in paragraph 273 of the Consultation Paper, the primary responsibilities of issuers and sponsors with respect to listing document disclosure will remain unchanged. Sponsors, in particular, will continue to be held responsible for ensuring that all material information as a result of its due diligence has been included in the listing applicant's AP and the information in the AP is substantially complete. Each professional party, other than the sponsor, is responsible for specific part(s) of the AP. The issuer and the sponsor are the parties having primary responsibilities to ensure that the entire AP is substantially complete.

Against this backdrop, we believe that the proposed public exposure of the relatively long list of other professional parties is unlikely to address the root cause of the issues identified in the SFC Announcement. Instead, the proposal may risk triggering unwarranted market perception of the respective responsibilities of different professional parties. As set out in paragraph 274 of the Consultation Paper, sponsors are required to satisfy themselves that experts and third parties engaged by the sponsors possess adequate expertise and resources to fulfil their respective responsibilities. The proposal may, however, result in scenarios where competent experts and professional parties have to make sure that the sponsors possess adequate expertise and resources to discharge the latter's primary responsibility in producing substantially complete APs. This risks diluting the clarity of responsibility and may also exacerbate the very problem identified by the SFC, namely sponsors' over-reliance on experts and third parties without adequate assessments of their competency and resources, potentially leading to counter-intuitive results.

- Measures taken to review sponsors' work

We note in the SFC Announcement that 13 sponsors that received a joint letter from the SFC and the Exchange in December 2025 citing specific cases of concerns and sponsors with strained resources were required to complete comprehensive reviews on the concerns raised and on their resources available to conduct sponsor work, respectively, within three months.

In addition, all sponsors are required to report to the SFC the ratio of active listing engagements undertaken to the number of appointed sponsor principals, and any staff engaged in IPO sponsor work who have not passed the required examination within prescribed timeframe.

Furthermore, sponsors that have designated any sponsor principal to simultaneously supervise or participate in six or more active listing engagements must provide the SFC with a viable rectification and resource plan and demonstrate a responsible approach to managing their resources. Given that certain sponsors have engaged individuals who have not met the eligibility criteria for passing the required examination, all individuals engaging in IPO sponsor work are now subject to tightened examination requirements. For sponsors whose work continues to be unsatisfactory, the SFC may restrict their business scope and the number of active listing engagements that they are permitted to handle.

The SFC also reiterates in the SFC Circular that sponsors are required to satisfy themselves that experts and third parties engaged by the sponsors possess adequate expertise and resources to fulfil their respective responsibilities. Sponsors should keep a record of all sponsor work to demonstrate to the SFC their compliance with the relevant regulatory requirements under the *Code of Conduct for Persons Licensed by or Registered with the SFC*. We believe that sponsors should document how they came to the conclusion that experts and other professional parties possess adequate expertise and resources to fulfil their respective responsibilities.

- More effective deterrent

Time is of the essence for capital market transactions. The Exchange may consider a further extension of the 8-week moratorium to further strengthen the deterrent effect of the Return Mechanism.

- Differentiated exposure of other professional parties

The current Return Mechanism clearly recognises the primary responsibilities of the issuers and the sponsors. However, the current public exposure practice does not set out the specific reasons for the Returned Applications. The public exposure of identities for Returned Applications is viewed by the market as a “name-and-shame” action. It is therefore important that the Exchange not be perceived as imposing collective sanction by extending public exposure to other professional advisers in an indiscriminate manner.

If the Exchange nonetheless decides to implement the proposal, we suggest that the public exposure should include clear and concise details to indicate: (a) that the applicant and the sponsor bear the primary responsibilities for ensuring that the information in the AP is substantially complete; and (b) that the purpose of naming other professional parties is solely to provide transparency on those listed in the “Directors, supervisors and parties involved in the Global Offering” section of the AP, and does not imply that such parties directly contributed to the return decision.

- Public exposure period

We note that the Returned Application Details will not be removed from the Exchange’s website even if the listing application is subsequently re-submitted. In other words, the Returned Application Details stay on the designated webpage of the Exchange for an indefinite period of time. We note from the Exchange’s designated webpage that the earliest Returned Application displayed was dated as far back as 2014. The applicants in the Returned Applications may or may not have listed in Hong Kong eventually. Whilst the public exposure is intended to have a deterrent effect, the indefinite display of the applicant’s identity may result in unintended, prolonged reputational consequences. Furthermore, the responsible officers of the relevant sponsors and perhaps the whole team involved may have changed entirely over time. As regulatory sanctions typically apply for a defined period, we believe that such public exposure should similarly be time-limited. Accordingly, we suggest that the Returned Application Details be removed from the Exchange’s designated webpage after a defined period of time, for example, six months which is in line with the validity period of a listing application.

C. Weighted voting rights

Given the nature of and risks involved in WVR structures, various safeguards have been included in the Listing Rules upon the launch of the WVR regime. We note that, in formulating the relevant proposals, the Exchange has taken into account the existing requirements of the WVR regime that were intended to mitigate proliferation risk and the risk of misalignment of interests. We agree with the Exchange that it must exercise great care when relaxing protections whilst striking a balance against the need to ensure that the issuers attracted to list in Hong Kong are the ones most likely to generate the greatest value for investors over time. We note from the Consultation Paper that, in formulating these proposals, the Exchange has carried out extensive research comprising jurisdictional comparison (with the US, the UK, Mainland China, Singapore) and an analysis of a cohort of Sample WVR Issuers listed in the US that have not yet listed in Hong Kong. These Sample WVR Issuers comprise 57 Greater China Issuers and five Southeast Asian issuers, representing a combined market capitalisation of US$193 billion as at the end of 2025.

Against the backdrop of regulatory and market developments in major overseas markets, we echo the Exchange's emphasis on the importance of reviewing Hong Kong's listing regime for overseas issuers to make sure it remains competitive. We consider the Exchange's holistic approach in cautiously relaxing selected WVR requirements, together with its proposals to facilitate secondary listings, to be appropriate in enhancing Hong Kong's appeal to US-listed Greater China Issuers and Southeast Asian issuers in a timely manner, whilst endeavouring to maintain sufficient safeguards.

Financial eligibility requirements

- Jurisdictional comparison

According to paragraph 90 of the Consultation Paper, the SSE and SZSE are the only peer exchanges that have financial eligibility requirements tailored for issuers with a WVR structure. The Exchange's current WVR Financial Eligibility Test thresholds are higher than those of the SSE and SZSE.

- Our comment on the proposal and the rationale

We agree in principle to lower the current WVR Financial Eligibility Test thresholds to bring the requirements more in line with those of peer markets in Mainland China and to maintain the attractiveness of the Exchange as an international capital raising platform for A+H issuers.

Voting power and economic interest

- Jurisdictional comparison

According to paragraphs 101 and 102 of the Consultation Paper, the SSE, SZSE and SGX impose similar voting power restrictions, including a 10:1 WVR Ratio Cap, on issuers with a WVR structure. In July 2024, the UK removed its 20:1 cap on WVR voting power and now has no WVR Ratio Cap at all. The US market has never had any voting power ratio restriction.

According to Appendix III to the Consultation Paper, only the SSE and SZSE have a similar rule requiring WVR beneficiaries to own a minimum economic interest of 10%.

D. Other proposals relating to initial listing requirements and listing arrangements

Ownership continuity and control

We agree with the Exchange's proposal of codifying its 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 a change in controlling shareholder over that period to address any packaging concerns.

Financial reporting standards

- Proposed circumstances when overseas issuers can report using US GAAP

We agree with the Exchange's proposal to expand the permitted use of US GAAP to: (a) subsidiary companies of a US-listed parent seeking to list on the Exchange; and (b) companies with substantial business operation(s) in the US, subject to the inclusion of, among others, HKFRS or IFRS reconciliation statements in the listing document, annual reports and interim reports. We agree that providing more flexibility may remove the burden of transitioning from US GAAP to HKFRS or IFRS and hopefully facilitate spin-offs by US-listed parents and listings of companies with substantial business operations in the US.

- Removing the requirement to revert to using HKFRS or IFRS upon a US delisting

We agree with the Exchange's 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. These issuers will still have to include HKFRS or IFRS reconciliation statements in their annual reports and interim reports. We agree that the proposal would facilitate cross-period comparison of financial information which is prepared under the same accounting standards, and avoid mandating these issuers to go through a time- and resource- intensive exercise of transitioning to a new accounting standard.

- Removing the requirement for Reconciliation Statement to be reviewed by auditors if included in unaudited financial statements

We agree with the Exchange's proposal to remove the requirement for a Reconciliation Statement produced for the purpose of unaudited financial results to be "reviewed" by auditors. The Listing Rules do not require unaudited interim results to be reviewed by auditors and the Exchange's proposal will align the approach regarding the review of a Reconciliation Statement with that for interim financial results. The Exchange also states that any Reconciliation Statement included in a listed issuer's interim report will still be required to be reviewed by the audit committee.

Commercialised Biotech Companies and Specialist Technology Companies

We agree with the Exchange's proposal of allowing Biotech Companies and Specialist Technology Companies to seek a listing under the applicable Specialist Chapters even if they satisfy one or more of the Rule 8.05 Eligibility Tests (Eligible Specialist Companies) and the corresponding modifications to the Specialist Chapter requirements to suit these companies. The proposal will provide flexibility to the Eligible Specialist Companies and allow these companies to enjoy the benefit of TECH.

- Our comment on the proposals and the rationale

We note that the Exchange's proposed relaxation of the WVR Ratio Cap (from 10:1 to 20:1) applies to applicants with a market capitalisation of at least HK$40 billion at the time of listing, and aims to make the Exchange's WVR regime more competitive by bringing it more closely in line with the requirements of other markets (e.g., the UK and the US). We also note from paragraph 114 of and Appendix V to the Consultation Paper that, in proposing the relaxation of the 10:1 WVR Ratio Cap, the Exchange took into account other existing requirements of its WVR regime that were intended to mitigate the risk of misalignment of interests that may arise because of a higher WVR Ratio Cap.

In respect of the Exchange's proposal to accept a lower percentage of underlying economic interest beneficially owned by the WVR beneficiaries (from 10% to 5%), we note from paragraph 113 of the Consultation Paper that the floors of 5% (in percentage terms) and HK$4 billion (in absolute dollar terms) are designed to increase the clarity and certainty of the Exchange's requirement while reducing the risks of expropriation and entrenchment by ensuring that only issuers whose WVR beneficiaries have a sufficiently large economic interest, in dollar terms, at listing would be eligible for listing with a WVR structure.

We agree in principle with these proposals.

<u>Innovative Company Requirements, success of the company and external validation</u>

- Jurisdictional comparison

According to paragraph 125 of and Appendix III to the Consultation Paper, other peer exchanges do not explicitly require an issuer to demonstrate that it is an innovative company as a pre-requisite for listing with a WVR structure. However, the SGX takes into account an applicant's business and track record as well as participation by sophisticated investors as factors to be considered in its assessment of the applicant's suitability for listing with a WVR structure.

- Our comment on the proposals and the rationale

The Exchange proposes to refine the routes that applicants can use to demonstrate that they are innovative companies into, namely, Route A (technologies that are novel or essential to the novelty of the core business) and Route B (success attributable to a new business model). The Exchange explains that the proposed refinements to the Innovative Company Requirements are largely a reflection of current vetting practice as well as a continuation of its intention to enable listing of companies from emerging and new economy sectors. The proposed refinements help ensure that the Exchange's WVR regime will not proliferate and will continue to achieve the regulatory intent as contemplated in the 2018 Listing Reforms.

We note that innovation remains a core criterion in the Exchange's assessment of the applicant's suitability for listing with a WVR structure whilst other peer exchanges do not have such a requirement. We agree with the proposals as we believe that the proposed refinements, which largely reflect the Exchange's current vetting practice, will provide more certainty as well as flexibility to applicants.

Confidential filing

We agree with the Exchange's proposal to permit confidential filing for all applicants to bring the Exchange's requirements more closely in line with the requirements adopted by international peer stock exchanges, including those in the US, the UK and Singapore. This may increase the comparative appeal of an Exchange listing application. The proposal would mean that the benefits of confidential filing (i.e., to avoid premature and prolonged disclosure of information on applicants' operational strategies and proprietary technologies which may attract unnecessary external attention or prompt imitation by industry peers) would be available to all listing applicants, regardless of the nature and stage of the applicant's business, and would no longer favour a minority with certain characteristics.

We suggest that the Exchange may take the opportunity to revamp its webpage on *Application Proofs, OC Announcements, PHIP and related materials*. The webpage currently contains summary tables of the said materials for active, inactive, listed and returned applications. Upon implementation of the proposal, publication of APs and OC Announcements will no longer be mandatory. The table for active applications will not be reflective of the entire population of active applications as it is likely that most applicants will opt for confidential filing. The table for inactive applications will continue to show those lapsed or rejected applications from 2014 and those of the few future applicants who would choose to voluntarily publish their APs. We are not sure of the value of continuing to publish the APs and OC Announcements of lapsed or rejected applications. This also causes the same problem as identified in the rationale for the proposal – prolonged disclosure of information on applicants' operational strategies and proprietary technologies which may attract unnecessary external attention or prompt imitation by industry peers. It will probably be difficult to learn the lessons from rejected applications by reading through the APs and the Exchange has been providing guidance on circumstances leading to rejected listing applications in published listing decisions and Listing Review Committee decisions anyway. As more applicants opt for confidential filing, the table showing the APs and OC Announcements of active applications will reduce over time upon the listing of the applicants or the lapse/rejection of the applications and this may create a misleading contrast to a rather long list of inactive applications from 2014. As such, we consider that the Exchange should remove the APs and OC Announcements of inactive applications from its webpage upon the implementation of the proposal.