

**Submitted via Qualtrics**

**Freshfields**

**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.**

This ensures that the public float accurately reflects the shares readily available for trading in the Hong Kong 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.**

We agree with this proposal as this method provides a clear and consistent method for calculating the public float.

**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.**

This approach is also consistent with the principle of focusing on the open market in Hong Kong.

**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.**

This approach maintains consistency across different types of issuers.

**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.**

This clarification is consistent with the proposed approach under Question 1.1.

**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)?**

No

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

We seek the Exchange’s further clarification on under what circumstance, a trustee would be considered as not taking instructions from the issuer and therefore being independent. For example,

1. under the existing requirements, new shares can only be issued for the benefit of specified participants. Therefore, as long as the participants of a share scheme trust do not include CCPs, the trustee of such trust would be considered as an independent trustee (absent other factors that may result in such trustee not being independent); and
2. if a trustee is holding both new shares issued on behalf of independent specified participants and existing shares purchased on-market in anticipation of future grants, such trustee would not be considered as independent, as part of the shares held by it are for the benefit of unspecified participants.

If the above understanding is correct, we have concern on this proposal as it may restrict listed issuers from implementing share schemes which are funded by existing shares, particularly for H share issuers. The H share schemes of those issuer have always been satisfied by existing H shares purchased on-market in the past. The proposal will also impact the public float of some listed issuers which already use existing shares to fund their respective share schemes. For example, for some dual-listed issuers whose share schemes are only required to comply with the requirements under the previous Chapter 17 of the Listing Rules (before the rule updates in July 2022 became effective), the trusts of share schemes for those issuers have been holding shares on behalf of unspecified participants.

We think the Exchange’s concern under this proposal could be addressed through other means, such as imposing a reasonably long period that a trustee may hold shares on behalf of unspecified participant for shares schemes adopted in the future.

**Question 2.2**

**Do you agree with our proposal to regard shares held by an independent trustee which are granted to independent scheme participants and unvested as shares held in public hands (as set out in paragraph 65 of the Consultation Paper)?**

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

**Question 3.1**

**Do you agree that we should replace the current minimum initial public float thresholds with tiered initial public float thresholds according to the expected market value of the class of securities for which listing is sought on the Exchange at the time of listing?**

Yes

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

**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.**

We agree with this proposal as it enhances transparency.

**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.**

This consistency across different boards of the HKEX simplifies the regulatory framework and reduces complexity for listing applicants.

**Question 4.1(a)**

**If our proposed initial public float thresholds (see proposals in Section I.B.1 and Section I.D.1 of Chapter 1 of the Consultation Paper) are supported by the market, we seek views on the appropriate ongoing public float requirements for issuers, subject to the initial public float tiers proposed (see Table 5 in Section I.B.1 of Chapter 1 of the Consultation Paper). Please give reasons for your views and any alternative suggestions.**

We agree issuers should be allowed a certain degree of flexibility to maintain a lower public float level.

One possible approach is that, if the average market capitalisation of a listed issuer for the most recent financial year reached the relevant threshold in respect of which a lower percentage of public float is applicable, the issuer may apply for a waiver from the Exchange for a lower percentage of public float.

**Question 4.1(b)**

**If our proposed initial public float thresholds (see proposals in Section I.B.1 and Section I.D.1 of Chapter 1 of the Consultation Paper) are supported by the market, we seek views on the appropriate ongoing public float requirements for: A+H issuers and other prescribed types of issuers (see Section I.D.1 of Chapter 1 of the Consultation Paper). Please give reasons for your views and any alternative suggestions.**

We agree issuers should be allowed a certain degree of flexibility to maintain a lower public float level.

One possible approach is that, if the average market capitalisation of a listed issuer for the most recent financial year reached the relevant threshold in respect of which a lower percentage of public float is applicable, the issuer may apply for a waiver from the Exchange for a lower percentage of public float.

**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.**

See answer to Question 4.1

**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.**

We have no comments for this Question.

**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.**

We have no comments for this Question.

**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.**

We have no comments for this Question.

**Question 4.6(b)**

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

We have no comments for this Question.

**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.**

We have no comments for this Question.

**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.**

This enhanced disclosure requirement will significantly improve transparency and provide investors with a clearer understanding of the company's shareholding structure and market liquidity.

**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.**



We suggest disclosures should only be limited to information that is publicly available and is within the knowledge of the issuer's board of directors. This level of disclosure could potentially expose sensitive information and deter strategic investors from participating in the market.

### **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.**

This ensures that the disclosure requirements are reasonable and do not impose an undue burden on issuers. The process of accurately calculating and disclosing the public float can be complex and resource-intensive, particularly for smaller issuers with limited resources.

### **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.**

We agree with this proposal, subject to our comments for the rest of Question 6. This requirement helps ensure sufficient liquidity and an active trading market for the newly listed securities, which benefits both the issuer and investors.

### **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 calculated based on the total number of shares in the relevant class, which in most cases, is equivalent to the 10% of the total number of issued shares as enlarged by the IPO of a new listing applicant and therefore is a high percentage. Particularly, H shares are now considered as the same class of shares as domestic/unlisted shares.

This percentage threshold imposes practical difficulties for new listing applicants to comply with and may also give rise to risk of high fluctuation of share prices immediately after the listing.

1. The size of the global offering is affected by many factors, including shareholders and management's expectation on the new listing applicant's valuation, the expected use of proceeds and the market demand in the new listing applicant's shares.
2. (i) For H share companies, all shares issued prior to the IPO will be subject to statutory lock-up of 12 months, and (ii) for non-H share companies, it is not uncommon for underwriters to require all shares issued prior to the IPO (or at least shares held by management and pre-IPO investors) to be subject to contractual lock-up so as to stabilise the stock price immediately after the IPO, therefore those shares will not be counted towards satisfying the free float requirement.
3. As shares allocated to cornerstone investors are also not considered as part of the "free float", it would be practicably difficult for many new listing applicants to satisfy the percentage threshold without (i) having to issue a higher percentage of new shares, contradictory to management intention or causing further dilution to existing shareholders, or (ii) having to allocate fewer shares to cornerstone investors, which would not contribute to building investor confidence, particularly under volatile market environment.
4. Non-H share listing applicants may also have to not requiring shares held by management or pre-IPO investors to be subject to lock-up after the IPO in order to satisfy the free float requirement. However, some issuers in the past have experienced great fluctuations on their stock prices on the first trading date after listing as a result of management or pre-IPO investors selling down.

Whereas, for A+H issuers, the 10% threshold is calculated based on the total number of H shares in public hands, which is a much smaller denominator and might be easier to satisfy. The Exchange may consider aligning the

requirements and require the 10% threshold for non-A+H issuers to be also calculated based on the total number of offer shares under the global offering.

**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.**

See our comments for Question 6.2.

**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.**

We agree with this proposal given shares are the primary instruments for trading and liquidity in the market.

**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.**

We agree with this proposal as those shares are not available for trading.

**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.**

We agree with this proposal so that the same requirement applies to all issuers, subject to our comment to Question 6.2.

### **Question 7.1**

**Do you agree with our proposed revised minimum thresholds on shares to be listed on the Exchange for A+H issuers and other prescribed types of issuers (as set out in paragraph 162 of the Consultation Paper)?**

Yes

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

We agree with this proposal as it provides greater flexibility for these issuers while ensuring a sufficient amount of shares are listed in Hong Kong to attract investor interest and maintain a healthy trading liquidity.

### **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.**

We agree with this proposal as they will no longer be meaningful following the Exchange's clarification on the HK\$125 million market value requirement for securities held in public hands pursuant to MB Rule 8.09(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 would prefer (b) allow a staggered release of the six-month lock-up.

A staggered lock-up also provides a more balanced approach by considering the interests of all relevant stakeholders. It allows cornerstone investors to access a portion of their investment earlier while still maintaining a level of stability in the market.

However, as a practical matter, it might be difficult for an issuer to agree with cornerstone investors on whose shares are subject to a shorter lock up period and it may also give rise to concern on fair treatment on cornerstone investors.

### **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)?**

**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)?**

**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)?**

Yes

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

The Exchange may consider requiring enhanced disclosure to be made in the allotment results announcement relating to the number of placees in the placing tranche and a placee concentration analysis of the issuer's shareholders.

**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 strikes a balance between protecting the interest of the public investors and allowing the listing applicant and its underwriters to determine the appropriate offering structure for the global offering, particularly considering the change in investor composition.

### **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.**

This recognises the unique characteristics and investor profiles of Specialist Technology Companies, allowing for a more tailored approach to their public offering allocation that may differ from other issuers.

### **Question 12.1**

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

Yes

**Please give reasons for your views.**

We agree this proposal as it protects public subscription tranche investors from being “stuffed” with offer shares that were priced higher than actual market demand.

### **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.**

Subject to the proposals on the minimum allocation of offer shares to the public subscription tranche being adopted, we agree with this proposal.

**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.**

Subject to the proposals on the minimum allocation of offer shares to the public subscription tranche being adopted, we agree with this proposal.

**Question 13.1**

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

Yes

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

We agree with the proposal. However, we seek the Exchange's further clarification on the mechanisms and settlement arrangements to make sure public offer subscribers can deposit more funds in the case of an upward offer price adjustment.

**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:**

**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.**

**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.**

We agree with these proposals as they ensure consistency and clarity in the regulatory framework, aligning the guidelines with the proposed changes to the Listing Rules.

**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.**

We agree with this proposal since the new class of equity warrants is distributed as a bonus issue pro rata to existing shareholders, there should be no need to impose additional public float requirements.

**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.**

We agree with this proposal to align listing document disclosure requirements as set out in the Main Board and GEM Listing Rules.

**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.**

We agree with this proposal as these issuers already have an established market presence and investor base through their primary listing on another exchange.

**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.**

We agree with this proposal as a consequential amendment if the other proposals on minimum market value of H shares are adopted.

**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.**

Subject to the proposals on the minimum allocation of offer shares to the public subscription tranche being adopted, we agree with this proposed consequential amendment.

**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.**