Submitted via Qualtrics

The Hong Kong institute of Directors

Company/Organisation view

Others (please specify)

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.

Most of the Exchange’s peer markets have less stringent WVR requirements. Consultation Paper para 76-81. Peer markets on the Mainland are the only ones that have financial eligibility requirements for issuers with WVR structures, and their thresholds are lower. Consultation Paper para 90.

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.

If financial eligibility requirements are to be retained, the lowered thresholds are more in line with requirements of those in peer markets on the Mainland.

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.

Once disparate voting right exists, there may not be too much practical difference whether it is 10:1, 20:1 or no WVR ratio cap (like in UK since 2024 or the US where there has not been any ratio cap ever since WVR structure had been permitted).

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.

The current regime already enables the Exchange to permit such on a case-by-case determination, if the lower underlying economic interest still represents a very large amount in absolute dollar terms. Consultation Paper para 99. The proposal does introduce bright-line thresholds to add certainty.

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 believe there is particularly good reason to separate the business model route (Route B) from the technologies route (Route A).

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.

The Specialist Company Presumptions for Biotech Companies and Specialist Technology Companies predicate on existing Specialist Chapters under the Listing Rules that provide a regulatory and disclosure framework for companies with those types of characteristics and risk profiles.

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.

The proposal will extend innovative presumptions to Route A applicants that meet certain criteria (i.e., Qualified Biotech Applicants and Qualified Specialist Technology Applicants). Those presumptions predicate on an applicant having been engaging in R&D leading up to the commercialisation of at least one major product, and that the applicant has ownership of intellectual property relating to that major product. For Qualified Specialist Technology Applicants, they will also be expected to have committed substantial R&D expenditures as percentage of their total expenditures. Consultation Paper para 132 and Footnote 120.

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.

Route A applicants would be expected to possess the Novelty Characteristic and more than one of several Innovative Characteristics which include R&D Characteristic, IP Characteristic and Outsized Market Cap Characteristic. The refinements are as follows.

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.

Route B applicants would be expected to possess the Novelty Characteristic and each of the CAGR Growth Characteristic and Industry Position Characteristic. The refinements are as follows.

<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.

To add clarity to the meaning of “sophisticated investor” should help with consistency in applying the external validation requirement. The proposed guidance in Consultation Paper para 134 is reasonable.

<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.

To add clarity to the meaning of “meaningful third-party investment” should help with consistency in applying the external validation requirement. The proposed guidance in Consultation Paper para 135 is reasonable.

<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 proposal will bring consistency to the financial eligibility requirements. We do not see a reason to differentiate between primary or secondary listing for an overseas issuer with a WVR structure.

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.

HK$6 billion is still a substantial market capitalization, and it is the same threshold for issuers with WVR for purpose of a secondary listing. Financial eligibility requirements for secondary listing of a non-WVR issuer should not be more stringent than those for a WVR issuer.

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.

Retaining a HK$3 billion capitalisation threshold at the time of listing should be appropriate for those issuers with good compliance track record of at least five (5) full financial years on a Qualified Exchange or Recognised Stock Exchange. If a yet lower threshold can make the Hong Kong market more competitive, the Exchange may want to consider in light of the good compliance record of these companies.

<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)?

No comments at this time.

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

No comments at this time.

<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.

The proposal is to codify existing guidance into a Rule.

<u>Question 13</u>

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.

The purpose is to update and align the guidance material to emphasise the applicant's obligation to demonstrate that the listing has no "packaging concern".

<u>Question 14</u>

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.

US GAAP is a well-recognised framework for financial reporting.

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.

o Though there are plenty good reasons to require a US-listed issuer to revert to HKFRS/IFRS if it delists from the US, that issuer may have justifiable reasons to keep using US GAAP. For us, the issue is whether those reasons are adequately explained to the shareholders and investors. The US GAAP is highly recognised and should also be familiar to a large part of the global investment community. A reconciliation statement should also give sufficient information for viewers of the financial statements.

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.

AGREE with some reservations

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.

We do not see strong reasons to force specialist companies away from the relevant Specialist Chapters even if they would otherwise meet the eligibility requirements under Rule 8.05. The Specialist Chapters are frameworks suited to the characteristics and associated risk profiles of such companies. On the concern that these otherwise eligible companies may seek the Specialist Chapter frameworks to avoid stricter requirements under the ordinary listing route, we surmise these companies will have desire to highlight their ability to meet Rule 8.05 as part of their strength, but they will also seek to explain business or strategic rationale for going under the Specialist Chapters.

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.

The modification to Specialist Chapter requirements tends to be changes to reflect that the companies are at a more mature stage of development and would meet Rule 8.05 financial eligibility requirements. These companies would have investment profiles much closer to that of an ordinary listing applicant. Consultation Paper para 232, 236.

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.

Some company submitting an application for a listing is not an occurrence that must warrant early disclosure for purpose of market integrity or transparency. That a company has been granted in principle permission to list may be the more crucial or pertinent milestone. Timely and accurate disclosure of the Post Hearing Information Pack is more important.

<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)?

No

Please give reasons for your views and any alternative suggestions.

The current regime is such that if the Exchange decides the information in Application Materials is not substantially complete, the Exchange will return the application and will display certain Returned Application Details on a designated webpage of the Exchange when all review procedures have been completed or the time for seeking a review has lapsed. The reason for the Returned Application will be published as Listing Decisions.

<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)?

No

Please give reasons for your views and any alternative suggestions.

The current regime is such that if the Exchange decides the information in Application Materials is not substantially complete, the Exchange will return the application and will display certain Returned Application Details on a designated webpage of the Exchange when all review procedures have been completed or the time for seeking a review has lapsed. The reason for the Returned Application will be published as Listing Decisions.

<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)?

Yes

Please give reasons for your views and any alternative suggestions.

Without the change, there may be the oddity that the moratorium period could run concurrently with the review process should the applicant seek review of a returned decision.

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.

The consequential changes are relevant to spin-offs and GEM Transfer situations. Consultation Paper para 246-247. The changes are consistent with the proposals to permit confidentiality treatment for all applicants.

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

The present consultation forms the initial phase of the Exchange's competitiveness review of Hong Kong's listing framework.