

18 March 2025

Hong Kong Exchanges and Clearing Limited

By email to HKEX Listing Division / Ms Katherine Ng (Head of Listing)

**Re: ASIFMA Response to HKEX's Consultation Paper on Proposals to Optimise
IPO Price Discovery and Open Market Requirements**

Dear Sirs/Madams,

We refer to the Consultation Paper titled "Proposals to Optimise IPO Price Discovery and Open Market Requirements" (the "**Consultation**") published on 19 December 2024 by Hong Kong Exchanges and Clearing Limited ("**HKEX**" or the "**Stock Exchange**").

On behalf of members of the Equity Capital Markets Committee ("**ECMC**") and the Asset Management Group ("**AAMG**") of Asia Securities Industry & Financial Markets Association (**ASIFMA**), we are submitting this response to the Consultation. Unless otherwise indicated, the terms used in this response will have the meanings defined in the Consultation and references to "**our members**" include those in both the ECMC and AAMG. Linklaters has assisted us in preparing and coordinating this response.

The issues raised by the HKEX in the Consultation generally resonate with members in both ECMC (representing the sell side) and AAMG (representing the buy side). They agree with the general direction that the HKEX is taking in enhancing the competitiveness of the Hong Kong listed securities market for existing and prospective issuers.

ASIFMA appreciates the initiatives by the Hong Kong regulators to review and refine the regulatory framework for Hong Kong IPO price discovery and open market requirements and welcomes the opportunity to provide comments on the Proposals. We note that the Securities and Futures Commission (the "**SFC**") has indicated that, together with the HKEX, they are working on refining the listing regime including reviewing the listing requirements and ongoing obligations post-listing and evaluating the current listing-related regulations and arrangements to streamline the vetting process. We look forward to the opportunity to discuss these reforms with you.

Regarding the proposed changes to the initial public float threshold discussed in section B.1 and section D.1 and the ongoing public float requirements in section B.2 of the Consultation, ECMC members advocate for the two matters to be considered independent of each other. They urge that any proposed adjustments to the initial public float threshold should not be made subject to further consultation concerning the post-listing requirements. These two matters carry distinct implications and impacts that warrant separate consideration and resolution. Combining them would cause unnecessary delays in addressing the specific issues related to the initial public float threshold identified in the Consultation, as well as the objectives tied to each matter. Clarity and decisiveness in regulatory adjustments will ensure more efficient and targeted solutions, enhancing the competitiveness of the Hong Kong market.

Our members have taken this opportunity to draw the attention of the regulators on other aspects of the IPO process and the positioning of GEM. We have set out these points in Appendix 2.

Yours sincerely,

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[Redacted name]
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No.	Questions and Response
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:
	<p>Our members support the proposal that only shares tradable in Hong Kong and held by the public should count towards the public float, as this better reflects the policy's rationale for imposing a public float requirement. They believe that including shares that do not contribute to market openness, such as A shares of PRC issuers, could inflate public float figures without genuinely contributing to market liquidity.</p> <p>The proposed changes will bring Hong Kong closer with requirements in other international markets.</p> <p>Our members also support the proposal that A to H issuers should be subject to a bespoke set of rules (along with the amendment to the Minimum 15% Threshold as proposed below) because of their unique features. A shares, which are not fungible with H shares, should not be counted as part of the Hong Kong public float as they do not add to market liquidity on the Stock Exchange.</p>
(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)?
	See response to Q.1.1.
(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)?
	See response to Q.1.1.
(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)?
	See response to Q.1.1.
(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)?
	See response to Q.1.1.
1.2	Do you agree with our proposal to modify the requirement of MB Rule 8.09(1) (GEM Rule 11.23(2)(a)) to clarify that the minimum market value in public hands requirement applies to the securities for <u>which listing is sought</u> (as set out in paragraph 47 of the Consultation Paper)?
	Yes.

2.1	Do you agree that we should exclude from the definition of “the public” any person whose acquisition of securities has been financed by the issuer and any person who is accustomed to take instructions from the issuer (as set out in paragraph 64 of the Consultation Paper)?
	Yes.
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)?
	Yes.
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?
	<p>A significant majority of AAMG members have reservations about lowering the IPO public float threshold as this, combined with disposal lock-up restrictions (whether as required by applicable laws, regulations or the Listing Rules or voluntarily given by the shareholder(s) under the prevailing market practice), could impair market liquidity of newly listed shares. If the size of the public float decreases, it may hit the internal risk thresholds of asset managers, making it impossible for them to participate for certain deals.</p> <p>ECMC members and an AAMG member welcome the proposed changes to align the requirements in Hong Kong with those in other major overseas markets. It offers greater certainty about the listing requirements and process in Hong Kong.</p> <p>Some ECMC members suggest that, as a corollary, in order to ensure this certainty, HKEX should strictly adhere to the requirements and only consider granting ad hoc waivers in the most exceptional circumstances.</p>

3.2	<p>If your answer to question 3.1 is “yes”, do you agree with the proposed tiered initial public float thresholds (as set out in in Table 5 of the Consultation Paper)?</p>															
	<p>ECMC members believe that a tiered structure offers clarity and ensures fair treatment to listing applicants.</p> <p>An ECMC member proposes that the tiered initial public float thresholds should be lowered as indicated in red below to allow even greater flexibility for large-scale issuers.</p> <table><tr><th>Tier</th><th>Market cap of the securities for which listing is sought (at the time of listing)</th><th>Proposed minimum initial public float of the listed securities</th></tr><tr><td>A</td><td>≤ HK\$6bn</td><td>25%</td></tr><tr><td>B</td><td>> HK\$6bn to ≤ HK\$3020bn</td><td>The higher of: (i) % of HK\$1.5bn/market cap; and (ii) 15%</td></tr><tr><td>C</td><td>> HK\$3020bn to ≤ HK\$7050bn</td><td>The higher of: (i) % of HK\$4.53.0bn/market cap; and (ii) 10%</td></tr><tr><td>D</td><td>> HK\$7050bn</td><td>The higher of: (i) % of HK\$7.05.0bn/market cap; and (ii) 5%</td></tr></table> <p>A significant majority of AAMG members have reservations about lowering the IPO public float thresholds. See Q.3.1.</p>	Tier	Market cap of the securities for which listing is sought (at the time of listing)	Proposed minimum initial public float of the listed securities	A	≤ HK\$6bn	25%	B	> HK\$6bn to ≤ HK\$ 30 20 bn	The higher of: (i) % of HK\$1.5bn/market cap; and (ii) 15%	C	> HK\$ 30 20 bn to ≤ HK\$ 70 50 bn	The higher of: (i) % of HK\$ 4.5 3.0 bn/market cap; and (ii) 10%	D	> HK\$ 70 50 bn	The higher of: (i) % of HK\$ 7.0 5.0 bn/market cap; and (ii) 5%
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D	> HK\$ 70 50 bn	The higher of: (i) % of HK\$ 7.0 5.0 bn/market cap; and (ii) 5%														
3.3	<p>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)?</p>															
	<p>ECMC members agree that the proposed tiered initial public float thresholds should apply to any class of equity securities that are new to listing on the Stock Exchange as proposed. Furthermore, they support the proposal that A to H issuers should be subject to a bespoke set of rules (along with the amendment to the Minimum 15% Threshold as proposed) because of their unique features, particularly the fact that A shares are not fungible with H shares, they should not be included in the Hong Kong market’s public float, as they do not influence the market liquidity in Hong Kong.</p> <p>Given the importance of this issue, particularly to A to H issuers seeking a listing in Hong Kong and their concern regarding dilution, it is suggested that the implementation of this proposal should not be tied to the outcome of a further consultation on the post-listing public float requirement (as noted in paragraph 48 in the Consultation).</p> <p>A significant majority of AAMG members have reservations about lowering the IPO public float thresholds. See Q.3.1.</p>															

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?
	Yes.
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?
	<p>ECMC members agree with the proposal but generally are of the view that it may have limited use as very few issuers use GEM. Please also see some additional feedback on the positioning of GEM in Appendix 2(B).</p> <p>AAMG members generally have reservations about lowering the IPO public float thresholds. See Q.3.1.</p>
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
	See response to Q.4.2.
(b)	A+H issuers and other prescribed types of issuers (see Section I.D.1 of Chapter 1 of the Consultation Paper).
	See response to Q.4.2.
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)?
	<p>A significant majority of the AAMG members have reservations about lowering the post-listing public float thresholds as it may lead to potential abuse.</p> <p>ECMC members and an AAMG member generally support relaxing the post-listing public float requirements. They believe issuers should be given flexibility to manage their share capital for strategic planning and financial management purposes, such as mergers and acquisitions or supporting share buyback programmes.</p> <p>As a possible way forward, an ECMC member suggests that if a new listing applicant does not meet the market value requirement at IPO for a public float waiver, but qualifies post-listing as if it were an IPO applicant, it should be allowed to seek a waiver from ongoing compliance of its public float requirement at IPO. In addition, should the Listing Rules be amended to relax the ongoing compliance requirement for public float, this change should apply automatically to all listed issuers.</p> <p>ECMC members emphasise that any change to public float requirements at IPO should not be contingent upon further consultation regarding the post-listing requirements. They are independent issues which do not need to be addressed in tandem.</p> <p>In addition, ECMC members seek clarification on how any amendment to the initial public float threshold would apply to listing applicants during the period between the publication of</p>

	the conclusion to the Consultation and the implementation date, assuming there will be a time gap. It would be beneficial to the market for the HKEX to provide clear guidance.
4.3	<p>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)?</p> <p>Our members note that whether, and how, to address the restriction on the current post-listing public float requirement will be a subject of further market consultation. Our members are of the view that this is an important topic for the Hong Kong market as Hong Kong currently is an outlier and most major international stock exchanges are less stringent in comparison (as indicated in paragraph 108 of the Consultation). This may influence listing applicants' choice of their listing venue. Our members look forward to discussions with the Hong Kong regulators on this very important development.</p> <p>Our members have considered and discussed this proposal. A significant majority of the ECMC members support maintaining the current regulatory approach of suspending trading (or even delisting) if the public float is breached. They are of the view that, without such measures, issuers lack the incentive to actively re-comply with the regulatory requirements.</p> <p>AAMG members and an ECMC member believe that a breach of the post-listing public float requirement by the issuers should not result in shareholders and investors losing their ability to trade their shares on the Stock Exchange. A breach of the public float requirement should be addressed through more transparent disclosure, instead of trading suspension.</p> <p>Some members suggest that the regulators could introduce a new mechanism to tag issuers with "Low Public Float", irrespective of the outcome of the conclusion as to whether a breach may or may not lead to trading suspension. This mechanism will be similar to the SFC's current approach of issuing warnings about high concentrations in shareholdings (but requiring greater disclosure steps). If the consultation concludes "no suspension", it is expected to enable trading liquidity while providing shareholders and investors with relevant information to assess the related risks of trading in the listed securities with low public float. For members who advocate against suspension in the event of a breach, this approach supports the fundamental stock market principle that a stock should remain trading so that investors can exit, unless a false market exists due to undisclosed inside information. It also reflects that (i) many issuers listed on the Stock Exchange have very low liquidity, (ii) the size of the public float is not, of itself, the reason for this but rather the lack of investor interest in the issuer and, invariably, the absence of any research coverage, and (iii) the absence of trading in a stock is not a basis under the Listing Rules for withdrawing from them the facilities of the Stock Exchange.</p> <p>Our members are sympathetic towards issuers who fail to comply with the public float requirement through no fault of their own and resulting in minority shareholders losing their ability to exit their position in the relevant issuer.</p>
4.4	Do you agree that ongoing public float requirements should be applied to shares only (as set out in paragraph 118 of the Consultation Paper)?

	Yes.
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)?
	<p>We note the establishment of a new market for delisted companies is suggested in the 2025 Hong Kong Budget.</p> <p>A significant majority of the ECMC members support the proposal to establish an OTC market for delisted issuers, as it would, in principle, assist in facilitating shareholders' exit after a forced delisting. In particular, an OTC platform would help mitigate the consequences for shareholders of an issuer that is delisted, for example under LR13.24.</p> <p>AAMG members and an ECMC member are of the view that there lack sufficient justifications to establish an OTC market for delisted issuers in Hong Kong, in particular the pool of companies to sustain an OTC market will be very limited. It is also noted that the OTC market may add fragmentation, and all eligible securities should be listed on the Main Board or GEM.</p> <p>Should this proposal gain sufficient market support for further discussion, we look forward to the opportunity to discuss in detail the mechanism that would (a) potentially ring fence the OTC market access to only professional investors on a caveat emptor basis (for example, except allowing non-professional investors to sell their shares to exit their then position) and (b) create potential avenues for liquidity in the Hong Kong market, similar to the Private Intermittent Securities and Capital Exchange System (PISCES) in the manner proposed in the UK.</p>
4.6	What are your views on:
(a)	the potential benefits and risks of establishing an OTC market;
	See response to Q.4.5.
(b)	functions that an OTC market should serve; and
	See response to Q.4.5.
(c)	whether such OTC market should be open to retail investors?
	See response to Q.4.5.
5.1	Do you agree with our proposal to mandate disclosure of actual public float in listed issuers' annual reports?
	<p>Yes.</p> <p>Some members suggest similar disclosure should be made for free float of shares on an ongoing continuing basis.</p>
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)?

	Assuming the proposal set out in Q.5.3 and the recommendation set out in our response to Q.5.3 will be adopted, our members believe that persons connected at both the issuer and subsidiary levels should be required to be identified on an individually name basis because the depth of investigation required is not unduly burdensome.
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)?
	Our members believe that an issuer should not be required to exhaust all venues to ascertain its underlying shareholders for this disclosure purpose as it will be unduly burdensome. The minimum recommended action set out in paragraph 131 of the Consultation seems appropriate, that is, an issuer should put in place internal control procedures to make aware of the requirement to core connected persons (and other persons who are non-public). As good corporate governance, an issuer should already have a list of its core connected persons to monitor and detect connected transactions, this additional procedure should not be unduly burdensome on issuers.
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)?
	<p>A significant majority of our members believe that imposing a minimum free float at listing on all issuers would ensure that there is a minimum pool of “tradable” shares at listing to facilitate an open market in those shares. The absence of a free float requirement facilitates “friends and family” deals, where it may be questionable as to the extent to which the shares have been truly distributed and a proper price discovery process has taken place.</p> <p>An ECMC member does not support the free float proposal. While it appreciates the intention behind this proposal is to enhance market liquidity, it believes that liquidity is influenced by a variety of qualitative and quantitative factors, such as market capitalisation, free float, market sentiment, and the issuer's position and development. The requirement for a minimum free float may not necessarily improve market liquidity. Furthermore, it believes that the HKEX's proposals to adopt a staggered release of the six-month lock-up restriction for cornerstone investors, as well as the requirement of no less than 50% allocation to investors in the bookbuilding placing tranche, will be effective measures to ensure sufficient free float at the time of listing.</p>
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)?
	The 10% threshold is at the lower end compared with a similar requirement in other international markets, but our members believe that it would assist in maintaining the competitiveness of the Hong Kong market. Furthermore, if the proposed tiered structure for the initial public float (see Q.3 above) will be introduced as proposed by the Stock Exchange, corresponding adjustments to the free float requirement will be necessary if the public float tiers below 25% are engaged to avoid anomalies. The adjustments should be written into the Listing Rules for transparency and certainty to the offer structure, promoting an informed compliance to regulatory expectations.

	This is not applicable to the ECMC member who does not support the introduction of a free float requirement.
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)?
	Our members believe that H-share issuers and A+H issuers should be subject to bespoke requirements due to the unique, non-fungible nature of their domestic / A shares with H-shares. This is not applicable to the ECMC member who does not support the introduction of a free float requirement.
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)?
	Yes. This is not applicable to the ECMC member who does not support the introduction of a free float requirement.
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)?
	Our members are of the view that shares held by an independent trustee pending vesting to share scheme participants should not be counted towards the free float because the use cases of those shares are limited to being held pending vesting, they are unlikely to be available for trading and hence will not contribute to the open market of those shares. This is not applicable to the ECMC member who does not support the introduction of a free float requirement.
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)?
	Yes. A consistent approach across all issuers would be a positive step in addressing the overly complex Listing Rules requirement regarding free float. This is not applicable to the ECMC member who does not support the introduction of a free float requirement.
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)?
	ECMC members generally support the proposal to revise the minimum thresholds on H shares to be listed for A+H issuers and other prescribed types of issuers.

	<p>Two ECMC members have further observations. They are of the view that A+H issuers should not be required to have an expected market value of at least HK\$3 billion, as such a high monetary threshold may bar quality issuers (despite their smaller sizes) from listing in Hong Kong. One of them believes the HK\$3 billion threshold should be removed completely, while the other member proposes reducing the threshold from HK\$3 billion to HK\$2 billion because A-share issuers often are uncomfortable with the typical discount applied in “A-to-H” IPOs, especially the significant discount required to complete an IPO in challenging market conditions. In the Stock Exchange’s proposed revised minimum thresholds for A+H issuers, the 10% in limb (i) is often considered a significant dilution for large-cap A+H issuers and will often lead them to comply with the monetary threshold under limb (ii) for smaller dilution effect to fulfil this requirement. An expected market value of at least HK\$3 billion in limb (ii) is, however, a very high bar for HK IPOs. Based on publicly available information, only 15 out of 221 total IPOs on the Main Board in the past 3 years have a deal size of over HK\$3 billion. In reality, the HK\$3 billion threshold is still too high and may raise uncertainty to complete A+H listings, especially in difficult market conditions.</p> <p>AAMG members disagree with ECMC members’ view and believe that if an A-share issuer wants to list H-shares, then it should adhere to the current 15% requirement. Any retraction from this requirement is not a meaningful listing.</p> <p>AAMG members generally disagree with lowering the HK\$3 billion threshold because thus far all A to H issuers are large corporations and there lacks justification to reduce the HK\$3 billion threshold.</p>
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)?
	See response to Q.7.1.
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)?
	See response to Q.7.1.
8	<p>In respect of the lock-up requirement on IPO securities placed to cornerstone investors, would you prefer to:</p> <p>(a) retain the existing six-month lock-up (as set out in Option A in paragraph 205 of the Consultation Paper); or</p> <p>(b) allow a staggered release of the six-month lock-up (as set out in Option B in paragraph 205 of the Consultation Paper)?</p>
	<p>A significant majority of our members support relaxing the current lock-up restriction on cornerstone investors and are in favour of Option B, which proposes a staggered (3+3) release of the six-month lock up. This approach is seen as a way to spread out the potential share price volatility impact upon the expiry of lock-ups, while also reflecting the market’s expectations for lock-ups on cornerstone investors who enjoy guaranteed allocations.</p> <p>An ECMC member suggests eliminating cornerstone lock-up restriction entirely, noting that other major markets (such as the U.S. and Singapore) do not impose compulsory cornerstone lock-ups. However, this was not supported by AAMG members as they believe</p>

	<p>that in this case investors would prefer to sign up for cornerstone investment rather than participating in the bookbuilding tranche.</p> <p>AAMG notes that long-term investors generally do not make investment decisions to sell stock during this window, but having the ability to do so allows for more efficient portfolio management, particularly for redemption needs of underlying investors in open-ended funds or segregated mandates. Please note the additional points raised in Appendix 2(A) for reference and consideration.</p> <p>Another ECMC member is of the view that the market should maintain the status quo, i.e. continue the current compulsory six-month lock-up on cornerstone investors without a staggered release. Two release dates would potentially exacerbate, rather than mitigate, the concern over the disruption to the market at the time a lock-up restriction expires by having two such events.</p>
9.1	<p>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)?</p>
	<p>A significant majority of the ECMC members support this proposal.</p> <p>An ECMC member is concerned that any scale-back in the placing tranche to satisfy public demand may affect allocation to cornerstone investors. To address this concern, that ECMC member suggests an alternative measure by setting a maximum allocation of 50% for cornerstone investors. This ECMC member is of the view that:</p> <ul style="list-style-type: none"> (a) Cornerstone investors might see the potential scale-back in their allocation following a final allocation after clawback as unfair. They help set the price range, commit to upfront subscription for offer shares regardless of the final offer price, and are subject to mandatory lock-up restrictions, unlike placees in the bookbuilding tranche and retail investors, who do not have to make these commitments before the IPO commences. (b) Cornerstone investors may find it difficult to adjust their investment size shortly before trading commences due to their internal approval procedures. This is particularly challenging for Mainland investors using QDII, as making such adjustments over a short period can be extremely challenging in practice. (c) Cornerstone investors need allocation certainty to make early commitment.
9.2	<p>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)?</p>
	<p>Yes.</p>
10.1	<p>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)?</p>
	<p>Our members generally believe it is unnecessary to set two different minimum number of shareholders for each IPO, one for the placing tranche and one for the overall IPO. The</p>

	current 300 shareholders requirement is a better benchmark to ensure an adequate spread of holders of securities at listing.
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)?
	<p>Our members believe that other safeguards are not necessary.</p> <p>In particular, they are of the view that the proposed requirement for a minimum allocation to the bookbuilding placing tranche (or the proposal to limit the allocation to cornerstone investors), along with the proposed allocation cap for the public tranche and the public float requirement, are sufficient to ensure an adequate spread of holders of the securities in the placing tranche. Additional requirements are merely burdensome (and may result in undesirable behaviour in order to meet them) without addressing the regulatory concerns to ensure a proper distribution of shares and adequate price discovery.</p> <p>In addition to our response, an ECMC member proposes to repeal the requirement to submit a list of the placees to the HKEX. This is administratively burdensome and unnecessary given that the HKEX has all the necessary information required through the FINI platform.</p>
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)?
	<p>Our members welcome the proposal to lower the allocation requirements to the public tranche on a tiered basis. A significant majority of the ECMC members support adopting the two mechanisms as proposed, allowing listing applicants to choose which mechanism to adopt. They believe it provides certainty to the offer structure and at the same time allow applicants more flexibility in determining their offer structure and their shareholder base. Some members consider it critical to amend the current clawback mechanism and impose a cap for HK public tranche application to ensure sufficient allocation to placees in the placing tranche. Appendix 1 in this response provides recent examples where high level of over-subscription in the Hong Kong public offer tranche resulted in a 50% allocation to placees in the bookbuilding tranche and cornerstone investors combined, and leaving only a small proportion allocated to the bookbuilding tranche.</p> <p>AAMG members and an ECMC member are of the view that only Mechanism A (being initially allocating 5% to the public subscription tranche with clawback of up to 20%) should be allowed as the market will inevitably read signaling messages if there is a choice as to the approach to be taken to the minimum size of the public subscription tranche, which will be disruptive to the offering process and IPO price discovery.</p>
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)?
	<p>To those members who support giving issuers both options are “yes”.</p> <p>This is not applicable to members who are not in favor of giving issuers both options.</p>
12.1	Do you agree that we should retain the Allocation Cap?

	Yes.
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)?
	Yes.
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)?
	Our members broadly agree with this proposal but noting that it will reduce the flexibility to complete a transaction in difficult market. But if there will be more flexibility allowed on price and size adjustments, we can also accept this proposal.
13.1	Do you agree that the Existing Pricing Flexibility Mechanism should be amended to include upward pricing flexibility?
	<p>A significant majority of the ECMC members believe issuers should be allowed maximum pricing flexibility. The Existing Pricing Flexibility Mechanism should extend to facilitate a two-way upward and downward adjustment to allow maximum flexibilities to all issuers and to achieve the optimum price outcome for issuers under different market conditions and circumstances of issuers.</p> <p>In volatile markets with unpredictable momentum, issuers might initially set a more conservative price range. But if momentum shifts positively (or negatively) during the bookbuilding period, an upward/downward pricing option will give issuers the flexibility to set a fairer price. The current constraints of only permitting a downward adjustment (and requiring disclosure in the prospectus) means, in practice, issuers are deterred to adopt the downward only pricing flexibility due to potential negative market perception. A two-way flexible approach will encourage issuers to adopt the proposal, benefiting IPO price discovery.</p> <p>Supporting ECMC members note that any pricing flexibility determined by the issuers should be clearly communicated to the cornerstone investors to enable informed decisions. If AAMG members are concerned about cornerstone investors having to renegotiate the price, this issue can be addressed, in practice, by setting a price cap and issuers can factor into the initial price range, including any upward pricing option. Cornerstone investors typically need to know the price range (including any upward pricing option) before signing the cornerstone investment agreement, and they could factor in the maximum price (taking into account the impact of an upward pricing option) before commitment. However, if certain cornerstone investors insist on exiting the deal if the price exceeds a range, some issuers may choose to forego the upward pricing option in difficult markets to retain those cornerstone investors.</p> <p>Some supporting ECMC members propose several additional changes:</p> <p>(a) Allow more offer structure flexibility by permitting not only pricing flexibility but also the number of shares being offered. This approach, similar to practices in the U.S, would enable issuers to adjust fundraising amounts without the negative connotations associated with raising or cutting the offer price.</p>

	<p>(b) Permit issuers to adopt pricing flexibility automatically without requiring disclosure in the prospectus or mandate pricing flexibility disclosure in all prospectuses, with both approaches giving all issuers maximum pricing flexibility without the market implying positive or negative perceptions.</p> <p>AAMG members and an ECMC member do not support allowing upward pricing flexibility because they believe that it is unlikely to improve pricing discussions. The widening of the price range would more likely than not exacerbate the existing issue where issuers tend to prioritise the amount of funds raised over the quality of the order book and the investors to whom allocations are made. Issuers can set a wider initial price range as an alternative.</p> <p>AAMG members are concerned that upward pricing adjustment creates significant hurdles for cornerstone investors who are typically locked into a pre-agreed price range so upward pricing adjustment could require them to seek new internal approvals and additional funding within a short period of time. The administrative effort is considerable and should not be under-estimated. Unlike markets such as the US, cornerstone investors in Hong Kong play a significant role in setting the price range. Any upward price adjustment above their agreed upon price would be momentum driven and would not reflect true market conditions. In Hong Kong, there is a long period of marketing and price discovery before the price range is set, which includes discussions with cornerstone investors and analysts marketing, which does not exist in the US market.</p> <p>Therefore, the fact that upward pricing adjustment exists in the U.S. market is not a validation to the introduction of that mechanism in the Hong Kong market.</p> <p>AAMG members believe that allowing upward pricing flexibility could undermine the established process in Hong Kong and incentivize aggressive pricing strategies driven by the bank syndicate and issuers rather than reflecting genuine market demand. In addition, upward pricing adjustment creates unnecessary uncertainty, and it often leads to worse performance in the secondary market. This can create challenges for issuers to raise funds in future secondary issuances.</p>
13.2	<p>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)?</p>
	<p>A significant majority of the ECMC members support the proposal to adopt an offer price adjustment limit of 10% in both directions. An ECMC member recommends widening the percentage to 20% each way to provide greater flexibility.</p> <p>AAMG members are generally against allowing upward pricing flexibility. See response to Q.13.1.</p>
13.3	<p>If your answer to Question 13.1 is “yes”, in respect of the initial offer price range, would you prefer adjustment to be made:</p>
(a)	<p>up to 30% of the bottom of that range (as set out in Option A of paragraph 282 of the Consultation Paper); or</p>
	<p>A significant majority of the ECMC members support this option for greater flexibility. This is not applicable to members who are not in favour of allowing upward pricing flexibility.</p>

(b)	up to 20% of the bottom of that range (as set out in Option B of paragraph 282 of the Consultation Paper)?
	No member supports Option B.
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)?
	<p>A majority of the ECMC members and AAMG members do not support this proposal due to concerns that the opt-in arrangement introduces uncertainty into the allocation process along with administrative challenges. The practical implications of this proposal should be examined and discussed with relevant market participants before any decision is made. They are of the view that public investors can make informed investment decisions through clear disclosures of the offer structure in the prospectus, and therefore they should be prepared to subscribe for the shares across different price scenarios without complicating the allocation process.</p> <p>A minority of the ECMC members believe that public subscribers should be given the flexibility to decide whether to subscribe for the shares if the final offer price falls outside the initial offer price range. This may dampen the incentive to raise the final offer price above the initial price range.</p> <p>This is not applicable to the ECMC member who does not support upward pricing flexibility.</p>
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)?
	Yes.
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)?
	<p>Yes.</p> <p>In addition, we would like to draw your attention to paragraph 11 of the Placing Guidelines. Currently, the requirement to submit the identities of beneficial owners applies only to <u>nominee companies</u> and not all corporate placees (noting that the term “nominee” is undefined).</p> <p>In the Consultation, it is proposed that this requirement to supply the identities of beneficial owners should apply to all companies, and not just nominee companies. We submit that this is unduly wide, and it also applies to sub-funds (see FAQ2 in Annex B.8 of the GNLA which provides that sub-funds follow the rules applicable to a corporate placee).</p> <p>We note that, at times there has been guidance that rather than providing information of beneficial owners, issuers and the underwriting syndicate should provide information on a ultimate beneficial owner if it holds a controlling stake in the corporate placee. In certain situations, obtaining the relevant information is practically impossible, for instance, if the corporate placee is a listed company.</p> <p>We submit that the requirement to provide information should be more targeted. For nominee companies, information of UBOs should be supplementary and requested only if the regulators identify a specific concern. It is crucial to find an appropriate balance between detecting potential abuses or anomalies and imposing unduly burdensome requirements.</p>

15	Do you agree with our proposal to disapply the proposed initial public float requirement in the case of a bonus issue of a new class of securities involving options, warrants or similar rights to subscribe for or purchase shares (as set out in paragraph 306 of the Consultation Paper)?
	Yes.
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)?
	Yes.
17	Do you agree with our proposal to waive the initial free float requirement for overseas issuers that have, or are seeking, a secondary listing on the Exchange (as set out in paragraph 315 of the Consultation Paper)?
	Yes. One member does not support imposing a free float requirement on any IPO.
18	Do you agree with our proposal to repeal the requirement that PRC issuers list H-shares that have an expected market value, at the time of listing, of HK\$50 million (as set out in paragraph 319 of the Consultation Paper)?
	Yes.
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)?
	Yes to those members who support introducing two mechanisms. No to those members who are against it.
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)?
	Yes.
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)?
	Yes.
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)?
	Generally yes except one member does not support rigidly following the form of a formal notice. It may include unnecessary information or omit necessary information.
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)?

	Yes.
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)?
	Yes.
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)?
	Yes.

Appendix 1

Company	HKPO		Cornerst one (if any) (%)	Placing tranche	
	Oversubscription (times)	Allocation (%)		Oversubscription (times)	Allocation (%)
New Horizon Health Ltd	4133	50%	47%	64	3%
Angelalign Technology Inc	2079	50%	0%	115	50%
Yidu Tech Inc	1634	50%	40%	33	10%
Carote Ltd	1347	50%	42%	8	8%
Kuaishou Technology	1204	50%	45%	39	5%
Zylox-Tonbridge Medical Technology Co Ltd	1190	50%	44%	23	6%
SciClone Pharmaceuticals (Holdings) Ltd	1068	50%	48%	10	3%
MicroPort CardioFlow Medtech Corp	769	50%	39%	54	11%
E-Star Commercial Management Co Ltd	757	50%	32%	9	18%
JD Logistics Inc	716	50%	48%	11	2%
Hangzhou Jiuyuan Gene Engineering Co Ltd	676	50%	50%	1	0%
Acotec Scientific Holdings Ltd	655	50%	50%	5	0%
Medlive Technology Co Ltd	592	50%	40%	31	10%
Laopu Gold Co Ltd	582	50%	48%	12	2%
Kindstar Globalgene Technology Inc	543	50%	49%	14	1%
CARsgen Therapeutics Holdings Ltd	435	50%	50%	8	0%

Nayuki Holdings Ltd	432	50%	24%	18	26%
Keymed Biosciences Inc	430	50%	47%	22	3%
Strawbear Entertainment Group	404	50%	40%	13	10%
Suzhou Basecare Medical Corp Ltd	403	50%	38%	22	12%
Shanghai HeartCare Medical Technology Co Ltd	333	50%	45%	8	5%
JOINN Laboratories (China) Co Ltd	310	50%	32%	26	18%
Brii Biosciences Ltd	292	50%	48%	12	2%
China Resources Beverage (Holdings) Co Ltd	234	50%	48%	24	2%
Bilibili Inc	174	50%	N/A	12	50%
Cheerwin Group Ltd	172	50%	0%	14	50%
Shanghai MicroPort MedBot (Group) Co Ltd	164	50%	47%	16	3%
Yonghe Medical Group Co Ltd	160	50%	50%	8	0%
Bairong Inc	151	50%	43%	36	7%
Chaoju Eye Care Holdings Ltd	114	50%	44%	18	6%
Baidu Inc	112	50%	N/A	10	50%
QuantumPharm Inc	103	50%	34%	2	16%
Average		50%	40%*		10%*

* Exclude homecoming IPOs as there is no cornerstone allocation due to marketing mechanism of these IPOs.

Appendix 2

A. Participation by Investment Managers in Hong Kong IPOs

An AAMG member has identified several challenges in the current regulatory framework for participating in IPOs in Hong Kong, which set up is more suited for asset owners rather than asset managers. This differentiation becomes particularly evident and problematic when asset managers participate as cornerstone investors. The key issues identified are as follows:

1. **Disclosure:** Asset managers face difficulties in revealing client identities in cornerstone investment agreements. Maintaining confidentiality would help if these details are shared only with necessary parties.
2. **Multiple managers:** Clients may have multiple asset managers, complicating the guarantee of certain actions for a specific client. Managers can only represent the assets they manage.
3. **Lock-up periods:** While AAMG members support the staggered (3+3) lock-up proposal (see response to Q.8 above), it should be noted that strict lock-ups may conflict with regulations like UCITS, which mandate investments in transferable securities, which is not possible when the securities are subject to a lock-up.

It is recommended that the priority should be to clarify the IPO process for investment managers. Additionally, alternative requirements for investment managers, especially in the FINI environment, should be introduced to better accommodate managers acting for multiple clients.

B. Positioning of GEM

We note the Hong Kong regulators are currently considering the positioning of GEM. An ECMC member suggests that GEM should be repositioned to serve a meaningful role. It is proposed as follows:

1. **Sandbox Approach:** GEM could be repositioned as a sandbox for (generally) early-stage companies and, indirectly, for the current only backward-looking tests under Rule 8.05 of the Listing Rules.
2. **Entry Requirements:** GEM should have no or minimal entry requirements, adopting a “caveat emptor” approach similar to its original concept.
3. **Pathway to Main Board:** After a prescribed period of public listing, such as five years, an issuer which can demonstrate a sustainable business and compliance with regulatory listing requirements should qualify for automatic promotion to the Main Board.

This proposal support early-stage companies by providing them a platform to grow. Encouraging sustainability and compliance could gradually integrate these companies into the main market ecosystem.