

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.

To ensure the public float is meaningful, we agree that only shares available (or readily available) for trading in the Hong Kong market should be considered. However, this adjustment should be accompanied by a reduction in the public float threshold. If shares not traded in Hong Kong are excluded while the Exchange retains the current public float requirement, issuers may face increased challenges in meeting all the listing criteria. This could impede the development of a vibrant IPO 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.

Same reason to 1.1(a)

Question 1.1(c)

Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by in the case of a PRC issuer with other listed shares (e.g. A shares listed on a PRC stock exchange), requiring the numerator of its public float percentage to be calculated by reference to its H shares only, such that any other listed shares it has in issue would only be included in the denominator (as set out in paragraph 45 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

same reason as given under 1.1(a)

Question 1.1(d)

Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by in the case of an issuer with other share class(es) listed overseas, requiring the numerator of its public float percentage at listing to be calculated by reference to only the shares of the class for which listing is sought in Hong Kong, such that any shares of other classes it has in issue would only be included in the denominator (as set out in paragraph 46 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

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.

We in principle agree with the concept of excluding from 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.

However, we believe that, in general, shares held under a share award scheme should be considered 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)?

Yes

Please give reasons for your views and any alternative suggestions.

We believe that all shares held under a share award scheme, not only those that have been granted but remain unvested, should be considered as public shares. In our experience, a share award scheme typically holds shares only if such scheme involves existing shares. For share schemes which involve new shares, issuers generally do not issue the shares until the relevant awards are vested and/or the grantee exercises the right to acquire the shares.

We understand that to fund the awards, a scheme may periodically purchase shares on the market and hold them. These shares may not yet be allocated to specific granted awards, let alone vested. This practice ensures that the scheme has a sufficient pool of shares to meet future obligations.

In some cases, some awards remain unexercised even after all vesting conditions are met. This often occurs when the prevailing market price of the shares is lower than the exercise price, making it financially impractical for grantees to exercise their rights.

Given these points, we propose that all shares held under a share award scheme should be counted as public shares. This classification reflects the reality that these shares are part of the market and can be traded, even if they are temporarily held by the scheme.

An exception to this classification could be made if the only grantees in the scheme are directors of the issuer at the listco level. In such cases, the shares might be more appropriately classified differently due to the specific nature of director-level awards.

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 current public float requirement, even when a waiver is granted, remains high for some larger issuers. Lowering the public float requirement is particularly essential if the Exchange is to implement the proposed changes to the calculations of public float under Q1.

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.

No comments.

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.

It is fair to ensure that investors are provided with this information. However, to allow for flexibility in cases of listings by introduction, where the market capitalization of the listing applicant at the time of listing cannot be determined by the offer price, the Exchange may consider allowing issuers to disclose this information shortly after the listing.

Question 3.5

Do you agree that the same tiered initial public float thresholds (as set out in Table 5 of the Consultation Paper) should be applied to GEM issuers?

Please give reasons for your views and any alternative suggestions.

Question 4.1(a)

If our proposed initial public float thresholds (see proposals in Section I.B.1 and Section I.D.1 of Chapter 1 of the Consultation Paper) are supported by the market, we

seek views on the appropriate ongoing public float requirements for issuers, subject to the initial public float tiers proposed (see Table 5 in Section I.B.1 of Chapter 1 of the Consultation Paper). Please give reasons for your views and any alternative suggestions.

Question 4.1(b)

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

Question 4.2

Should issuers be allowed the flexibility to maintain a lower public float level, after listing, than that required at listing, in view of the issues we have described in the Consultation Paper (see paragraphs 102 to 109 of the Consultation Paper)?

Yes

Please give reasons for your views.

We are fully supportive of this proposal. Many companies have experienced significant growth over the years but remain constrained by their initial public float thresholds. These limitations hinder their ability to undertake beneficial corporate actions, such as share repurchases or the introduction of strategic investors who may acquire more than 10% of the voting rights. Such actions could otherwise be advantageous for shareholders as a whole.

Question 4.3

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

No

Please give reasons for your views.

In general, we consider trading suspension is not a beneficial strategy especially for public investors as suspension restricts them from selling the shares.

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.

The other securities tend to be less actively traded and, therefore, do not justify additional regulation.

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.

No comments.

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.

To confirm whether an issuer meets the public float requirement, the issuer would already possess the necessary information. Therefore, the additional disclosure should not impose any significant burden on the issuer.

Question 5.2

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

No

Please give reasons for your views and any alternative suggestions.

Issuers are already mandated to disclose substantial shareholders and directors' interest under Part XV of the Securities and Futures Ordinance. Although the concepts of substantial shareholders' / directors' holdings and public float differ, investors can still obtain a good understanding of these holdings through the existing Part XV disclosures. Therefore, introducing additional public float disclosure requirements would not offer significant added value. Instead, it would impose an increased workload on issuers, where the costs would outweigh the benefits.

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)?

No

Please give reasons for your views and any alternative suggestions.

Our answer to Q5.1 is No.

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)?

No

Please give reasons for your views.

The public float requirement should already provide sufficient assurance that there will be shares available for trading, particularly after all lock-up restrictions expire. For H-share issuers, existing public shareholders are subject to lock-up under PRC laws. Additionally, controlling and cornerstone investors are also subject to lock-up restrictions, which can further limit the availability of shares for trading.

If the Exchange intends to introduce a free float requirement, it should also consider relaxing the lock-up requirements on controlling and cornerstone investors. This would help to increase the number of shares available for trading and enhance market liquidity. For instance, a potential approach could be to exempt a certain percentage of shares held by cornerstone investors and controlling shareholders from any lock-up restrictions. Specifically, allowing 10% of the shares held by these investors to be exempt from lock-up restrictions could significantly contribute to the creation of a free float.

Question 6.2

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

Please give reasons for your views and any alternative suggestions.

Question 6.3

Do you agree with our proposed modification of the initial free float thresholds to PRC issuers (as set out in paragraphs 142 to 143 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 6.4

Do you agree with our proposal to apply the proposed initial free float requirement to shares only (as set out in paragraph 144 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 6.5

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

Please give reasons for your views and any alternative suggestions.

Question 6.6

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

Please give reasons for your views and any alternative suggestions.

Question 7.1

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

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)?

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.

The majority of IPO lock-up periods expire after six months. Historically, we have observed that share prices often face significant pressure at this time due to cornerstone investors selling their shares as soon as the lock-up period ends. While the proposed staggered release of the lock-up period would help alleviate the rush to sell, it is only a partial solution, as there would still be sell-offs at the end of the 3-month and 6-month periods.

In addition to the staggered release, we recommend allowing a certain portion of shares (e.g., 10%) held by controlling and cornerstone shareholders to be exempt from the lock-up period entirely. This approach would not only reduce the selling pressure at the end of the lockup period, but also contribute to achieving a higher free float at listing.

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)?

No

Please give reasons for your views and any alternative suggestions.

We believe that issuers and underwriter syndicates should be granted greater flexibility in determining the most effective strategies for their fundraising efforts. Imposing additional restrictions or parameters on how an offering should be conducted may not be beneficial. Each fundraising effort is unique and can be significantly impacted by prevailing market conditions and the specific industry in which the issuer operates. For instance, market volatility, investor sentiment, and economic indicators can all play crucial roles in shaping the success of an offering. Similarly, different industries may have distinct investor bases and risk profiles, necessitating tailored approaches to fundraising. The size of the offering is another critical factor that can influence the strategy adopted by issuers and bank syndicates. Larger offerings may require more extensive marketing efforts and a broader investor base, while smaller offerings might benefit from a more targeted approach. Flexibility allows issuers and syndicates to adapt their strategies to the specific needs and circumstances of each offering.

We concur with the market feedback noted by the Exchange, which suggests that imposing the minimum allocation to placing requirements could effectively limit the participation of cornerstone investors. Cornerstone investors provide several benefits, including demonstrating firm commitment to the offering and instilling confidence in both the issuer and the underwriter syndicates. Their involvement can be a positive signal to the market, encouraging other investors to participate. While cornerstone investors may be perceived as

'price takers' because they agree to purchase shares at the final offer price, they also play a crucial role in the price discovery process. These investors typically commit to a subscription only after receiving an indication of an acceptable price range. This preliminary price indication helps in setting a realistic and attractive offer price, benefiting the overall success of the offering.

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.

The current requirement, which mandates a minimum of 300 shareholders at the time of listing, already serves as a robust mechanism to ensure a broad distribution of shareholders. Therefore, we are of the view that the minimum 300 shareholders requirement is adequate in promoting a well-distributed and liquid market without the need for further requirements.

We concur with the Exchange's observation as outlined in paragraph 234. Our assessment aligns with the Exchange's perspective, and we believe that the existing framework of having 300 shareholders at the time of listing adequately addresses the issues. Therefore, we do not see the necessity for any additional requirements at this time.

Question 10.2

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

No

Please give reasons for your views and any alternative suggestions.

Question 11.1

Do you agree with the proposal to require issuers to adopt either Mechanism A or Mechanism B with respect to a minimum allocation of offer shares to the public subscription tranche (as set out in paragraphs 248 to 250 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We are generally supportive of initiatives aimed at providing increased flexibility to the market.

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?

No

Please give reasons for your views.

We are generally supportive of initiatives aimed at providing increased flexibility to the market. However, the retention of the Allocation Cap appears counterintuitive to this objective. The Allocation Cap imposes restrictions that may hinder the ability of issuers and underwriting

syndicates to effectively manage offerings in a manner they deem most beneficial. We also feel that the Allocation Cap may derive the investors under the public subscription tranche of their opportunity to participate in the offering. Public investors should be given fair and equitable access to such opportunities.

We suggest that issuers and underwriting syndicates be granted more flexibility to manage allocations. By removing the Allocation Cap, these entities can better tailor their strategies to the specific needs and circumstances of each offering. This increased flexibility would likely result in more efficient and effective market operations, ultimately benefiting all stakeholders involved.

If the Exchange were to adopt the Allocation Cap as outlined in Table 12, we believe that Reallocations and PO Over-allocation should be permitted as long as the placing tranche and the public subscription tranche are also fully subscribed. Specifically, we propose the removal of the proposed current 10 times threshold requirement under Mechanism A. Alternatively, the Exchange might consider lowering the threshold for to a more flexible level, such as 5 times. This adjustment would still ensure a robust allocation process while providing greater flexibility and potentially increasing market participation.

Question 12.2

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

Please give reasons for your views and any alternative suggestions.

Question 12.3

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

Please give reasons for your views and any alternative suggestions.

Question 13.1

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

Please give reasons for your views and any alternative suggestions.

Question 13.2

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

Please give reasons for your views and any alternative suggestions.

Question 13.3

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

Please give reasons for your views and any alternative suggestions.

Question 13.4

Do you agree with our Proposed Opt-in Arrangement (as set out in paragraphs 283 to 284 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 13.5

Do you agree with our proposal to extend the current disclosure requirements (as set out in paragraph 285 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 14

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

Yes

Please give reasons for your views and any alternative suggestions.

We agree with any necessary consequential changes required to the Placing Guidelines. Will the Exchange provide further guidance on what is meant by 'a member of the same group of companies' as the Exchange Participant?

Question 15

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

Yes

Please give reasons for your views and any alternative suggestions.

Question 16

Do you agree with our proposal to add new provisions under Appendices D1A and D1B to the Main Board Listing Rules to require disclosure of the minimum prescribed percentage of public float in listing documents (as set out in paragraph 311 of the Consultation Paper)?

No

Please give reasons for your views and any alternative suggestions.

We believe that mandating the disclosure of public float within the listing document itself is unnecessary. Certain issuers may be unable to ascertain their final public float position until the completion of the listing process. For these issuers, it is crucial that they make the necessary disclosures once the public float position is confirmed post-listing.

While the act of making such disclosures is not excessively burdensome, it is important to strike a balance to avoid the pitfalls of over-regulation. Over-regulation can be perceived as tedious and counterproductive, potentially stifling market efficiency and innovation

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.

Consistent with our response to Q6.1, we agree not to impose free float requirements for secondary listings or other listings.

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.

Agree to standardize the listing requirements.

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.

No comments.

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.

Will the exchange consider removing all together the requirement for a formal notice to be published?

Question 22.1

Do you agree with our proposal to amend Chapter 18B of the Main Board Listing Rules so that the open market requirements of MB Rule 8.08 do not apply to Successor Company's warrants (as set out in paragraph 349(a) of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 22.2

Do you agree with our proposal to amend Chapter 18B of the Main Board Listing Rules so that the minimum market value requirement of MB Rule 8.09(4) does not apply to SPAC Warrants and Successor Company's warrants (as set out in paragraph 349(b) of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Question 23

Do you agree with our proposal to amend MB Rule 18C.08 so that the 50% minimum requirement is to be determined by reference to the total number of shares initially offered in the IPO (as set out in paragraph 352 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Overall Comments

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