

Submitted via Qualtrics

King & Wood Mallesons

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)?

Yes

Please give reasons for your views and any alternative suggestions.

This will enable only securities that contribute towards an open market in trading on the Exchange are included in the numerator for the calculation of the public float.

This would also bring the requirement to be in line with standards of other international stock exchanges.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

As any other unlisted shares of the PRC issuer do not contribute to the open market in trading Hong Kong, this will enable only securities that contribute towards an open market in trading on the Exchange are included in the numerator for the calculation of the public float.

This would also bring the requirement to be in line with standards of other international stock exchanges.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

As A shares listed on a PRC stock exchange are not fungible with the H shares listed on the Exchange (i.e. A shares cannot be converted into H shares) and not available for trading in Hong Kong, they do not contribute to an open market in trading here. This will enable only securities that contribute towards an open market in trading on the Exchange are included in the numerator for the calculation of the public float.

This would also bring the requirement to be in line with standards of other international stock exchanges.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

As only the class of shares seeking a listing in Hong Kong would contribute to the open market in trading on the Exchange.

This would also bring the requirement to be in line with standards of other international stock exchanges.

However, we humbly request the Exchange to clarify that where an overseas company has dual listings on the HK Exchange and on an overseas exchange such as US, UK or Singapore, but listing the same class of shares on both exchanges, shares listed/to be listed on both exchanges should be included in the calculation of its public float percentage at listing in Hong Kong.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

This will enable only securities that contribute towards an open market in trading on the Exchange are included in the calculation of the public float and align with the proposals in 1.1 above.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Subject to the exception of shares held by independent scheme participants, see response to 2.2 below.

We humbly request the Exchange to clarify the definition of “independent scheme participant”.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

It is important that that shares which have been granted to an independent grantee but unvested under a share schemes continue to be regarded as shares held in public hands in order to uphold the rationale and incentive of share schemes.

We humbly request the Exchange to clarify the type of share schemes to which the exception applies and to clarify the applicability of the exception where share options were granted and administered by the listed issuer directly without involvement of an independent trustee but not yet vested by the independent scheme participants.

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?

Yes

Please give reasons for your views and any alternative suggestions.

This would encourage mega cap new applicants to be listed on the Exchange and minimise unfairness in marginal cases listing applicants.

This would also enable easier comparison against other international stock exchanges and the relaxed position could improve attractiveness of listing on the Exchange.

Question 3.2

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

Yes

Please give reasons for your views and any alternative suggestions.

See response to 3.1.

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)?

Yes

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)?

Yes

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?

Yes

Please give reasons for your views and any alternative suggestions.

This is important in enabling investors to assess the status of the listing applicant at the time of listing and subsequent evaluation.

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?

Yes

Please give reasons for your views and any alternative suggestions.

The position for GEM issuers should align with the Main Board position to the extent practicable. The Exchange may wish to revisit the practicability of applying the tiered initial public float threshold for GEM issuers.

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.

The ongoing public float should be commensurate with the initial public float tiers, i.e. the public float applicable to the respective listed issuer should correspond to the initial public float tiers.

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.

See response to 4.1(a).

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)?

Yes

Please give reasons for your views.

This should however be allowed only on a case-by-case basis. The Exchange may wish to consider providing guidance to lay out certain prescribed events/situation where the public float may be lowered, e.g. as mentioned in the consultation paper where there is a share repurchase or acquisition of securities by certain third parties.

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)?

Yes

Please give reasons for your views.

The general rule to suspend trading of issuers with public float below a prescribed level should remain to protect the integrity and ensure fairness and order of the market and protect minority shareholders. However, the Exchange may wish to consider providing guidance when waiver may be granted to allow non suspension where an open market in the securities

remain. Rather than a mandatory suspension of shares where public float falls below the prescribed level, the Exchange should reserve the right to request a suspension at its discretion.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

As convertible securities or options, warrants or similar rights are normally subject to a fixed term by which they must be exercised and converted and practicably it is difficult to maintain an open market in these securities. The public float requirement should not apply to these securities and/or rights.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We support in general the establishment of an OTC market, but subject to the details of the function, characteristics etc. of the OTC market.

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.

No comment.

Question 4.6(b)

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

No comment.

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.

No comment.

Question 5.1

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

Yes

Please give reasons for your views and any alternative suggestions.

This would enable investors to be better informed of their investment decisions and bring Hong Kong in line with international standards.

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)?

No

Please give reasons for your views and any alternative suggestions.

While it may be relatively straightforward to disclose the share ownership composition of (i) substantial shareholders and close associate; (ii) and directors, supervisor, chief executive of listed issuer and close associate (categories (1) and (2) who are not members of the "public" as set out in paragraph 126(b)(i) of the consultation paper) and information that has been publicly disclosed on the SFC website pursuant to Part XV of the SFO, we do not agree with the disclosure of category (3), being any other persons excluded from the definition of "public" and details on (iii) shareholders who are members of the "the public" as set out in paragraph 126(b)(i) of the consultation paper. It would be unduly burdensome for listed issuers to make such detail inquiries and ensure accuracy to the level proposed.

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)?

No

Please give reasons for your views and any alternative suggestions.

See response to 5.2 above.

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.

We agree a free float could ensure there is a minimum pool of shares which can be freely traded upon listing and that there is truly an open market, however, please note our concerns set out in 6.2 below.

Question 6.2

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

No

Please give reasons for your views and any alternative suggestions.

In relation to the threshold, the Exchange may wish to consider in times of a challenging market, whether it is suitable to impose a free float requirement now or if so, whether the percentage of 10% free float would be too high. Taking into account the participation of cornerstone investors and the proposed tiered public float, a 10% free float threshold may be too high. The level of suitable free float would also depend on the outcome of the proposals regarding the staggered release of cornerstone investor's lock up period (in question 8) and the level of clawback (question 11).

In particular for A+H companies, it is noted the proposed public float will be 10% of total of A+H shares (paragraphs 162 and 164 of the consultation paper) and the free float is proposed to be 10% of the H shares seeking a listing (paragraph 150 of the consultation paper). We propose the 10% free float threshold should not apply to A+H companies.

In addition, for new economy companies, including 18A companies, 18B de-SPAC companies, 18C companies, the participation and demand from retail investors are generally lower, it would be difficult for listed issuers to comply with a 10% threshold.

With respect to the existing free float requirement of specialist technology companies, we invite the Exchange to lower the threshold from HK\$600 million to HK\$400 million, to align with the latest requirement with respect to the minimum market capitalisation of specialist technology companies (i.e. HK\$4 billion).

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Subject to response in 6.2, we agree that only H shares should be counted towards the calculation of the initial free float requirement.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

See response to 4.4.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Subject to responses in 2.1 and 2.2 above regarding clarification of definition of “independent scheme participant” and applicability of exception.

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)?

No

Please give reasons for your views and any alternative suggestions.

See response in 6.2 above.

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.

A relaxed threshold would be more attractive for A+H shares issuers to seek a listing in Hong Kong.

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)?

Yes

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)?

Yes

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.

This may encourage more independent institutional investors to participate as cornerstone investors and increase liquidity.

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)?

Please give reasons for your views and any alternative suggestions.

No comment.

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)?

Yes

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)?

Yes

Please give reasons for your views and any alternative suggestions.

The Exchange may wish to consider introducing safeguarding measures, perhaps at the infrastructure level such as enhancing the use of the FINI platform (e.g. requiring investor to input his/her details of other identification documents and/or confirm he/she has not made another application using another identification document) to facilitate the identification and elimination of duplicate orders.

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.

We agree there should be a reduction in the clawback threshold as based on our experience, we have seen cases where due to massive over subscription and resulting high clawback threshold, the listed issuer's price becomes highly volatile and resulting in excessive speculative activities.

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.

No comment.

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?

No

Please give reasons for your views and any alternative suggestions.

While having an upward pricing flexibility may provide more flexibility to issuers seeking an IPO, this arrangement is not beneficial for public retail investors particularly in challenging market sentiment and reduces certainty in the offer price.

Should any adjustment flexibility be allowed, investors should be clearly informed of the relevant logistics and procedures and the impact of such adjustments.

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)?

Yes

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)?

Yes

Please give reasons for your views and any alternative suggestions.

See response in 4.4 above.

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)?

Yes

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)?

Yes

Please give reasons for your views and any alternative suggestions.

As the public float requirement does not apply to overseas issuers which are listed or seeking a listing on the Exchange.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

To align with the proposals in 1.1 above.

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.

No comment.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

This should apply for the determination of market capitalisation for new listing applicant with other classes of securities not seeking a listing on the Exchange.

We also humbly request the Exchange to clarify the scope of application of the guidance on determination of market value of shares of new applicant with other class of listed or unlisted shares and the applicability in calculating size test in post listing transactions.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

See comment in 20.1 above.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

A formal notice is to inform investors of the commencement of a share offering.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

It is impracticable to apply open market requirements due to the nature of Successor Company's warrants.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

It is impracticable to apply market value requirement due to the nature of SPAC Warrants and Successor Company's warrants.

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)?

Yes

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.