

Latham & Watkins LLP**Responses to Consultation Paper on****Proposals to Optimise IPO Price Discovery and Open Market Requirements**

Question 1.	<p>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> <ul style="list-style-type: none"> (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)? (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)? (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)? (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)? <p>Please give reasons for your views and any alternative suggestions.</p> <p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p>
Response	<p>1.1 We agree with the proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of public float.</p> <ul style="list-style-type: none"> (a) We support the proposal that public float percentage should be calculated by reference to the total number of securities of that class only. This

	<p>ensures the public float represents the relevant class of shares are freely tradable shares in Hong Kong, enhances liquidity and thereby reduces risks related to market manipulation.</p> <p>(b) We support the proposal that only H shares should be included in the numerator, and the denominator should include the total issued shares. This approach ensures that the calculated public float reflects the H shares that are listed and publicly tradeable in Hong Kong. However, the market would benefit from clarification by the Exchange on how this new requirement is going to impact on the existing listed issuers' public float, in particular, those that have both A-shares and H-shares where they might have satisfied the then public float requirement by taking into account shares that are listed in the A-share market. We would recommend the Exchange to issue further guidance on this issue.</p> <p>(c) We support the proposal that only H shares should be included in the numerator, and the denominator should include the total issued shares across both markets. H shares and A shares are not fungible or transferable between the two markets. Counting A shares in the numerator would distort liquidity assessments in both HK and the Mainland markets.</p> <p>(d) We agree with the proposal that for issuers with share classes listed overseas, only the securities listed in Hong Kong should be included in the numerator, while the denominator should reflect the total issued shares, as foreign-listed shares do not contribute to Hong Kong market liquidity.</p> <p>1.2 We agree with the proposal to clarify that the minimum market value requirement applies only to the securities for which listing is sought for consistency purposes.</p>
Question 2.	<p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p>
Response	<p>2.1 Yes. It is crucial to ensure that the public float calculation accurately reflects the actual liquidity available in the Hong Kong market. This exclusion helps clarifying the scope of “the public”, ensuring that the rules around public float and disclosure are straightforward and transparent for both issuers and investors and ensuring those that hold shares as de facto trustee of the issuer will be removed from the definition of “public”. It removes ambiguity that could arise when</p>

	<p>interpreting whether parties with significant influence over the issuer should be included and reduces the risk that the real public float could be distorted.</p> <p>2.2 We agree with the proposal that shares held by an independent trustee, which are granted to independent scheme participants but remain unvested, should be regarded as shares held in public hands as independent scheme participants typically have no control or influence over the affairs of the issuer. Shares held by independent trustees on behalf of independent participants in share schemes represent a genuine transfer of ownership, even though the shares may be unvested. Once vested, these shares will be held by scheme participants who are independent third parties of the Company and become fully available for public trading, thereby contributing to liquidity.</p>
Question 3.	<p>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> <p>Please give reasons for your views and any alternative suggestions.</p> <p>3.2 If your answer to question 3.1 is “yes”, do you agree with the proposed tiered initial public float thresholds (as set out in Table 5 of the Consultation Paper)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>3.3 If your answer to question 3.2 is “yes”, do you agree that the proposed tiered initial public float thresholds should be applied to any class of equity securities new to listing on the Exchange, except for (a) the initial listing of A+H issuers (and other prescribed types of issuers); and (b) a bonus issue of a new class of securities (as set out in paragraph 79 of the Consultation Paper)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <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?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>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> <p>Please give reasons for your views and any alternative suggestions.</p>
Response	<p>3.1 We agree with the proposal to replace the current minimum initial public float thresholds with tiered initial public float thresholds based on the expected market value of the class of securities for which listing is sought. However, we would defer to market participants who are closer to trading such as banks and</p>

	<p>professional investors who would be better placed to comment on the impact of liquidity and market trading.</p> <p>3.2 We agree with the proposed tiered thresholds outlined in Table 5 of the Consultation Paper. These thresholds appear to strike a reasonable balance between market liquidity, investor protection, and issuer burden.</p> <p>3.3 We agree. For A+H issuers, the liquidity in the Hong Kong market should be evaluated independently with that of the liquidity of the issuer's A shares in Mainland China. The market dynamics are different due to regulatory restrictions on the free flow of capital between the two markets. Applying a different public float requirement for A+H issuers ensures that the public float is aligned with the market's unique characteristics and restrictions in Hong Kong.</p> <p>3.4 We agree that all issuers should disclose the applicable initial public float threshold in their listing documents. This transparency measure would enhance market understanding and foster investor confidence. This disclosure improves the fairness and efficiency of the market by giving all parties clarity about the minimum float requirements that apply at the time of the listing. With clear disclosure of the public float thresholds, investors can make informed decisions, knowing the issuer's expected liquidity in advance.</p> <p>3.5 We agree that the same tiered public float thresholds should be applied to GEM issuers. This would ensure a consistent and fair approach to public float requirements across the board, enhancing the integrity of the market.</p>
Question 4.	<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:</p> <p style="padding-left: 40px;">(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</p> <p style="padding-left: 40px;">(b) A+H issuers and other prescribed types of issuers (see Section I.D.1 of Chapter 1 of the Consultation Paper).</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>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> <p>Please give reasons for your views.</p> <p>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)?</p>

	Please give reasons for your views.
Response	<p>4.1 We agree with the proposed public float requirements for issuers and A+H issuers. Maintaining consistency with the initial thresholds ensures that companies continue to meet liquidity standards relative to their market value after listing. This approach ensures a fair and transparent market and prevents issuers from reducing their public float too significantly post-listing, which could result in reduced market liquidity and trading volatility.</p> <p>A+H issuers have shares listed in both Mainland China (A shares) and Hong Kong (H shares). Due to the non-fungibility of A and H shares and the separate regulatory environments, the liquidity dynamics in Hong Kong differ significantly from those in Mainland. As such, A+H issuers may not need to meet the same public float requirements as companies with only Hong Kong-listed shares. A more flexible approach would allow these issuers to maintain a lower float, given that a large portion of their liquidity is tied to the Mainland A-share market, which often leads to a natural balance in liquidity.</p> <p>4.2 We agree that issuers should be allowed a limited degree of flexibility to maintain a lower public float after listing as the dilution may not be within the control of the issuers post listing, provided that certain conditions and safeguards are in place to protect market liquidity and investor interests. However, to ensure that this flexibility does not harm investors or the broader market, we propose that any reduction in public float be subject to disclosure requirements and monitoring by the Stock Exchange. This will ensure that investors are fully informed about changes in the company's liquidity and can make decisions accordingly.</p> <p>4.3 Yes, we agree with the continuation of the existing regulatory approach of suspending trading for issuers with a public float below a prescribed level. This measure plays a crucial role in maintaining market order and protecting investor interests. If an issuer's public float falls below a certain level, it can result in reduced market liquidity, making it difficult for investors to buy or sell shares. The suspension of trading in such circumstances ensures that the market is not unduly affected by a lack of liquidity or investor protection. The suspension serves as an important tool in maintaining the integrity of the market. It prevents companies from artificially maintaining listings when they no longer meet liquidity standards, which could negatively impact other market participants and erode confidence in the Exchange. However, as not all dilution or breach of public float are within the control of the issuer, we suggest the Exchange to allow some degree of flexibility post listing and consider allowing a three to six months grace period to restore the adjusted public float.</p>
Question 5.	<p>5.1 Do you agree with our proposal to mandate disclosure of actual public float in listed issuers' annual reports?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <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</p>

	<p>shareholding composition (as set out in paragraph 126(b)(i)(1) and (2) of the Consultation Paper)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p>
Response	<p>5.1 Yes, we agree that listed issuer’s share liquidity and shareholder concentration are important metrics for investors’ investment decision. Therefore, by mandating disclosure of actual public float in listed issuers’ annual reports, investors can make more informed investment decisions easily with the enhanced transparency. Further, we agree that the investors can benefit from understanding the composition of public float to identify concentration of shareholding in order to better assess investment risks.</p> <p>5.2 We agree that requiring persons connected at issuer level to be identified on an individually named basis in the disclosure of shareholding composition enhances shareholding transparency such that public investors can make more informed investment decisions. This will also help enhance the internal control procedures of the listed issuer in relation to shareholding changes as the listed issuer will need to be informed of changes to shareholdings of non-“public” shareholders.</p> <p>5.3 We agree that the disclosure should only be limited to those that is publicly available to the issuer and within the knowledge of its directors to reduce the burden on listed issuer. Since this is not meant to be an exhaustive and costly exercise for issuer, we support this measure which strikes the appropriate balance between transparency and cost of compliance for listed issuers.</p>
Question 6.	<p>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> <p>Please give reasons for your views.</p> <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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p>

	<p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p>
Response	<p>6.1 Yes. This proposal aligns with the goal of ensuring sufficient liquidity, transparency, and market stability, which are essential for maintaining investor confidence and facilitating price discovery.</p> <p>6.2 Yes. The proposed free float thresholds are proportionate to the market capitalization of the issuers. Smaller companies, which might have more limited access to public capital, are not unduly burdened by high free float requirements. Conversely, larger issuers, which have more significant market value and liquidity, are required to maintain a higher percentage of shares in public hands. This threshold strike a balance between attracting issuers to the Hong Kong market and ensuring that there is sufficient liquidity. Imposing excessively high free float thresholds could discourage smaller companies from listing.</p> <p>6.3 Yes. We believe the same threshold should be applied to PRC issuers in respect of the portion of shares listed in Hong Kong.</p> <p>6.4 Yes.</p> <p>6.5 Yes, we agree as by virtue of the proposal, shares held by trustee on behalf of share scheme participants will not be regarded as shares held by the public. Please also refer to our replies to Q2.2.</p> <p>6.6: No, given the special nature of biotech companies and specialist technology companies, we believe their specific exiting free float related requirements should continue to apply to them.</p>
Question 7.	<p>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)?</p>

	<p>Please give reasons for your views and any alternative suggestions.</p> <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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p>
Response	<p>7.1 Yes. The introduction of tiered float requirements aligns with global standards and ensures an adequate trading market for newly listed securities. The increased minimum thresholds will enhance post-IPO liquidity and price efficiency.</p> <p>7.2 Yes. This approach ensures regulatory consistency and aligns Hong Kong with other major exchanges maintaining a unified float requirement across issuer categories. The unified structure enhances market predictability and investor confidence.</p> <p>7.3 Yes. [The elimination of this requirement aligns Hong Kong with other global listing venues. This will improve Hong Kong's appeal for issuers seeking multi-market listings while maintaining strong governance and investor protections.]</p>
Question 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>Please give reasons for your views and any alternative suggestions.</p>
Response	<p>In respect of the lock-up requirement on IPO securities placed to cornerstone investors, we would 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).</p> <p>We agree that the current non-staggered lock-up arrangement will cause potential share price volatility upon lock-up expiry, and as may be compounded by simultaneous expiry of voluntary contractual lock-up of pre-IPO investors, especially when there is a large cornerstone placing tranche, which is undesirable from the perspective of both investors and the issuer. We believe a three-month period is a long enough period for cornerstone investors to demonstrate to the market their commitment and confidence in the issuer. A staggered lock-up release arrangement would alleviate the impact of sharp share price volatility (as</p>

	<p>there will be less shares being released at the same time) and improves post-listing liquidity (as only 50% of the IPO securities placed to cornerstone investors will be subject to a further lock-up of 3 months after the expiry of the initial 3-month lock-up period).</p> <p>We agree the relaxed rules of a staggered lock-up arrangement will attract independent institutional investors to participate as cornerstone investors due to the improved liquidity and flexibility to dispose of some (if not all) of the IPO securities within a shorter period of time.</p>
Question 9.	<p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>9.2 If your answer to Question 9.1 is “yes”, do you agree that the proposed requirement should not be applied to the initial listing of Specialist Technology Companies (as set out in paragraphs 229 of the Consultation Paper)?</p> <p>Please give reasons for your views.</p>
Response	<p>9.1 We are in principle support that some limitation should be given to the size of the cornerstone placing tranche as cornerstone investors play a key role in price determination as they effectively provide the key feedback for determining the top price of the offering and also in most cases represent the larger amount of newly invested money. However, while we understand the rationale behind the requirement to ensure broad participation and liquidity, we believe that 30% is a more appropriate threshold for most IPOs, taking into account market conditions and the role of cornerstone investors.</p> <p>In certain market conditions, particularly when the market is weak like in the years 2023 and 2024, requiring 50% to be allocated to the bookbuilding tranche may substantially reduce the likelihood of a successful IPO. If the IPO market is not sufficiently hot, issuers may face difficulties in finding enough institutional investors to fully absorb the offering. In such cases, cornerstone investors play an even more crucial role in supporting the offering, and too high a placing tranche allocation could result in under-subscription or excessive volatility once the shares are listed.</p> <p>A 30% allocation would allow issuers greater flexibility to manage their offerings based on market demand. This would help ensure that cornerstone investors can take a reasonable portion of the IPO, which stabilizes pricing and supports the overall success of the offering. If the bookbuilding tranche allocation is set too high, it may crowd out cornerstone investors or reduce the overall stability of the IPO by not providing sufficient initial support. A 30% allocation balances the need for public participation with the need for cornerstone investors to secure their portion of the offering without being squeezed out.</p>

	<p>9.2 We agree that the proposed requirement for at least 50% of shares to be allocated to the bookbuilding tranche should not be applied to the initial listing of Specialist Technology Companies, as proposed in the consultation paper.</p> <p>These companies often benefit from having a concentrated base of committed institutional investors, such as venture capital firms, private equity investors, or corporate investors, who are more familiar with their growth potential and business model. For these companies, a large portion of the IPO is often taken up by a few highly strategic investors who are crucial for the long-term success of the company.</p>
Question 10.	<p>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)?</p> <p>Please give reasons for your views.</p> <p>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> <p>Please give reasons for your views and any alternative suggestions.</p>
Response	<p>10.1 We agree. While the intention behind the original guideline was to ensure adequate participation from a broad group of investors, we believe that its removal reflects a more flexible and efficient approach to IPO structuring.</p> <p>The current guideline imposes a rigid requirement for the number of placees based on the size of the offering, which can be challenging for issuers to meet, particularly in smaller IPOs. The removal of this guideline provides issuers with greater flexibility in structuring their offerings to attract the appropriate investor base. Smaller companies, especially in sectors like technology or biotech, may not have a wide pool of institutional investors capable of fulfilling the 100 placees requirement. In addition, as the minimum 300 (MB) and 100 (GEM) shareholders spread requirement will be maintained, we do not see a lot of added value to maintain the minimum 100 holders in the IPO placing tranche.</p> <p>10.2 We agree that there should be other safeguarding measures implemented to ensure an adequate spread of holders in the placing tranche, particularly in light of the proposed removal of the guideline.</p> <p>While removing the specific spread requirement gives issuers flexibility, it is important to ensure that the market does not end up with an over-concentration of shares in a small group of investors. This could lead to potential manipulation or control of the company by a few large investors, which could undermine market confidence.</p> <p>Safeguards should be in place to ensure that no single investor or group of investors holds an undue portion of the offering. A safeguard against over-concentration would be important, especially in the case of smaller, where a few</p>

	large investors may dominate the placement. This could create instability in the stock price after listing and may make it difficult for smaller investors to buy or sell shares.
Question 11.	<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> <p>Please give reasons for your views and any alternative suggestions.</p> <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> <p>Please give reasons for your views.</p>
Response	<p>11.1 We support the proposal to require issuers to adopt either Mechanism A and Mechanism B. The demographic of investors of HK IPOs has switched from a high retail participation to more institutional involvement. The allocation to the public tranche should be modified in light of the change of market behavior. We believe establishing a structured allocation mechanism enhances price discovery, ensures broader investor participation, and promotes transparency. The dual mechanism approach provides flexibility while maintaining necessary safeguards to prevent excessive concentration of shares in a single category of investors.</p> <p>11.2 Yes, we agree with the proposal to require Specialist Technology Companies to only adopt the existing initial allocation and clawback mechanism designed for them given their unique listing framework and investor base.</p>
Question 12.	<p>12.1 Do you agree that we should retain the Allocation Cap?</p> <p>Please give reasons for your views.</p> <p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>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</p>

	<p>Maximum Allocation Cap Percentage Threshold from 30% to 15% (as set out in paragraph 263 of the Consultation Paper)?</p> <p>Please give reasons for your views and any alternative suggestions.</p>
Response	<p>12.1 Yes. Over-allocation of shares to the public subscription tranche could lead to an imbalance in the investor base and potential volatility in post-listing trading. In addition, it is also unfair for retail investors to “stuffed” with offer shares that were priced higher than what the institutional investors are willing to take up. By maintaining the Allocation Cap, the market ensures a more stable and orderly trading environment, protecting both issuers and retail and institutional investors.</p> <p>12.2 Yes. These adjustments are necessary to align with the new allocation mechanisms as proposed and to ensure that the Allocation Cap functions effectively in the revised framework.</p> <p>12.3 Yes. Reducing this threshold minimizes the risk of an excessive concentration of shares in the public subscription tranche, which could otherwise lead to price instability and reduced liquidity in the secondary market. A lower cap promotes a more balanced allocation, contributing to the long-term health and attractiveness of Hong Kong’s capital markets.</p>
Question 13.	<p>13.1 Do you agree that the Existing Pricing Flexibility Mechanism should be amended to include upward pricing flexibility?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>13.2 If your answer to Question 13.1 is “yes”, do you agree with our proposals to adopt an offer price adjustment limit of 10% in both directions (as set out in paragraph 281 of the Consultation Paper)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>13.3 If your answer to Question 13.1 is “yes”, in respect of the initial offer price range, would you prefer adjustment to be made:</p> <p>(a) 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>(b) up to 20% of the bottom of that range (as set out in Option B of paragraph 282 of the Consultation Paper)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>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>

	<p>Please give reasons for your views and any alternative suggestions.</p> <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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p>
Response	<p>13.1 Yes. The adoption of FINI enables the upward pricing flexibility to be technically feasible. The amendment of the Existing Pricing Flexibility Mechanism to include upward pricing flexibility can alleviate the time cost and additional cost with respect to relaunching the IPO at the revised (upward) price alongside with the publication of a supplemental or new prospectus. We agree this will be a welcoming measure to issuers as they can focus on adopting on a more realistic initial price range, with the comfort that they have the flexibility to price their IPO above the range using the upward pricing flexibility, instead of setting a higher-than-usual initial offer price range with high maximum offer price to compensate for the lack of upward pricing flexibility.</p> <p>13.2 We agree that an offer price adjustment limit of 10% in both directions can strike an appropriate balance between pricing flexibility and providing meaningful guidance to investors in determining whether to participate in an IPO. While the US adopted a higher range limit (20%), we support that a 10% limit can better serve the objective for listing applicants and their advisers to conduct a reasonably robust price discovery process and determining a realistic indicative offer price range.</p> <p>13.3 We prefer Option A: in respect of the initial offer price range, if a listing applicant adopts the Proposed Pricing Flexibility Mechanism, the applicant should continue to be able to set the top of the initial offer price range at not more than 30% of the bottom of that range.</p> <p>13.4 We agree that public offer subscribers should be afforded the flexibility to decide whether or not to participate in the pricing flexibility mechanism. As public investors have different risk profile and tolerance, this serves the objective of catering for different types of investors, allowing them to exit in the event of a change in valuation of the listing applicant due to the adjusted offer price, which may affect the investors’ perception of the listing applicant’s business and their judgment as to their investment decision.</p> <p>13.5 We consider that the disclosure requirements for existing downward pricing flexibility mechanism appropriate and adequate and agree to extend the current disclosure requirements for upward pricing flexibility to provide potential investors with informed disclosures.</p>
Question 14.	<p>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> <p>Please give reasons for your views and any alternative suggestions.</p>

Response	Yes as the proposed amendments and consequential changes to the Placing Guidelines better reflects the updated regulatory developments over time and the current market and vetting practice.
Question 15.	Do you agree with our proposal to disapply the proposed initial public float requirement in the case of a bonus issue of a new class of securities involving options, warrants or similar rights to subscribe for or purchase shares (as set out in paragraph 306 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.
Response	Yes. Bonus issues do not involve fundraising and are typically intended to reward existing shareholders, imposing a public float requirement may be unnecessarily restrictive.
Question 16.	Do you agree with our proposal to add new provisions under Appendices D1A and D1B to the Main Board Listing Rules to require disclosure of the minimum prescribed percentage of public float in listing documents (as set out in paragraph 311 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.
Response	The current GEM Rules mandate stating the minimum prescribed percentage of public float applicable to securities for which listing is sought for GEM Board issuers. We agree that the same requirement should be imposed on Main Board issuers for consistency, as we support that both Main Board and GEM Board issuers should be subject to the same disclosure requirement regarding this issue.
Question 17.	Do you agree with our proposal to waive the initial free float requirement for overseas issuers that have, or are seeking, a secondary listing on the Exchange (as set out in paragraph 315 of the Consultation Paper)? Please give reasons for your views and any alternative suggestions.
Response	The public float requirement does not apply to overseas issuers that has, or is seeking, a secondary listing on the Exchange. The regulatory philosophy behind secondary listing is that strict compliance with the full extent of the Listing Rules would be unduly burdensome for issuers seeking a secondary listing because they are already subject to the laws and regulations of the regulatory regime of their place of primary listing, where the majority of trading of their securities take place. Therefore, a certain degree of reliance could be placed on that regime to regulate such issuers. As such, the public float requirement (along with some other Listing Rules requirement) have been exempted for secondary issuers under chapter 19C of the Listing Rules. We agree that since they are not required to comply with the public float requirement, they should not be required to comply with free float requirement.
Question 18.	Do you agree with our proposal to repeal the requirement that PRC issuers list H-shares that have an expected market value, at the time of listing, of HK\$50 million (as set out in paragraph 319 of the Consultation Paper)?

	Please give reasons for your views and any alternative suggestions.
Response	We agree with the proposal to repeal the requirement as the rule is no longer relevant and for consistency purposes.
Question 19.	<p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p>
Response	Yes.
Question 20.	<p>20.1 Do you agree with our proposals on the determination of market capitalization 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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p>
Response	<p>20.1 We agree with the proposals on the determination of market capitalization for new applicants that have other classes of shares apart from the class for which listing is sought or are PRC issuers. The guidance will provide clarity on calculating the issuer's market capitalization for Hong Kong. For PRC issuers as A Shares are not fungible with those listed in Hong Kong, we support the proposals to separate those in the calculation of market capitalization. The proposed approach also mitigates risks related to valuation distortions that could arise from selective class-based assessments, ensuring that issuers present a holistic picture of their market standing. This will contribute to better price discovery and more accurate reflections of a company's true valuation at the time of listing.</p> <p>20.2 There is currently no equivalent GEM Listing Rules. We agree that the equivalent GEM Listing Rules should be introduced for consistency purposes.</p>
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 <u>any</u> amount placed is made available directly to the general public (as set out in paragraph 339 of the Consultation Paper)?

	Please give reasons for your views and any alternative suggestions.
Response	We agree with the proposal since the percentage references in the current requirement are no longer applicable.
Question 22.	<p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p> <p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p>
Response	<p>22.1 Yes. This could provide more flexibility for issuers and encourage more SPAC transactions in Hong Kong, making the market more attractive to global sponsors.</p> <p>22.2 Yes. SPAC warrants do not have an issue price and are not exercisable until completion of De-Space and Successor Company's warrants are typically issued for free, it would be difficult and inappropriate to determine their market value upon listing.</p>
Question 23.	<p>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)?</p> <p>Please give reasons for your views and any alternative suggestions.</p>
Response	We agree with the proposal to clarify the 50% minimum requirement is to be referencing the total number of shares initially offered in the IPO and also to align with the determination of percentage allocation to the bookbuilding placing tranche in the Stock Exchange's proposal in Section II. B of Chapter 1 for consistency purpose.