

Submitted via Qualtrics

(Anonymous)

Company/Organisation view

Others (please specify)

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.

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.

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.

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.

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.

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.

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.

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.

Agree. This will give greater certainty to the market as to the listing requirements/process in Hong Kong. As a corollary, in order to ensure this certainty, the exchange should commit to adhere strictly to the requirements and not provide ad hoc waivers save in the most exceptional circumstances

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.

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.

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.

Agree, although the position is somewhat academic given the regrettably very small number of issuers seeking to list on GEM these days, even post the 2023 GEM listing reforms made following the Exchange's consultation that commenced in September 2023. As we stated in our response to that consultation, we believe that GEM needs to be repositioned to have a distinct role that can better contribute to the market in Hong Kong. We would accordingly repeat our suggestion that GEM should be repositioned as a sandbox for (generally) early stage companies and, indirectly, as an alternative to the current only backward-looking tests under Listing Rule 8.05. In simple terms, GEM should have no or a very low entry requirement and be a caveat emptor market as envisaged for the original GEM market. If after a period of time of public listing, say 5 years, a company has been able to demonstrate it has a sustainable business model and the ability to comply with regulatory listing requirements, then this should result in automatic promotion to the main board.

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.

Response to Q4.1 – 4.3: There should be a minimum public float requirement of HK\$75 million (being equal to 15% of the minimum initial market capitalization requirement on the main board and effectively equivalent to the threshold that would currently trigger a trading suspension). In the event the public float fell below this then this should be a matter for disclosure (public announcement; ongoing monthly disclosures; and a marker on the ticker) similar to (but requiring greater disclosure steps) to the SFC's approach to issuing warnings of high concentrations in shareholdings and should not result in suspension. This would reflect a fundamental principle for any stock market – that a stock should remain trading, with investors having the ability to exit, unless there would be a false market due to undisclosed inside information. It also reflects that (i) many companies listed on SEHK have very low liquidity (ii) that the size of the public float is not, of itself, the reason for this but rather the lack of investor interest in the particular company and, invariably, the absence of any research coverage, and (iii) the absence of trading in a stock

is not a basis under the rules of the Exchange for withdrawing from them the facilities of the Exchange

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)?

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)?

Yes

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.

Response to Q4.5 and 4.6: Agree. In particular an OTC platform would help mitigate the consequences for shareholders of a company that is removed from trading, for example under LR13.24 (it should not be needed for public float shortfalls though – see our response to Q4.1 – 4.3 above). Looked at on a standalone basis, we would suggest trading on an OTC platform should be restricted to professional investors on a caveat emptor basis (save for sales by non-professional investors of shares they held at the time the company becomes eligible for trading on the OTC platform – this is needed in order to address the issue outlined in the previous sentence). However, we would strongly urge that the question of how an OTC platform should be structured should be considered together with the question of how GEM can be repositioned to better contribute to the market in Hong Kong (see our response to Q3.5 above) so as to ensure an holistic solution to the underlying issues requiring to be addressed in the HK market.

In addition, consideration should also be given to the creation of a Private Intermittent Securities and Capital Exchange System (PISCES) in the manner proposed in the UK in order to add additional potential avenues to liquidity for the Hong Kong market.

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?

Yes

Please give reasons for your views and any alternative suggestions.

Agree, and similar to the proposal in Q3.4 there should be a requirement to disclose the free float

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.

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.

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.

Agree. The current absence of a requirement for a free float facilitates “friends and family” deals where it may be questionable as to the extent to which the securities have been truly distributed and a proper price discovery process has taken place

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)?

Yes

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Agree. The HK listing rules are highly complex by international standards and a consistent approach to the initial public float requirement across all companies would be a useful step forward in seeking to address this issue

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.

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:

Please give reasons for your views and any alternative suggestions.

We can see that a reduction to the length of the lock-up, providing cornerstone investors with the option to exit part of their investments earlier, may be attractive to those investors and hence encourage the participation of such investors in the Hong Kong market. However, we can also see that:

- (i) effectively this reduces the extent of the commitment such investors are being required to make in return for the advantages of being a cornerstone investor and the level of conviction about the investment that

other, less sophisticated, investors would be able then to read into cornerstone's commitments, and

(ii) as the additional three-months date would merely provide an option for cornerstone investors to exit from part of their investments, which might not be exercised, it would not necessarily do anything to reduce any market overhang caused by their positions. In addition, two release dates would exacerbate, rather than mitigate, the disruption to the market that inevitably occurs in the lead up to, and at the time of, the expiry of a lock up of a number of shares material in the context of the prevailing liquidity of the company's shares.

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.

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.

No other measures are required. The public and free float requirements, together with the requirement for a minimum number of shareholders, provide the necessary regulatory control. Further requirements are merely burdensome (and may result in poor behaviour in order to meet them) without doing anything to address the regulatory concerns over there being a proper distribution of securities and adequate price discovery

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.

Disagree. Inevitably the market will read signaling messages into it if there is a choice as to the approach to be taken to the minimum size of the public subscription tranche, which will be disruptive of the offering process and proper price discovery. Only option A should be available with the revision to the current tiering levels

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.

As stated above, we do not agree with Mechanism B being an option

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.

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)?

Yes

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.

Disagree. Upward pricing flexibility would not improve pricing discussions – rather, it would merely mean that the pricing range was wider and exacerbate the existing problem of issuers prioritizing the amount of funds raised over the quality of the order book to whom allocations are made

Response to Q13.2 – 13.5: Not applicable given our view to Q13.1. However, we would note that the structure of offerings in Hong Kong, and consequently the price discovery process, is very different from that in the US. Consequently, the fact that upward pricing adjustment exists in the US market provides no valid support to the need for such a mechanism in the Hong Kong market.

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.

Generally agree. However, paragraph 11 of the Placing Guidelines currently provides that the requirement for the submission of the identities of beneficial owners applies to nominee companies (noting that the term “nominee” is undefined). In the Consultation, it is proposed that this requirement be extended to require the submission of the identities of the beneficial owners of all companies. This extension would be unduly burdensome and not strike an appropriate balance between the disclosure obligations imposed on investors accessing the Hong Kong market and general information gathering for regulatory purposes. We further note that this is all the more the case given the requirement applies to sub-funds (see FAQ2 in Annex B.8 of the Guide for New Listing Applicants, which prescribes that sub-funds follow the rules applicable to a corporate place).

We also note that the use of HKIDRs has only relatively recently been introduced while the Uncertificated Securities Market proposals are still to be implemented, and that these will inevitably deal with some of the challenges that the regulators may be facing. This further supports that now is not the right time to be significantly expanding the disclosure burden imposed on investors accessing the Hong Kong market.

In addition, at times (but far from all the time) there has been guidance that, rather than all beneficial owners, what was actually required to be disclosed was the details of UBOs holding a controlling stake. However, the proposal is still to refer to (all) beneficial owners. This is an extremely wide requirement which in some cases is effectively impossible (e.g a listed company placee). The general requirement needs to be more focussed and confined to UBOs of nominee companies – i.e. where the regulator needs to know who the “real” placee is - and then reliance should be placed on the ability to ask for any further information if (but only if) the regulator actually identifies a concern. The current requirement, with the proposed amendment, is simply not striking an appropriate balance.

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.

Disagree, for the same reason as in the response 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.

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.

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.

As previously stated [REDACTED]
[REDACTED] we are supportive of measures that enhance the position of Hong Kong as a leading global financial centre. This is good for Hong Kong and good for our members as a part of the business community here. In this regard, we are generally supportive of the proposals set out in the consultation paper "Proposals to Optimise IPO Price Discovery and Open Market Requirements" published by HKEx on 19th December 2024. However, there are some places where, as noted below, we are not in agreement or believe what is proposed would benefit from modification. In addition, we reiterate our view as to the need for, and the benefit to Hong Kong that would come from, repositioning GEM.

In closing, we wish to repeat our strong support for addressing the great majority of the issues identified by the Exchange, subject to the important caveats and further suggestions we have mentioned, and thereby further reinforcing Hong Kong's position as a global financial centre and attractive listing venue for both domestic and overseas companies. We sincerely hope that our comments above will help in the refining of the optimal way forward.