

Submitted via Qualtrics

Jun He Law Offices

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.

We believe that by including only the shares that are tradable in Hong Kong into the calculation of the public float, it can provide a more genuine depiction of the market liquidity of the stock and is in-line with the rationale behind the public float requirement.

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 see our response to Question 1.1(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 see our response to Question 1.1(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 see our response to Question 1.1(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)?

Yes

Please give reasons for your views and any alternative suggestions.

The proposal can ensure that the public float is of a sufficient size to support trading activity and improve liquidity. By adding a market value requirement, it further adds a layer of protection by ensuring that the public float is also substantial and meaningful in monetary terms.

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 definition of “the public” should reflect genuine and independent participation. By carving out any person whose acquisition of securities has been financed by the issuer and any person who is accustomed to take instructions from the issuer, this can ensure that the public float serves its intended purpose of promoting liquidity, price discovery and market integrity.

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.

Assuming the scheme participants are all independent and fall within the definition of “the public”, upon vesting, these participants will have the opportunity to trade these shares on the open market, contributing to the overall liquidity of the stock. Therefore, we are of the view that these shares should be counted towards 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.

The proposal offers greater flexibility for issuers and foster a more inclusive IPO market for issuers of different sizes. In addition, by matching the float size to the issuer's market capitalization, a tiered system can contribute to a more accurate price discovery. It can also cater for issuers from different industry sectors, which may garner different levels of investor interest and liquidity.

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.

We think that the A+H issuers should be carved out from the proposed tiered initial public float thresholds as A shares are not fungible with H shares and thus should not be included in the calculation of the H shares' public float.

However, A-share listed companies, when considering their potential H share listing, are generally concerned about the potential dilution effect. As noted in paragraph 48 of the Consultation Paper, the implementation date of the proposal could be subject to the outcome of a further consultation on the ongoing public float requirements, there may remain some uncertainties as to how the proposal pertaining to A+H issuers will be applied to them.

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?

No

Please give reasons for your views and any alternative suggestions.

We have reservations about imposing the same tiered initial public float thresholds to GEM issuers as this may impose higher entry requirements to potential 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.

Please see our response to Question 4.2.

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 see our response to Question 4.2.

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.

We believe that issuers should have the flexibility to manage their share capital for their business or financial planning, such as to conduct share repurchases or M&A activities for their business growth, and thus should be subject to a more relaxed requirement post-listing.

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)?

No

Please give reasons for your views.

We noted that in some cases, a public float shortfall arises from an acquisition of securities by a third party, who then becomes a substantial shareholder of the issuer and thus no longer fell within the definition of “the public”. In order to restore the public float, the listed issuer might have to issue new shares to

independent third parties, or by selling of shares by a core connected person, neither of which might be in the best interest of the listed issuer or its shareholders as a whole.

Alternative ways to the suspension of trading of a listed issuer in the event of a public float shortfall could perhaps include, for example:

- Enhanced disclosure: periodic announcement to provide updates to the market on its public float status; and/or
- Designated section on the hkexnews website: a centralized hub to provide information on all the listed issuers with public float shortfall.

This approach supports the fundamental principle that a stock should remain trading so that investors can exit or make informed purchase decision based on the information available pertaining to the listed issuers.

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.

In principle, we believe an OTC market for delisted issuers would provide a helpful avenue for their existing shareholders to exit their positions. However, we believe further research would be helpful to ascertain (i) the number of companies which are required to sustain the OTC market, (ii) the investor

demand for such market, and (iii) the composition of the investors in other overseas OTC markets (retail investors vs professional investors) to determine whether such market should be ring-fenced to professional investors only.

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.

Please see our response to Question 4.5.

Question 4.6(b)

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

Please see our response to Question 4.5.

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.

Please see our response to Question 4.5.

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.

As a common internal control practice, a listed issuer should have a list of its core connected persons (including director, chief executive or substantial shareholder of a listed issuer or any of its subsidiaries, and their close associates) to monitor any potential connected transactions. Therefore, it appears that this additional disclosure should not be unduly burdensome to a listed issuer.

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.

Please see our response to Question 5.1. We believe the shareholding of the core connected persons should be included.

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.

Please see our response to Question 5.1.

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.

Imposing a minimum free float requirement at the time of the listing would ensure that there will be a sufficient number of freely tradeable shares at listing to facilitate proper price discovery and an open market.

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 proposed 10% threshold is at the lower end of the range compared to the other international stock exchanges which adopt similar rules, and thus it should not be overtly difficult for a listing applicant to fulfil this requirement seeking to list on the Exchange.

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)?

No

Please give reasons for your views and any alternative suggestions.

As a PRC issuer has to comply with the PRC Company Law, which requires that shares issued before the listing cannot be transferred within one year from the date of listing, that means a PRC issuer would inherently have fewer free float shares compared to other listing applicants incorporated elsewhere. We are of the view that a different set of requirements should be applied to PRC issuers.

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.

As the shares held under a share scheme are for the sole purpose of being vested to the awardees, they are not readily tradable at the time of listing and thus should not be considered as free float.

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.

Save for our reservation with regards to applying the requirement to PRC issuers (as stated in our response to Question 6.3), we are of the view that a consistent approach on free float should be adopted to all issuers.

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.

For an A-share listed issuer, when considering a H-share listing they are often concerned about, among other things, the potential A-to-H share discount and dilution effect. We are of the view that a reduced minimum listing threshold will be welcomed by the potential A+H issuers. However, we have no comment as to whether the proposed thresholds are appropriately set, as they should be determined based on an assessment of the historic valuation data of A+H issuers and the corresponding investors interest.

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.

Please see our response to Question 7.1.

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.

Please see our response to Question 7.1.

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 are of the view that Option B would promote an orderly and a more spread-out sell-off upon the expiration of the lock-up period, and reduce the risk of share price volatility as a result. The improved flexibility can also be attractive to institutional investors who prefer more liquid investments.

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.

We generally support the proposal, however in the case of a clawback due to a high public tranche demand, the allocation to the cornerstone investors

might be scaled back. Considering cornerstone investors provide upfront commitment and are subject to lock-up post-listing, they generally need allocation certainty, especially to those PRC-based investors who need to go through different levels of internal approvals and QDII procedures.

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)?

Yes

Please give reasons for your views.

We are of the view that the current requirement under Rule 8.08(2) of the Listing Rules (a minimum of 300 shareholders at listing) is a sufficient benchmark to ensure an adequate spread of shareholders at listing.

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.

The proposal allows flexibility to the offer structure and promotes certainty with regards to having sufficient allocation to the placing tranche as well as to the cornerstone investors.

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)?

Yes

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?

Yes

Please give reasons for your views and any alternative suggestions.

We believe that a two-way price range adjustment allows the issuers to achieve optimal price outcome, especially in the face of changing market conditions. It also provides a buffer against unexpected changes in market sentiment that can negatively impact the IPO's success. In particular, downward adjustments can help prevent the IPO from being undersubscribed, while upward adjustments can help capture additional value when the market sentiment is strong. Allowing a two-way adjustment can also enhance price discovery and reduce the likelihood of significant price volatility in the secondary market immediately after listing.

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.

Option A is preferred as it offers greater flexibility.

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.

We in general are of the view that investors from the public tranche should be given the flexibility to decide whether to subscribe for the shares if the final offer price is outside of the initial offer price range that they are originally willing to subscribe the shares for. However, it may also introduce uncertainty into the allocation process.

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.

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)?

Yes

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)?

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.