

**Submitted via Qualtrics**

**BlackRock**

**Company/Organisation view**

**Investment Firm / Asset Manager Focusing on Public Equity**

**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?**

**Please give reasons for your views and any alternative suggestions.**

**Question 3.2**

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

**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)?**

**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)?**

**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?**

**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?**

**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.

**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)?**

**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 welcome the idea of introducing an OTC market that, among other things, provides liquidity for stocks that have had their trading suspended, but note that there should be sufficient safeguards in place should such a market be open to retail investors.
- We look forward to exploring detailed proposal from the SFC and HKEx on the potential structure of an OTC market, the functions it should serve and benefits/risks associated with it.

**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)?**

**Please give reasons for your views.**

**Question 6.2**

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

**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)?**

**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)?**



**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)?**

**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)?**

**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)?**

**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 support Option B, the proposal to provide a staggered lock-up release on cornerstone investments (50% after three months from listing, and the remaining 50% after six months from listing)
- This would be beneficial in helping to spread out the potential share price volatility impact upon the expiry of lock-ups, and also improve free float within a shorter timeframe
- Practically if this comes into effect, the industry will benefit from clear definition of expiry dates. We suggest the sell-side to include the 2 staggered lock-up dates clearly on the term sheet at the time of IPO launch for the avoidance of any doubt

- There are markets with similar practices (eg. India IPO anchor tranche) that we can reference for implementation.

### **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 support the proposal of having at least 50% of the total number of shares initially offered in an IPO be allocated to investors in the bookbuilding placing tranche.
- This would ensure that an IPO is priced by reference to a robust bookbuilding mechanism and having a larger bookbuilding placing tranche would optimise the pricing process given bookbuilding placees are key “price setters” in an IPO
- However, this proposal should be carefully considered and balanced alongside the proposal to reduce the cap on the public subscription tranche clawback mechanism (outlined below), such that the cornerstone tranche remains to be a meaningful component of the deal and not be subject to an indirect reduced cap as a result

### **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)?**

**Please give reasons for your views.**

**Question 10.2**

**Do you consider that other safeguarding measures should be implemented to ensure an adequate spread of holders in the placing tranche, in light of the proposal (as set out in paragraph 230 of the Consultation Paper)?**

**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.**

- We support the proposal for a clawback mechanism that limits the public subscription tranche to take a maximum of no more than 20% in the IPO.
- Public subscription tranche investors do not have influence on the price discovery process of an IPO and are price-takers, as evidenced by the requirement to purchase shares allocated to them at the final offer price. Given the profile and investor goals of investors in the public subscription tranche is not known to the issuer or lead manager(s) of the IPO, there is generally less certainty and transparency on the potential treatment of IPO allocated shares post listing by public subscription tranche investors.

- Moreover, the clawback mechanism has in the past frequently resulted in institutional investors being left with minimal allocations. When allocations become so small that they make little impact on a portfolio, institutional investors may seek to exit the position shortly after IPO rather than holding it for longer or they may be discouraged from participating in the first place.
- As such, a lower cap for the public subscription tranche will be beneficial in helping to enhance price setter participation, reduce the risk of high price volatility post listing and encourage longer term investing.

### **Question 11.2**

**Do you agree with the proposal to require Specialist Technology Companies to only adopt the existing initial allocation and clawback mechanism designed for them, i.e. Mechanism A (as set out in paragraph 251 of the Consultation Paper)?**

**Please give reasons for your views.**

### **Question 12.1**

**Do you agree that we should retain the Allocation Cap?**

**Please give reasons for your views.**

### **Question 12.2**

**Subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendments to the triggering conditions of the restrictions on Reallocation and PO Over-allocation (as set out in paragraph 262 of the Consultation Paper)?**

**Please give reasons for your views and any alternative suggestions.**

**Question 12.3**

**Subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendments to lower the proposed Maximum Allocation Cap Percentage Threshold from 30% to 15% (as set out in paragraph 263 of the Consultation Paper)?**

**Please give reasons for your views and any alternative suggestions.**

**Question 13.1**

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

No

**Please give reasons for your views and any alternative suggestions.**

- We are strongly opposed to the proposal to introduce flexibility to adjust the final offer price upward (in addition to downward, which is currently permitted), after prospectus publication, by a maximum of 10% above the indicative offer price or the top of the offer price range.
- We are of the view that the investor engagement and price discovery process that would take place post A1 filing and prior to the bookbuild are robust enough to contribute towards the setting of a price range for the bookbuild that would adequately reflect investors' conviction and risk appetite
- Any upward revision of the indicative offer price or offer price range based on the bookbuild momentum would likely be opportunistic in nature and is less likely to be fundamentally driven, and allowing for that may potentially have negative impacts on the quality of the overall orderbook and hence IPO allocation.
- Additionally, the impact of an upward price revision on cornerstone investors should be taken into account. Cornerstone investors are required to make a firm and binding commitment with guaranteed allocation received prior to the start of the bookbuild. A cornerstone commitment is currently made up to the top end of the price range, and should there be an upward

price revision beyond the top end, it would be necessary and fair for cornerstone investors to have the option to re-evaluate and revise their cornerstone investment accordingly prior to the pricing date. However, we should be mindful of the tight timeframes involved for any revisions to be made to the cornerstone agreement given a T+2 settlement cycle and potential time zone differences involved (which can depend on factors including the location where portfolio managers are based), which may indirectly introduce a higher level of risk to the overall process for cornerstone investors.

- In our view, allowing such upward pricing adjustment would introduce unnecessary uncertainty, potentially undermining the integrity of the price discovery process and competitiveness of the Hong Kong market. We would urge the Exchange to take a balanced approach to ensure deals remain attractive to price setting institutional investors.

### **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)?**

**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.**