

# **The Hong Kong Chartered Governance Institute**

## **Submission**

### **The Stock Exchange of Hong Kong Limited (Exchange)**

#### **Consultation on**

#### **Proposals to Optimise IPO Price Discovery and Open Market Requirements**

The Hong Kong Chartered Governance Institute 香港公司治理公會

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## **Consultation Paper on Proposals to Optimise IPO Price Discovery and Open Market Requirements**

*[Words and expressions used herein shall have the meanings set out under the proposed Consultation Paper.]*

### **About HKCGI**

The Hong Kong Chartered Governance Institute (HKCGI) is the sole accrediting body in Hong Kong and the Chinese mainland for the globally recognised Chartered Secretary and Chartered Governance Professional qualifications. Formerly known as The Hong Kong Institute of Chartered Secretaries (HKICS), HKCGI is the Hong Kong/China Division of The Chartered Governance Institute (CGI).

With a legacy of over 75 years, HKCGI has established itself as a trusted and reputable professional body in the region. Its influence extends to CGI's global network of around 40,000 members and students, making it one of its fastest-growing divisions. HKCGI's community comprises about 10,000 members, graduates, and students, with significant representation in listed companies and diverse governance roles across various industries.

Guided by the belief that governance leads to better decision-making and a better world, HKCGI is committed to advancing governance in commerce, industry, and public affairs. It achieves this through education, thought leadership, advocacy, and active engagement with its members and the broader community. As a recognised thought leader, HKCGI promotes the highest standards of governance while advocating for an inclusive approach that considers the interests of all stakeholders, and ensures that every voice is heard and valued.

### **General support for proposals**

From an applied governance perspective, we support efforts by HKEX to ensure its listing mechanism remains attractive and competitive for existing and prospective issuers, which is important for Hong Kong's position as a leading international financial centre.

In this context, we have no issue with holistic reform on the IPO price discovery process and open market requirements being proposed by HKEX. This assumes that the proposals have broadly sought to balance the interests of various stakeholders consulted in shaping the proposals, including representatives from investment banks, public institutional investors, private equity firms, and retail and international brokers.

### **Question 1**

1.1 Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by: (a) requiring the public float percentage of securities new to listing be calculated normally by reference to the total number of securities of that class only (as set out in paragraph 44 of the Consultation Paper)?

Yes.

From the applied governance perspective, we have no issue following the international practice of other securities exchanges to apply a class concept to the public float (as set out under Table 17 in Appendix IV of the Consultation Paper), meaning counting only shares that contribute to an open market in Hong Kong. Specifically, we agree that for A+H Issuers, the A shares portion should not be counted as they are not fungible with H-shares listed on the Stock Exchange.

(b) in the case of a PRC issuer with no other listed shares, requiring the numerator of its public float percentage to be calculated by reference to its H shares only, such that any shares it has in issue that are in the class to which H shares belong would only be included in the denominator (as set out in paragraph 45 of the Consultation Paper)?

Yes.

This logically follows the idea of assessing the public float relating to only H-shares.

(c) in the case of a PRC issuer with other listed shares (e.g. A shares listed on a PRC stock exchange), requiring the numerator of its public float percentage to be calculated by reference to its H shares only, such that any other listed shares it has in issue would only be included in the denominator (as set out in paragraph 45 of the Consultation Paper)?

Yes.

This logically follows the idea of assessing the public float relating to only H-shares.

(d) in the case of an issuer with other share class(es) listed overseas, requiring the numerator of its public float percentage at listing to be calculated by reference to only the shares of the class for which listing is sought in Hong Kong, such that any shares of other classes it has in issue would only be included in the denominator (as set out in paragraph 46 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

We have no issue with the rationale stated under the Consultation Paper to ensure that the amount of shares they seek to list in Hong Kong is large enough to attract a critical mass of investor interest (paragraph 52 of the Consultation Paper).

1.2 Do you agree with our proposal to modify the requirement of MB Rule 8.09

Yes.

We have no issue, but for the specific amount of HK\$125M, which aligns with the current initial public float requirement under Table 20 of the Consultation Paper.

## Question 2

2.1 Do you agree that we should exclude from the definition of "the public" any person whose acquisition of securities has been financed by the issuer and any person who is accustomed to take instructions from the issuer (as set out in paragraph 64 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

The change clarifies that shares held under trust should be excluded from the definition of 'the public' in certain situations. It is in applied governance for rules to be clear in their meanings.

2.2 If your answer to Question 2.1 is "yes", do you agree with our proposal to regard shares held by an independent trustee which are granted to independent scheme participants and unvested as shares held in public hands (as set out in paragraph 65 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

It is in applied governance for rules to be clear in their meanings.

## Question 3

3.1 Do you agree that we should replace the current minimum initial public float thresholds with tiered initial public float thresholds according to the expected market value of the class of securities for which listing is sought on the Exchange at the time of listing? Please give reasons for your views and any alternative suggestions.

Yes.

Currently, waivers have been granted. It is in good governance to be open and transparent and have clear rules. Therefore, there is no issue with the Stock Exchange adopting a tiered approach and articulating this to the market.

3.2 If your answer to question 3.1 is "yes", do you agree with the proposed tiered initial public float thresholds (as set out in Table 5 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

We have no issue with clear public float threshold requirements by setting a 'floor' that ranges from Tier D 5% (at an expected securities market value of \$7B for mega IPOs, to Tier A 25% (for IPOs at less than HK\$6B), and the other tiers, Tiers B and C in between as set out under paragraph 85 of the Consultation Paper.

3.3 If your answer to question 3.2 is "yes", do you agree that the proposed tiered initial public float thresholds should be applied to any class of equity securities new to listing on the Exchange, except for (a) the initial listing of A+H issuers (and other prescribed types of issuers); and (b) a bonus issue of a new class of securities (as set out in paragraph 79 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

We have no issue as Figure 1 shows that the market cap remains competitive with other securities markets. However, the matter is best left to sponsors, issuers and others in the price discovery process.

3.4 If your answer to question 3.1 is yes, do you agree that all issuers disclose, in their listing documents, the initial public float threshold that is applicable to the class of securities they seek to list on the Exchange? Please give reasons for your views and any alternative suggestions.

Yes.

Good governance requires the matter to be disclosed in a transparent manner.

3.5 If your answer to question 3.2 is yes, do you agree that the same tiered initial public float thresholds (as set out in Table 5 of the Consultation Paper) should be applied to GEM issuers? Please give reasons for your views and any alternative suggestions.

Yes.

We have no issue with the public float threshold of 25%, but this matter could be reviewed at a future GEM Board review.

#### Question 4

4.1 If our proposed initial public float thresholds (see proposals in Section I.B.1 and Section I.D.1 of Chapter 1 of the Consultation Paper) are supported by the market, we seek views on the appropriate ongoing public float requirements for: (a) Issuers, subject to the initial public float tiers proposed (see Table 5 in Section I.B.1 of Chapter 1 of the Consultation Paper); and (b) A+H issuers and other prescribed types of issuers (see Section I.D.1 of Chapter 1 of the Consultation Paper). Please give reasons for your views and any alternative suggestions.

We do not have any specific alternative suggestions, and the matter is best left to sponsors, issuers and others in the price discovery process. As we move from Tier A to Tier D, we observe that from 25% to 5%, the latitude for reducing ongoing public float requirements should be reduced, as the public float would have already been significantly reduced.

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

Yes.

We have no issue with some latitude, for example, on a *de minimis* basis, to address the concerns under paragraphs 102 to 109. However, the matter is best left to sponsors, issues and others in the price discovery process.

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

Yes.

After the rules are clearly defined and some latitude built into the ongoing float requirements, there should be the discretion to be retained to suspend for not meeting the ongoing float requirement under appropriate circumstances to address the underlying regulatory concerns. The market will welcome guidance as to how discretion will be exercised.

4.4 Do you agree that ongoing public float requirements should be applied to shares only (as set out in paragraph 118 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

We agree that the regulations should relate to shares, not convertibles or other derivatives.

4.5 Do you agree that an OTC market should be established in Hong Kong (as set out in paragraph 119 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

The general idea of having an OTC is sound as a product offering. However, that would require a separate consultation after gauging market consensus on the topic.

4.6 What are your views on: (a) the potential benefits and risks of establishing an OTC market; (b) functions that an OTC market should serve; and (c) whether such OTC market should be open to retail investors? Please give reasons for your views.

Yes.

The general idea of having an OTC is sound as a product offering. However, that would require a separate consultation after gauging market consensus on the topic.

#### Question 5

5.1 Do you agree with our proposal to mandate disclosure of actual public float in listed issuers' annual reports? Please give reasons for your views and any alternative suggestions.

Yes.

From the applied governance perspective, disclosing the matters under paragraph 126 at the end of the reporting period could provide a snapshot to investors and is in the interest of transparency. However, the information might be outdated by the time of publication.

More importantly, we are concerned with the proposal requiring the extraction of information from disclosure of interest (DOI) filings under Part XV of the SFO. As set out under the Executive Summary to the Financial Services and Development Council (FSDC) Paper No. 30 (November 2019) on 'Revamp of Disclosure of Interests Regime under Part XV of the Securities and Futures Ordinance – Recommendations':

"There remains consensus within the financial services industry that the existing DOI regime in Hong Kong is difficult to apply and is subject to a high risk of inadvertent and technical breach. For the purpose of more effective regulation over the longer term, this paper sets out a total of 18 areas within the DOI regime where improvements could be made without adversely impacting market transparency."

It follows that disclosures under the proposal requiring extraction of DOI information present high risk to issuers in terms of inadvertent and technical breaches.

Accordingly, we submit that issuers should only be required to prepare the information required under the proposal under paragraph 126 on a best-effort basis and for reference only. Further, the part that requires analysis under DOIs should be replaced by a hyperlink to the relevant DOI filings instead of setting them out in the table under the proposal.

The matter could be revisited following a reform of Part XV of the SFO, which the market, including the FSDC, has called for over the years.

5.2 If your answer to Question 5.1 is "yes", do you agree with the details proposed to be disclosed (as set out in paragraph 126 of the Consultation Paper), including that only persons connected at the issuer level would be required to be identified on an individually named basis in the disclosure of shareholding composition (as set out in paragraph 126(b)(i)(1) and (2) of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Please see the answer to Q. 5.1.

5.3 If your answer to Question 5.1 is "yes", do you agree that issuers should be required to disclose the relevant information based on information that is publicly available to the issuer and within the knowledge of its directors (as set out in paragraph 127 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Please see the answer to Q. 5.1.

## Question 6

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

Yes.

From the applied governance perspective, clear and transparent rules will contribute to Hong Kong's position as an international financial centre. Regarding the expected market value of between HK\$50 million and the minimum cap of HK\$600 million available for trading for larger issues, please gauge relevant stakeholder consensus.

6.2 If your answer to Question 6.1 is "yes", do you agree with our proposed initial free float thresholds (as set out in paragraph 140 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Unanswered.

Please see the answer to Q.6.1.

6.3 If your answer to Question 6.1 is "yes", do you agree with our proposed modification of the initial free float thresholds to PRC issuers (as set out in paragraphs 142 to 143 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

Please see the answer to Q. 6.1. The rationale is applicable.

6.4 If your answer to Question 6.1 is "yes", do you agree with our proposal to apply the proposed initial free float requirement to shares only (as set out in paragraph 144 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Unanswered.

Please see the answer to Q. 6.1. The rationale is applicable.



6.5 If your answer to Question 6.1 is "yes", do you agree that shares considered to be in public hands that are held by an independent trustee under a share scheme should not be counted towards the proposed initial free float requirement (as set out in paragraph 145 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

We agree as the shares are locked up and not generally available for trading until vested to the beneficiaries.

6.6 If your answer to Question 6.1 is "yes", do you agree that existing free float related requirements for Biotech Companies and Specialist Technology Companies should be replaced with the proposed initial free float requirement so that the same requirement applies to all issuers (as set out in paragraph 146 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

We have no issue as the rationale under the proposals appears to follow for these companies.

#### Question 7

7.1 Do you agree with our proposed revised minimum thresholds on shares to be listed on the Exchange for A+H issuers and other prescribed types of issuers (as set out in paragraph 162 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

From the applied governance perspective, it would increase the pool of potential PRC-listed issuers and provide market vibrancy. We have no issue. Please foster stakeholder consensus on the matter.

7.2 Do you agree that the minimum initial public float thresholds for A+H issuers and other prescribed types of issuers should be the same as the minimum thresholds on shares to be listed on the Exchange (as set out in paragraph 164 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

Please see the answer to Q. 7.1. The rationale is applicable.

7.3 Do you agree with our proposal to remove the minimum market value requirement for the class sought to be listed by issuers with other share class(es) listed overseas and H shares of PRC issuers (as set out in paragraph 166 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

Please see the answer to Q. 7.1. The rationale is applicable.

#### Question 8

In respect of the lock-up requirement on IPO securities placed to cornerstone investors, would you prefer to: (a) retain the existing six-month lock-up (as set out in Option A in paragraph 205 of the Consultation Paper); or (b) allow a staggered release of the six-month lock-up (as set out in Option B in paragraph 205 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

##### Option B

From an applied governance perspective, investor protection appears sufficient for a 3-month lock-up, which is a substantial period and thereafter a 50% release from the lock-up. This will increase market vibrancy by making Hong Kong more attractive to cornerstone investors.

#### Question 9

9.1 Do you agree that at least 50% of the total number of shares initially offered in an IPO should be allocated to investors in the bookbuilding placing tranche (as set out in paragraphs 227 and 228 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

As identified in paragraph 209, bookbuilding is a key mechanism for determining market demand and the final offer price of IPO shares, and the suggested mechanism is appropriate for price discovery.

9.2 If your answer to Question 9.1 is "yes", do you agree that the proposed requirement should not be applied to the initial listing of Specialist Technology Companies (as set out in paragraphs 229 of the Consultation Paper)? Please give reasons for your views.

Yes.

We have no issue as set out in paragraph 232, as they provide a different risk profile, so different rules are justified.

#### Question 10

10.1 Do you agree with the proposed removal of the guideline on minimum spread of placees, being not less than three holders for each HK\$1 million of the placing, with a minimum of 100

holders in an IPO placing tranche (as set out in paragraph 230 of the Consultation Paper)? Please give reasons for your views.

Yes.

We agree with the position set out under paragraph 225, as 100 places might be used just to make up the numbers and do not contribute to price discovery where they hold a small position. Further, it is even less meaningful for smaller IPOs.

10.2 Do you consider that other safeguarding measures should be implemented to ensure an adequate spread of holders in the placing tranche, in light of the proposal (as set out in paragraph 230 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

No.

The price discovery should already be robust enough.

#### Question 11

11.1 Do you agree with the proposal to require issuers to adopt either Mechanism A or Mechanism B with respect to a minimum allocation of offer shares to the public subscription tranche (as set out in paragraphs 248 to 250 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Mechanism A.

There are already grants of waivers, and at this stage, it will be good to codify the practice with transparency and clear rules, which is good governance. Any desire to do away with the clawback could be considered later.

11.2 If your answer to Question 11.1 is "yes", do you agree with the proposal to require Specialist Technology Companies to only adopt the existing initial allocation and clawback mechanism designed for them, i.e. Mechanism A (as set out in paragraph 251 of the Consultation Paper)? Please give reasons for your views.

Yes.

As we agree with using Mechanism A under the answer to Q. 11.1, we have no issue with adopting Mechanism A and transparent and clear rules, which is good governance.

#### Question 12

12.1 Do you agree that we should retain the Allocation Cap? Please give reasons for your views.

Yes.

This is part of investor protection to prevent retail shareholders from being 'stuffed' with shares, as illustrated in Table 13.

12.2 If your answer to Question 12.1 is "yes" and subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendments to the triggering conditions of the restrictions on Reallocation and PO Over-allocation (as set out in paragraph 262 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Unanswered.

We have no issue with the proposal, albeit the market consensus should be obtained as this appears predominantly a commercial issue.

12.3 If your answer to Question 12.1 is "yes" and subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendments to lower the proposed Maximum Allocation Cap Percentage Threshold from 30% to 15% (as set out in paragraph 263 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Unanswered.

We have no issue with the proposal, albeit the market consensus should be obtained as this appears predominantly a commercial issue.

### Question 13

13.1 Do you agree that the Existing Pricing Flexibility Mechanism should be amended to include upward pricing flexibility? Please give reasons for your views and any alternative suggestions.

Unanswered.

As set out under the Consultation Paper, there are issues to balance. We add the reputational issue to consider, where retail investors chase a 'hot' IPO and pay an even higher price and market sentiments change.

13.2 If your answer to Question 13.1 is "yes", do you agree with our proposals to adopt an offer price adjustment limit of 10% in both directions (as set out in paragraph 281 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Unanswered.

We have no issue with a 10% downward adjustment mechanism but are concerned with an upward adjustment mechanism as set out under the answer to Q.13.1

13.3 If your answer to Question 13.1 is "yes", in respect of the initial offer price range, would you prefer adjustment to be made: (a) up to 30% of the bottom of that range (as set out in Option A of paragraph 282 of the Consultation Paper); or (b) up to 20% of the bottom of that range (as set out in Option B of paragraph 282 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Unanswered.

The range is not a governance issue, as it is against risk management with an upward adjustment, which is a risk management issue. The range for any downward adjustment should be worked with market participants in the price discovery process.

13.4 If your answer to Question 13.1 is "yes", do you agree with the Proposed Opt-in Arrangement (as set out in paragraphs 283 to 284 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Unanswered.

Please see answer to Q. 13.3.

13.5 If your answer to Question 13.1 is "yes", do you agree with our proposal to extend the current disclosure requirements (as set out in paragraph 285 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Unanswered.

Please see answer to Q. 13.3.

Question 14 Do you agree with our proposals to make consequential and housekeeping amendments to the Placing Guidelines (as set out in paragraphs 302 and 303 of the Consultation Paper and Appendices I and II to the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

It is in good governance to update guidelines to track regulatory reforms for transparency.

Question 15. Do you agree with our proposal to disapply the proposed initial public float requirement in the case of a bonus issue of a new class of securities involving options, warrants or similar rights to subscribe for or purchase shares (as set out in paragraph 306 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

From an investor protection perspective, we have no issue with the proposal.

Question 16 Do you agree with our proposal to add new provisions under Appendices D1A and D1B to the Main Board Listing Rules to require disclosure of the minimum prescribed percentage of public float in listing documents (as set out in paragraph 311 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

We support this as transparency is in good governance and investor protection.

Question 17 Do you agree with our proposal to waive the initial free float requirement for overseas issuers that have, or are seeking, a secondary listing on the Exchange (as set out in paragraph 315 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

We agree. The risk being purchased is primarily with the primary listing jurisdiction for this type of overseas listed issuer with a secondary listing in Hong Kong.

Question 18 Do you agree with our proposal to repeal the requirement that PRC issuers list H-shares that have an expected market value, at the time of listing, of HK\$50 million (as set out in paragraph 319 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

We agree. This logically follows if the proposed reform is adopted.

Question 19 Subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendment to enable GEM listing applicants to choose either Mechanism A or Mechanism B (as set out in paragraph 325 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

We have no issue with the flexibility provided. As to whether 5% is appropriate, please consider the views of those involved in the price discovery process.

## Question 20

20.1 Do you agree with our proposals on the determination of market capitalisation for new applicants that have other classes of shares apart from the class for which listing is sought or are PRC issuers (as set out in paragraph 333 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

From the governance perspective, there should be transparency, and we welcome the guidance that will also be issued.

20.2 Do you agree with our proposal to introduce an equivalent GEM Listing Rule provision on the basis for determining the market value of other class(es) of shares for a new applicant (as set out in paragraph 335 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

From the governance perspective, there should be transparency, and we welcome the guidance that will also be issued.

## Question 21

Do you agree with our proposal to amend the Listing Rules (MB Rule 12.02 (GEM Rule 16.07)) to require issuers to publish a formal notice on the date of issue of a listing document for offers or placings where any amount placed is made available directly to the general public (as set out in paragraph 339 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

From the governance perspective, there should be transparency, and we welcome the guidance that will also be issued.

## Question 22

22.1 Do you agree with our proposal to amend Chapter 18B of the Main Board Listing Rules so that the open market requirements of MB Rule 8.08 do not apply to Successor Company's warrants (as set out in paragraph 349(a) of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.

Yes.

From the governance perspective, this is consistent with the risk profile of the purchase and reward system for SPAC.

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

Yes.

From the governance perspective, this is consistent with the risk profile of the purchase and reward system for SPAC.

#### Question 23

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

Yes.

From the governance perspective, this is consistent with the risk profile of the purchase and reward system for SPAC.

If there are any questions, please feel free to reach out to [REDACTED]

[REDACTED]

Yours sincerely,

For and on behalf of  
The Hong Kong Chartered Governance Institute

[REDACTED]