

Submitted via Qualtrics

CFA Society Hong Kong

Company/Organisation view

Professional Body / Industry Association

Question 1.1

Do you agree with the proposal to implement the Alternative Threshold, which will provide an alternative ongoing public float threshold for issuers in addition to the Initial Prescribed Threshold (as set out in paragraphs 310 to 312 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support the proposal to implement the Alternative Threshold as an optional pathway alongside the Initial Prescribed Threshold. It would enhance issuer flexibility in areas such as buybacks and capital management while maintaining overall market integrity. The dual-limb design, combining a market value test with a percentage test, helps maintain a meaningful level of tradable float and avoids situations where compliance is met only in form but not in substance. Investor protection is also safeguarded by the mandatory disclosure obligations to be imposed on issuers that adopt the Alternative Threshold.

To avoid unintended impairment of market liquidity, we suggest HKEX conduct post-implementation reviews, either annually or at regular intervals, as contemplated in paragraph 340 of the Further Consultation Paper, to assess effectiveness and recalibrate if necessary.

Question 1.2

Do you agree with the proposed threshold figures (i.e. HK\$1 billion and 10%) for the Alternative Threshold (as set out in paragraph 312 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposed threshold figures of HK\$1 billion and 10% as a balanced calibration. The HK\$1 billion market value requirement provides sufficient depth of float in absolute terms, consistent with HKEX's rationale in paragraph 331(a) that meaningful trading liquidity depends on value as well as proportion. This level also aligns with the "large cap" benchmark under the market cap/revenue test, as HK\$1 billion represents 25% of HK\$4 billion. The 10% minimum requirement helps avoid excessive concentration of ownership, reflecting HKEX's rationale in paragraph 331(b) that a baseline spread of shareholders is necessary to support market fairness and reduce market manipulation risks, and is in line with the lowest public float percentage already applied at initial listing. Together, the two limbs protect investors by combining both absolute size and relative proportion. We also believe the effectiveness of these safeguards depends on robust disclosure, with issuers reporting both the market value and percentage of public float in their monthly and annual filings.

Question 1.3

Do you agree that for the purpose of determining whether the market value of shares held by the public meets the market value limb of the Alternative Threshold, the market value of an issuer's shares will be determined on a rolling basis by multiplying (a) the number of shares held by the public as of the date of determination by (b) the volume weighted average price of the shares listed on the Exchange over 125 trading days immediately prior to the date of determination (as set out in paragraph 316 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support the use of 125 trading days (approximately six calendar months) as the observation period for determining market value under the Alternative Threshold. This is consistent with international practice, where index providers such as FTSE and MSCI apply multi-month measurements of stock turnover to reduce the impact of share price volatility to the liquidity assessment. It also aligns with Hong Kong's own framework: for example, the streamlined transfer of listing from GEM to Main Board requires sufficient trading liquidity and meeting the market capitalization threshold on at least 50% of 250 trading days, or 125 days spread across one year. While the objectives differ, both frameworks adopt 125 trading days as a meaningful yardstick for assessing liquidity. From an investor protection perspective, the distinction is reasonable: a rolling ongoing float requirement can be tested over six months because it is reassessed continuously, while a one-off trading board transfer warrants a full year to give stronger assurance

before upgrading to the Main Board. On balance, the six-month window helps striking a fair balance between recency and stability for ongoing compliance.

Question 1.4

Do you agree that a listed issuer would not be able to rely on the Alternative Threshold if the issuer's shares have traded for fewer than 125 trading days since listing on the Exchange?

Yes

Please give reasons for your views and any alternative suggestions.

We support the proposal that issuers should possess at least 125 trading days of trading activity (approximately six calendar months) before qualifying for the Alternative Threshold. This can prevent newly listed companies from opting for the alternative regime before there has been sufficient time for meaningful market participation and trading activity to develop. The approach is also consistent with the existing six-month moratorium on certain corporate actions: under Main Board Listing Rule 10.08 and GEM Listing Rule 17.29, issuers are restricted from conducting further share issuance or transfers of treasury shares in the period immediately following listing. Aligning the float valuation mechanism with this established "seasoning" period helps support market integrity and provides investors with better transparency on an issuer's early trading record. From an investor protection perspective, the seasoning requirement is a proportionate safeguard that balances flexibility for issuers against the need for stability and clarity of the market liquidity.

Question 1.5

Do you agree that, in the case of an issuer seeking to switch from relying on the Initial Prescribed Threshold to the Alternative Threshold, if its listed shares have been suspended from trading for more than five consecutive business days during the 125-trading-day period for determination of the market value of shares, the Exchange may require the issuer to extend the 125-day period to demonstrate that it can meet the Alternative Threshold over a reasonable period after resumption of trading?

Yes

Please give reasons for your views and any alternative suggestions.

We support the proposal that issuers should not be able to rely on the Alternative Threshold if their shares have been suspended for more than five consecutive business days during the 125-day observation period. This avoids distorted VWAP results that could arise from prolonged suspensions, while accommodating for short term routine trading halts. From an investor protection perspective, this approach helps support the integrity of the float assessment on the basis of continuous and genuine trading activity.

To clarify guidance, we encourage HKEX specifying what constitutes a “reasonable period” after the resumption of trading, for example, by requiring that a few additional trading days (such as five) be included in the calculation window.

Question 1.6

Do you agree that the same ongoing public float requirements that apply to Main Board issuers should be applied to GEM issuers?

Yes

Please give reasons for your views and any alternative suggestions.

We support applying the same ongoing public float requirements to GEM issuers as to Main Board issuers. Regulatory consistency strengthens investor confidence and comparability across markets. GEM issuers are already subject to the same initial float thresholds as their Main Board counterparts. While the Alternative Threshold is theoretically available to GEM issuers, in practice very few can reach the HK\$4 billion market capitalization threshold, and those that can meet threshold are likely to be transferred to the Main Board. As a result, most GEM issuers will continue to adopt the Initial Prescribed Threshold of 25%, which remains appropriate given the liquidity profiles of smaller enterprises. This approach is not unfair, as GEM already offers SME-friendly features such as streamlined transfers to the Main Board. Consistent float rules across both boards help protect investors and uphold the integrity of Hong Kong’s capital markets.

Question 2.1

Do you agree with the proposed bespoke ongoing public float threshold figures (i.e. HK\$1 billion or 5%) for a PRC issuer with other listed shares (such as an A+H issuer) (as set out in paragraph 341 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support in principle the adoption of bespoke ongoing float thresholds for A+H issuers, recognizing that they already have substantial trading activity in their A-shares and that a tailored test for H-shares is pragmatic. From an investor protection perspective, the HK\$1 billion market value limb provides a baseline of liquidity in Hong Kong, while the 5% minimum percentage limb helps maintain shareholder spread and guard against excessive concentration in ownership. We note that, based on Bloomberg data retrieved on 19 September 2025, 93% of existing A+H issuers have more outstanding A-shares than H-shares. Among these issuers, 85% have at least twice as many A-shares as H-shares, reinforcing the case for setting a lower relative float requirement for H-shares.

However, we have some reservation with the possible shorter observation period (all trading days since listing if less than 125), as early trading may not be a reliable indicator of sustained liquidity. This would be inconsistent with the six-month moratorium on corporate actions under Main Board Rule 10.08 and GEM Rule 17.29, which applies equally to A+H issuers.

On balance, while we support the bespoke thresholds, we encourage HKEX to provide more transparency on how the HK\$1 billion and 5% threshold are calibrated, and to conduct periodic review to confirm that A+H issuers relying on this exemption continue to maintain adequate H-share liquidity.

Question 2.2

Do you agree that the bespoke ongoing public float thresholds for PRC issuers with other listed shares should also apply (as modified) to non-PRC issuers with shares listed on a PRC stock exchange (e.g. RMB shares), if those shares are in the same class as, but are not fungible with, the shares listed on the Exchange (as set out in paragraph 342 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support the proposal to extend the bespoke ongoing float thresholds to non-PRC issuers with RMB shares that are in the same class as, but not fungible with, Hong

Kong-listed shares. Consistent treatment is important for fairness and investor protection. Applying the same thresholds prevents regulatory arbitrage, where non-PRC issuers with RMB shares could otherwise be held to lower standards than the A+H issuers. It also promotes a level playing field, as dual-listed shares of the same class should be subject to the same safeguards to maintain confidence in market integrity. We suggest HKEX conducting periodic post-implementation reviews to confirm that these thresholds remain appropriate considering evolving liquidity patterns.

Question 3.1

Do you agree with the proposal that all issuers be required to confirm, in their monthly returns and annual reports, whether they have met their applicable Ongoing Public Float Thresholds?

Yes

Please give reasons for your views and any alternative suggestions.

We support this proposal, as it aligns with the prior consultation response of CFA Society Hong Kong and CFA Institute, where we suggested monthly disclosure of actual public float in issuers' monthly returns to provide timely updates for investors and regulators. Requiring issuers to confirm compliance in both monthly returns and annual reports provide investors with assurance that float is being monitored on a continuous basis.

To promote consistency and transparency, we also suggest extending the requirement to interim reports, creating a mid-year checkpoint for investors. This layered disclosure framework reinforces accountability: monthly disclosure delivers timely oversight, interim disclosure provides a mid-cycle update, and annual disclosure offers a formal and comprehensive confirmation. Together, these measures can strengthen market confidence.

Question 3.2

Do you agree with the proposal that issuers relying on the Initial Prescribed Threshold must disclose the minimum percentage threshold applicable to them in their monthly returns (as set out in paragraph 352(a)) of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support this proposal. Disclosure of the minimum percentage threshold applicable to each issuer in monthly returns makes float compliance transparent and easily accessible to investors. It allows investment analysts and minority investors to monitor whether companies can meet the float level linked to their market-cap tier consistently. This also improves comparability across issuers and make those issuers who deviate from the thresholds more visible to the investing public.

Question 3.3(a)

Do you agree with the proposal that issuers relying on the Alternative Threshold must disclose, in their monthly returns, the market value and percentage of the portion of the class of shares they have listed on the Exchange that are held by the public (as set out in paragraph 352(b) of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support this proposal, as it is an important safeguard where compliance is tested using the market value limb. For issuers relying on the Alternative Threshold, investors need visibility of both the absolute value and the percentage of public float to assess liquidity risk properly. For PRC issuers with A+H shares, this disclosure is particularly relevant because the H-shares float may represent only a small proportion of total share issuance that the transparency in public float allows investors to judge the true depth of trading liquidity of the H-shares. The approach also aligns with the principle of equal treatment, by ensuring all investors have access to the float composition and calculation on a consistent basis.

At the same time, we encourage HKEX to consider extending this requirement to all issuers, not only those relying on the Alternative Threshold or bespoke tests. Disclosure of actual float value and percentage across the full issuer universe would improve comparability, and give investors clearer insight into liquidity conditions. It also reinforces accountability without imposing significant additional burdens on disclosure, since issuers need to monitor these figures internally for compliance purposes.

Question 3.3(b)

Do you agree with the proposal that PRC issuers with other listed shares (e.g. A+H issuers) relying on the market value limb of the relevant bespoke ongoing public float threshold must disclose, in their monthly returns, the market value and percentage of the portion of the class of shares they have listed on the Exchange that are held by the public (as set out in paragraph 352(b) of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support this proposal, as it is an important safeguard where compliance is tested using the market value limb. For issuers relying on the Alternative Threshold, investors need visibility of both the absolute value and the percentage of public float to assess liquidity risk properly. For PRC issuers with A+H shares, this disclosure is particularly relevant because the H-shares float may represent only a small proportion of total share issuance that the transparency in public float allows investors to judge the true depth of trading liquidity of the H-shares. The approach also aligns with the principle of equal treatment, by ensuring all investors have access to the float composition and calculation on a consistent basis.

At the same time, we encourage HKEX to consider extending this requirement to all issuers, not only those relying on the Alternative Threshold or bespoke tests. Disclosure of actual float value and percentage across the full issuer universe would improve comparability, and give investors clearer insight into liquidity conditions. It also reinforces accountability without imposing significant additional burdens on disclosure, since issuers need to monitor these figures internally for compliance purposes.

Question 3.4

Do you agree with the proposal that all issuers also be required to disclose, in each of their annual reports, the relevant information proposed to be included in their monthly returns (see paragraph 352 of the Conclusions and Further Consultation Paper), as at the end of the relevant financial year?

Yes

Please give reasons for your views and any alternative suggestions.

We support the requirement for issuers to disclose float and ownership composition in their annual reports. This provides a reliable, year-end reference point that complements the more frequent monthly returns and helps investors track whether issuers are consistently maintaining sufficient public float. To further strengthen transparency, we suggest extending this disclosure to interim reports, providing a mid-year checkpoint that allows investors to monitor changes more effectively between annual filings.

Question 3.5

Do you agree with the proposed disclosure obligations in relation to share capital structure information in annual reports for all issuers (as set out in paragraph 354 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support the proposed disclosure of share capital structure information in annual reports, as it improves transparency and helps investors understand potential dilution and voting dynamics. Clear disclosure of the number, classes, and rights of securities is important for assessing governance and control risks, including dual-class structures, treasury shares, and employee incentive schemes. We agree with the proposed distinction that connected persons at the issuer level should be individually named, while connected persons at the subsidiary level may reasonably be disclosed on an aggregated, unnamed basis given the practical challenges for issuers with large number of subsidiaries. The aggregate percentage or number of shares held provides investors with meaningful visibility into ownership concentration and the potential influence from respective shareholders. This approach is consistent with CFA Institute's global advocacy for stronger disclosure of ownership, float, and control structures.

To further strengthen transparency, we suggest extending this disclosure beyond annual reports. Issuers should provide similar information in their interim reports, giving investors a mid-year view of share capital structure. We also encourage HKEX to consider requiring monthly returns to include a class-by-class breakdown of share capital, which disclose the number and percentage of each class, their ranking, and any special voting rights structures. This would enable investors to track capital structure developments on a timelier basis throughout the year, complementing annual and interim disclosures and making potential risks of dilution or control shifts more visible.

Question 4.1

Do you agree that the additional obligations we propose to apply to issuers if their public float falls below the applicable Ongoing Public Float Threshold (as set out in paragraph 360 of the Conclusions and Further Consultation Paper) are sufficient to:

(a) enable continued trading of the issuer's shares (on the basis that the proposal would enable sufficient information to be provided to potential investors and existing shareholders); and

(b) incentivise relevant issuers to restore their public float to meet the applicable Ongoing Public Float Threshold as soon as practicable?

Yes

Please give reasons for your views and any alternative suggestions.

We support this in principle while suggesting that further safeguards are required to make the proposed obligations more effective. The measures that outlined “announcement, restoration plan, monthly updates, and restrictions on directors” are constructive, as they provide transparency and help investors making informed decisions, including potential exit from their positions.

From the investor protection perspective, however, the framework as drafted presents a gap: as issuers face no consequence if they fail to comply with the Ongoing Public Float Threshold for a prolonged period but manage to avoid triggering the “Significant Public Float Shortfall”. This may allow issuers operating indefinitely non-compliant, with only disclosure obligations, while restoration plans may remain generic and minority investors risk being trapped in low-liquidity securities.

To address this, we suggest three reinforcements. Firstly, introduction of a maximum restoration period (for example, six months), extendable only in exceptional circumstances. Secondly, issuers are required to disclose specific milestones in their restoration plans, such as proposed share placements or shareholder approvals, to give investors meaningful visibility of progress. Thirdly, if compliance is not restored within the maximum restoration period, HKEX could apply a stock marker, watch list, or

warning flag to signal to the market that the issuer remains under-compliant, even if this does not immediately lead to suspension or delisting.

With these reinforcements, the framework would enable continued trading while providing stronger incentives for issuers to restore the float promptly, thereby enhancing both transparency and investor protection.

Question 4.2

Do you agree with the proposed disclosure requirement for the initial announcement to be made by an issuer with a public float shortfall within one business day of it becoming aware that there is a public float shortfall (as set out in paragraph 360(b) of the Conclusions and Further Consultation Paper), including the proposed requirement that the issuer must also announce its plan and expected timeline to restore to the applicable Ongoing Public Float Threshold, which can be announced in a subsequent announcement that must be published no later than 15 business days of it becoming aware that there is a public float shortfall?

Yes

Please give reasons for your views and any alternative suggestions.

We support this proposal, as prompt disclosure of breaches in public float requirement is a critical safeguard for investors. The one-business-day deadline for the initial announcement is appropriate and consistent with global norms on timely disclosure of material information. The proposed 15-business-day window for publishing a restoration plan strikes a balance between the need for timely disclosure and the pragmatic time lead for issuers to prepare a credible restoration plan.

To ensure the effectiveness of the proposed disclosure requirements, we suggest that HKEX clarify its expectations on the content of restoration plans which should go beyond generic statements but include specific steps, a clear timeline, and responsible parties, such that investors can properly assess the likelihood of timely restoration of public float and hold issuers accountable for the progress of the plan.

Question 4.3

Do you agree that if an issuer's public float falls below the applicable Ongoing Public Float Threshold, it must provide monthly updates, by way of announcement, to notify the market of the status of its public float and updates on its restoration plan (as set out in paragraph 360(c) of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support this proposal, as monthly updates are important for market transparency and investor confidence when an issuer is below the Ongoing Public Float Threshold. Regular reporting provides accountability and allows investors to monitor whether meaningful progress is being made.

However, there is a concern that updates may become boilerplate and fail to provide investors with useful insight into ownership concentration risks. To address this, we suggest that monthly updates include more granular disclosure: (a) progress against milestones set out in the issuer's restoration plan; and (ii) a table showing ownership composition, including shares held by non-public holders (e.g. controlling shareholders, directors, connected persons), and concentration of shareholding (e.g. top five or top ten holders, with percentages). This table should include the initial announcement disclosures that can allow investors to track the evolution of share ownership over time, helping them to judge whether concentration risks are worsening or improving. In case there is no progress on the restoration plan, issuers should be required to explain and set out revised timelines.

As noted in our response to Q4.1, we also suggest applying a maximum restoration period (for example, six months), after which HKEX could place issuers on a public watch list or assign a stock marker to highlight ongoing deficiencies without immediate suspension or delisting.

Question 4.4

Do you agree that, for so long as an issuer does not comply with the applicable Ongoing Public Float Threshold, the issuer itself, and each of its directors, must not (and each director must use his best endeavours to ensure that his close associates do not) take any action that may further lower the issuer's public float

percentage, unless the circumstances are exceptional (as set out in paragraph 360(d) of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support this proposal, as it represents an appropriate fiduciary safeguard. Directors have fiduciary duties to act in the best interests of the issuer and are directly accountable under the Listing Rules, making them the primary focus in complying with this obligation. While controlling or substantial shareholders may not be officers of the company and do not fall under the same fiduciary duty framework, it is still important that investors can monitor their actions during float shortfall periods.

The proposed restriction helps prevent insider transactions, such as selective transfers or opportunistic buybacks, that could further reduce the public float when the issuer is already in breach. To improve clarity and consistency, we suggest that HKEX publish guidance on what constitutes “exceptional circumstances,” for example, compliance with court orders, regulatory enforcement, or restructuring transactions.

In addition, issuers should be required to disclose any dealings by controlling or substantial shareholders during float shortfall periods. This would give investors visibility on whether such actions have aggravated the shortfall and help promote accountability. We also suggest that HKEX hold directors explicitly accountable if breaches occur under their oversight, aligning with their corporate governance responsibilities.

Question 4.5

Do you agree that shares of issuers with a public float below the applicable Ongoing Public Float Threshold can be traded without a special stock marker, as long as such public float shortfall does not constitute a Significant Public Float Shortfall (as set out in paragraph 363 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with this proposal, as it avoids unnecessary disruption to market trading and liquidity. From an investor protection perspective, minor float shortfalls should not

trigger disproportionate measures, such as the use of stock markers, which could confuse or unnecessarily alarm retail investors. In these cases, reliance on disclosure and a restoration plan provides sufficient transparency and protection.

At the same time, we recognize the need for investors to track prolonged shortfalls more easily. Many retail investors may not frequently review monthly returns, but a clear marker on the trading board would provide greater visibility. As noted in our response to Q4.1, we suggest that if a shortfall persists beyond a set maximum period, for example, six months, HKEX could apply a stock marker or watch-list flag. This would give the market clear notice of the ongoing deficiency without imposing disproportionate measures for shorter, temporary shortfalls.

Question 4.6

Do you agree that, instead of suspension, issuers with a Significant Public Float Shortfall should be identified with a special stock marker and subject to heightened disclosure requirements and a delisting mechanism (as set out in paragraphs 361 to 369 of the Conclusions and Further Consultation Paper), such that there can be continued trading in the issuer's shares?

Yes

Please give reasons for your views and any alternative suggestions.

We support this proposal, as the use of a stock marker is a proportionate alternative to immediate suspension. It provides clear alert to investors, ensuring transparency about the issuer's lack of progress in restoration while allowing continued trading to avoid unnecessary disruption to liquidity.

From an investor protection perspective, a delisting mechanism is also necessary to warn the investors on the worst outcome if issuers fail to restore float within the prescribed timeframe. This can reduce the risk of investors being indefinitely trapped in illiquid securities and reinforces the criticality of the restoration obligation.

We encourage HKEX to consider expanding the disclosure requirements linked to the stock marker to cover governance aspects. For example, issuers could be encouraged to explain in their annual reports whether persistently low public float levels correlate with heightened controlling shareholder influence or other governance risks. Such

disclosures would align with broader sustainability principles, particularly governance, and provide investors with useful context on how issuers manage float levels as part of their overall governance approach.

Question 4.7(a)

Do you agree with the proposed Significant Public Float Shortfall thresholds (as set out in paragraphs 364 to 366 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support the proposed Significant Public Float Shortfall thresholds set out in paragraphs 364–366. They provide clear, objective triggers for heightened measures, which provides clarity to issuers on potential consequence and transparency for investors.

Question 4.7(b)

Do you agree with the proposed delisting mechanism for issuers with a Significant Public Float Shortfall (as set out in paragraph 368 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support the proposed delisting mechanism if an issuer fails to restore its float within the prescribed timeframe. This prevents “zombie listings” from persisting indefinitely and helps protect overall market integrity by ensuring that only issuers with a sustainable public float to stay listed.

Question 4.7(c)

Do you agree with the proposed additional disclosure obligations for issuers with a special stock marker (as set out in paragraph 369 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support the enhanced disclosure obligations in paragraph 369, as they improve transparency and allow investors to track issuers' remedial actions in real time. This is particularly important during periods of heightened risk when investors need more frequent and substantive updates to assess whether the restoration plan is credible.

Question 4.7(d)

Do you agree with the proposed conditions for removal of the special stock marker (as set out in paragraph 370 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support the proposal in paragraph 370 that removal of the stock marker be subject to clear, objective conditions. This helps provide transparency and market confidence when an issuer returns to compliant, while preventing premature or inconsistent removal of the marker.

Question 5

Do you agree that the proposed ongoing public float requirements be applied to all existing listed issuers?

Yes

Please give reasons for your views and any alternative suggestions.

We support this proposal, as applying the ongoing public float requirements consistently to both new and existing issuers is important for market integrity and investor confidence.

From the investor protection perspective, applying uniform requirements helps avoid a two-tier regime where existing issuers are subject to weaker float standards than new listings. All investors should be safeguarded in terms of liquidity requirement, price discovery, and exit opportunities, regardless of whether they invest in new listings or seasoned issuers.

From the market integrity standpoint, applying the same rules across the board helps prevent perceptions of unfairness or regulatory arbitrage, and supports Hong Kong's reputation as a level playing field for issuers and investors.

We recognize that some existing issuers may take time to comply with the proposed ongoing public float requirement. To support orderly implementation and avoid unnecessary disruption, we feel HKEX should consider introducing a transition period, for example, six months, during which issuers must take concrete steps toward compliance. This would facilitate smooth adoption of the new rules without diluting investor protection.

Question 6.1

Do you agree with our proposal to retain the current practice of granting a timing-relief waiver to an issuer from the ongoing public float requirement for a reasonable period after a general offer to restore the public float (as set out in paragraph 391 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support this proposal, as retaining timing-relief waivers is reasonable to avoid unnecessary suspension when public float temporarily dips below the threshold following a general offer. General offers often lead to ownership concentration that the acquirer's holding may exceed 75% of outstanding shares. Immediate suspension in such situations could deprive the right of the minority investors to exit their positions. A waiver can allow orderly restoration of float without disrupting the normal trading of the shares.

That said, safeguards are necessary to ensure proper investor protection while allowing flexibility for issuers. Waivers should have time limits, with a clear maximum period and any extensions should only be granted in exceptional circumstances. Issuers should be required to publish a concrete restoration plan with milestones promptly after the waiver is granted so that investors can assess whether the plan is credible and achievable. During the waiver period, issuers should comply with the monthly update announcement requirement described in Q4.3, reporting both the float percentage and progress against their stated milestones. Finally, HKEX should retain the discretion to withdraw waivers where insufficient progress is demonstrated, to reinforce accountability.

With these safeguards, the timing-relief waiver framework would strike the right balance between allowing for orderly market functioning and safeguarding investor interests.

Question 6.2

If your answer to Question 6.1 is “yes”, do you agree that such a timing-relief waiver from the ongoing public float requirement should not be granted to the issuer if the public float shortfall upon completion of the general offer is considered as a Significant Public Float Shortfall (as set out in paragraph 391 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support this proposal, as timing-relief waivers should not apply where the shortfall constitutes a Significant Public Float Shortfall that liquidity will be critically impaired. Allowing continued reliance on waivers would hamper investor protection. HKEX’s proposed framework of applying a stock marker together with heightened disclosure obligations offers a proportionate and transparent alternative to immediate suspension. The delisting backstop of 12 months for GEM issuers and 18 months for Main Board issuers is also appropriate, striking a balance between giving issuers sufficient time to take remedial action and ensuring that investors are not left indefinitely exposed to illiquid securities.

Safeguards are still needed to reinforce the effectiveness of this regime. Issuers should be required to provide monthly updates against the milestones in their restoration plans throughout the shortfall period, so investors can monitor whether progress is being made. The delisting backstop should also be strictly enforced with no repeated extensions permitted, to preserve its credibility as a final safeguard. Finally, we support consistent application of the thresholds defined in the consultation, as this will promote clarity and predictability for both issuers and investors.

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

CFA Society Hong Kong (the “Society” or “we”) is pleased to submit our response to the Hong Kong Exchanges and Clearing Limited’s Consultation Paper. In preparing our response, we have focused on proposals that affect market integrity, investor protection, and transparency.

Overall, we are supportive of the Consultation Paper's objectives and believe the proposed framework represents a constructive step in strengthening the quality of Hong Kong's capital market. At the same time, we have suggested a number of refinements to reinforce investor protection and accountability, while balancing practicality for issuers. These include:

- introducing a maximum restoration period (for example, six months) for issuers to address float shortfalls, with HKEX applying a stock marker or watch list flag if the shortfall persists;
- requiring more granular disclosure in monthly updates, including progress against milestones and ownership concentration tables;
- clarifying the scope of "exceptional circumstances" under which directors may take actions that further reduce float during the period of shortfall; and
- encouraging issuers with prolonged float deficiencies to provide governance-related disclosures, highlighting links to shareholder concentration and sustainability considerations.

Taken together, we believe these refinements would help strengthen the credibility of the listing regime, provide investors with greater transparency, and maintain Hong Kong's reputation as a fair, competitive, and internationally respected market.

We trust that our comments will assist HKEX in its consideration of these important issues. We would be pleased to engage further in dialogue or provide additional clarification if required. Please contact [REDACTED] [REDACTED] should you have any questions or require further elaboration.

By Email (consultationsupport@hkex.com.hk)

30 September 2025

Hong Kong Exchanges and Clearing Limited
8/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sir/Madam,

Re: Further Consultation Paper on Proposals to Optimise IPO Price Discovery and Open Market Requirements (the "Consultation Paper")

CFA Society Hong Kong (the "Society" or "we") is pleased to submit our response to the Hong Kong Exchanges and Clearing Limited's Consultation Paper. In preparing our response, we have focused on proposals that affect market integrity, investor protection, and transparency.

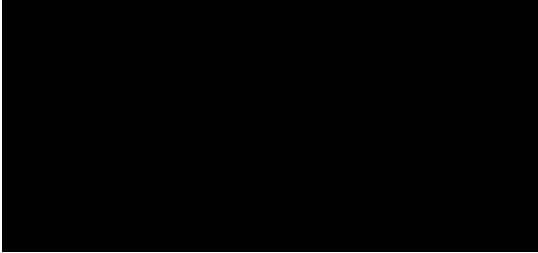
Overall, we are supportive of the Consultation Paper's objectives and believe the proposed framework represents a constructive step in strengthening the quality of Hong Kong's capital market. At the same time, we have suggested a number of refinements to reinforce investor protection and accountability, while balancing practicality for issuers. These include:

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- requiring more granular disclosure in monthly updates, including progress against milestones and ownership concentration tables;
- clarifying the scope of "exceptional circumstances" under which directors may take actions that further reduce float during the period of shortfall; and
- encouraging issuers with prolonged float deficiencies to provide governance-related disclosures, highlighting links to shareholder concentration and sustainability considerations.

Taken together, we believe these refinements would help strengthen the credibility of the listing regime, provide investors with greater transparency, and maintain Hong Kong's reputation as a fair, competitive, and internationally respected market.

We trust that our comments will assist HKEX in its consideration of these important issues. We would be pleased to engage further in dialogue or provide additional clarification if required. Please contact [REDACTED] [REDACTED] should you have any questions or require further elaboration.

Sincerely,
For and on behalf of
CFA Society Hong Kong



About CFA Society Hong Kong

CFA Society Hong Kong (the "Society") is a non-profit organization founded in 1992. The Society shares the mission of CFA Institute (the "Institute") in raising the professional and ethical standards of financial analysts and investment practitioners through our advocacy and continuing education efforts. In addition to promoting the CFA® designation in Hong Kong, the Society aims to provide a forum for our members, the Institute, other investment practitioners and regulators for networking and the exchange of industry insights and best practices.



Response Section

Question 1.1: Do you agree with the proposal to implement the Alternative Threshold, which will provide an alternative ongoing public float threshold for issuers in addition to the Initial Prescribed Threshold (as set out in paragraphs 310 to 312 of the Conclusions and Further Consultation Paper)? Please give reasons for your views and any alternative suggestions.

We support the proposal to implement the Alternative Threshold as an optional pathway alongside the Initial Prescribed Threshold. It would enhance issuer flexibility in areas such as buybacks and capital management while maintaining overall market integrity. The dual-limb design, combining a market value test with a percentage test, helps maintain a meaningful level of tradable float and avoids situations where compliance is met only in form but not in substance. Investor protection is also safeguarded by the mandatory disclosure obligations to be imposed on issuers that adopt the Alternative Threshold.

To avoid unintended impairment of market liquidity, we suggest HKEX conduct post-implementation reviews, either annually or at regular intervals, as contemplated in paragraph 340 of the Further Consultation Paper, to assess effectiveness and recalibrate if necessary.

Question 1.2: If your answer to Question 1.1 is “yes”, do you agree with the proposed threshold figures (i.e. HK\$1 billion and 10%) for the Alternative Threshold (as set out in paragraph 312 of the Conclusions and Further Consultation Paper)? Please give reasons for your views and any alternative suggestions.

We agree with the proposed threshold figures of HK\$1 billion and 10% as a balanced calibration. The HK\$1 billion market value requirement provides sufficient depth of float in absolute terms, consistent with HKEX’s rationale in paragraph 331(a) that meaningful trading liquidity depends on value as well as proportion. This level also aligns with the “large cap” benchmark under the market cap/revenue test, as HK\$1 billion represents 25% of HK\$4 billion. The 10% minimum requirement helps avoid excessive concentration of ownership, reflecting HKEX’s rationale in paragraph 331(b) that a baseline spread of shareholders is necessary to support market fairness and reduce market manipulation risks, and is in line with the lowest public float percentage already applied at initial listing. Together, the two limbs protect investors by combining both absolute size and relative proportion. We also believe the effectiveness of these safeguards depends on robust disclosure, with issuers reporting both the market value and percentage of public float in their monthly and annual filings.

Question 1.3: If your answer to Question 1.1 is “yes”, do you agree that for the purpose of determining whether the market value of shares held by the public meets the market value limb of the Alternative Threshold, the market value of an issuer’s shares will be determined on a rolling basis by multiplying (a) the number of shares held by the public as of the date of determination by (b) the volume weighted average price of the shares listed on the Exchange over 125 trading days immediately prior to the date of determination (as set out in paragraph 316 of the Conclusions and Further Consultation Paper)? Please give reasons for your views and any alternative suggestions.

We support the use of 125 trading days (approximately six calendar months) as the observation period for determining market value under the Alternative Threshold. This is consistent with international practice, where index providers such as FTSE and MSCI apply multi-month measurements of stock turnover to reduce the impact of share price volatility to the liquidity assessment. It also aligns with Hong Kong's own framework: for example, the streamlined transfer of listing from GEM to Main Board requires sufficient trading liquidity and meeting the market capitalization threshold on at least 50% of 250 trading days, or 125 days spread across one year. While the objectives differ, both frameworks adopt 125 trading days as a meaningful yardstick for assessing liquidity. From an investor protection perspective, the distinction is reasonable: a rolling ongoing float requirement can be tested over six months because it is reassessed continuously, while a one-off trading board transfer warrants a full year to give stronger assurance before upgrading to the Main Board. On balance, the six-month window helps striking a fair balance between recency and stability for ongoing compliance.

Question 1.4: If your answer to Question 1.1 is “yes”, do you agree that a listed issuer would not be able to rely on the Alternative Threshold if the issuer’s shares have traded for fewer than 125 trading days since listing on the Exchange?

Please give reasons for your views and any alternative suggestions.

We support the proposal that issuers should possess at least 125 trading days of trading activity (approximately six calendar months) before qualifying for the Alternative Threshold. This can prevent newly listed companies from opting for the alternative regime before there has been sufficient time for meaningful market participation and trading activity to develop. The approach is also consistent with the existing six-month moratorium on certain corporate actions: under Main Board Listing Rule 10.08 and GEM Listing Rule 17.29, issuers are restricted from conducting further share issuance or transfers of treasury shares in the period immediately following listing. Aligning the float valuation mechanism with this established “seasoning” period helps support market integrity and provides investors with better transparency on an issuer’s early trading record. From an investor protection perspective, the seasoning requirement is a proportionate safeguard that balances flexibility for issuers against the need for stability and clarity of the market liquidity.

Question 1.5: If your answer to Question 1.1 is “yes”, do you agree that, in the case of an issuer seeking to switch from relying on the Initial Prescribed Threshold to the Alternative Threshold, if its listed shares have been suspended from trading for more than five consecutive business days during the 125-trading-day period for determination of the market value of shares, the Exchange may require the issuer to extend the 125-day period to demonstrate that it can meet the Alternative Threshold over a reasonable period after resumption of trading?

Please give reasons for your views and any alternative suggestions.

We support the proposal that issuers should not be able to rely on the Alternative Threshold if their shares have been suspended for more than five consecutive business days during the 125-day observation period. This avoids distorted VWAP results that could arise from prolonged suspensions, while accommodating for short term routine trading halts. From an investor protection perspective, this approach helps support the integrity of the float assessment on the basis of continuous and genuine trading activity.

To clarify guidance, we encourage HKEX specifying what constitutes a “reasonable period” after the resumption of trading, for example, by requiring that a few additional trading days (such as five) be included in the calculation window.

Question 1.6: Do you agree that the same ongoing public float requirements that apply to Main Board issuers should be applied to GEM issuers?

Please give reasons for your views and any alternative suggestions.

We support applying the same ongoing public float requirements to GEM issuers as to Main Board issuers. Regulatory consistency strengthens investor confidence and comparability across markets. GEM issuers are already subject to the same initial float thresholds as their Main Board counterparts. While the Alternative Threshold is theoretically available to GEM issuers, in practice very few can reach the HK\$4 billion market capitalization threshold, and those that can meet threshold are likely to be transferred to the Main Board. As a result, most GEM issuers will continue to adopt the Initial Prescribed Threshold of 25%, which remains appropriate given the liquidity profiles of smaller enterprises. This approach is not unfair, as GEM already offers SME-friendly features such as streamlined transfers to the Main Board. Consistent float rules across both boards help protect investors and uphold the integrity of Hong Kong’s capital markets.

Question 2.1: Do you agree with the proposed bespoke ongoing public float threshold figures (i.e. HK\$1 billion or 5%) for a PRC issuer with other listed shares (such as an A+H issuer) (as set out in paragraph 341 of the Conclusions and Further Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

We support in principle the adoption of bespoke ongoing float thresholds for A+H issuers, recognizing that they already have substantial trading activity in their A-shares and that a tailored test for H-shares is pragmatic. From an investor protection perspective, the HK\$1 billion market value limb provides a baseline of liquidity in Hong Kong, while the 5% minimum percentage limb helps maintain shareholder spread and guard against excessive concentration in ownership. We note that, based on Bloomberg data retrieved on 19 September 2025, 93% of existing A+H issuers have more outstanding A-shares than H-shares. Among these issuers, 85% have at least twice as many A-shares as H-shares, reinforcing the case for setting a lower relative float requirement for H-shares.

However, we have some reservation with the possible shorter observation period (all trading days since listing if less than 125), as early trading may not be a reliable indicator of sustained liquidity. This would be inconsistent with the six-month moratorium on corporate actions under Main Board Rule 10.08 and GEM Rule 17.29, which applies equally to A+H issuers.

On balance, while we support the bespoke thresholds, we encourage HKEX to provide more transparency on how the HK\$1 billion and 5% threshold are calibrated, and to conduct periodic review to confirm that A+H issuers relying on this exemption continue to maintain adequate H-share liquidity.

Question 2.2: Do you agree that the bespoke ongoing public float thresholds for PRC issuers with other listed shares should also apply (as modified) to non-PRC issuers with shares listed on a PRC stock exchange (e.g. RMB shares), if those shares are in the same class as, but are not fungible with, the shares listed on the Exchange (as set out in paragraph 342 of the Conclusions and Further Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

We support the proposal to extend the bespoke ongoing float thresholds to non-PRC issuers with RMB shares that are in the same class as, but not fungible with, Hong Kong-listed shares. Consistent treatment is important for fairness and investor protection. Applying the same thresholds prevents regulatory arbitrage, where non-PRC issuers with RMB shares could otherwise be held to lower standards than the A+H issuers. It also promotes a level playing field, as dual-listed shares of the same class should be subject to the same safeguards to maintain confidence in market integrity. We suggest HKEX conducting periodic post-implementation reviews to confirm that these thresholds remain appropriate considering evolving liquidity patterns.

Question 3.1: Do you agree with the proposal that all issuers be required to confirm, in their monthly returns and annual reports, whether they have met their applicable Ongoing Public Float Thresholds? Please give reasons for your views and any alternative suggestions.

We support this proposal, as it aligns with the prior consultation response of CFA Society Hong Kong and CFA Institute, where we suggested monthly disclosure of actual public float in issuers' monthly returns to provide timely updates for investors and regulators. Requiring issuers to confirm compliance in both monthly returns and annual reports provide investors with assurance that float is being monitored on a continuous basis.

To promote consistency and transparency, we also suggest extending the requirement to interim reports, creating a mid-year checkpoint for investors. This layered disclosure framework reinforces accountability: monthly disclosure delivers timely oversight, interim disclosure provides a mid-cycle update, and annual disclosure offers a formal and comprehensive confirmation. Together, these measures can strengthen market confidence.

Question 3.2: Do you agree with the proposal that issuers relying on the Initial Prescribed Threshold must disclose the minimum percentage threshold applicable to them in their monthly returns (as set out in paragraph 352(a)) of the Conclusions and Further Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

We support this proposal. Disclosure of the minimum percentage threshold applicable to each issuer in monthly returns makes float compliance transparent and easily accessible to investors. It allows investment analysts and minority investors to monitor whether companies can meet the float level linked to their market-cap tier consistently. This also improves comparability across issuers and make those issuers who deviate from the thresholds more visible to the investing public.

Question 3.3: Do you agree with the proposal that the following types of issuers must disclose, in their monthly returns, the market value and percentage of the portion of the class of shares they have listed on the Exchange that are held by the public (as set out in paragraph 352(b) of the Conclusions and Further Consultation Paper):

- (a) issuers relying on the Alternative Threshold; and**
- (b) PRC issuers with other listed shares (e.g. A+H issuers) relying on the market value limb of the relevant bespoke ongoing public float threshold?**

Please give reasons for your views and any alternative suggestions.

We support this proposal, as it is an important safeguard where compliance is tested using the market value limb. For issuers relying on the Alternative Threshold, investors need visibility of both the absolute value and the percentage of public float to assess liquidity risk properly. For PRC issuers with A+H shares, this disclosure is particularly relevant because the H-shares float may represent only a small proportion of total share issuance that the transparency in public float allows investors to judge the true depth of trading liquidity of the H-shares. The approach also aligns with the principle of equal treatment, by ensuring all investors have access to the float composition and calculation on a consistent basis.

At the same time, we encourage HKEX to consider extending this requirement to all issuers, not only those relying on the Alternative Threshold or bespoke tests. Disclosure of actual float value and percentage across the full issuer universe would improve comparability, and give investors clearer insight into liquidity conditions. It also reinforces accountability without imposing significant additional burdens on disclosure, since issuers need to monitor these figures internally for compliance purposes.

Question 3.4: Do you agree with the proposal that all issuers also be required to disclose, in each of their annual reports, the relevant information proposed to be included in their monthly returns (see paragraph 352 of the Conclusions and Further Consultation Paper), as at the end of the relevant financial year?

Please give reasons for your views and any alternative suggestions.

We support the requirement for issuers to disclose float and ownership composition in their annual reports. This provides a reliable, year-end reference point that complements the more frequent monthly returns and helps investors track whether issuers are consistently maintaining sufficient public float. To further strengthen transparency, we suggest extending this disclosure to interim reports, providing a mid-year checkpoint that allows investors to monitor changes more effectively between annual filings.

Question 3.5: Do you agree with the proposed disclosure obligations in relation to share capital structure information in annual reports for all issuers (as set out in paragraph 354 of the Conclusions and Further Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

We support the proposed disclosure of share capital structure information in annual reports, as it improves transparency and helps investors understand potential dilution and voting dynamics. Clear disclosure of the number, classes, and rights of securities is important for assessing governance and control risks, including

dual-class structures, treasury shares, and employee incentive schemes. We agree with the proposed distinction that connected persons at the issuer level should be individually named, while connected persons at the subsidiary level may reasonably be disclosed on an aggregated, unnamed basis given the practical challenges for issuers with large number of subsidiaries. The aggregate percentage or number of shares held provides investors with meaningful visibility into ownership concentration and the potential influence from respective shareholders. This approach is consistent with CFA Institute's global advocacy for stronger disclosure of ownership, float, and control structures.

To further strengthen transparency, we suggest extending this disclosure beyond annual reports. Issuers should provide similar information in their interim reports, giving investors a mid-year view of share capital structure. We also encourage HKEX to consider requiring monthly returns to include a class-by-class breakdown of share capital, which disclose the number and percentage of each class, their ranking, and any special voting rights structures. This would enable investors to track capital structure developments on a timelier basis throughout the year, complementing annual and interim disclosures and making potential risks of dilution or control shifts more visible.

Question 4.1: Do you agree that the additional obligations we propose to apply to issuers if their public float falls below the applicable Ongoing Public Float Threshold (as set out in paragraph 360 of the Conclusions and Further Consultation Paper) are sufficient to:

- (a) enable continued trading of the issuer's shares (on the basis that the proposal would enable sufficient information to be provided to potential investors and existing shareholders); and***
- (b) incentivise relevant issuers to restore their public float to meet the applicable Ongoing Public Float Threshold as soon as practicable?***

Please give reasons for your views and any alternative suggestions.

We support this in principle while suggesting that further safeguards are required to make the proposed obligations more effective. The measures that outlined "announcement, restoration plan, monthly updates, and restrictions on directors" are constructive, as they provide transparency and help investors making informed decisions, including potential exit from their positions.

From the investor protection perspective, however, the framework as drafted presents a gap: as issuers face no consequence if they fail to comply with the Ongoing Public Float Threshold for a prolonged period but manage to avoid triggering the "Significant Public Float Shortfall". This may allow issuers operating indefinitely non-compliant, with only disclosure obligations, while restoration plans may remain generic and minority investors risk being trapped in low-liquidity securities.

To address this, we suggest three reinforcements. Firstly, introduction of a maximum restoration period (for example, six months), extendable only in exceptional circumstances. Secondly, issuers are required to disclose specific milestones in their restoration plans, such as proposed share placements or shareholder approvals, to give investors meaningful visibility of progress. Thirdly, if compliance is not restored within the maximum restoration period, HKEX could apply a stock marker, watch list, or warning flag to signal to the market that the issuer remains under-compliant, even if this does not immediately lead to suspension or delisting.

With these reinforcements, the framework would enable continued trading while providing stronger incentives for issuers to restore the float promptly, thereby enhancing both transparency and investor protection.

Question 4.2: Do you agree with the proposed disclosure requirement for the initial announcement to be made by an issuer with a public float shortfall within one business day of it becoming aware that there is a public float shortfall (as set out in paragraph 360(b) of the Conclusions and Further Consultation Paper), including the proposed requirement that the issuer must also announce its plan and expected timeline to restore to the applicable Ongoing Public Float Threshold, which can be announced in a subsequent announcement that must be published no later than 15 business days of it becoming aware that there is a public float shortfall?

Please give reasons for your views and any alternative suggestions.

We support this proposal, as prompt disclosure of breaches in public float requirement is a critical safeguard for investors. The one-business-day deadline for the initial announcement is appropriate and consistent with global norms on timely disclosure of material information. The proposed 15-business-day window for publishing a restoration plan strikes a balance between the need for timely disclosure and the pragmatic time lead for issuers to prepare a credible restoration plan.

To ensure the effectiveness of the proposed disclosure requirements, we suggest that HKEX clarify its expectations on the content of restoration plans which should go beyond generic statements but include specific steps, a clear timeline, and responsible parties, such that investors can properly assess the likelihood of timely restoration of public float and hold issuers accountable for the progress of the plan.

Question 4.3: Do you agree that if an issuer's public float falls below the applicable Ongoing Public Float Threshold, it must provide monthly updates, by way of announcement, to notify the market of the status of its public float and updates on its restoration plan (as set out in paragraph 360(c) of the Conclusions and Further Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

We support this proposal, as monthly updates are important for market transparency and investor confidence when an issuer is below the Ongoing Public Float Threshold. Regular reporting provides accountability and allows investors to monitor whether meaningful progress is being made.

However, there is a concern that updates may become boilerplate and fail to provide investors with useful insight into ownership concentration risks. To address this, we suggest that monthly updates include more granular disclosure: (a) progress against milestones set out in the issuer's restoration plan; and (ii) a table showing ownership composition, including shares held by non-public holders (e.g. controlling shareholders, directors, connected persons), and concentration of shareholding (e.g. top five or top ten holders, with percentages). This table should include the initial announcement disclosures that can allow investors to track the evolution of share ownership over time, helping them to judge whether concentration risks are worsening or improving. In case there is no progress on the restoration plan, issuers should be required to explain and set out revised timelines.

As noted in our response to Q4.1, we also suggest applying a maximum restoration period (for example, six months), after which HKEX could place issuers on a public watch list or assign a stock marker to highlight ongoing deficiencies without immediate suspension or delisting.

Question 4.4: Do you agree that, for so long as an issuer does not comply with the applicable Ongoing Public Float Threshold, the issuer itself, and each of its directors, must not (and each director must use his best endeavours to ensure that his close associates do not) take any action that may further lower the issuer's public float percentage, unless the circumstances are exceptional (as set out in paragraph 360(d) of the Conclusions and Further Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

We support this proposal, as it represents an appropriate fiduciary safeguard. Directors have fiduciary duties to act in the best interests of the issuer and are directly accountable under the Listing Rules, making them the primary focus in complying with this obligation. While controlling or substantial shareholders may not be officers of the company and do not fall under the same fiduciary duty framework, it is still important that investors can monitor their actions during float shortfall periods.

The proposed restriction helps prevent insider transactions, such as selective transfers or opportunistic buybacks, that could further reduce the public float when the issuer is already in breach. To improve clarity and consistency, we suggest that HKEX publish guidance on what constitutes "exceptional circumstances," for example, compliance with court orders, regulatory enforcement, or restructuring transactions.

In addition, issuers should be required to disclose any dealings by controlling or substantial shareholders during float shortfall periods. This would give investors visibility on whether such actions have aggravated the shortfall and help promote accountability. We also suggest that HKEX hold directors explicitly accountable if breaches occur under their oversight, aligning with their corporate governance responsibilities.

Question 4.5: Do you agree that shares of issuers with a public float below the applicable Ongoing Public Float Threshold can be traded without a special stock marker, as long as such public float shortfall does not constitute a Significant Public Float Shortfall (as set out in paragraph 363 of the Conclusions and Further Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

We agree with this proposal, as it avoids unnecessary disruption to market trading and liquidity. From an investor protection perspective, minor float shortfalls should not trigger disproportionate measures, such as the use of stock markers, which could confuse or unnecessarily alarm retail investors. In these cases, reliance on disclosure and a restoration plan provides sufficient transparency and protection.

At the same time, we recognize the need for investors to track prolonged shortfalls more easily. Many retail investors may not frequently review monthly returns, but a clear marker on the trading board would provide greater visibility. As noted in our response to Q4.1, we suggest that if a shortfall persists beyond a set maximum period, for example, six months, HKEX could apply a stock marker or watch-list flag. This would

give the market clear notice of the ongoing deficiency without imposing disproportionate measures for shorter, temporary shortfalls.

Question 4.6: Do you agree that, instead of suspension, issuers with a Significant Public Float Shortfall should be identified with a special stock marker and subject to heightened disclosure requirements and a delisting mechanism (as set out in paragraphs 361 to 369 of the Conclusions and Further Consultation Paper), such that there can be continued trading in the issuer's shares?

Please give reasons for your views and any alternative suggestions.

We support this proposal, as the use of a stock marker is a proportionate alternative to immediate suspension. It provides clear alert to investors, ensuring transparency about the issuer's lack of progress in restoration while allowing continued trading to avoid unnecessary disruption to liquidity.

From an investor protection perspective, a delisting mechanism is also necessary to warn the investors on the worst outcome if issuers fail to restore float within the prescribed timeframe. This can reduce the risk of investors being indefinitely trapped in illiquid securities and reinforces the criticality of the restoration obligation.

We encourage HKEX to consider expanding the disclosure requirements linked to the stock marker to cover governance aspects. For example, issuers could be encouraged to explain in their annual reports whether persistently low public float levels correlate with heightened controlling shareholder influence or other governance risks. Such disclosures would align with broader sustainability principles, particularly governance, and provide investors with useful context on how issuers manage float levels as part of their overall governance approach.

Question 4.7: If your answer to Question 4.6 is "yes", do you agree with:

- (a) the proposed Significant Public Float Shortfall thresholds (as set out in paragraphs 364 to 366 of the Conclusions and Further Consultation Paper);***
- (b) the proposed delisting mechanism for issuers with a Significant Public Float Shortfall (as set out in paragraph 368 of the Conclusions and Further Consultation Paper);***
- (c) the proposed additional disclosure obligations for issuers with a special stock marker (as set out in paragraph 369 of the Conclusions and Further Consultation Paper); and***
- (d) the proposed conditions for removal of the special stock marker (as set out in paragraph 370 of the Conclusions and Further Consultation Paper)?***

Please give reasons for your views and any alternative suggestions.

- (a) Thresholds: We support the proposed Significant Public Float Shortfall thresholds set out in paragraphs 364–366. They provide clear, objective triggers for heightened measures, which provides clarity to issuers on potential consequence and transparency for investors.
- (b) Delisting mechanism: We support the proposed delisting mechanism if an issuer fails to restore its float within the prescribed timeframe. This prevents “zombie listings” from persisting indefinitely and helps protect overall market integrity by ensuring that only issuers with a sustainable public float to stay listed.

- (c) Additional disclosure obligations: We support the enhanced disclosure obligations in paragraph 369, as they improve transparency and allow investors to track issuers' remedial actions in real time. This is particularly important during periods of heightened risk when investors need more frequent and substantive updates to assess whether the restoration plan is credible.
- (d) Removal of stock marker: We support the proposal in paragraph 370 that removal of the stock marker be subject to clear, objective conditions. This helps provide transparency and market confidence when an issuer returns to compliant, while preventing premature or inconsistent removal of the marker.

Question 5: Do you agree that the proposed ongoing public float requirements be applied to all existing listed issuers?

Please give reasons for your views and any alternative suggestions.

We support this proposal, as applying the ongoing public float requirements consistently to both new and existing issuers is important for market integrity and investor confidence.

From the investor protection perspective, applying uniform requirements helps avoid a two-tier regime where existing issuers are subject to weaker float standards than new listings. All investors should be safeguarded in terms of liquidity requirement, price discovery, and exit opportunities, regardless of whether they invest in new listings or seasoned issuers.

From the market integrity standpoint, applying the same rules across the board helps prevent perceptions of unfairness or regulatory arbitrage, and supports Hong Kong's reputation as a level playing field for issuers and investors.

We recognize that some existing issuers may take time to comply with the proposed ongoing public float requirement. To support orderly implementation and avoid unnecessary disruption, we feel HKEX should consider introducing a transition period, for example, six months, during which issuers must take concrete steps toward compliance. This would facilitate smooth adoption of the new rules without diluting investor protection.

Question 6.1: Do you agree with our proposal to retain the current practice of granting a timing-relief waiver to an issuer from the ongoing public float requirement for a reasonable period after a general offer to restore the public float (as set out in paragraph 391 of the Conclusions and Further Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

We support this proposal, as retaining timing-relief waivers is reasonable to avoid unnecessary suspension when public float temporarily dips below the threshold following a general offer. General offers often lead to ownership concentration that the acquirer's holding may exceed 75% of outstanding shares. Immediate suspension in such situations could deprive the right of the minority investors to exit their positions. A waiver can allow orderly restoration of float without disrupting the normal trading of the shares.

That said, safeguards are necessary to ensure proper investor protection while allowing flexibility for issuers. Waivers should have time limits, with a clear maximum period and any extensions should only be granted in exceptional circumstances. Issuers should be required to publish a concrete restoration plan with milestones promptly after the waiver is granted so that investors can assess whether the plan is credible and achievable. During the waiver period, issuers should comply with the monthly update announcement requirement described in Q4.3, reporting both the float percentage and progress against their stated milestones. Finally, HKEX should retain the discretion to withdraw waivers where insufficient progress is demonstrated, to reinforce accountability.

With these safeguards, the timing-relief waiver framework would strike the right balance between allowing for orderly market functioning and safeguarding investor interests.

Question 6.2: If your answer to Question 6.1 is “yes”, do you agree that such a timing-relief waiver from the ongoing public float requirement should not be granted to the issuer if the public float shortfall upon completion of the general offer is considered as a Significant Public Float Shortfall (as set out in paragraph 391 of the Conclusions and Further Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

We support this proposal, as timing-relief waivers should not apply where the shortfall constitutes a Significant Public Float Shortfall that liquidity will be critically impaired. Allowing continued reliance on waivers would hamper investor protection. HKEX’s proposed framework of applying a stock marker together with heightened disclosure obligations offers a proportionate and transparent alternative to immediate suspension. The delisting backstop of 12 months for GEM issuers and 18 months for Main Board issuers is also appropriate, striking a balance between giving issuers sufficient time to take remedial action and ensuring that investors are not left indefinitely exposed to illiquid securities.

Safeguards are still needed to reinforce the effectiveness of this regime. Issuers should be required to provide monthly updates against the milestones in their restoration plans throughout the shortfall period, so investors can monitor whether progress is being made. The delisting backstop should also be strictly enforced with no repeated extensions permitted, to preserve its credibility as a final safeguard. Finally, we support consistent application of the thresholds defined in the consultation, as this will promote clarity and predictability for both issuers and investors.