

Submitted via Qualtrics

CFA Society Hong Kong

Company/Organisation view

Professional Body / Industry Association

Question 1.1(a)

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 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

Please give reasons for your views and any alternative suggestions.

We support excluding securities that do not contribute to an open market from public float calculations. To ensure an open market, the public float requirement should be designed to count tradable shares only. This practice also aligns with global best practices.

In relation to Question 1.1(c), we note that the proposal for A+H issuers requires the denominator to include all listed shares (including A shares), while the numerator is calculated by reference to H shares only. This formula may result in an artificially low public float percentage if A+H issuers have a significantly larger shareholder base in A-shares. Such an outcome could potentially hinder the IPO plans of these issuers.

As such, we suggest the Exchange to provide further clarity on this proposal and/or alternatively, consider introducing a specific threshold for H-shares market capitalization and a minimum number of shareholders for A+H issuers.

Question 1.1(b)

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 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

Please give reasons for your views and any alternative suggestions.

We support excluding securities that do not contribute to an open market from public float calculations. To ensure an open market, the public float requirement should be designed to count tradable shares only. This practice also aligns with global best practices.

In relation to Question 1.1(c), we note that the proposal for A+H issuers requires the denominator to include all listed shares (including A shares), while the numerator is calculated by reference to H shares only. This formula may result in an artificially low public float percentage if A+H issuers have a significantly larger shareholder base in A-shares. Such an outcome could potentially hinder the IPO plans of these issuers.

As such, we suggest the Exchange to provide further clarity on this proposal and/or alternatively, consider introducing a specific threshold for H-shares market capitalization and a minimum number of shareholders for A+H issuers.

Question 1.1(c)

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 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

Please give reasons for your views and any alternative suggestions.

We support excluding securities that do not contribute to an open market from public float calculations. To ensure an open market, the public float requirement should be designed to count tradable shares only. This practice also aligns with global best practices.

In relation to Question 1.1(c), we note that the proposal for A+H issuers requires the denominator to include all listed shares (including A shares), while the numerator is calculated by reference to H shares only. This formula may result in an artificially low public float percentage if A+H issuers have a significantly larger shareholder base in A-shares. Such an outcome could potentially hinder the IPO plans of these issuers.

As such, we suggest the Exchange to provide further clarity on this proposal and/or alternatively, consider introducing a specific threshold for H-shares market capitalization and a minimum number of shareholders for A+H issuers.

Question 1.1(d)

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 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)?

Yes

Please give reasons for your views and any alternative suggestions.

We support excluding securities that do not contribute to an open market from public float calculations. To ensure an open market, the public float requirement should be designed to count tradable shares only. This practice also aligns with global best practices.

In relation to Question 1.1(c), we note that the proposal for A+H issuers requires the denominator to include all listed shares (including A shares), while the numerator is calculated by reference to H shares only. This formula may result in an artificially low public float percentage if A+H issuers have a significantly larger shareholder base in A-shares. Such an outcome could potentially hinder the IPO plans of these issuers.

As such, we suggest the Exchange to provide further clarity on this proposal and/or alternatively, consider introducing a specific threshold for H-shares market capitalization and a minimum number of shareholders for A+H issuers.

Question 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 which listing is sought (as set out in paragraph 47 of the Consultation Paper)?

No

Please give reasons for your views and any alternative suggestions.

We appreciate the clarification regarding the minimum market value in public hands requirement. However, we believe that the necessity of retaining this requirement warrants reconsideration, particularly in light of the broader reforms proposed in the consultation paper, which aim to optimize IPO price discovery. Specifically:

(a) Alignment with Broader Objectives

The consultation paper proposes adjustments to IPO offering mechanisms, such as increasing allocations to international investors through bookbuilding and reducing the minimum allocation to the public subscription tranche (paragraphs 24–26). These measures are intended to enhance price discovery by prioritizing institutional investor participation.

However, the minimum market value in public hands requirement may undermine this objective by restricting issuers' flexibility to structure offerings in a manner that optimizes pricing efficiency.

(b) Risk of Inflated IPO Prices

The percentage-based public float requirement already ensures adequate liquidity for trading. Retaining an absolute market value threshold appears redundant and could create unintended consequences. This dual requirement may incentivize issuers to artificially inflate IPO prices to meet the

absolute market value threshold, potentially leading to overpriced listings. As highlighted in the consultation paper, inflated IPO prices could result in poor post-listing performance, which may erode investor confidence in the market.

In addition, as shown in Table 4 on pages 25–26, Hong Kong's dual requirement of a minimum percentage and an absolute market value for public float is inconsistent with international practices. Many global markets rely solely on percentage-based public float thresholds, which are sufficient to maintain liquidity and market stability.

Given the above, we suggest reconsidering the minimum market value in public hands requirement to align with international best practices, support IPO price discovery, and attract a broader range of quality issuers.

Question 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

Please give reasons for your views and any alternative suggestions.

We support the exclusion of shares financed by issuers or acquired under their direction from the public float. This measure helps to prevent potential circumvention of public float requirements through the arrangement of nominee shareholders.

Question 2.2

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)?

No

Please give reasons for your views and any alternative suggestions.

We do not support the proposal to regard shares held by an independent trustee on behalf of independent scheme participants, where such shares are unvested, as shares held in public hands. Our reasons are as follows:

(a) Unvested Shares Do Not Represent Free Float

Unvested shares are subject to restrictions and conditions that prevent them from being freely tradable. As such, they do not contribute to market liquidity or the "free float," which are the fundamental objectives of public float requirements.

(b) Contradiction with the proposed ongoing public float requirements

The proposal contradicts the principle outlined in paragraph 118, which states that ongoing public float requirements should apply only to listed shares and not to convertible securities, options, or similar instruments.

We, therefore, suggest that unvested shares held by trustees on behalf of scheme participants should not be regarded as shares held in public hands, in order to maintain consistency with the objectives of public float requirements and the principles outlined in the consultation paper.

Separately, for vested shares held by an independent trustee on behalf of independent grantees, these shares, though tradable, may be concentrated, affecting liquidity. Issuers should disclose (i) trustee shareholding structures and beneficiaries of the trust and (ii) financing arrangements and shareholder relationships in listing documents. This helps investors assess tradability and avoid misinterpretation of public float. Issuers should also provide periodic updates on the composition of vested and unvested shares in share schemes.

In addition, the proposal does not clarify whether it applies to share award schemes, share option schemes, or both. We suggest that the Exchange provide clarity on this distinction to avoid ambiguity and ensure consistent application of the proposal.

Question 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?

Yes

Please give reasons for your views and any alternative suggestions.

We support replacing the current minimum initial public float thresholds with an approach based on market value (see our response on Question 3.2 below for further details). This provides flexibility for large issuers while improving the market depth for smaller ones. This approach also aligns with global practices.

Question 3.2

Do you agree with the proposed tiered initial public float thresholds (as set out in Table 5 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We partially agree with the proposed tiered initial public float thresholds but suggest adopting a linear schedule to improve fairness and avoid step discontinuities. Specifically, we propose a linear float (as shown in Graph 1 in our separate submission paper).

A linear model ensures a smoother transition between different market capitalizations and avoids arbitrary cutoffs.

This approach better reflects market liquidity needs and prevents distortions where companies near a threshold may structure offerings to meet a lower requirement. It also aligns more closely with the principle of proportionality and enhances market fairness.

We suggest the Exchange conduct further analysis on implementing a linear scaling model based on issuer market value.

Question 3.3(a)

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 the initial listing of A+H issuers (and other prescribed types of issuers)?

No

Please give reasons for your views and any alternative suggestions.

We suggest that the Exchange provide further clarity on the rationale behind the proposal to include convertible equity securities, options, and warrants when considering the initial public float threshold. Given that such derivative instruments do not carry shareholders' rights similar to those associated with bonus issues, as mentioned in paragraph 79, we believe this extension of scope may significantly deviate from the original purpose of the public float requirement. The requirement is intended to ensure an open market by specifying a minimum number of issued shares held by the public.

Question 3.3(b)

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 bonus issue of a new class of securities (as set out in paragraph 79 of the Consultation Paper)?

No

Please give reasons for your views and any alternative suggestions.

We suggest that the Exchange provide further clarity on the rationale behind the proposal to include convertible equity securities, options, and warrants when considering the initial public float threshold. Given that such derivative instruments do not carry shareholders' rights similar to those associated with bonus issues, as mentioned in paragraph 79, we believe this extension of scope may significantly deviate from the original purpose of the public float requirement. The requirement is intended to ensure an open market by specifying a minimum number of issued shares held by the public.

Question 3.4

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

Please give reasons for your views and any alternative suggestions.

We support requiring issuers to disclose the applicable initial public float threshold in their listing documents. This enhances transparency and helps investors assess liquidity risks.

Listed issuers should also disclose how their public float is calculated, including any exemptions, adjustments, and a breakdown of its composition in their listing documents.

The Exchange should provide clear guidance on disclosure standards to ensure consistency and facilitate investor comparisons.

Question 3.5

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?

Yes

Please give reasons for your views and any alternative suggestions.

We support applying the same linear initial public float requirement to GEM issuers for consistency and fairness. However, GEM issuers typically have lower market caps and may face liquidity challenges.

The Exchange should consider setting a reasonable lower bound to ensure that it is viable for small-cap GEM issuers to maintain an adequate free float to meet the regulatory requirement.

Question 4.1(a)

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 issuers, subject to the initial public float tiers proposed (see Table 5 in Section I.B.1 of Chapter 1 of the Consultation Paper). Please give reasons for your views and any alternative suggestions.

We support maintaining the same initial public float threshold after listing to ensure liquidity, fair trading, and investor protection. Lowering the threshold could increase price volatility, reduce transparency, and make it harder for investors to exit.

If any flexibility is considered, issuers should be subject to a grace period or remedial measures before penalties apply to avoid unnecessary disruptions. They should also disclose enhanced liquidity metrics and mechanisms to safeguard investor interests. Additionally, clear guidelines on when waivers can be sought should be provided to ensure transparency and consistency.

Question 4.1(b)

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+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 support maintaining the same initial public float threshold after listing to ensure liquidity, fair trading, and investor protection. Lowering the threshold could increase price volatility, reduce transparency, and make it harder for investors to exit.

If any flexibility is considered, issuers should be subject to a grace period or remedial measures before penalties apply to avoid unnecessary disruptions. They should also disclose enhanced liquidity metrics and mechanisms to safeguard investor interests. Additionally, clear guidelines on when waivers can be sought should be provided to ensure transparency and consistency.

Question 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)?

No

Please give reasons for your views.

We do not support allowing issuers to maintain a lower public float after listing. A reduced float could limit tradable shares, increase volatility, and allow controlling shareholders to dominate trading, disadvantaging minority investors.

If flexibility is granted, issuers should explain how they will restore compliance within a set timeframe to protect investor interests.

Question 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)?

Yes

Please give reasons for your views.

We support maintaining the existing approach of suspending trading for issuers that fail to meet the prescribed public float level. This ensures market integrity, investor confidence, and fair trading conditions.

Allowing trading to continue when an issuer's public float is too low may lead to illiquidity, price manipulation risks, and difficulties for investors to exit their positions. Suspension of trading serves as a necessary safeguard to protect the interests of minority shareholders and avoid disorderly trading.

However, we suggest introducing a grace period or remedial mechanism before suspension is enforced. Issuers should be required to submit a clear recovery plan and provide enhanced disclosures on liquidity management to ensure transparency. The Exchange should closely monitor these issuers during the grace period to ensure compliance with the remedial plan.

Question 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

Please give reasons for your views and any alternative suggestions.

We agree that ongoing public float requirements should apply to shares only, as convertible securities, options, and similar equity-linked instruments do not represent freely tradable equity. This aligns with global practices and maintains clarity in market rules.

Including these equity-linked instruments in the public float calculation could overstate the issuer's tradable shares and potentially mislead the investors on the liquidity of the said share. For example, convertible securities will only become part of the free float once they are exercised, making their inclusion for the public float calculation premature.

To improve transparency, issuers should disclose the liquidity impact of outstanding convertible securities in case they are fully exercised separately, including the potential equity dilution effect and the number of shares that could enter the public float upon conversion.

Question 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)?

No

Please give reasons for your views and any alternative suggestions.

An OTC market may provide an exit option for investors holding shares of delisted companies. However, we have concerns about the proposed establishment of an OTC market. While the initiative aims to provide liquidity for shares of delisted companies, OTC market for delisted shares is often illiquid and tends to undervalue shares as buyers will demand for discounts to compensate for the illiquidity and weaker disclosure compared with listed securities, leaving minority shareholders exposed to risks of selling at unfavorable prices. An OTC market, with its inherent lack of liquidity and regulatory oversight, may not be able address the challenges faced by minority shareholders in case of prolonged suspensions and subsequent delisting.

The OTC market could not mitigate the risk of potential shareholder value destruction caused by the existing fixed-period delisting framework (18 months for the Main Board, 12 months for GEM). These rigid deadlines do

not cater for the interests of the shareholders of those account companies which are working toward recovery. As noted in the Exchange's consultation conclusions on Delisting and Other Rule Amendments (May 2018), some respondents expressed concern that companies "with genuine plans for resumption may not be able to implement them within the fixed period." The OTC market does not address this problem, as it offers no meaningful pathway for companies making progress to resume trading on the main market, leaving investors trapped in de-valued securities.

To better protect minority shareholders, we suggest loosening Reverse Takeover (RTO) restrictions for distressed companies with credible recovery plans. The consultation conclusions in May 2018 also highlighted respondents' suggestions that "new investors should be allowed to inject assets into suspended issuers to facilitate their resumption." Relaxing RTO rules would potentially help these troubled listed companies to recover and resume trading while preserving shareholder value. Safeguards, such as requiring independently verified resumption plans and enhanced disclosure, would be essential to ensure transparency and accountability.

Overall, we do not expect the proposed OTC market can directly address the potential issues of premature delisting or shareholder protection. Instead, the Exchange should adopt a recovery-focused framework with greater flexibility for companies demonstrating progress, coupled with relaxing RTO restrictions to facilitate the resumption of trading.

Question 4.6(a)

What are your views on the potential benefits and risks of establishing an OTC market? Please give reasons for your views.

As mentioned in our response to Question 4.5 above, we remain concerned about the lack of liquidity, transparency, and regulatory oversight of OTC market, which can expose minority shareholders to certain risks. OTC markets typically suffer from low trading volumes, wide bid-ask spreads, and undervaluation, making it difficult for investors to exit at fair prices. Additionally, weaker regulatory oversight on delisted companies may increase risks of fraud, market manipulation, and misinformation, as they may not be required to make regular financial disclosures. Given these risks, an OTC market must be designed with strict safeguards to protect retail investors.

In case an OTC market is introduced; it should serve as a regulated exit mechanism for minority shareholders rather than a trading platform for speculators. It should require regular audited disclosures from the delisted issuers, ensuring investors have access to accurate financial and governance information. A tiered trading structure could be considered, where only professional investors, who have stronger capacity to assume the inherent risks of illiquid investments, would be allowed to buy or sell in the OTC market while retail investors can only sell.

Retail investors should not be left without an exit mechanism, but their participation must come with strict safeguards. If they are allowed to trade in the OTC market, issuers should be subject to regular disclosure requirements to support informed investment decision. The Exchange can also explore alternative mechanisms, such as introducing structured exit programs or allowing periodic auctions for delisted shares to provide better price discovery.

Ultimately, the Exchange should prioritize improving resumption pathways for suspended companies, rather than relying on an OTC market as a long-term solution. A flexible resumption framework for suspended issuers, enhanced disclosures, and relaxation of RTO rules would provide a more sustainable path for protecting investor value while reducing the risks that retail investors being trapped in illiquid securities.

Question 4.6(b)

**What are your views on functions that an OTC market should serve?
Please give reasons for your views.**

As mentioned in our response to Question 4.5 above, we remain concerned about the lack of liquidity, transparency, and regulatory oversight of OTC market, which can expose minority shareholders to certain risks. OTC markets typically suffer from low trading volumes, wide bid-ask spreads, and undervaluation, making it difficult for investors to exit at fair prices. Additionally, weaker regulatory oversight on delisted companies may increase risks of fraud, market manipulation, and misinformation, as they may not be required to make regular financial disclosures. Given these risks, an OTC market must be designed with strict safeguards to protect retail investors.

In case an OTC market is introduced; it should serve as a regulated exit mechanism for minority shareholders rather than a trading platform for

speculators. It should require regular audited disclosures from the delisted issuers, ensuring investors have access to accurate financial and governance information. A tiered trading structure could be considered, where only professional investors, who have stronger capacity to assume the inherent risks of illiquid investments, would be allowed to buy or sell in the OTC market while retail investors can only sell.

Retail investors should not be left without an exit mechanism, but their participation must come with strict safeguards. If they are allowed to trade in the OTC market, issuers should be subject to regular disclosure requirements to support informed investment decision. The Exchange can also explore alternative mechanisms, such as introducing structured exit programs or allowing periodic auctions for delisted shares to provide better price discovery.

Ultimately, the Exchange should prioritize improving resumption pathways for suspended companies, rather than relying on an OTC market as a long-term solution. A flexible resumption framework for suspended issuers, enhanced disclosures, and relaxation of RTO rules would provide a more sustainable path for protecting investor value while reducing the risks that retail investors being trapped in illiquid securities.

Question 4.6(c)

What are your views on whether such OTC market should be open to retail investors? Please give reasons for your views.

As mentioned in our response to Question 4.5 above, we remain concerned about the lack of liquidity, transparency, and regulatory oversight of OTC market, which can expose minority shareholders to certain risks. OTC markets typically suffer from low trading volumes, wide bid-ask spreads, and undervaluation, making it difficult for investors to exit at fair prices. Additionally, weaker regulatory oversight on delisted companies may increase risks of fraud, market manipulation, and misinformation, as they may not be required to make regular financial disclosures. Given these risks, an OTC market must be designed with strict safeguards to protect retail investors.

In case an OTC market is introduced; it should serve as a regulated exit mechanism for minority shareholders rather than a trading platform for speculators. It should require regular audited disclosures from the delisted issuers, ensuring investors have access to accurate financial and governance

information. A tiered trading structure could be considered, where only professional investors, who have stronger capacity to assume the inherent risks of illiquid investments, would be allowed to buy or sell in the OTC market while retail investors can only sell.

Retail investors should not be left without an exit mechanism, but their participation must come with strict safeguards. If they are allowed to trade in the OTC market, issuers should be subject to regular disclosure requirements to support informed investment decision. The Exchange can also explore alternative mechanisms, such as introducing structured exit programs or allowing periodic auctions for delisted shares to provide better price discovery.

Ultimately, the Exchange should prioritize improving resumption pathways for suspended companies, rather than relying on an OTC market as a long-term solution. A flexible resumption framework for suspended issuers, enhanced disclosures, and relaxation of RTO rules would provide a more sustainable path for protecting investor value while reducing the risks that retail investors being trapped in illiquid securities.

Question 5.1

Do you agree with our proposal to mandate disclosure of actual public float in listed issuers' annual reports?

Yes

Please give reasons for your views and any alternative suggestions.

In light of technological advancements in information flow and the increasing importance of timeliness in disclosure, we suggest the Exchange to require issuers making monthly disclosure of actual public float in issuers' monthly return to provide timely updates for investors and regulators. Issuers should be able to achieve this by maintaining a list of connected persons and regularly communicating with them to track any changes affecting the public float.

Question 5.2

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposed disclosure details. This approach balances transparency and privacy while ensuring investors have key information on shareholding composition. The disclosure should also indicate which shareholding categories contribute to free float and/or public float and include shares held by an independent trustee that are granted to independent scheme participants but remain unvested, ensuring greater transparency on actual tradable shares.

Additionally, we propose the Exchange issuing a guidance letter with a suggested reporting structure for shareholding composition disclosures. A consistent format across issuers will enhance comparability, clarity, and regulatory oversight.

Question 5.3

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree that issuers should disclose relevant public float information based on publicly available data and information within the knowledge of their directors. However, issuers should also implement internal controls to ensure accuracy and compliance in monitoring public float. This includes maintaining a list of connected persons and conducting regular communication with them to track any changes affecting public float. Issuers should also disclose in their annual reports that these internal controls are in place and effective.

Additionally, directors should receive regular training on public float requirements, in line with our previous suggestions in the consultation paper on the Review of Corporate Governance Code and Related Listing Rules . This ensures they understand their responsibilities and can effectively oversee compliance.

Question 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)?

Yes

Please give reasons for your views.

We support requiring a minimum free float in public hands at the time of listing to ensure market liquidity, fair trading, and investor protection. Investors are primarily concerned with how much of the company's shares are freely traded—such as those held by cornerstone investors subject to lock-ups—do not contribute to market liquidity during the lock up period.

However, investors often struggle to distinguish between public float and free float. To address this, the Exchange should clearly communicate the objectives of these terms to stakeholders, ensuring they understand the distinction and its implications.

Additionally, we suggest requiring issuers to disclose their free float composition in their monthly return, including the proportion of shares subject to lock-ups and other trading restrictions (also see our response to Question 1.1 and 5.2 above). This enhances transparency, helps investors assess actual market liquidity, and ensures regulatory oversight remains effective.

Question 6.2

Do you agree with our proposed initial free float thresholds (as set out in paragraph 140 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with setting an initial free float threshold to ensure sufficient market liquidity, fair trading, and investor protection. However, we suggest a more flexible, linear approach instead of fixed tiers. A graduated requirement based on market capitalization would provide a smoother transition and prevent issuers from adjusting their listings to meet lower thresholds artificially.

Question 6.3

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with modifying the initial free float threshold for PRC issuers, as differences in shareholding structures may require tailored thresholds to maintain market stability. However, these modifications should not compromise liquidity or reduce tradability. The Exchange should also require issuers to disclose shareholding composition, including any trading restrictions or ownership limits, such that investors can assess the actual market liquidity of the said shares to make the informed investment decision.

Question 6.4

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

Please give reasons for your views and any alternative suggestions.

We agree that the proposed initial free float requirement should apply to shares only, as convertible securities, options, and other equity-linked instruments do not contribute to actual liquidity until they are exercised.

To improve transparency, issuers should disclose the impact of outstanding convertible instruments separately, including potential dilution effects and free float implications upon conversion.

Question 6.5

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree that unvested shares held by an independent trustee under a share scheme should not be counted toward the free float requirement, as they are not freely tradable and do not contribute to market liquidity. This is consistent with our response to Question 2.2 above, where we emphasized that unvested shares should not be regarded as part of the public float.

To enhance transparency, issuers should disclose the percentage of shares held under such schemes in their listing documents. Additionally, issuers should provide details on vested and unvested shares under share schemes and report them in their monthly return, ensuring investors have a clear understanding of actual tradable shares.

Question 6.6

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

Please give reasons for your views and any alternative suggestions.

We support applying a consistent free float requirement to all issuers, including Biotech Companies and Specialist Technology Companies, as strong market liquidity—such as secondary market demand and institutional investor participation—should be reflected in the free float in public hands. A uniform standard enhances market fairness, comparability, and regulatory consistency.

Question 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)?

Yes

Please give reasons for your views and any alternative suggestions.

We support the proposed revised minimum thresholds for shares to be listed on the Exchange for A+H issuers and other prescribed issuers, as this aligns with Hong Kong's role in facilitating capital formation for both local and

Mainland companies. A clear and well-structured threshold ensures market stability, investor confidence, and liquidity.

Maintaining Hong Kong as a differentiated listing venue is important, as Hong Kong remains attractive due to its internationally recognized regulatory framework, well-established corporate governance standards, and open capital market environment. Setting an appropriate threshold will help attract quality issuers while preserving fair trading conditions for investors.

Question 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)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree that the minimum initial public float thresholds for A+H issuers and other prescribed issuers should be the same as the minimum threshold for shares to be listed on the Exchange. Standardizing the threshold across issuer types will ensure fairness, consistency, and comparability, benefiting both investors and issuers.

However, the Exchange should monitor market dynamics and conduct periodic reviews to assess the impact and adjust requirements if necessary.

Question 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)?

Yes

Please give reasons for your views and any alternative suggestions.

We support removing the minimum market value requirement for issuers with other share classes listed overseas and H-shares of PRC issuers. This change may attract more PRC and overseas-listed companies to Hong Kong,

offering investors greater choices while reinforcing Hong Kong's position as an international financial hub. It will also enhance market accessibility while ensuring a well-regulated and diverse market.

Question 8

In respect of the lock-up requirement on IPO securities placed to cornerstone investors, would you prefer to:

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.

We support Option B - allowing a staggered release of the six-month lock-up for cornerstone investors' IPO shares.

Key markets like Australia, Singapore, the United Kingdom, and the United States do not impose lock-up rules on cornerstone investors. This suggests that Hong Kong's existing six-month lock-up (Option A) may not fully align with global practices. A staggered approach offers flexibility while enhancing transparency and market-driven outcomes.

Full disclosure of the staggered lock-up schedule in IPO documents ensures investors can make informed decisions based on the potential increase in free float post-listing. This allows the market to gauge liquidity dynamics earlier, which could attract a broader investor base without compromising fairness. Investors, rather than regulators, should assess whether this mechanism suits their risk appetite and valuation expectations.

Confidence should stem from the issuer's fundamentals, not the duration of lock-up periods. If a staggered release leads to selling pressure after three months, the market will naturally adjust—public investors may demand valuation discounts in future IPOs with similar structures. This self-regulating mechanism reduces the need for overly prescriptive rules.

Question 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)?

Yes

Please give reasons for your views and any alternative suggestions.

We support the proposal to allocate minimum 50% of the total number of shares initially offer in an IPO to the investors in the bookbuilding placing tranche. Institutional investors are often viewed as long-term investors who conduct thorough due diligence, contributing to a more informed price discovery process. While some are momentum-driven, focusing on short-term gains and less on fundamentals—and weak demand may force underwriters to include them, risking post-listing volatility—a higher institutional allocation may attract more investment from professional investors, enhancing market credibility and long-term capital formation.

Question 9.2

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)?

Yes

Please give reasons for your views.

We agree that the proposed 50% minimum allocation to the bookbuilding tranche should not be applied to Specialist Technology Companies. These issuers often have higher risks, uncertain profitability, longer growth horizons, and unique investor bases, making it more challenging for institutional investors to assess the valuation of these issuers with their traditional valuation methods to price the IPO effectively.

Given their early-stage nature, Specialist Technology Companies often require long-term capital and attract strategic investors, venture capital, and tech-focused funds who better understand their business models, valuation complexities, and market volatility. These investors are generally more aligned with the company's growth trajectory compared to traditional institutional investors, who often prioritize stable earnings and near-term liquidity.

Imposing a rigid 50% bookbuilding allocation requirement may limit flexibility in structuring IPO allocations to ensure a balanced mix of price-setting institutional investors and long-term strategic investors.

Question 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)?

Yes

Please give reasons for your views.

We agree with the proposed removal of the guideline on minimum spread of placees, as the current approach may not effectively enhance market quality or investor protection.

The existing requirement of at least three holders per HK\$1 million of placing with a minimum of 100 holders does not necessarily ensure a meaningful investor base or improve liquidity, as placees can be small, passive investors with minimal market impact. Instead of focusing on the quantity aspect, emphasis should be placed on the quality and diversity of the investor base to support healthy post-listing trading and price stability.

However, the removal of this guideline should be accompanied by alternative safeguards to prevent an over-concentration of shareholding, which could affect liquidity and market integrity.

Question 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)?

Yes

Please give reasons for your views and any alternative suggestions.

To ensure a fair spread of shareholders in the placing tranche, safeguards should focus on liquidity and diversity rather than a fixed number of placees.

A well-distributed shareholder base is more important for market stability than an arbitrary minimum number of shareholders.

Issuers should be required to disclose shareholding distribution in a standardized format, and the Exchange can issue a guidance letter to enhance transparency on investor concentration. This would help investors better assess market liquidity and potential risks of shareholding concentration.

The Exchange should also enhance scrutiny on IPO allocations to prevent excessive concentration in a few placees. While there is no strict cap, high concentration can reduce trading liquidity and price stability, so regulators should monitor and address such risks.

Additionally, post-listing trading activity should be reviewed to assess whether shareholding concentration affects liquidity. If needed, further measures could be introduced to ensure a stable secondary market.

By replacing rigid numerical rules with greater transparency and oversight, the Exchange can promote a fair and liquid market while allowing issuers flexibility in allocations.

Question 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)?

Yes

Please give reasons for your views and any alternative suggestions.

We support 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. The current clawback mechanism to allocate minimum 50% of shares to the public subscription tranche for hot deals among retail investors is not aligned with the international practice and undermine the function of the institutional investors in setting the final IPO price by shunning out those who are less aggressive in their bid prices. The

two mechanisms also allow more flexibility for the issuers to decide on the optimal offering structure to meet their needs.

Question 11.2

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)?

Yes

Please give reasons for your views.

We agree that Specialist Technology Companies should continue using Mechanism A, as it better suits their investor base, risk profile, and market dynamics.

These companies often attract strategic investors, venture capital, and tech-focused funds rather than retail investors. Mechanism A, with its lower initial retail allocation and clawback mechanism, ensures institutional investors lead price discovery while allowing retail participation when demand is strong.

Given their high volatility and uncertain demand, a fixed initial allocation to retail investors under Mechanism B may lead to a mismatch in investor distribution. The clawback in Mechanism A requires issuers to increase allocation to retail investors when demand is high, ensuring fair access for retail investors and preventing excessive shareholding concentration among institutions.

Additionally, Mechanism A helps stabilize post-listing trading by allowing dynamic allocation adjustments, reducing the risk of price swings due to misaligned investor demand.

We suggest that the Exchange monitor the effectiveness of Mechanism A and make refinements if needed to ensure it continues to support orderly trading and market stability.

Question 12.1

Do you agree that we should retain the Allocation Cap?

Yes

Please give reasons for your views.

We support retaining the Allocation Cap to ensure a balanced allocation between the placing and public tranches, preventing excessive concentration and post-listing volatility. Without it, issuers may shift too many shares to the public tranche, increasing market instability. The cap helps maintain fairness, liquidity, and market integrity.

Question 12.2

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

Please give reasons for your views and any alternative suggestions.

If the minimum allocation to the public subscription tranche is adopted, we agree with the proposed changes to Reallocation and PO Over-allocation rules. These changes provide greater flexibility for issuers while maintaining safeguards against over-concentration. The Exchange should monitor the impact to ensure it does not unintentionally disrupt market stability.

Question 12.3

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We support lowering the Maximum Allocation Cap from 30% to 15% to prevent excessive share concentration in the public tranche, which can lead to

higher turnover and price instability. A lower cap promotes orderly price discovery and reduces trading risks.

Question 13.1

Do you agree that the Existing Pricing Flexibility Mechanism should be amended to include upward pricing flexibility?

Yes

Please give reasons for your views and any alternative suggestions.

We support introducing upward pricing flexibility in the Existing Pricing Flexibility Mechanism. This change would allow issuers to adjust the offer price in response to strong investor demand, improving price discovery and better reflecting market conditions. It would also align Hong Kong's IPO pricing framework with international practices, enhancing market competitiveness. However, clear safeguards should be in place to ensure investor protection, such as transparency in price adjustments and sufficient disclosures to prevent market manipulation.

Question 13.2

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with adopting a 10% offer price adjustment limit in both directions. This provides a reasonable balance between flexibility and price stability, preventing excessive price swings that could disrupt the market. The 10% cap also aligns with international benchmarks and ensures that issuers cannot make drastic last-minute price changes that could disadvantage investors. Regular reviews should be conducted to assess the effectiveness of the limit and adjust if necessary.

Question 13.3

In respect of the initial offer price range, would you prefer adjustment to be made:

up to 30% of the bottom of that range (as set out in Option A of paragraph 282 of the Consultation Paper)

Please give reasons for your views and any alternative suggestions.

Option A provides greater flexibility in setting IPO valuations based on market demand, allowing issuers and underwriters to better reflect investor sentiment without last-minute adjustments. However, a broader initial range increases uncertainty for investors, making it harder to assess the final offer price at the time of subscription. This could reduce retail participation or lead to concerns about price fairness if final pricing consistently skews toward the high end.

To balance flexibility and investor protection, the Exchange should monitor how IPOs price within wider ranges and require issuers to provide clear justifications in their prospectus when setting a wider range.

Question 13.4

Do you agree with our Proposed Opt-in Arrangement (as set out in paragraphs 283 to 284 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support the Proposed Opt-in Arrangement, as it gives investors the choice to participate in price adjustments. This ensures transparency and aligns investor expectations with potential price movements while maintaining market confidence.

Question 13.5

Do you agree with our proposal to extend the current disclosure requirements (as set out in paragraph 285 of the Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We support extending disclosure requirements to listing applicants adopting the Proposed Pricing Flexibility Mechanism with upward pricing flexibility. This ensures transparency and consistency, enabling investors to make informed decisions through clear disclosure of risks, pricing rationale, and flexibility implications.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposed consequential and housekeeping amendments to the Placing Guidelines, as they help improve clarity, consistency, and efficiency in the IPO process. Standardizing requirements ensures smoother implementation and enhances transparency for market participants. We suggest that the Exchange closely monitor market developments and make further refinements as needed.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We support disapplying the proposed initial public float requirement for bonus issues involving options, warrants, or similar rights. These instruments do not directly contribute to market liquidity, as they only become tradable shares upon exercise. Exempting them from the public float requirement ensures that issuers have greater flexibility in structuring corporate actions without unnecessary regulatory burdens.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposal to require disclosure of the minimum prescribed percentage of public float in listing documents. This enhances transparency, helping investors assess the liquidity and tradability of a stock. Clear disclosure requirements also improve market comparability and align with international best practices.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We support waiving the initial free float requirement for secondary-listed issuers, as these companies are not subject to Hong Kong's public float requirements. This aligns with existing regulatory treatment for secondary listings, ensuring consistency in listing rules while maintaining Hong Kong's attractiveness as a listing venue for global companies.

As these issuers are already regulated in their home market, investor protection remains intact through home-market regulations and ongoing disclosure obligations. However, waiving the public and free float requirement could lead to lower liquidity for some secondary-listed stocks, which may impact trading efficiency. To address this, the Exchange should monitor post-listing liquidity and consider additional safeguards if trading activity falls below an acceptable level.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with the proposal to repeal the HK\$50 million minimum market value requirement for H-share listings of PRC issuers. The threshold may no

longer be relevant given evolving market conditions. Removing it would provide greater flexibility for PRC companies while ensuring that listing decisions remain commercially driven.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We support allowing GEM applicants to choose between Mechanism A and Mechanism B for more flexibility based on investor profile, liquidity needs, and market conditions. This keeps GEM in line with the Main Board, ensuring consistent and fair listing rules for issuers and investors.

Question 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

Please give reasons for your views and any alternative suggestions.

We agree with the proposal for determining market capitalization for new applicants with multiple share classes or PRC issuers. A clear and consistent approach ensures comparability across issuers and prevents market distortions. This improves transparency and helps investors make informed decisions.

Question 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

Please give reasons for your views and any alternative suggestions.

We support introducing an equivalent GEM Listing Rule provision on the determination of market value for other share classes. Aligning GEM rules with the Main Board ensures regulatory consistency, enhances market confidence, and prevents arbitrage between different listing regimes.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with requiring issuers to publish a formal notice on the date of issue of a listing document when public placings are involved. This ensures timely access to key information for investors, improving transparency and market efficiency. Clear and early disclosure also enhances investor confidence in the IPO process.

Question 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

Please give reasons for your views and any alternative suggestions.

We support amending Chapter 18B to exclude Successor Company's warrants from open market requirements. These instruments serve different purposes than ordinary shares and are typically held by specific investor groups. Exempting them from public float rules ensures a more practical and market-aligned approach.

Question 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

Please give reasons for your views and any alternative suggestions.

We agree with exempting SPAC Warrants and Successor Company's warrants from the minimum market value requirement. Given their unique nature and intended use, applying a minimum market value standard may not be necessary. Removing this requirement improves market flexibility while maintaining investor protections through other listing requirements.

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)?

Yes

Please give reasons for your views and any alternative suggestions.

We support amending MB Rule 18C.08 to determine the 50% minimum requirement based on the total number of shares initially offered in the IPO. This ensures a fairer and more transparent calculation method, preventing potential distortions in public float assessments. The change aligns with market practices and enhances regulatory clarity.

Overall Comments

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

CFA Society Hong Kong and CFA Institute (collectively, "we") appreciate the opportunity to respond to the Consultation Paper issued by the Hong Kong Exchanges and Clearing Limited (the "Exchange"). As organizations dedicated to promoting fair and transparent financial markets while safeguarding investors' interests, we are pleased to provide our comments in alignment with our mission and advocacy efforts.

(a) Price Discovery and the Role of Institutional Investors

We believe that a fair and efficient price discovery process and maintaining an open market are two critical pillars of a high-quality capital market. Under the current regime, institutional investors and retail investors, although competing for investment opportunities, share aligned interests—with the exception of certain issues outlined in the following paragraph. Long term institutional investors, with their disciplined due diligence process and investment expertise, play an important role in the price setting process that benefits all investors.

From this perspective, we support the proposal to strengthen the role of institutional investors by increasing their involvement in the placing tranche. This would incentivize robust price discovery, particularly in light of the increasingly innovative business models of issuers and the dynamic market environment. We believe this measure will enhance market efficiency and contribute to a more reliable IPO pricing mechanism.

(b) Addressing IPO-Related Misconduct

While we support the proposal to strengthen institutional investors' role in IPO price discovery process, we remain concerned about issues of IPO-related misconduct that may not be fully addressed by the current proposals. The Joint Statement on IPO-related Misconduct has highlighted growing regulatory concerns, including artificially inflated IPO prices, misuse of underwriting commissions, and lack of transparency in the price discovery and share placement process. There was reasonable suspicion in some problematic cases that the IPO placing tranche was manipulated such that shares were allocated to controlled placees. This created a false market to the detriment of all participants.

Such issues undermine market integrity, erode investor trust, and tarnish the reputation of Hong Kong as a fair, efficient, competitive, transparent and orderly market. To address these concerns, we urge regulators to implement protective mechanisms to enhance the accountability of underwriters in the bookbuilding process.

(c) Our Perspective

We applaud the Exchange's effort to review the regulatory framework related to the IPO Price Discovery and Open Market Requirements which is a timely and critical initiative to enhance the competitiveness of the Hong Kong stock market. This consultation provides a valuable opportunity to align market aspirations with spirit of regulations s on this important topic.

Thank you for considering our views and perspectives. We welcome and appreciate the opportunity to meet and provide more details as outlined in our letter. Should you have any questions or require further elaboration, please contact [REDACTED]

[REDACTED]
[REDACTED]