

Submitted via Qualtrics

(Anonymous)

Company/Organisation view

Corporate Finance Firm / Bank

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?

Yes

Please give reasons for your views and any alternative suggestions.

Yes. We agree the proposed tiered initial public float thresholds provides more flexibility and deal certainty for mega cap issuers, and also remove the unfairness in marginal cases.

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.

Yes. We agree with the current proposals set out in the consultation.

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.

Yes. We understand that A+H issuers will be separately discussed in Question 7 below and we agree the carve-out here.

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.

Yes. We agree with the disclosure requirements in the IPO prospectus

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.

We are supportive for issuers to maintain a lower public float than what was required at the time of listing, especially in light of the amendment to the initial public float requirements. We understand the intention is to amend the ongoing public float requirements together with the initial public float requirements, and generally agree with the approach. We also note the complexities in amending some of the ongoing public float requirements, e.g. setting up OTC market below, and would suggest to amend the initial public float thresholds requirement first, and do not bundle these two public float requirements amendments together. These two are independent issues which do not need to be addressed in tandem.

We are generally supportive of the OTC market proposal, yet note the complexities involved and the key risk is liquidity for this OTC market. We suggest to have further detailed discussion with market participants on this topic.

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.

We are supportive for issuers to maintain a lower public float than what was required at the time of listing, especially in light of the amendment to the initial public float requirements. We understand the intention is to amend the ongoing public float requirements together with the initial public float requirements, and generally agree with the approach. We also note the

complexities in amending some of the ongoing public float requirements, e.g. setting up OTC market below, and would suggest to amend the initial public float thresholds requirement first, and do not bundle these two public float requirements amendments together. These two are independent issues which do not need to be addressed in tandem.

We are generally supportive of the OTC market proposal, yet note the complexities involved and the key risk is liquidity for this OTC market. We suggest to have further detailed discussion with market participants on this topic.

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.

Yes. We are supportive to allow more flexibility for public companies in HK, especially for various special situations listed in paragraphs 102 to 109.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We are generally supportive of the OTC market proposal, yet note the complexities involved and the key risk is liquidity for this OTC market. We suggest to have further detailed discussion with market participants on this topic.

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.

Yes. We agree to have such minimum free float requirements to allow sufficient open market for trading at the time of initial listing.

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.

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.

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.

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 agree to have separate initial public float requirements for A+H issuers. However, we would like to propose lower the HK\$3 billion threshold to HK\$2 billion in limb (ii). There is typically A-to-H discount applied in A+H IPOs, and issuers often worry dilution under such discount, especially significant discount required to complete A+H IPOs in tough market conditions. 10% in limb (i) is often considered significant dilution for large cap A+H issuers, and will often lead them to comply with the monetary threshold under limb (ii) for smaller dilution. The expected market value of at least HK\$3 billion in limb (ii) is still a very high bar for HK IPOs. There is only 15 out of 221 total IPOs in the past 3 years that has a deal size larger than HK\$3 billion. In reality the HK\$3 billion bar is still too high and increased the uncertainties to complete A+H listings, especially in difficult market conditions.

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.

Yes, we agree. And same comment applies to lower the HK\$3 billion threshold to HK\$2 billion in limb (ii).

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.

We prefer Option B over Option A. However, we suggest to alternatively shorten lock-up on cornerstone investors to three-month only. This is to encourage long only institutional investors to be cornerstone, endorse the IPO and generate bookbuilding momentum. We would also want to separate lock-up timeline for cornerstone investors and controlling shareholders, so as to minimize the selldown risk after the lock-up expires.

As a reference, we understand US/European and Southeast Asia markets have no lock-up requirements for cornerstone investors; and India market requirement is only 30 days for 50% and 90 days for the remaining 50%.

Separately, we also like to propose if can allow voluntary disclosure of IOI investors (US IPO concept), i.e. investors disclose in prospectus that they are willing to subscribe up to certain amount in the IPO per agreement with issuer, joint sponsors and IOI investors. It's up to the issuer and joint sponsors how much to allocate the IOI investor in final allocation process. This is also a way to generate IPO bookbuild momentum.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Yes we agree the proposal to allow meaningful portion of allocation for bookbuilding placing tranche to optimize IPO price discovery.

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.

Yes we are supportive of the removal.

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)?

No

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Yes, we are supportive the proposal to allow issuers to choose adopting either Mechanism A or Mechanism B. We would like to highlight that it is critical to amend the clawback mechanism to impose a cap for HK public tranche allocation and ensure sufficient allocation to institutional investors through bookbuilding placing tranche. In recent HK IPOs, there is often very high level of over-subscription in HK public offering, which results in 50% allocation to public subscription tranche and the other 50% allocation to placees in the bookbuilding tranche and cornerstone investors combined, which significant lowers the allocation to bookbuilding placing tranche. Please see a few examples below. 24 deals with greater than 100x oversubscription in HK public offering and high cornerstone percentage since 2021, leaving significant low allocation to placing tranche (excluding homecoming IPOs and those separately applied for PN18 clawback waiver). The average allocation of these 24 deals is 50% to the public subscription tranche, 40% to the cornerstone tranche, and only 10% to the placing tranche.

One question we would like to clarify is whether issuers can still apply PN18 clawback waiver in mega HK IPOs? We note that Midea has a maximum 8% cap for the public subscription tranche in their IPO process.

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?

Yes

Please give reasons for your views.

Yes we agree.

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.

This reduces the flexibility to complete a transaction in difficult market. But if there is more flexibility allowed on price and size adjustments, we can also accept this proposal.

Question 13.1

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

Yes

Please give reasons for your views and any alternative suggestions.

Yes we are supportive. This pricing flexibility applies to all issuers, and we are supportive of this given this applies to all without special condition. For cornerstone investors' investment with this upward pricing flexibility, based on market conditions prior to launching a deal, issuer should have the flexibility to decide whether to maintain an upward 10% or downward 10% for the offering, and if so, such potential price adjustment options can be disclosed in the prospectus (similar to current downward price adjustment disclosure). Cornerstone investors will make commitments to the deal in parallel when determining price range and this potential price adjustment options, altogether right before deal launch. Cornerstone investors would be fully aware of such mechanism if adopted by the issuer, so it would be an informed decision from cornerstone investors to make the investments.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Yes we are supportive of the threshold.

Question 13.3

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

up to 30% of the bottom of that range (as set out in Option A of paragraph 282 of the Consultation Paper)

Please give reasons for your views and any alternative suggestions.

We would like to keep Option A. The 10% price adjustments are just options provided to the issuer, which may or may not be used in IPOs. We propose not to reduce the price range and keep Option A.

Question 13.4

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

No

Please give reasons for your views and any alternative suggestions.

We do not agree with the proposal because this is quite complicated and there is risk that investors in public subscription tranche does not fully understand the rules, which resulted in missing the deal when there is price adjustments while they in fact wish to subscribe no matter what. We think the proposal is too complicated for public tranche investors.

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.