

Submitted via Qualtrics

(Anonymous)

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.

Non-fungible shares of the same company listed on other exchanges should be excluded from the Exchange public float calculations, as these shares cannot be traded on the Exchange. This focused approach to public float calculation accurately reflects true market liquidity and prevents distortion from securities that are not available for trading on the Exchange. By including only shares that are actively tradable on the Exchange, the calculation enhances market transparency and enables investors to make more informed decisions based on accurate trading data.

Furthermore, calculating the public float percentage by reference to the total number of securities of that class brings the Exchange into greater alignment with other major international stock exchanges, notably the NYSE and Nasdaq, which prescribe public float requirements based on an absolute number of shares held by the public and the market value of such shares.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Question 2.1

Do you agree that we should exclude from the definition of “the public” any person whose acquisition of securities has been financed by the issuer and any person who is accustomed to take instructions from the issuer (as set out in paragraph 64 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Securities acquired by individuals through direct financing from the issuer should be excluded from public float calculations to maintain the integrity of independent ownership metrics. This exclusion serves as a crucial safeguard against artificial inflation of the public float, which could otherwise misrepresent market depth and liquidity to investors. The approach also aligns more with established practices in leading global markets, including NASDAQ and NYSE, where US securities laws restrict the trading of securities held by affiliates of the issuer unless those shares have been registered which puts the market on notice regarding the liquidity of those shares.

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.

The existing uniform percentage requirement for public float poses challenges for companies with large market capitalizations. A tiered threshold system based on market value offers greater flexibility, particularly for large-cap companies where a 25% public float requirement could result in an excessive absolute value. This refined approach maintains market integrity while providing a more practical framework for large issuers.

This tiered methodology also reflects common practices in leading global markets, notably NASDAQ and NYSE, which emphasize absolute market values for public float over fixed percentages.

Reducing the minimum public float percentage for exceedingly large companies simplifies their compliance with listing requirements, avoiding the need for undue dilution of existing shareholders or the procurement of surplus capital. This adjustment may also potentially incentivize a broader array of companies to pursue public listings in Hong Kong, thereby enhancing the diversity and vitality of the Hong Kong financial market. Even with reduced percentage thresholds for larger companies, the absolute value of the public float remains significant, ensuring sufficient market liquidity and facilitating price discovery. This setup protects investors by maintaining a healthy trading environment.

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?

Yes

Please give reasons for your views and any alternative suggestions.

Mandating issuers to disclose the applicable public float threshold in their listing documents enhances transparency. This information clarifies for potential investors the compliance framework that the issuer must adhere to, allowing for more informed investment decision from the public, including a more informed assessment on the potential liquidity of the issuer's securities.

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.

Given the tiered approach to initial public float thresholds, it would be logical and beneficial to apply a similar structure to the ongoing public float requirements. The framework should incorporate mechanisms for periodic assessment of market capitalization markers to determine the appropriate ongoing public float requirements for listed companies. This approach accommodates natural market fluctuations while maintaining consistent standards for market liquidity and transparency.

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)?

Yes

Please give reasons for your views.

Enforcing a fixed high public float percentages can impose undue burdens on listed companies, potentially undermining their operations and share price performance – outcomes that conflict with the fundamental purpose of public float requirements which are in place to protect investors through market stability and liquidity.

A more flexible approach to ongoing public float requirements is warranted when both the market value and volume of publicly held shares remain sufficient to maintain liquidity and market participation. This adjustment would provide listed companies with increased operational flexibility without materially compromising the market's integrity or the interests of investors.

The practice of maintaining less stringent ongoing public float requirements compared to initial listing thresholds is already established in major markets like Nasdaq and NYSE. This precedent demonstrates that post-listing flexibility can coexist with robust market quality and investor safeguards.

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)?

Yes

Please give reasons for your views.

The trading suspension mechanism for issuers falling below prescribed public float levels serves as an essential safeguard for market integrity. When public float diminishes below minimum thresholds, the resulting reduced liquidity increases vulnerability to price manipulation and volatility.

The proposed reduction in public float requirements at both listing and ongoing public float requirements stages provides adequate operational flexibility for listed companies, making the removal of trading suspension penalties unnecessary. Retaining the suspension mechanism for non-compliance with these more accommodating public float requirements serves as an essential regulatory safeguard. This approach maintains market

discipline while the revised thresholds offer companies sufficient operational latitude. The combination of more flexible public float requirements and preserved suspension penalties achieves an effective balance between market oversight and issuer adaptability.

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.

Since shares represent the primary trading vehicle in public markets, focusing public float requirements on shares ensures liquidity where it most directly impacts market function and investor participation. This approach streamlines compliance monitoring and enforcement by eliminating the complexity of calculating public float across multiple security types.

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.

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?

Yes

Please give reasons for your views and any alternative suggestions.

Requiring the disclosure of the actual public float in the annual reports of listed issuers significantly enhances transparency. This information helps investors make more informed decisions by providing a clear view of the marketability and liquidity of the shares.

Question 5.2

Do you agree with the details proposed to be disclosed (as set out in paragraph 126 of the Consultation Paper), including that only persons connected at the issuer level would be required to be identified on an individually named basis in the disclosure of shareholding composition (as set out in paragraph 126(b)(i)(1) and (2) of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Question 5.3

Do you agree that issuers should be required to disclose the relevant information based on information that is publicly available to the issuer and within the knowledge of its directors (as set out in paragraph 127 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Question 6.1

Do you agree that the Exchange should require a minimum free float in public hands at the time of listing for all new applicants (as set out in paragraph 139 of the Consultation Paper)?

Yes

Please give reasons for your views.

A minimum free float requirement at listing serves as an important and common market safeguard by ensuring adequate publicly tradable securities at listing. This requirement facilitates market liquidity and promotes fair price discovery by incorporating diverse investor perspectives and market dynamics. The resulting broader trading base contributes to more reliable valuations and reduced price volatility, ultimately fostering a more stable trading environment.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

Question 6.5

Do you agree that shares considered to be in public hands that are held by an independent trustee under a share scheme should not be counted towards the proposed initial free float requirement (as set out in paragraph 145 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Shares held by independent trustees under share schemes should be excluded from initial free float calculations since they are not available for trading prior to vesting. Including such restricted shares would misrepresent actual market liquidity and trading availability, potentially misleading investors about true market depth. This exclusion ensures initial free float calculations accurately reflect the genuine pool of tradable shares in the market.

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.

A staggered approach to lock-up period expiration would distribute the release of shares over time, reducing the risk of price volatility caused by sudden

large-scale share availability. This measured release mechanism prevents market disruption that could occur when substantial share volumes become tradable simultaneously. The gradual integration of locked-up shares promotes more orderly trading patterns and helps maintain market stability, ultimately serving the interests of both issuers and 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)?

Yes

Please give reasons for your views and any alternative suggestions.

A more substantial bookbuilding placing tranche enhances price discovery by attracting broader institutional investor participation, as these investors are more likely to engage when meaningful allocations are available. This increased institutional involvement strengthens pricing reliability through their comprehensive due diligence and research capabilities. The negotiating power of institutional investors in determining final offer prices helps establish fair valuations based on thorough market assessment.

This robust price discovery process often results in reduced post-listing volatility and increased public confidence in the security's valuation. The enhanced stability and institutional backing encourage broader public participation in both subscription and trading, ultimately contributing to improved market liquidity and accessibility.

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)?

Yes

Please give reasons for your views.

Removing the minimum spread of placees guideline would align with major market practices such as that of the US, where regulations focus primarily on the number of holders without imposing stringent minimums on individual holding sizes. This less prescriptive approach provides greater flexibility in share distribution while maintaining adequate market participation through holder count requirements.

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.

Both Mechanism A and Mechanism B would reduce the minimum allocation of offer shares to the public subscription tranche. This would be beneficial to price discovery as a more substantial bookbuilding placing tranche enhances price discovery by attracting broader institutional investor participation, as these investors are more likely to engage when meaningful allocations are

available. This increased institutional involvement strengthens pricing reliability through their comprehensive due diligence and research capabilities. The negotiating power of institutional investors in determining final offer prices helps establish fair valuations based on thorough market assessment.

This robust price discovery process often results in reduced post-listing volatility and increased public confidence in the security's valuation. The enhanced stability and institutional backing encourage broader public participation in both subscription and trading, ultimately contributing to improved market liquidity and accessibility.

With respect to Mechanism B, the elimination of the clawback mechanism in its entirety would enhance allocation certainty for the bookbuilding placing tranche, potentially encouraging greater institutional investor participation. The removal of mandatory reallocation requirements provides greater flexibility in distribution and may attract higher quality institutional investor participation, ultimately benefiting the overall offering structure.

Question 11.2

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

Please give reasons for your views.

Question 12.1

Do you agree that we should retain the Allocation Cap?

Yes

Please give reasons for your views.

Retention of the Allocation Cap is aligned with the proposed changes to the public subscription tranche allocation mechanism.

Question 12.2

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

Yes

Please give reasons for your views and any alternative suggestions.

Question 12.3

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

Yes

Please give reasons for your views and any alternative suggestions.

Question 13.1

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

Yes

Please give reasons for your views and any alternative suggestions.

Amending the existing pricing flexibility mechanism to include upward adjustments enhances alignment between IPO pricing and actual market demand. This change ensures that the offer price accurately reflects real-time investor interest, which can vary significantly from the initial proposal to the IPO launch. Allowing issuers to capitalize on strong market demand enables them to raise more capital, essential for funding growth strategies, technological advancements, or market expansion.

Incorporating upward revisions also addresses the issue of significant underpricing, often evidenced by large first-day trading pops. While these pops may benefit initial investors, they generally indicate that the company could have raised more funds, suggesting that more precise initial pricing could mitigate market volatility and reduce the perception of undervaluation. Furthermore, adopting upward pricing flexibility aligns with international common practices, enhancing the market's attractiveness to global issuers and ensuring competitive parity with other leading financial markets.

Question 13.2

Do you agree with our proposals to adopt an offer price adjustment limit of 10% in both directions (as set out in paragraph 281 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Question 13.3

In respect of the initial offer price range, would you prefer adjustment to be made:

up to 30% of the bottom of that range (as set out in Option A of paragraph 282 of the Consultation Paper)

Please give reasons for your views and any alternative suggestions.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

By mandating additional disclosure requirements, investors are provided with greater transparency regarding the IPO pricing mechanisms. This transparency helps in understanding the basis and rationale behind the pricing decisions, particularly when the IPO price is adjusted upwards or downwards.

Question 14

Do you agree with our proposals to make consequential and housekeeping amendments to the Placing Guidelines (as set out in paragraphs 302 and 303 of the Consultation Paper and Appendices I and II to the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Question 15

Do you agree with our proposal to disapply the proposed initial public float requirement in the case of a bonus issue of a new class of securities involving options, warrants or similar rights to subscribe for or purchase shares (as set out in paragraph 306 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 16

Do you agree with our proposal to add new provisions under Appendices D1A and D1B to the Main Board Listing Rules to require disclosure of the minimum prescribed percentage of public float in

listing documents (as set out in paragraph 311 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Question 17

Do you agree with our proposal to waive the initial free float requirement for overseas issuers that have, or are seeking, a secondary listing on the Exchange (as set out in paragraph 315 of the Consultation Paper)?

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)?

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)?

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.

SPAC Warrants are often provided as incentives to attract investors to SPACs, ventures that typically involve higher risks due to their primary aim of identifying and acquiring businesses. These warrants are usually granted to investors for free and are set at prices that are initially "out of the money," complicating the process of determining their speculative market value.

Eliminating the minimum market value requirement would streamline the regulatory framework governing SPACs and Successor Companies. This reduction in complexity could simplify the listing process, making it less cumbersome for these entities, which is crucial considering the intricate nature of SPAC transactions.

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.