**<u>Submitted via Qualtrics</u>**

**Skadden, Arps, Slate, Meagher & Flom**

**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 agree that securities of a class that is not seeking to be listed in Hong Kong (or exchangeable for securities seeking to be listed in Hong Kong) should be excluded from the public float calculation as these securities will not contribute to an open market in trading in Hong Kong.

## 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.**

However, see response to Question 1.1(c).

## 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.**

We agree that only H shares should be considered in the numerator.

However, if a PRC listing applicant has A shares listed on a PRC exchange, the A shares should also be excluded from the denominator as A shares and H shares are not fungible with each other. Taking into account A shares in the denominator (but not the numerator) could cause A+H listing applicants to have a higher amount of H shares to be held by the public in Hong Kong (both in percentage or by value) compared with other listing applicants. Excluding A shares from both the numerator and denominator when calculating public float would align with the treatment for disclosure of interest purposes pursuant to Part XV of the SFO (a source of information that would be used by issuers in disclosing ongoing actual public float amounts, if the proposal under Question 5 is adopted).

The Exchange's concern that A+H listing applicants have a "critical mass" of shares listed in Hong Kong would be better addressed by a stand-alone minimum market value of total H shares of the listing applicant for which listing is sought in Hong Kong (see response to Question 7.3).

We suggest the same approach for PRC issuers with no other listed shares.

<u>**Question 1.1(d)**</u>

**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.**

We agree that only securities in the class(es) for which listing is sought should be considered in the numerator.

However, the securities of other class(es) for which listing is not sought should also be excluded from the denominator as these other class(es) would not be relevant to the trading of securities in the class(es) that will be listed in Hong Kong or ensuring that there is a "critical mass" of shares of the listing applicant being listed in Hong Kong. This would be consistent with comparable international requirements as mentioned in paragraph 43 of the consultation paper.

**<u>Question 1.2</u>**

**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 is a welcome clarification that better achieves the purpose of this rule.

**<u>Question 2.1</u>**

**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 sympathize with the rationale behind this proposal.

However, a share incentive trust ultimately holds shares on behalf of, and for the interests of, its beneficiaries; and those trust shares ultimately belong to and will be dealt with according to the instructions of the relevant beneficiary. Where the trust beneficiaries are all independent persons (non-core connected persons), we suggest that the trust shares should be deemed "public".

On "financing by the issuer":

(a) We believe that the mere funding by an issuer to purchase trust shares (whether through cash or in kind) should not be a determining factor in whether the trust shares are held by the "public". For example, (x) funding by an issuer to a trustee to purchase shares on-market to satisfy vested share awards granted to independent employees is akin to (y) the issuer paying its independent employees a salary and the employees subsequently buying their own shares on-market to be held in a trust for convenience; in the case of (y), such shares should be counted towards the "public", while the case of (x) would have the same effect as (y) but is often adopted out of convenience or for certain persons that do not easily have access to holding/dealing in Hong Kong listed shares (for example, those without access to brokerage accounts).

(b) We therefore seek further clarification from the Exchange as to what degree (or the types) of funding of a trust by an issuer would render the trust shares excluded from the "public".

(c) Proposed amendments to rule 8.24(a), as currently drafted, could potentially exclude any shares of employees (whether held through a share incentive trust or otherwise directly by the employee as shareholder) from the "public", as such shares would be, at the very least, financed "indirectly" through salary earned from the issuer, which presumably is not the intention of the Exchange. We suggest fine-tuning this proposed rule amendment.

On "giving instructions to the trustee":

(a) In dealing with vested trust assets, both the trustee and the issuer would follow the directions of the relevant beneficiary (as vested trust shares would belong to the relevant beneficiary and not the issuer). We seek further clarification from the Exchange on what degree of involvement/control by the issuer would render the trust shares excluded from the "public".

(b) We suggest that further nuance be considered on this point, including: (i) whether the voting power attached to 30% or more of the trust shares are actually controlled by the issuer or remain with the independent beneficiaries; (ii) what degree of control independent beneficiaries have in the administration of the trust or in dealing in their interested shares; and (iii) in respect of dealing in trust shares, what degree of control the issuer has over the decision-making power of the trustee compared with how much discretion the trustee has (for example, if the issuer is merely passing on instructions given by the independent beneficiary, or if the issuer merely gives framework guidelines for a trustee within which the trustee still retains broad discretion, whether these scenarios would be considered a determining factor in whether the trust shares are excluded from the "public").

We welcome further guidance on this proposal and suggest the Exchange adopt a more granular approach when assessing whether the shares held by such shareholders should be excluded from the "public".

**Question 2.2**

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

**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.**

We share the concerns of the Exchange. A tiered system based on the market value of the class of securities for which listing is sought in Hong Kong would bring welcome flexibility to listing applicants.

**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.**

The proposed tiers are consistent with current practice when assessing public float waivers and would provide further welcomed granularity to the public float requirement.

**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.**

This would provide greater clarity to investors, particularly if the proposal under Question 3.1 is adopted.

**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.**

**<u>Question 4.2</u>**

**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 strongly welcome this proposal.

After listing, as the market value of issuers' listed securities increase, issuers should be able to maintain a lower public float level. This would give issuers and their shareholders greater flexibility to take certain corporate actions, such as repurchases (if they consider the trading price to be below the company's actual value or for share incentive purposes or to satisfy outstanding convertible instruments) or share purchases (such as general offers) that they otherwise would be restricted from taking in order to preserve the public float level calculated based on the issuer's listing market value.

This flexibility is particularly important for issuers that find themselves falling below their listing public float threshold after shareholder composition changes (such as after a general offer) that do not involve the issuer and are outside the issuer's control, but which causes the issuer or its controlling shareholder needing to take action to restore the listing public float threshold (which may be higher than the threshold that would be applicable to the company were it a new listing applicant).

**<u>Question 4.3</u>**

**Should the existing regulatory approach of suspending trading of issuers with public float below a prescribed level (see paragraph 92(c) of the Consultation Paper) be maintained, in view of the issues we have described in the Consultation Paper (see paragraphs 110 to 111 of the Consultation Paper)?**

Yes

**Please give reasons for your views.**

**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.**

We agree that shares underlying convertible securities may be difficult to calculate (such as in the case of convertible bonds) and may be subject to short-term change (such as in the case of share incentive options or awards).

**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.**

Establishing an OTC market in Hong Kong could:

- Give liquidity to suspended shares listed in Hong Kong.
- Give Hong Kong investors access to overseas listed companies that are not listed in Hong Kong, such as those that do not meet the listing requirements in Hong Kong or those that voluntarily elect not to list in Hong Kong.
- Allow companies that are not listed in Hong Kong access to Hong Kong investors and presence in Hong Kong.
- Provide investors and companies participating on the OTC market greater flexibility to agree on trade terms.

Risks of establishing an OTC market in Hong Kong include exposing investors to:

- Companies that are not subject to the same rigorous pre-vetting process and ongoing compliance requirements as issuers listed in Hong Kong.
- Opaque trading terms and less efficient pricing of OTC securities.
- Securities that are prone to higher risk of market manipulation due to lower regulation, less transparency of parties/trades, lower liquidity, and asymmetry of information among OTC market participants.

**Question 4.6(b)**

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

An OTC market in Hong Kong would provide a centralized platform for participants to place orders and execute off-Exchange trades, as well as limited regulation of participants to, and trades occurring on, the OTC market.

**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.**

Purchase of the shares of certain OTC issuers (such as small-cap issuers, issuers not listed on an internationally recognized exchange, issuers with shorter operating histories, or issuers suspended due to serious/systemic non-compliance issues) should be limited to non-retail investors at first, due to the relatively higher risk profile of these issuers.

Other “less risky” issuers (such as larger cap issuers listed on a comparable stock exchange or securities of existing issuers listed in Hong Kong that are suspended from trading due to reasons other than serious/systemic non-compliance issues) can be available to retail investors to give retail investors greater access to investment opportunities.

**Question 5.1**

**Do you agree with our proposal to mandate disclosure of actual public float in listed issuers' annual reports?**

No

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

We sympathize with the concerns of the Exchange. However, we do not believe that this proposal would add any additional meaningful information to investors and would be impracticable and unduly burdensome for issuers. Instead, we would suggest that issuers disclose the minimum public float threshold applicable to them (particularly if the proposal under Question 4.2 is adopted and issuers can lower their public float threshold after listing), while the actual public float amount can be encouraged but should not be mandated to be disclosed.

Under the proposal, the required disclosure would be based on publicly available information and within the knowledge of the issuer's directors.

However:

(a) Publicly available information (such as disclosure of interest filings made by substantial shareholders) is limited to certain trigger events and does not equate to an accurate and updated position of substantial shareholder interests. Notably, substantial shareholders are not required to disclose every change in interest, and only upon crossing a whole percentage point.

(b) The proposed disclosure would be a historical public float amount (presumably as at the financial year end date for the issuer). Upon publication of the annual report, months would have passed and such disclosure would not provide an up-to-date picture of the public float position or shareholder composition of the issuer. It would unlikely provide any additional meaningful information to facilitate investors in their decision making, and as such, there is a mismatch between the Exchange's rational behind this proposal and what this proposal can actually achieve.

(c) The interests held by "core connected persons", which is widely defined and which includes close associates of directors and substantial shareholders (among others) of all subsidiaries (including insignificant subsidiaries), is beyond the control and knowledge of issuers and their directors. Even where internal control measures are adopted by issuers, core connected persons are neither obliged to disclose their interests to issuers nor in any timely manner, and issuers have no way of verifying that such disclosures would be accurate or complete. Any disclosure in the annual report can only be historical in nature (as a “snapshot” at a specific point in time) and would be caveated with a number of assumptions that would render such information unadvisable to be relied upon by investors, and any such reliance would expose the issuer (especially those also listed in overseas jurisdictions) to litigation risk.

(d) Since the disclosure is to be made in the annual report, months would have passed between the information and its disclosure. Investors would still need to review the latest disclosure of interest filings and conduct their own public searches and calculations to determine the latest public float position of an issuer, as only the latest information would be meaningful to investors in their decision-making process.

(e) Mandating issuers to make the proposed disclosure would necessarily require issuers to continually monitor their shareholder base and conduct their own shareholder investigations on an annual basis. Such investigation and verification of responses would be extremely costly (typically an external service provider would need to be engaged to conduct such an investigation) and time consuming (it could take months to compile), and would necessarily render outdated and incomplete results. This would be particularly impracticable and burdensome for issuers with numerous subsidiaries (many large-cap issuers have 50-100 or more subsidiaries) or substantial shareholders (at the issuer or subsidiary level) that have large or complicated corporate or investment structures (such as conglomerate shareholders with numerous subsidiaries, fellow subsidiaries or 30%-controlled investment entities).

(f) The proposed disclosure would merely be a reiteration of outdated information that is already publicly available to all. Whilst the Exchange notes that section 329 investigations would not be expected of issuers, it is unclear what level of enquiries (or investigation) and standard of verification would be expected by the Exchange of issuers (and their directors) to be able to provide any additional information in a meaningful way.

**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)?**

Yes

**Please give reasons for your views.**

It has been the recent practice of the Exchange to assess the free float of listing applicants, and for some listing applicants, to require a minimum free float upon listing. This proposal would provide welcome clarity and guidance on the free float requirement.

**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)?**

**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)?**

No

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

We suggest that it would depend on whether these shares are subject to any lock-up or other dealing restrictions. If these shares are free to be traded on the Exchange upon listing, then such shares should be counted towards the initial free float requirement, and it should not matter through which corporate structure these shares are held.

**Question 6.6**

**Do you agree that existing free float related requirements for Biotech Companies and Specialist Technology Companies should be replaced with the proposed initial free float requirement so that the same requirement applies to all issuers (as set out in paragraph 146 of the Consultation Paper)?**

Yes

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

**Question 7.1**

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

Yes

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

**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)?**

No

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

See response to Question 1.1(c).

**Question 8**

**In respect of the lock-up requirement on IPO securities placed to cornerstone investors, would you prefer to:**

retain the existing six-month lock-up (as set out in Option A in paragraph 205 of the Consultation Paper)

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

On retaining the exiting six-month lock-up:

We believe that in practice, the “overhang” concern would be largely addressed for those issuers that meet the “size test” threshold under Chapter 4.15 of the Guide for New Listing Applicants, where cornerstone investors that subscribe for offer shares can also participate (and many do in fact participate) in the placing tranche and not be subject to a lock-up restriction for that portion of their subscription shares.

On changing this a staggered release of the six-month lock-up:

We believe that the proposed 3+3 months lock-up requirement will not resolve the “overhang” problem and would merely set a new market standard and expectation. Additionally, this would lead to unnecessary and prolonged negotiation between the listing applicant and prospective cornerstone investors without resolving the root problem (and could have follow-on implications for negotiation of lock-up restrictions with pre-IPO investors).

We believe that this proposal would, in practice, encourage the type of cornerstone investors that are short-term investors, those investing as cornerstone investors for reputational or own promotional reasons, or close contacts of the issuer; none of which would likely be real indicators of market demand. Additionally, this could shift more investors from the placing tranche (which are the key price setters and determiners of market demand) to the cornerstone investment tranche.

**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.**

We share the Exchange's view that investors in the placing tranche are the key price setters and increasing their allocation would give a better indication of the market demand and lead to more efficient pricing prior to listing.

However, we suggest flexibility in allowing listing applicants to apply for a waiver from this requirement. Ring-fencing the placing tranche would cap cornerstone investment participation (especially for listing applicants that do not meet the "size test" threshold for "double-dipping"), which may not be in the interests of certain listing applicants that may want greater deal certainty, particularly under slow market conditions.

**<u>Question 9.2</u>**

**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.**

**<u>Question 10.1</u>**

**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 believe that the "300 shareholder minimum spread" requirement sufficiently addresses shareholder spread. The additional requirement on spread of placees imposes additional and unnecessary complexity to the allocation/placing of offer shares.

**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.**

Currently, listing applicants are required to submit a concentration analysis of placees to the Exchange, which is required to be disclosed in the Results Announcement. This enables the Exchange to pre-vet the concentration of placees on a case-by-case basis.

This process maintains flexibility in the placement process, allowing the Exchange and listing applicants to balance (x) concentration concerns (and in turn, whether the placing tranche is sufficiently broad for price discovery) with (y) other concerns, such as market conditions at the time of offering, nature of industry and business/offering, and the existing shareholding structure of the listing applicant.

**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 agree with this proposal for the following reasons:

- Reducing the minimum public tranche threshold. We share the Exchange's views that the current rules are no longer reflective of capital market investor trends. With less retail activity and more placee activity, lowering the minimum public tranche allocation would better align with Hong

Kong investor behavior. Lowering this threshold would increase allocation to professional investors, which compared with retail investors, are less reactive to market sentiment or speculation, which in turn could better stabilize price fluctuations of newly listed issuers.

• Retail investors are still important. We believe that maintaining a minimum public tranche allocation requirement is still important to enhance post-listing liquidity.

• The two mechanisms provide greater flexibility. The two mechanisms provide greater flexibility to listing applicants, allowing listing applicants to choose the mechanism that better aligns with their specific offering strategy.

**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?**

No

**Please give reasons for your views.**

We share the Exchange's concern of minimizing the risk of listing applicants "stuffing" the public tranche.

However, we query whether the Allocation Cap is needed in light of the proposal under Question 9 (i.e., that at least 50% of offer shares be allocated to the placing tranche). This is because:

(a) The 50% minimum allocation to the placing tranche already sets an upper Allocation Cap.

(b) If retail investor demand is high, this reflects an organic market response. Retail investors who subscribe to offer shares agree to “take” the offer shares at the final (then-undetermined) price, which could be the maximum of the indicative range. As such, it is unclear why shares allocated to public subscribers in response to actual market demand by retail investors would be described as “unwanted” and should be regulated by the Allocation Cap. This is true whether or not the placing tranche is undersubscribed.

(c) The Allocation Cap artificially reduces the level of participation of retail investors, which introduces unfairness against retail investors (who are already limited in their investment opportunities). We believe that this could cause more harm than good to retail investors.

(d) Instead of the Allocation Cap, the listing applicant should have the flexibility to decide, based on the specific considerations of their offering strategy, the maximum allocation from the placing tranche to the public tranche. We believe the allocation between the public and placing tranches should be a decision left to the listing applicant, under the guidance of their advisers, and not a decision for the Exchange to cap.

Separately, we agree that the allocation from placing to public tranche should be at the lowest of the indicative price range to avoid issuers pricing at the high-end in the context of low market demand in the placing tranche.

**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.**

**<u>Question 12.3</u>**

**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.**

**<u>Question 13.1</u>**

**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.**

This would give listing applicants greater flexibility to price more appropriately based on market feedback once applications open.

**<u>Question 13.2</u>**

**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.**

We believe that a 10% adjustment in either direction is appropriate.

**<u>Question 13.3</u>**

**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.**

The current 30% range is appropriate and we see no need to adjust this for the time being. Listing applicants are free to reduce the initial price range below this 30% spread if appropriate after preliminary pricing efforts.

**<u>Question 13.4</u>**

**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 believe the Proposed Opt-in Arrangement would give retail investors more flexibility and greater granularity in their subscription choices. However, we query whether this would complicate allocations and pricing (particularly when the time for pricing is now brought forward to noon under the FINI and the T+2 settlement system). We welcome further guidance from the Exchange on how this would work in practice.

**<u>Question 13.5</u>**

**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.**

**<u>Question 14</u>**

**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.**

303. We agree that this requirement is no longer needed.

304(a). We agree that this requirement is no longer needed.

304(b). We agree that this requirement is no longer needed.

304(c). This codifies current practice and requirements under the Placing Guidelines.

304(d). This brings welcome clarity to the scope of placing restrictions that aligns with current vetting practice.

304(e). This is consistent with current practice and aligns with listings of any class of shares for a listing applicant.

304(f). No comment.

**<u>Question 15</u>**

**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 that the initial public float requirement should not apply to bonus issues of equity warrants since they will be made on a pro rata basis.

**<u>Question 16</u>**

**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.**

**<u>Question 17</u>**

**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 it is a consequential amendment. As secondary issuers already have active trading investors at the time of listing, liquidity should not be a concern and as such, the free float requirement would not be applicable.

**<u>Question 18</u>**

**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.**

**<u>Question 19</u>**

**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.**

**<u>Question 20.1</u>**

**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.**

This aligns with the treatment of other issuers with unlisted shares. We welcome the Exchange's further guidance on determining the value of A shares listed on a PRC exchange.

**<u>Question 20.2</u>**

**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.**

**<u>Question 21</u>**

**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.**

A formal notice is an important announcement for public investors that may subscribe to a placing. We welcome this proposal to require a formal notice to be published where there would be any securities directly offered to the public.

**<u>Question 22.1</u>**

**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.**

**<u>Question 22.2</u>**

**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.**

**<u>Question 23</u>**

**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.**

**<u>Overall Comments</u>**

**Please provide your overall comments (if any) regarding the Consultation Paper which have not been covered in the questions above.**