

Submitted via Qualtrics

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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.

The proposed calculation method can better reflect the liquidity of the class of shares sought to be listed. It effectively excludes shares that do not contribute to the open market in HK. This calculation approach aligns with international practice, and this would help to enhance the competitiveness and attractiveness of the HK market.

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.

Please refer to our answer to Q1.1(a).

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.

Please refer to our answer to Q1.1(a).

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.

Please refer to our answer to Q1.1(a).

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.

Agree. Again, it gives a more accurate calculation and better reflection of the liquidity of shares in public hands.

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.

The proposal extends the definition to cover share acquisitions financed by, or at the instructions of, the issuer itself (not just the CCPs). This gives a more accurate representation of people considered as “the public”.

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.

We understand that the shares held by an independent trustee which are granted to independent scheme participants are usually under share schemes granted to employees, directors and key personnel of a company as incentive schemes. These shares may be subject to conditions (e.g. fulfilment of performance targets or employment periods) and/or restrictions (e.g. vesting or holding periods) before they are truly held by the scheme participants. Before that, they will be held in trust by the trustee on behalf of them. These shares should therefore be considered as shares “held in public hands” for a better reflection of the public float.

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.

Large cap issuers (with market cap above HK\$10b) have to fulfil a 15% to 25% public float requirement. The range indeed represents quite a large number of shares in public hands, which may concern these issuers. We understand the importance of having a public float and that sufficient public participation is a key component of a free market. However, these large cap issuers undoubtedly need institutional & professional investors to fulfil their fundraising needs. We therefore believe the tiered thresholds address this issue. They provide more balanced and realistic requirements for not just large cap issuers but also other issuers to fulfil.

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.

Precisely, we partially agree to the proposal. We agree with Tier A, B and C. We propose to incorporate Tier D into Tier C. The current Tier D proposes a 5% initial public float for class of shares with an expected market value above HK\$70b at time of listing. We believe 5% would be too low to be of significance for securities of that expected value; it may not be sufficient enough to secure a good level of liquidity post listing.

Separately, Tier C proposes a 10% initial public float for a class of shares with an expected market value above HK\$30b but lower than or equal to HK\$70b at time of listing. We believe 10% could also apply to those shares under Tier D. Accordingly, we suggest HKEx to amend Tier C to cater for a class of shares with an expected market value above HK\$30b (i.e. incorporating Tier D into Tier C).

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.

As explained by HKEx, the exception is subject to bespoke requirements and conditions, which we believe should be maintained.

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.

Please refer to our answer to Q3.3(a).

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.

That information is readily available to the issuers and can improve public transparency and confidence.

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?

No

Please give reasons for your views and any alternative suggestions.

GEM issuers do not have the large market caps that require a tiered system. The current 25% should be retained and is sufficient.

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 current ongoing requirements should be maintained (i.e. needing issuers to maintain the prescribed public float and imposing consequences for breach). An ongoing requirement ensures market stability and the consequences act as deterrence.

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.

Please refer to our answer to Q4.1(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)?

No

Please give reasons for your views.

A constantly stable public float is essential to market liquidity. If issuers were allowed to maintain lower public floats, shares available for trading would decrease in an impromptu manner. That could restrict trading volume, which not just harm retail investors but also institutional investors as they tend to trade in large volumes. The consequential price fluctuations would also translate into market volatility and cause investors to cast doubts on HK's market performance in the long run.

Separately, flexibility to maintain lower public floats means potential larger control by majority shareholders. This could increase chances of market

manipulations and also harm minority interests. These would undermine overall investors' confidence and corporate governance.

For the benefit of a healthy and diverse market, the initial public floats should be maintained and no flexibility should be given.

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 current consequence of imposing trading suspensions has been an effective measure to deter issuers from failing to comply with the public float requirement. Issuers have been cautious to avoid going under their prescribed levels in practice.

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.

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.

No comment.

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.

The public can benefit from the transparency of issuers by disclosing this information and this also aligns with the principle of good corporate governance.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

It promotes a healthier open market. The public can better understand the compositions of an issuer's public float and ownership of its listed shares. It may also be an opportunity for an issuer to improve its corporate governance by incentivising it to revise and/or impose internal control procedures to fulfil the enhanced disclosure requirements.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

The information is readily available to the issuer and should not be a burden for them to disclose.

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.

Cornerstone investors are considered to be the public and will be allocated a certain portion of shares to be issued; their shares however are subject to disposal restrictions. By requiring a minimum free float, a larger pool of shares in the public subscription tranche will not be subject to disposal restrictions. This promotes an open market and market liquidity. It also aligns with international practice.

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.

The thresholds are reasonable.

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.

It is reasonable to do so.

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.

Other types of securities (e.g. options / warrants), as mentioned by HKEx, are often subject to disposal restrictions.

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.

Shares in share scheme are usually subject to disposal restrictions too.

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)?

Yes

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.

The current 15% threshold is too high for large cap issuers. Lowering the threshold addresses this issue. Based on our understanding on current market trends and needs of PRC issuers, we believe this amendment will make the HK market more appealing to them, hence a higher incentive to list in HK. It also makes listing easier for them.

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.

It ensures consistency and focuses on shares that contribute to the open market in HK.

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.

It allows more flexible investment strategies for cornerstone investors, which in turn encourages them to participate in HK listings. We understand the market's concern that a staggered lock up period may trigger market volatility and price fluctuations. However, we believe that a staggered lock up period pushes for an earlier disclosure of the real value of a stock; and if the stock performs well, a cornerstone investor would not sell even if the lock up period ends.

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.

Investors in the bookbuilding placing tranche are price setters. Having more of them could contribute to better 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)?

Yes

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)?

No

Please give reasons for your views.

The existing requirement has been effective in ensuring a broader and more even distribution of shareholdings in an IPO. A lower possibility of over concentration of shareholdings helps promote market fairness and diversity, further enhancing overall trading activity and market perceptions.

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)?

No

Please give reasons for your views and any alternative suggestions.

We disagree in the sense that issuers should not be given the option to list with no clawback mechanism in place (i.e. Mechanism B). We believe the clawback mechanism should be retained and has been effective. We however agree that the current maximum clawback percentage (50%) is too

high and should be lowered. Mechanism A proposes to lower the percentage from 50% to 20%. We suggest to adjust it to 30% instead. Clawback is triggered when there is excess oversubscription by the public. In other words, there is positive public reception on the issuer's shares. A 20% clawback could not, in our opinion, sufficiently satisfy the excess public demand. We therefore believe it should be increased, but to 30%, not 20%.

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.

The Allocation Cap has been effective.

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)?

Yes

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)?

No

Please give reasons for your views and any alternative suggestions.

Although we agree that the Maximum Allocation Cap Percentage Threshold should be lowered, it should not be lowered to 15%. Under paragraph 267 of the Consultation Paper, HKEx suggests 15% as it is the middle point of the minimum allocation to the public subscription tranche under Mechanism B (10%) and the proposed maximum clawback percentage under Mechanism A (20%). We refer to our answer to question 11.1, which we suggest adjusting the maximum clawback percentage under Mechanism A from 20% to 30%. Accordingly, the Maximum Allocation Cap under our suggestion would be the middle point of 10% and 30%, i.e. 20%.

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.

It promotes pricing efficiency and allows issuers to maximise capitalisations based on public demand.

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.

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.

Question 13.4

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

Yes

Please give reasons for your views and any alternative suggestions.

It would be more beneficial for issuers to be given the option to adopt pricing flexibility based on their own fundraising strategies and business needs.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We believe it is essential to extend the current disclosure requirements. In fact, the market should not just be informed of the issuer's choice to opt-in to the pricing flexibility mechanism. We suggest that the market should also be kept informed of the effect and consequential changes as a result of a price adjustment (if it is used in the end), e.g. the effect on the issuer's use of proceeds.

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.

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.

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.

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)?

No

Please give reasons for your views and any alternative suggestions.

Please refer to our answer to Q11.1.

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.

The proposed calculation approach will be more accurate.

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.

The proposed calculation approach will be more accurate.

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.

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.

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.

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.

We have studied the Consultation Paper in detail. We welcome the proposals and appreciate the effort that HKEx has invested to push forward positive changes to the market. We agree that the proposed changes represent a holistic reform of the current regulatory framework relating to the IPO price discovery process and open market requirements.

In our view, the proposals could optimise the price discovery process for IPOs and improve the current open market requirements. We believe they could increase the participation of institutional investors hence reduce price disparity, and also increase overall liquidity of shares by ensuring sufficient shares are in public hands post-listing. All in all, the proposals could bring a more attractive and competitive listing platform in Hong Kong.