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Our ref
3174

Date
30 September 2025

By email (response@hkex.com.hk)

Dear Sir/Madam,

Re: Conclusions and Further Consultation Paper on Proposals to Optimise IPO Price Discovery and open Market Requirements

We refer to the Conclusions and Further Consultation Paper on proposals to optimize IPO price discovery and open market requirements (the "**Conclusions and Further Consultation Paper**") issued in August 2025 and are pleased to respond with comments to the further consultation questions set out in Chapter 3, Section IV. Unless otherwise defined, all capitalised terms used in this letter shall have the same meanings as defined in the Further Consultation Paper.

We have not completed the questionnaire and prefer to respond in letter format which we trust is acceptable.

We set out our comments on the specific proposals in the table below.

Question 1
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 implementation of the proposed Alternative Threshold. This alternative ongoing public float threshold will provide increased flexibility for issuers that can meet that threshold, accommodating changes to the size and market capitalization of issuers. This approach allows issuers to better manage their capital structure post-listing, while still ensuring sufficient liquidity and investor protection is maintained.

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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. The HK\$1 billion market value and 10% percentage strike an appropriate balance between maintaining a meaningful public float and providing flexibility for larger issuers. These figures represent a sufficient difference to the public float requirements at IPO to provide meaningful flexibility to issuers, whilst being high enough to ensure adequate liquidity and market depth.

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 this method. As noted in the Conclusions and Further Consultation Paper, using a 125-day volume weighted average price smooths out the impact of short-term volatility and provides a fair and representative measure of market value. This approach reduces the risk of manipulation and ensures that the public float calculation reflects sustained market conditions.

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 agree that an issuer should have at least 125 trading days before being able to rely on the Alternative Threshold. This will ensure that there is sufficient trading history to accurately assess market value and liquidity which will protect market integrity and prevent premature reliance on the alternative regime. This timeframe is also broadly in line with the end of the six-month contractual and regulatory lock up periods imposed at listing. Given the lock up periods, and the restrictions on further issues of securities within 6 months of listing under Rule 10.08, we do not believe that the 125-trading day qualification period would be problematic for newly listed issuers.

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 agree with this proposal. The flexibility to require an extended period in cases of prolonged suspension ensures that the market value calculation is based on active trading and reliable data, which will ensure the credibility of the public float assessment. In practice, we would expect any extension to be of a similar duration to the suspension period, so that a listed issuer can have reasonable certainty as to how the period will be determined.

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 do not have a strong view, however, we consider that maintaining a consistent approach across both Main Board and GEM is helpful to promote regulatory consistency and clarity for market participants.

Question 2

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 agree with the proposed bespoke thresholds for PRC issuers with other listed shares. We consider that the HK\$1 billion or 5% thresholds take account of the unique circumstances of A+H issuers. The proposal still ensures a meaningful public float in Hong Kong whilst recognising the existence of a substantial shareholder base in other markets. This approach is also consistent with the approach taken to the initial public float requirements where the regime for A to H share companies is different from that of other issuers.

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.

Yes. We consider that this approach ensures consistency and fairness, and recognises the non-fungibility of such shares. This helps maintain a level playing field and supports the integrity of the Hong Kong market.

Question 3

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.



Yes. We consider that regular confirmation regarding compliance with the public float requirement enhances transparency and accountability, and provides with better information for investors to inform their investment decisions and for regulators to monitor compliance. This strengthens market confidence and discipline.

We also support the approach to require the disclosure to be based solely on publicly available information and that which is in the knowledge of the directors.

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 agree with the proposal and consider that disclosing the applicable minimum percentage threshold in monthly returns provides useful information to investors and supports investors in being able to make informed investment decisions.

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 disclosure requirement and believe that it will enhance transparency and provide investors with useful additional information.

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 agree and consider that annual disclosure complements monthly reporting and provides a comprehensive record for investors and regulators, supporting transparency and good corporate governance.

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 agree with the proposed disclosure obligations in relation to share capital structure given that the Conclusions and Further Consultation Paper notes that this information has been requested by investors in earlier feedback. We believe that the information on share capital structure will help investors understand an issuer's equity profile and potential dilution risks, thereby facilitating better investment decisions.



Question 4

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 agree with the proposal which enables timely information to be provided to the market whilst allowing trading to continue and ensuring issuers are incentivised to restore compliance promptly. This approach balances market efficiency with investor protection.

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. We consider that prompt disclosure should be mandated once an issuer becomes aware that it no longer meets the public float requirement. We support the 15-business day window to advise the market of the issuer's restoration plan as this gives time for an issuer to prepare a meaningful response.

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 agree and believe that an obligation to make monthly updates will keep the market informed of progress and hold an issuer accountable on a regular basis to assess its progress towards restoring compliance.

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 agree with this proposal to prevent any further reduction in public float during a shortfall period by those who have committed to complying with the Listing Rules. We support the inclusion of a carve out for exceptional circumstances to enable flexibility in circumstances such as privatisation proposals.



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 consider that continued trading without a special marker for minor shortfalls avoids unnecessary market disruption and we, therefore, agree with this proposal. The proposed marker for significant shortfalls ensures that investors are adequately informed of heightened risks once the public float shortfall reaches a more substantial level.

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 agree with the proposed approach which we consider to be a more proportionate response than immediate suspension. This proposal allows trading to continue while clearly signalling the increased risk to the market. The delisting mechanism proposed also provides a strong incentive for timely remediation.

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.

We agree with the proposed thresholds which set clear and objective thresholds triggering the additional disclosure requirements and timeline towards the delisting. The proposal sets a clear pathway for issuers to restore compliance or face delisting.

Question 5

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 applying the ongoing public float requirements to all existing issuers. This ensures fairness and a level playing field which are important to upholding the market's reputation.



Question 6

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 agree with the proposal to continue with the current market practice of granting a timing-relief waiver after a general offer to facilitate the orderly restoration of the public float.

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 agree that the timing-relief waiver should not be available when there is a Significant Public Float Shortfall as we believe that the market would benefit from the greater transparency required by the proposed revised Listing Rules of a stock market and enhanced disclosure requirements in such circumstances. Further, where there is more severe non-compliance with the public float requirements, immediate remedial action is justified; applying the Significant Public Float Shortfall regime immediately will set a clear expectation on the issuer and the offeror to restore the public float in a timely manner.

Please let us know if you have any queries in relation to the above.

We confirm that we are happy for the contents of this letter to be made publicly available as part of the consultation process.

Yours faithfully,

Herbert Smith Freehills Kramer