Submitted via Qualtrics

(Anonymous)

Company/Organisation view

Investment Firm / Asset Manager Focusing on Public Equity

Question 1

Do you agree that the WVR Financial Eligibility Test thresholds should be lowered?

No

Please give reasons for your views and any alternative suggestions.

The original thresholds were deliberately calibrated at a high level to ensure that WVR structures remain an exceptional feature of the listing regime, reserved for issuers with demonstrable scale, maturity, and market significance. Lowering these thresholds would allow WVR structures to be adopted at an earlier stage of corporate development, where governance frameworks are typically less established and the risks associated with entrenched control are more pronounced.

From an investor protection perspective, high financial eligibility thresholds serve as a blunt but effective safeguard. They help ensure that only issuers with substantial operating scale, diversified investor bases, and market scrutiny are permitted to adopt capital structures that fundamentally weaken shareholder voting rights. Reducing these thresholds undermines this safeguard and shifts risk disproportionately onto public shareholders, who bear the economic exposure without commensurate control.

Question 2

Do you agree with the proposed WVR Financial Eligibility Test thresholds (as set out in paragraph 91 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 3</u>

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)?

No

Please give reasons for your views and any alternative suggestions.

Increasing the voting differential further entrenches the structural misalignment between economic ownership and control that lies at the heart of WVR concerns. Even at a 10:1 ratio, minority shareholders' ability to influence fundamental corporate decisions is severely constrained. Doubling this disparity exacerbates the risk of entrenchment and weak accountability.

Within the current WVR framework, scale and maturity operate as necessary gatekeeping constraints for permitting WVR structures, if at all, but they do not justify a materially greater separation between voting power and economic ownership. Size does not eliminate the incentives or opportunities for private benefits extraction, nor does it strengthen the effectiveness of minority shareholder protections. Once embedded at listing, an elevated WVR ratio would be extremely difficult to unwind in practice, regardless of subsequent changes in management quality.

<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)?

No

Please give reasons for your views and any alternative suggestions.

Minimum economic interest thresholds are one of the few direct mechanisms available to partially align the incentives of WVR holders with those of ordinary shareholders. Lowering this requirement further weakens that alignment and reduces the financial consequences borne by controllers for poor governance or underperformance. Absolute dollar thresholds do not substitute for proportional exposure, particularly in volatile or declining market conditions.

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)?

No

Please give reasons for your views and any alternative suggestions.

We understand the proposal’s intention to provide greater clarity around the application of the innovativeness requirement. Nevertheless, we are concerned that introducing multiple eligibility routes may, in practice, broaden and formalise access to WVR structures. This risks shifting the innovativeness requirement from a restrictive safeguard into a more prescriptive eligibility framework, thereby weakening its disciplining role. This is of particular concern given that innovativeness, however defined, does not itself address the underlying governance risks associated with disproportionate voting rights.

While presumptions of innovativeness already exist under the current regime, they are closely tied to Specialist Chapters that involve substantial front loaded scrutiny and tailored safeguards. Route A extends those presumptions beyond that context, allowing a broader group of issuers to be treated as innovative for WVR purposes without being subject to the same regulatory architecture.

Route B raises separate concerns regarding the substance of the innovativeness test itself. Business-model-led innovation is inherently subjective, difficult to benchmark consistently, and may not be durable over time. Reliance on growth metrics, industry position and external validation risks conflating short term commercial success or favourable market conditions with sustained innovation.

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)?

Please give reasons for your views and any alternative suggestions.

<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)?

Please give reasons for your views and any alternative suggestions.

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

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)?

Please give reasons for your views and any alternative suggestions.

<u>Question 7(a)</u>

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)?

Please give reasons for your views and any alternative suggestions.

<u>Question 7(b)</u>

Do you agree with the proposed guidance on the meaning of a "sophisticated investor" for the purpose of the "external validation" requirement (as set out in paragraph 134 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 7(c)</u>

Do you agree with the proposed guidance on what constitutes "meaningful third-party investment" for Route B applicants for the purpose of the "external validation" requirement (as set out in paragraph 135 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<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)?

Please give reasons for your views and any alternative suggestions.

<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)?

Please give reasons for your views and any alternative suggestions.

Question 10

Do you agree with the proposal to retain the market capitalisation threshold under Criteria A (see paragraph 178 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 11

What measures (if any) do you think the Exchange should implement to further facilitate the listings, in Hong Kong, of issuers listed overseas (see paragraphs 198 and 199 of the Consultation Paper)?

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)?

No

Please give reasons for your views and any alternative suggestions.

We does not support the proposal to codify the existing guidance into a Rule.

From an investor protection perspective, continuity of ownership is a key indicator of accountability for an issuer's historical performance. This ensures that an applicant's track record is genuine and not artificially packaged. Controlling shareholders typically exercise strategic influence beyond formal management roles, including capital allocation, and governance. As such, a shift in control can have a significant impact on the issuer's business, finances and risk profile. Focusing solely on no change in management influence may therefore fail to capture the full impact of a change in control and could undermine investor confidence in the issuer's track record and future development.

The proposed test of "no material change in influence on management" introduces subjectivity into what is currently a relatively clear and objective requirement. Ownership continuity is a bright-line test that provides certainty to applicants and investors. In contrast, the concept of "influence on management" is inherently difficult to define and evidence. It is likely to depend on qualitative assessments and at the Exchange's discretion, which may lead to inconsistent interpretations and outcomes across cases. This uncertainty reduce transparency and undermine the integrity of the listing regime.

Question 13

Do you agree with the proposed consequential updates to our guidance (as set out in paragraph 207 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 14

Do you agree with the proposal to expand the permitted use of US GAAP (as set out in paragraph 213 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

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)?

Please give reasons for your views and any alternative suggestions.

<u>Question 16</u>

Do you agree with the proposal to remove the requirement for a Reconciliation Statement produced for the purpose of unaudited financial results to be reviewed by auditors (see paragraph 215 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<u>Question 17</u>

Do you agree with the proposal to allow Eligible Specialist Companies to seek a listing under the applicable Specialist Chapters (see paragraph 232 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

<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)?

Please give reasons for your views and any alternative suggestions.

<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)?

No

Please give reasons for your views and any alternative suggestions.

While we recognise the Stock Exchange's rationale for extending confidential filing to all IPO applicants, we think it should only be offered to applicants that truly need to file confidentially such as dual listing applicants or those with sensitive data. We want to highlight the practical difficulties and additional administrative burden this creates for investors. With the recent surge in confidential A1 filings under Chapters 18A and 18C. Investors, particularly those participating as cornerstones are typically required to enter into NDAs before holding initial meetings or accessing A1 filings. This process often involves multiple rounds of negotiation and comments on the NDAs, resulting in a significantly heavier workload before any substantive information can be obtained. If all IPO applicants move to confidential filing, the cumulative administrative burden on investors will become unsustainable. This may lead investors to forgo reviewing certain IPO opportunities altogether, or to conduct insufficient due diligence, thereby impairing their ability to make informed investment decisions.

If the Stock Exchange extends confidential filing to all IPO applicants, perhaps the Exchange can look into if the IAP can serve as an alternative platform for IPO applicants to share A1 filings with a limited group of cornerstone investors via controlled, password-protected access without a NDA or with a one way representation.

<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)?

Please give reasons for your views and any alternative suggestions.

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

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)?

Please give reasons for your views and any alternative suggestions.

<u>Question 21</u>

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)?

Please give reasons for your views and any alternative suggestions.

<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)?

Please give reasons for your views and any alternative suggestions.

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