

# 方達律師事務所 FANGDA PARTNERS

北京 Beijing • 广州 Guangzhou • 香港 Hong Kong • 南京 Nanjing • 上海 Shanghai • 深圳 Shenzhen • 新加坡 Singapore  
<http://www.fangdalaw.com>

香港中環康樂廣場 8 號  
交易廣場 1 期 26 樓

26/F, One Exchange Square  
8 Connaught Place, Central, Hong Kong

電話 Tel.: 852-3976-8888  
傳真 Fax: 852-2110-4285

By Email

The Listing Division  
The Stock Exchange of Hong Kong Limited  
12/F, Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

Attention: Ms. Stephanie LAU / Ms. Catherine YIEN / Ms. LC Wong

October 1, 2025

Dear Sirs and Madams,

**Subject: Further Consultation on Proposals to Optimise IPO Price Discovery and Open Market Requirements**

We refer to the conclusions and further consultation paper dated August 4, 2025 (the “**Further Consultation Paper**”) in which The Stock Exchange of Hong Kong Limited (the “**Exchange**”) seeks further market feedback on certain proposals to reform the regulatory framework relating to IPO price discovery and open market requirements. Fangda Partners are pleased to submit this response to the proposals made in the Further Consultation Paper. Capitalized terms used in this submission but not defined herein are used as defined in the Further Consultation Paper.

We welcome the Exchange’s initiative to further refine the regulatory framework with respect to matters such as public float, free float, and requirements relating to A+H share issuers, among others, and we are in agreement with most of the proposals made in the Further Consultation Paper. To the extent that we have substantive comments, our views are set forth in the Appendix to this submission.

If you have any questions regarding these comments, please do not hesitate to contact our

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Yours faithfully,

**Fangda Partners**

## APPENDIX

### 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 agree with this proposal, primarily for the following reasons. First, as indicated in paragraphs 321 and 326-327 of the Further Consultation Paper, this will allow at least those issuers which have a market capitalization of over HK\$4 billion greater flexibility to conduct transactions for capital management purposes without unduly compromising investor protection. And second, as stated in paragraph 333 of the Further Consultation Paper, this would bring the Stock Exchange's ongoing public float requirements into better alignment with the corresponding requirements of international stock exchanges.

- 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 note that the requirements of the Alternative Threshold appear to be more rigorous than the corresponding requirements of various international stock exchanges that were summarized in Appendix IV, Table 18 in the Stock Exchange's original consultation paper of December 2024 with respect to proposals to optimize IPO price discovery and open market requirements. Accordingly, we respectfully submit that the Stock Exchange may have some scope to further relax the requirements of the Alternative Threshold without unduly compromising investor protection.

- 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 agree with this proposal, subject to our observations in response to question 3.1 below concerning the frequency with which this determination should be made.

- 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.*

This proposal appears to be equivalent in substance to a condition that no listed issuer may rely on the Alternative Threshold during the first six months in which it is listed on the Stock Exchange, even for a corporate action that otherwise would be permissible under the Alternative Threshold (e.g., a share buyback). We believe this condition is reasonable.

- 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 on the understanding that the Stock Exchange would exercise discretion on a case-by-case basis to determine whether, in each case, the reason for the suspension from trading was such as should prevent the relevant issuer from taking the relevant corporate action (which would necessitate reliance on the Alternative Threshold) until 125 trading days after the suspension has been lifted.

- 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 note that most GEM issuers will not have a market capitalization of HK\$4 billion or greater and therefore will most likely be unable to take advantage of the flexibility afforded by the proposed Alternative Threshold.

## **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 this proposal primarily for the reasons set forth in paragraphs 347-349 of the Further Consultation Paper.

- 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 see no strong argument in this context for distinguishing between PRC issuers and non-PRC issuers that are listed on a PRC stock exchange, and on that basis we agree with this proposal.

### 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.*

We agree that all issuers should be required to confirm periodically whether they have met their Ongoing Public Float Thresholds. We respectfully submit, however, that requiring monthly confirmations of the same would impose a compliance burden on listed issuers that would not be offset by corresponding investor protection benefits. Instead, we propose that listed issuers would be required to test compliance with applicable Ongoing Public Float Thresholds a) episodically upon completion of any corporate action that would affect public float (such as a share buyback) and b) periodically (e.g., on a quarterly basis), and to commence reporting on a monthly basis promptly after any determination that they have fallen short of the applicable threshold.

- 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.*

Please see response to Question 3.1 above.

- 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.*

Yes, subject to our observations in response to Question 3.1 above concerning the frequency with which the determination of compliance with the Alternative Threshold should be made.

- 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.*

Yes.

- 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.*

#### **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 do agree that these additional obligations would enable continued trading of the relevant issuer's shares in case of a Significant Public Float Shortfall, since the proposed special stock marker (paragraph 363 of the Further Consultation Paper) and the proposed additional disclosure obligations (paragraph 369) would alert prospective purchasers of the potential for diminished liquidity in the market for the relevant issuer's shares, enabling them to make an informed decision about assumption of the risk of illiquidity. We also agree that the proposal to delist an issuer that has a Significant Public Float Shortfall which persists for 18 months (Main Board) or 12 months (GEM) should give such issuer sufficient incentive to come back into compliance with the applicable Ongoing Public Float Threshold.

- 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 do agree with this proposal, subject to our observations in response to Question 3.1 above concerning the frequency with which listed issuers should be required to determine compliance with the applicable Ongoing Public Float Threshold.

- 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 respectfully submit that the Stock Exchange could consider requiring semi-annual updates (e.g., in each annual and quarterly report) in lieu of monthly updates for listed companies that have fallen short of the applicable Ongoing Public Float Threshold but have not yet experienced a Significant Public Float Shortfall, and could reserve monthly reporting requirements for those listed companies that are experiencing a Significant Public Float Shortfall.

- 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.*

Yes, for the reasons stated in paragraphs 373-374 of the Further Consultation Paper.

- 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.*

Yes.

- 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 that this proposal strikes a good balance between investor protection through disclosure, on the one hand, and the need to ensure that listed companies have flexibility to restore compliance with the applicable Ongoing Public Float Requirement through measures (e.g. issuance of new shares) that are appropriate in light of evolving market conditions from time to time.

- 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.*

Yes, for the reasons stated in paragraphs 377-384 of the Further Consultation Paper.

### **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*

Yes.

### **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.*

Yes.

- 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.*

Yes.