

Submitted via Qualtrics

(Anonymous)

Company/Organisation view

Law Firm

Question 1.1(a)

Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by requiring the public float percentage of securities new to listing be calculated normally by reference to the total number of securities of that class only (as set out in paragraph 44 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 1.1(b)

Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by in the case of a PRC issuer with no other listed shares, requiring the numerator of its public float percentage to be calculated by reference to its H shares only, such that any shares it has in issue that are in the class to which H shares belong would only be included in the denominator (as set out in paragraph 45 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 1.1(c)

Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by in the case of a PRC issuer with other listed shares (e.g. A shares listed on a PRC stock exchange), requiring

the numerator of its public float percentage to be calculated by reference to its H shares only, such that any other listed shares it has in issue would only be included in the denominator (as set out in paragraph 45 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 1.1(d)

Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by in the case of an issuer with other share class(es) listed overseas, requiring the numerator of its public float percentage at listing to be calculated by reference to only the shares of the class for which listing is sought in Hong Kong, such that any shares of other classes it has in issue would only be included in the denominator (as set out in paragraph 46 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 1.2

Do you agree with our proposal to modify the requirement of MB Rule 8.09(1) (GEM Rule 11.23(2)(a)) to clarify that the minimum market value in public hands requirement applies to the securities for which listing is sought (as set out in paragraph 47 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 2.1

Do you agree that we should exclude from the definition of “the public” any person whose acquisition of securities has been financed by the

issuer and any person who is accustomed to take instructions from the issuer (as set out in paragraph 64 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 2.2

Do you agree with our proposal to regard shares held by an independent trustee which are granted to independent scheme participants and unvested as shares held in public hands (as set out in paragraph 65 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 3.1

Do you agree that we should replace the current minimum initial public float thresholds with tiered initial public float thresholds according to the expected market value of the class of securities for which listing is sought on the Exchange at the time of listing?

Please give reasons for your views and any alternative suggestions.

Question 3.2

Do you agree with the proposed tiered initial public float thresholds (as set out in Table 5 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 3.3(a)

Do you agree that the proposed tiered initial public float thresholds should be applied to any class of equity securities new to listing on the Exchange, except for the initial listing of A+H issuers (and other prescribed types of issuers)?

Please give reasons for your views and any alternative suggestions.

Question 3.3(b)

Do you agree that the proposed tiered initial public float thresholds should be applied to any class of equity securities new to listing on the Exchange, except for a bonus issue of a new class of securities (as set out in paragraph 79 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 3.4

Do you agree that all issuers disclose, in their listing documents, the initial public float threshold that is applicable to the class of securities they seek to list on the Exchange?

Please give reasons for your views and any alternative suggestions.

Question 3.5

Do you agree that the same tiered initial public float thresholds (as set out in Table 5 of the Consultation Paper) should be applied to GEM issuers?

Please give reasons for your views and any alternative suggestions.

Question 4.1(a)

If our proposed initial public float thresholds (see proposals in Section I.B.1 and Section I.D.1 of Chapter 1 of the Consultation Paper) are supported by the market, we seek views on the appropriate ongoing public float requirements for issuers, subject to the initial public float tiers proposed (see Table 5 in Section I.B.1 of Chapter 1 of the Consultation Paper). Please give reasons for your views and any alternative suggestions.

Question 4.1(b)

If our proposed initial public float thresholds (see proposals in Section I.B.1 and Section I.D.1 of Chapter 1 of the Consultation Paper) are supported by the market, we seek views on the appropriate ongoing public float requirements for: A+H issuers and other prescribed types of issuers (see Section I.D.1 of Chapter 1 of the Consultation Paper). Please give reasons for your views and any alternative suggestions.

Question 4.2

Should issuers be allowed the flexibility to maintain a lower public float level, after listing, than that required at listing, in view of the issues we have described in the Consultation Paper (see paragraphs 102 to 109 of the Consultation Paper)?

Please give reasons for your views.

Question 4.3

Should the existing regulatory approach of suspending trading of issuers with public float below a prescribed level (see paragraph 92(c) of the Consultation Paper) be maintained, in view of the issues we have described in the Consultation Paper (see paragraphs 110 to 111 of the Consultation Paper)?

Please give reasons for your views.

Question 4.4

Do you agree that ongoing public float requirements should be applied to shares only (as set out in paragraph 118 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 4.5

Do you agree that an OTC market should be established in Hong Kong (as set out in paragraph 119 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 4.6(a)

What are your views on the potential benefits and risks of establishing an OTC market? Please give reasons for your views.

Question 4.6(b)

What are your views on functions that an OTC market should serve? Please give reasons for your views.

Question 4.6(c)

What are your views on whether such OTC market should be open to retail investors? Please give reasons for your views.

Question 5.1

Do you agree with our proposal to mandate disclosure of actual public float in listed issuers' annual reports?

Please give reasons for your views and any alternative suggestions.

Question 5.2

Do you agree with the details proposed to be disclosed (as set out in paragraph 126 of the Consultation Paper), including that only persons connected at the issuer level would be required to be identified on an individually named basis in the disclosure of shareholding composition (as set out in paragraph 126(b)(i)(1) and (2) of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 5.3

Do you agree that issuers should be required to disclose the relevant information based on information that is publicly available to the issuer and within the knowledge of its directors (as set out in paragraph 127 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 6.1

Do you agree that the Exchange should require a minimum free float in public hands at the time of listing for all new applicants (as set out in paragraph 139 of the Consultation Paper)?

Yes

Please give reasons for your views.

Question 6.2

Do you agree with our proposed initial free float thresholds (as set out in paragraph 140 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We partially agree with this proposal.

In order to attract more issuers with great potentials to list on the Exchange, taking into account the market conditions in recent years and the size of the issuers' fundraisings, we propose to lower the threshold appropriately, i.e. "free float held by the public: (a) represent at least 5% of the number of relevant share classes sought for listing and have an expected market capitalization of at least HK\$50 million; or (b) has an expected market value of at least HK\$600 million at the time of listing. "

The reason why we recommend reducing the 10% in (a) to 5% is mainly due to the situation of PRC issuers (with no A share listing) (note: we expect PRC issuers to become mainstream in the future, while the number of red-chip companies seeking to list in Hong Kong would become smaller). Under the PRC law, existing shareholders of PRC issuers are subject to a 12-month lock-up requirement. At the same time, cornerstone investors are normally locked up for 6 months as well. As such, for PRC issuers, this means that almost all of the free float must be achieved through the offering of new shares and the exclusion of cornerstone investments. Here are some examples:

1. assuming that the market capitalization of a company is HK\$2 billion, 10% of which is HK\$200 million, and assuming that the free float accounts for 50% of the offering size, the total offering size would be HK\$400 million; and

2. assuming that the market capitalization of a company is HK\$4 billion, 10% of which is HK\$400 million, and assuming that the free float accounts for 50% of the offering size, the total offering size would be HK\$800 million.

Whether it is HK\$400 million or HK\$800 million, taking into account the market conditions in recent years, these two offering sizes are quite large. In our experience, few companies would be able to raise US\$100 million under unfavorable market conditions.

We believe that the listing standards should be set as "reasonable" and "minimum" standards, so as to ensure that the rules are more flexible and inclusive. The entry barrier should not be too high, on the one hand, so it can give opportunities to growing companies, and on the other hand, it can give listed issuers more flexibility when the market is unfavorable. We have observed that some companies listed in 2024 when the market was challenging, and after the market recovered this year, their stock prices have performed very well, so they have taken the opportunity to make additional offerings, which not only replenished funds for their development, but also activated the markets. If such companies had lost the opportunity to list on the Exchange, they would have lost valuable opportunities to grow when the market is good.

Question 6.3

Do you agree with our proposed modification of the initial free float thresholds to PRC issuers (as set out in paragraphs 142 to 143 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 6.4

Do you agree with our proposal to apply the proposed initial free float requirement to shares only (as set out in paragraph 144 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 6.5

Do you agree that shares considered to be in public hands that are held by an independent trustee under a share scheme should not be counted towards the proposed initial free float requirement (as set out in paragraph 145 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 6.6

Do you agree that existing free float related requirements for Biotech Companies and Specialist Technology Companies should be replaced with the proposed initial free float requirement so that the same requirement applies to all issuers (as set out in paragraph 146 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 7.1

Do you agree with our proposed revised minimum thresholds on shares to be listed on the Exchange for A+H issuers and other prescribed types of issuers (as set out in paragraph 162 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We partially agree with this proposal.

As mentioned in the Consultation Paper, in case of an A+H issuers with a single class of shares, for H Shares sought to be listed on the Exchange, they must, at the time of listing: (i) represent at least 10% of the total number of

shares in the class to which H shares belong (excluding treasury shares); or (ii) have an expected market capitalization of at least HK\$3 billion, where the "HK\$3 billion" threshold is determined by reference to the median H-share offering size (HK\$3.3 billion) of PRC issuers listed on the Main Board of the Exchange between 2017 and 2023.

In our experience, a major concern of PRC issuers (with A share listing) when seeking a Hong Kong listing is the pricing of the H shares (i.e. the discount of the H-share price to the A-share price). If the Exchange sets a relatively high barrier for the H-share offering size, it often means that the issuers need to use more price discounts to attract investors, which would seriously dampen the issuers' willingness of offering.

At the same time, "median" means that a significant number of PRC issuers have H share offering size below this figure, so it is debatable whether it is reasonable to take the median.

In addition, the issuers that are more likely to choose the size of the offering market capitalization test (rather than the 10% offering ratio) are usually those with large market capitalization, which are also generally more mature and robust and should be the issuers that the Exchange would prefer to attract.

As stated in the Joint Statement on Enhanced Timeframe for New Listing Application Process issued by the Exchange and the SFC on October 18, 2024, companies with a market capitalization of more than HK\$10 billion may be considered as eligible A-share listed companies, and if an eligible A-share listed company submits an Application Fully Meeting Requirements, under the Accelerated Timeframe, the Regulators' Assessment will be completed after one round of regulatory comments.

Assuming a company with a market capitalization of HK\$30 billion only issues 5% new shares, the offering size will be more than HK\$1.5 billion. As a result, lowering the offering size (market capitalization) requirement would be more attractive to large-cap companies.

In summary, in order to maintain the flexibility of the rules and its ability to adapt to different market conditions, while giving PRC issuers (especially

large-capitalization A share listed companies) more flexibility, we propose to lower the above “market capitalization threshold” to HK\$1.5 billion (equivalent to about US\$200 million, which is already a relatively considerable offering size in light of the market conditions in recent years) to attract more large-scale A-share companies to seek listing on the Exchange.

Question 7.2

Do you agree that the minimum initial public float thresholds for A+H issuers and other prescribed types of issuers should be the same as the minimum thresholds on shares to be listed on the Exchange (as set out in paragraph 164 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 7.3

Do you agree with our proposal to remove the minimum market value requirement for the class sought to be listed by issuers with other share class(es) listed overseas and H shares of PRC issuers (as set out in paragraph 166 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 8

In respect of the lock-up requirement on IPO securities placed to cornerstone investors, would you prefer to:

allow a staggered release of the six-month lock-up (as set out in Option B in paragraph 205 of the Consultation Paper)

Please give reasons for your views and any alternative suggestions.

We prefer a staggered lock-up release arrangement of the six-month lock-up.

We fully agree with the importance of cornerstone investments for IPOs as stated in paragraph 207 of the Consultation Paper, which states that "the purpose of cornerstone investment is to demonstrate, to other potential investors, the confidence of the cornerstone investor in the success of an IPO and the long-term prospects of the IPO issuer." That is why cornerstone investors should prove their confidence by accepting a lock-up requirement, which is a fair arrangement that has been tested in the market over a long period of time.

We also understand that under the current rules, cornerstone investors may reduce their holdings at the end of the lock-up period, which may lead to greater share price volatility. Therefore, we believe that the staggered lock-up release arrangement is a desirable balance of the need for lock-up requirements on the one hand, and to reduce the negative impact of stock price fluctuations on the market on the other hand.

In addition, the staggered lock-up release arrangement would give cornerstone investors (especially large institutional investors) more flexibility and liquidity, which is conducive to increasing their enthusiasm to participate in IPOs, so as to facilitate the successful completion of more listings, which would contribute to the development of the Hong Kong stock market as a whole.

Question 9.1

Do you agree that at least 50% of the total number of shares initially offered in an IPO should be allocated to investors in the bookbuilding placing tranche (as set out in paragraphs 227 and 228 of the Consultation Paper)?

No

Please give reasons for your views and any alternative suggestions.

We disagree with this proposal for the following reasons:

1. many issuers do not distinguish between potential cornerstone investors and anchor investors when approaching investors during the non-deal roadshow process. Therefore, there is room for the identities of these two groups of investors to switch between each other. Setting the 50% line seems to be difficult to rule out the possibility of such a switch;

2. under unfavorable market conditions, negotiations with potential cornerstone investors and anchor investors would be more likely conducted simultaneously, the issuer and the underwriters usually have clear estimate of the proportion of anchor investors and the acceptable IPO price before the launch of public offering. As such, the contribution to price discovery by bookmaking process after the selection of cornerstone investors might be very limited;
3. for market-oriented offerings, price discovery mechanism of companies with large offering size tend to be more transparent and reasonable. So for such offerings, even if the proportion of shares held by investors in the book-building and placing tranche does not reach 50% of the total number of offer shares, it would not hinder the effective operation of the price discovery mechanism. In contrast, setting the 50% limit may put unnecessary constraints on the issuer's commercial arrangements; and
4. as stated in paragraph 215 of the Consultation Paper, the Exchange considers that it is more difficult for investors to reach a consensus on the valuation of Specialist Technology Companies than companies from traditional industries due to the nature of their business and industry. Therefore, the Listing Rules require that at least 50% of the total number of shares offered in the IPO to be taken up by independent price setting investors in the placing tranche (whether as cornerstone investors or otherwise). Apparently, even for companies with higher valuation difficulties, such as Specialist Technology Companies, cornerstone investors and other independent institutional investors are treated equally when calculating the placing ratio, we understand that the Exchange tends to believe that their contribution to valuation and price determination should be relatively the same.

Question 9.2

Do you agree that the proposed requirement should not be applied to the initial listing of Specialist Technology Companies (as set out in paragraphs 229 of the Consultation Paper)?

Please give reasons for your views.

Question 10.1

Do you agree with the proposed removal of the guideline on minimum spread of placees, being not less than three holders for each HK\$1 million of the placing, with a minimum of 100 holders in an IPO placing tranche (as set out in paragraph 230 of the Consultation Paper)?

Please give reasons for your views.

Question 10.2

Do you consider that other safeguarding measures should be implemented to ensure an adequate spread of holders in the placing tranche, in light of the proposal (as set out in paragraph 230 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 11.1

Do you agree with the proposal to require issuers to adopt either Mechanism A or Mechanism B with respect to a minimum allocation of offer shares to the public subscription tranche (as set out in paragraphs 248 to 250 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 11.2

Do you agree with the proposal to require Specialist Technology Companies to only adopt the existing initial allocation and clawback mechanism designed for them, i.e. Mechanism A (as set out in paragraph 251 of the Consultation Paper)?

Please give reasons for your views.

Question 12.1

Do you agree that we should retain the Allocation Cap?

Please give reasons for your views.

Question 12.2

Subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendments to the triggering conditions of the restrictions on Reallocation and PO Over-allocation (as set out in paragraph 262 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 12.3

Subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendments to lower the proposed Maximum Allocation Cap Percentage Threshold from 30% to 15% (as set out in paragraph 263 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 13.1

Do you agree that the Existing Pricing Flexibility Mechanism should be amended to include upward pricing flexibility?

Please give reasons for your views and any alternative suggestions.

Question 13.2

Do you agree with our proposals to adopt an offer price adjustment limit of 10% in both directions (as set out in paragraph 281 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 13.3

In respect of the initial offer price range, would you prefer adjustment to be made:

Please give reasons for your views and any alternative suggestions.

Question 13.4

Do you agree with our Proposed Opt-in Arrangement (as set out in paragraphs 283 to 284 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 13.5

Do you agree with our proposal to extend the current disclosure requirements (as set out in paragraph 285 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 14

Do you agree with our proposals to make consequential and housekeeping amendments to the Placing Guidelines (as set out in paragraphs 302 and 303 of the Consultation Paper and Appendices I and II to the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 15

Do you agree with our proposal to disapply the proposed initial public float requirement in the case of a bonus issue of a new class of securities involving options, warrants or similar rights to subscribe for or purchase shares (as set out in paragraph 306 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 16

Do you agree with our proposal to add new provisions under Appendices D1A and D1B to the Main Board Listing Rules to require disclosure of the minimum prescribed percentage of public float in listing documents (as set out in paragraph 311 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 17

Do you agree with our proposal to waive the initial free float requirement for overseas issuers that have, or are seeking, a secondary listing on the Exchange (as set out in paragraph 315 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 18

Do you agree with our proposal to repeal the requirement that PRC issuers list H-shares that have an expected market value, at the time of listing, of HK\$50 million (as set out in paragraph 319 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 19

Subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendment to enable GEM listing applicants to choose either Mechanism A or Mechanism B (as set out in paragraph 325 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 20.1

Do you agree with our proposals on the determination of market capitalisation for new applicants that have other classes of shares apart

from the class for which listing is sought or are PRC issuers (as set out in paragraph 333 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 20.2

Do you agree with our proposal to introduce an equivalent GEM Listing Rule provision on the basis for determining the market value of other class(es) of shares for a new applicant (as set out in paragraph 335 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 21

Do you agree with our proposal to amend the Listing Rules (MB Rule 12.02 (GEM Rule 16.07)) to require issuers to publish a formal notice on the date of issue of a listing document for offers or placings where any amount placed is made available directly to the general public (as set out in paragraph 339 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 22.1

Do you agree with our proposal to amend Chapter 18B of the Main Board Listing Rules so that the open market requirements of MB Rule 8.08 do not apply to Successor Company's warrants (as set out in paragraph 349(a) of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 22.2

Do you agree with our proposal to amend Chapter 18B of the Main Board Listing Rules so that the minimum market value requirement of MB Rule 8.09(4) does not apply to SPAC Warrants and Successor Company's warrants (as set out in paragraph 349(b) of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 23

Do you agree with our proposal to amend MB Rule 18C.08 so that the 50% minimum requirement is to be determined by reference to the total number of shares initially offered in the IPO (as set out in paragraph 352 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Overall Comments

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