



Proposals to Optimise IPO Price Discovery and Open Market Requirements

The Law Society's Submissions

The Stock Exchange of Hong Kong Limited (“Exchange”) issued the “Consultation Paper on Proposals to Optimise IPO Price Discovery and Open Market Requirements” on 19 December 2024 (“Consultation Paper”).

In response, the Law Society provides the following submissions to the questions posed. Unless otherwise defined, the same abbreviations and definitions appearing in the Consultation Paper are used in this paper.

Question 1

1.1 Do you agree with the Exchange’s proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by:

- (a) requiring the public float percentage of securities new to listing be calculated normally by reference to the total number of securities of that class only (as set out in paragraph 44 of the Consultation Paper)?*
- (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)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

We strongly disagree with the Exchange's proposal to change the public float requirement for H shares by excluding A shares listed on a PRC stock exchange from the numerator for H share companies. The current rule was a carefully considered approach to bolster Hong Kong's position as a financial gateway to China and to give H share companies dual-market access. This is a significant shift that could have several undesirable implications, especially given the historical and strategic context:

1. **Dual-Listing Strategy:** Historically, many Chinese companies have pursued dual listings in both mainland China and Hong Kong to access broader capital markets and diversify their investor base. This strategy has been a key part of their growth and fund-raising plans, and the combined public float calculation reflects this unique dual-market engagement. Including both A and H shares in the public float calculation is a framework designed to reflect the interconnected nature of these markets and the unique nature of H share companies. It also provides a more comprehensive view of an issuer's total market liquidity and investor reach; which is crucial for assessing the company's ability to raise capital and the overall market stability.
2. **Investor diversity:** the inclusion of both share types in the public float calculation captures the diverse investor base that these issuers attract. A shares primarily appeal to domestic investors, while H shares are more accessible to international investors. This diversity is a strength for issuers, providing them with a broader range of potential capital sources. While this gives flexibility to the issuers, the framework also enhances the competitiveness of the Hong Kong market for PRC companies.
3. **Historically, both Chinese and Hong Kong regulators have supported the inclusion of both A and H shares in public float calculations to ensure that companies maintain a healthy level of market engagement and transparency across borders. The practice also reflects the broader economic and financial ties between Hong Kong and mainland China. By considering both markets in the public float, it underscores the role of Hong Kong as a financial gateway to China, reflecting the interconnectedness of the two economies and their capital markets.**

4. For companies, the ability to count both A and H shares toward their public float can be strategically important. It allows for more flexible financial management and planning, especially in times of market volatility or capital needs. This flexibility is a significant advantage for maintaining a stable financial footing for these PRC companies.
5. The Stock Connect regime that allows Hong Kong investors with direct access to the A share market supports a unified approach to considering both A and H shares as part of an issuer's public float. While this offers arbitrage opportunities for investors, issuers can benefit from the enhanced liquidity and potential valuation alignment between the two markets. A unified approach in counting both A and H shares underscores the competitive status of the Hong Kong market that offers unique benefits for dual market access.

While the Exchange may want to focus on local market liquidity by proposing this change, it is important to weigh these against the historical context and strategic benefits that the current system provides to both issuers and investors. Any change may undermine significantly the overall attractiveness of Hong Kong as a listing venue for PRC companies.

- 1.2 *Do you agree with the Exchange's 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)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we welcome the clarification.

Question 2

- 2.1 *Do you agree that the Exchange should exclude from the definition of "the public" any person whose acquisition of securities has been financed by the issuer and any person who is accustomed to take instructions from the issuer (as set out in paragraph 64 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree to this proposal provided that suitable carve-outs are included in respect of trust schemes referred to in Question 2.2.

- 2.2 *If your answer to Question 2.1 is “yes”, do you agree with the Exchange’s proposal to regard shares held by an independent trustee which are granted to independent scheme participants and unvested as shares held in public hands (as set out in paragraph 65 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree.

Question 3

- 3.1 *Do you agree that the Exchange should replace the current minimum initial public float thresholds with tiered initial public float thresholds according to the expected market value of the class of securities for which listing is sought on the Exchange at the time of listing?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes. The proposed tiered thresholds provide greater transparency. This approach also helps to eliminate unfairness in marginal cases with the flexibility needed by companies of different scales.

On the other hand, while the revised approach offers some improvement, it does not significantly enhance the competitiveness of the Hong Kong market, which is the main objective of the consultation. Hong Kong, in considering its own competitive positioning, might benefit from examining London Stock Exchange (“LSE”)’s more aggressive single-tier system of 10% public float. (If we are to adopt a single-tier system with 10% public float, mega-sized issuers with market value exceeding HK\$70 billion can reduce the public float to the higher of 5% and HK\$7 billion.) The LSE’s single tier system with a low 10% threshold was proposed and recently implemented after extensive consultation to ensure London remains a compelling choice for companies worldwide. The lower 10% approach (subject to carve-out for mega-sized companies with market value exceeding HK\$70 billion), appeals to a broad spectrum of companies seeking more flexible listing conditions. Hong Kong’s requirement for the public float to have a value of HK\$125 million and 300 public shareholders serves as a protective measure, ensuring that even if the public float is lowered to 10%, there remains sufficient liquidity in the market.

3.2 *If your answer to question 3.1 is “yes”, do you agree with the proposed tiered initial public float thresholds (as set out in in Table 5 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Please see our reply to Question 3.1.

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

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree.

3.4 *If your answer to question 3.1 is yes, do you agree that all issuers disclose, in their listing documents, the initial public float threshold that is applicable to the class of securities they seek to list on the Exchange?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree.

3.5 *If your answer to question 3.2 is yes, do you agree that the same tiered initial public float thresholds (as set out in Table 5 of the Consultation Paper) should be applied to GEM issuers?*

Please give reasons for your views and any alternative suggestions

Law Society's response:

Yes, we agree.

Question 4

4.1 *If our proposed initial public float thresholds (see proposals in Section I.B.1 and Section I.D.1 of Chapter 1 of the Consultation Paper) are supported by the market, we seek views on the appropriate ongoing public float requirements for:*

- (a) *Issuers, subject to the initial public float tiers proposed (see Table 5 in Section I.B.1 of Chapter 1 of the Consultation Paper); and*
- (b) *A+H issuers and other prescribed types of issuers (see Section I.D.1 of Chapter 1 of the Consultation Paper).*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

The Exchange's tiered public float requirement at the time of IPO ensures listings start with a substantial level of market liquidity that serves a strong foundation of trading activity, price discovery and investor confidence in the early stages of listing. Allowing a lower ongoing public float requirement post-listing provides companies with greater flexibility in managing their capital structure as they evolve. This can be particularly beneficial to companies that intend to undertake corporate initiatives such as share buybacks or consolidating ownership among strategic stakeholders. Reducing short-term speculation can also be appealing to institutional investors looking for stable and long-term investments. By lowering the ongoing public float requirement, Hong Kong can foster a more dynamic and diverse market system and can better compete with other global financial hubs.

A suitable balance between initial and ongoing public float requirements can support both market robustness and issuer needs. Having regard to the practices of other international exchanges, a reduction of the ongoing public float to between 10% and 15% could strike an appropriate balance of these requirements.

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

Please give reasons for your views.

Law Society's response:

Please see our response to Question 4.1.

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

Please give reasons for your views.

Law Society's response:

We are of the view that this approach should be abolished for this gives rise to many undesirable outcomes for both companies and investors:

1. this approach locks in all shareholders denying them the right to exit their investment. The lack of liquidity can be particularly problematic for retail or small investors who may need to access their capital in changing market conditions. Small investors often rely on regulators to give them some form of protection but suspension and prolonged suspension due to a lack of public float can have the opposite effect. Investors are left in a state of uncertainty regarding the value and future prospects of their investment;
2. frequent trading halts and suspensions can undermine market confidence and create a perception of instability. Investors may become wary of investing in companies listed on the Stock Exchange where trading suspensions and prolonged suspensions leading to delisting is a genuine risk;
3. for issuers, a suspension poses significant challenges in terms of restoring compliance with the ongoing public float requirement. It becomes difficult to establish the market price for shares in order for issuers to conduct share placing exercises or other transactions necessary to restore public float.

4.4 *Do you agree that ongoing public float requirements should be applied to shares only (as set out in paragraph 118 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree.

4.5 *Do you agree that an over-the-counter (“OTC”) market should be established in Hong Kong (as set out in paragraph 119 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

An OTC market offers some potential benefits:

1. it could provide a platform for trading in securities that cannot meet the listing requirements of the Main Board or GEM¹. It could also serve as a platform for trading shares that have been suspended
2. it would expand the range of investments available to investors, allowing them to access a broader range of companies, including overseas companies, small, early stage and emerging sector companies that may not meet the listing requirements
3. it could also serve as a testing ground and incubator for new financial products to foster innovation

There are also some typical challenges for OTC market. The necessary market infrastructure including trading platforms and clearing and settlement systems have to be developed, together with any requisite legal and regulatory changes. Our main concern is that an OTC market will draw liquidity away from the markets, especially the GEM board. Ensuring complementary rather than competitive dynamics between these markets would be important. While it depends on the functions the OTC market would serve, possible alternative approaches could include (i) merging the GEM and the proposed OTC platform as a strategic move to address some of the challenges faced by both markets and create a more robust market ecosystem for small and emerging companies; and (ii) a robust, self-sustaining, standalone OTC market operated outside the control of the Exchange or as an independent subsidiary of the Exchange with flexible rules designed to attract a wide range of securities and investors enhancing the attractiveness of the Hong Kong market.

We consider that, as a matter of urgency, there should be another detailed consultation paper on the establishment of an OTC market in Hong Kong with a view to the new OTC market being launched by the end of 2025.

4.6 *What are your views on:*

- (a) *the potential benefits and risks of establishing an OTC market;*
- (b) *functions that an OTC market should serve; and*
- (c) *whether such OTC market should be open to retail investors?*

Please give reasons for your views.

¹ Growth Enterprise Market

Law Society's response:

Please see our response to Question 4.5.

Question 5

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

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes. This proposal increases transparency and is not unduly onerous on listed issuers.

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

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree.

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

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree. This will not be unduly onerous and will not significantly increase compliance costs.

Question 6

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

Please give reasons for your views.

Law Society's response:

While the free float requirements are intended to further promote market liquidity and facilitate price discovery, they can pose challenges in bearish and volatile market conditions. In a bearish market, investor appetite for new listings may be reduced making it difficult for companies to attract enough public investors to meet the free float requirement. Cornerstone investors provide stability, credibility and deal certainty to a new issuer, even though their participation may decrease the free float. We consider that the current market conditions may necessitate a more flexible approach. The Exchange should consider shelving the free float proposal to prevent additional strain on companies looking to list given that only 70% of the issuers that were listed from 2020 to 2023 would have been able to meet the free float requirement. Introducing an additional layer of free float requirement will further undermine the competitiveness of the Hong Kong market. In times of market uncertainty, issuers may need the flexibility to secure more commitment from cornerstone investors to ensure the success of the share offering. This need for flexibility might make it more challenging for issuers to meet the stricter free float requirement, and over time, will undermine the attractiveness of the Hong Kong Stock Exchange as a listing venue.

- 6.2 *If your answer to Question 6.1 is “yes”, do you agree with the Exchange’s proposed initial free float thresholds (as set out in paragraph 140 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Please refer to our reply to Question 6.1.

- 6.3 *If your answer to Question 6.1 is “yes”, do you agree with the Exchange’s proposed modification of the initial free float thresholds to PRC issuers (as set out in paragraphs 142 to 143 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Please refer to our reply to Questions 1.1 and 6.1.

- 6.4 *If your answer to Question 6.1 is “yes”, do you agree with the Exchange’s proposal to apply the proposed initial free float requirement to shares only (as set out in paragraph 144 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, subject to our comments to Question 6.1.

- 6.5 *If your answer to Question 6.1 is “yes”, do you agree that shares considered to be in public hands that are held by an independent trustee under a share scheme should not be counted towards the proposed initial free float requirement (as set out in paragraph 145 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Given that shares held by an independent trustee under a share scheme are considered to be in public hands, we see no valid reasons why these shares should be excluded from counting towards the free float requirement.

- 6.6 *If your answer to Question 6.1 is “yes”, do you agree that existing free float related requirements for Biotech Companies and Specialist Technology Companies should be replaced with the proposed initial free float requirement so that the same requirement applies to all issuers (as set out in paragraph 146 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Please see our reply to Question 6.1.

Question 7

- 7.1 *Do you agree with our proposed revised minimum thresholds on shares to be listed on the Exchange for A+H issuers and other prescribed types of issuers (as set out in paragraph 162 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes. It offers more flexibility to issuers.

- 7.2 *Do you agree that the minimum initial public float thresholds for A+H issuers and other prescribed types of issuers should be the same as the minimum thresholds on shares to be listed on the Exchange (as set out in paragraph 164 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Please see our reply to Question 1.1.

- 7.3 *Do you agree with our proposal to remove the minimum market value requirement for the class sought to be listed by issuers with other share class(es) listed overseas and H shares of PRC issuers (as set out in paragraph 166 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree. This is redundant.

Question 8

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

- (a) retain the existing six-month lock-up (as set out in Option A in paragraph 205 of the Consultation Paper); or*
- (b) allow a staggered release of the six-month lock-up (as set out in Option B in paragraph 205 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

We welcome the proposal for the staggered release of the six-month moratorium. The proposed change appears to be a suitable balance between market stability and flexibility to investors. This will make new issues more attractive to a broader range of institutional investors. It also reduces the risk of a large share overhang hitting the market all at once, which can lead to price volatility. The presence of institutional investors who agree to a moratorium of three months can still provide price stability and confidence in the new issue.

Question 9

9.1 *Do you agree that at least 50% of the total number of shares initially offered in an IPO should be allocated to investors in the bookbuilding placing tranche (as set out in paragraphs 227 and 228 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

We do not agree to the ring-fencing requirement. While the requirement to allocate 50% of IPO shares to a placing tranche aims to enhance price discovery, it has several significant drawbacks:

1. it marks a significant shift from the current approach of encouraging retail participation. While the level of retail participation in recent years has decreased, the role of retail investors in building support for an IPO and post-listing liquidity can be instrumental for the overall success of an IPO. There will be a negative perception that with reduced retail participation, the Exchange is increasingly skewed towards institutional investors. Over time, this may erode the diversity of the investor base, which is important for a dynamic and robust market
2. some institutional investors, depending on their investment strategy, may take a longer-term view, which can mean that a significant portion of the IPO shares might be held for extended periods. This could reduce the liquidity and result in lower trading volumes of the shares in the secondary market. Lower liquidity could make it more difficult for investors to buy and sell shares, potentially increasing price volatility
3. requiring an issuer to allocate a large proportion of shares to institutional investors can lead to “stuffing”, which might impact post-IPO trading dynamics. If institutional investors are over-saturated, this could lead to lower demand and less upward price momentum post-IPO. This can result in price stagnation and less active trading and hinder a stock’s liquidity. A

lack of significant price movement post-IPO could negatively affect market perception, leading to reduced enthusiasm for future IPOs. Investors, both retail and institutional, might be discouraged from participating in IPOs if they perceive limited opportunities for gains

4. the proposed requirement also presents challenges for smaller issuers that may struggle to attract sufficient institutional interests to fulfill the 50% ring-fencing requirement. New start-ups, small and medium-sized enterprises are pivotal to economic development and innovation. If the Exchange is not perceived to act fairly towards all issuers, this can undermine the attractiveness of the Exchange as a listing venue for potential listing candidates.
5. the increased allocation in the bookbuilding process could potentially lead to a lower IPO price, resulting in the issuer receiving less money at the initial IPO stage. This can undermine the competitiveness of the Hong Kong market.

In view of the diverse nature of companies that may be seeking a listing on the Exchange, we consider that issuers should be allowed to implement a flexible allocation framework and freely adjust the percentage of shares allocated to the placing tranche based on factors such as the size of the IPO, market conditions and investor demand. This flexibility is important to ensure the overall success of an IPO. A rigid cap can have unintended consequences that stifle market dynamics, undermine the competitiveness of the Hong Kong market and inhibit the growth of a healthy and vibrant market ecosystem that encourages fund raisings.

- 9.2 *If your answer to Question 9.1 is “yes”, do you agree that the proposed requirement should not be applied to the initial listing of Specialist Technology Companies (as set out in paragraphs 229 of the Consultation Paper)?*

Please give reasons for your views.

Law Society's response:

No, it should not apply to Specialist Technology Companies.

Question 10

- 10.1 *Do you agree with the proposed removal of the guideline on minimum spread of placees, being not less than three holders for each HK\$1 million of the placing, with a minimum of 100 holders in an IPO placing tranche (as set out in paragraph 230 of the Consultation Paper)?*

Please give reasons for your views.

Law Society's response:

Yes, we agree. By removing this requirement, issuers can better align the interests of different investor groups and improve the overall success of the IPO. On the other hand, there should be more transparency in the allocation process to avoid biased or preferential treatment towards certain favoured institutions.

10.2 *Do you consider that other safeguarding measures should be implemented to ensure an adequate spread of holders in the placing tranche, in light of the proposal (as set out in paragraph 230 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Please refer to our reply to Question 10.1.

Question 11

11.1 *Do you agree with the proposal to require issuers to adopt either Mechanism A or Mechanism B with respect to a minimum allocation of offer shares to the public subscription tranche (as set out in paragraphs 248 to 250 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

We welcome the new proposal as the current fixed clawback system is too rigid. If issuers are given a choice between Mechanisms A and B, they can choose the method that best aligns with their IPO strategies, market conditions and investor base. Please also refer to our response to Question 9.

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

Please give reasons for your views.

Law Society's response:

We suggest that the proposal, if implemented, should also apply to Specialist Technology Companies (“STC”). Introducing a choice between A and B while

offering flexibility will give rise to increased complexity for issuers and investors. Investor education about the new allocation methods is important especially at the early stages of the rule change. Applying the same rule to STC will reduce market confusion.

Question 12

12.1 *Do you agree that the Exchange should retain the Allocation Cap?*

Please give reasons for your views.

Law Society's response:

The Allocation Cap is useful to prevent excess retail allocation. We think it should, on balance, be retained. Given that the proposed framework of Mechanisms A and B have already reduced the clawback percentages to prevent excessive reallocations, we consider that the safeguards offered are adequate and there is no need for a stricter cap.

12.2 *If your answer to Question 12.1 is “yes” and subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendments to the triggering conditions of the restrictions on Reallocation and PO Over-allocation (as set out in paragraph 262 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree to the consequential changes.

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

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Please refer to our reply to Question 12.1.

Question 13

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

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, it provides both upward and downward pricing flexibility.

13.2 *If your answer to Question 13.1 is “yes”, do you agree with the Exchange’s proposals to adopt an offer price adjustment limit of 10% in both directions (as set out in paragraph 281 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, a 10% adjustment limit seems appropriate.

13.3 *If your answer to Question 13.1 is “yes”, in respect of the initial offer price range, would you prefer adjustment to be made:*

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

(b) *up to 20% of the bottom of that range (as set out in Option B of paragraph 282 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Option A is preferred.

13.4 *If your answer to Question 13.1 is “yes”, do you agree with the Proposed Opt-in Arrangement (as set out in paragraphs 283 to 284 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

13.5 *If your answer to Question 13.1 is “yes”, do you agree with the Exchange’s proposal to extend the current disclosure requirements (as set out in paragraph 285 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes.

Question 14

Do you agree with the Exchange’s proposals to make consequential and housekeeping amendments to the Placing Guidelines (as set out in paragraphs 302 and 303 of the Consultation Paper and Appendices I and II to the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

We welcome the proposed changes. The current guidelines are outdated and do not reflect regulatory practices over the years.

Question 15

Do you agree with the Exchange’s 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.

Law Society's response:

Yes, given that the new class of securities is distributed as a bonus issue pro rata to existing shareholders.

Question 16

Do you agree with the Exchange’s 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.

Law Society's response:

Yes, we agree.

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.

Law Society's response:

Yes, we agree.

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.

Law Society's response:

Yes, this is redundant.

Question 19

Subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendment to enable GEM listing applicants to choose either Mechanism A or Mechanism B (as set out in paragraph 325 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree.

Question 20

20.1 *Do you agree with the Exchange's proposals on the determination of market capitalisation for new applicants that have other classes of shares apart from the class for which listing is sought or are PRC issuers (as set out in paragraph 333 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree.

20.2 *Do you agree with our proposal to introduce an equivalent GEM Listing Rule provision on the basis for determining the market value of other class(es) of shares for a new applicant (as set out in paragraph 335 of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree.

Question 21

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

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree.

Question 22

22.1 *Do you agree with the Exchange's proposal to amend Chapter 18B of the Main Board Listing Rules so that the open market requirements of MB Rule 8.08 do not apply to Successor Company's warrants (as set out in paragraph 349(a) of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

We agree. It is often difficult to value these warrants.

22.2 *Do you agree with the Exchange's proposal to amend Chapter 18B of the Main Board Listing Rules so that the minimum market value requirement of MB Rule 8.09(4) does not apply to SPAC Warrants and Successor Company's warrants (as set out in paragraph 349(b) of the Consultation Paper)?*

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree.

Question 23

Do you agree with the Exchange's proposal to amend MB Rule 18C.08 so that the 50% minimum requirement is to be determined by reference to the total number of shares initially offered in the IPO (as set out in paragraph 352 of the Consultation Paper)?

Please give reasons for your views and any alternative suggestions.

Law Society's response:

Yes, we agree.

**The Law Society of Hong Kong
11 March 2025**