

Submitted via Qualtrics

(Anonymous)

Company/Organisation view

Law Firm

Question 1.1

Do you agree with the proposal to implement the Alternative Threshold, which will provide an alternative ongoing public float threshold for issuers in addition to the Initial Prescribed Threshold (as set out in paragraphs 310 to 312 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

We agree with and support the proposal. The Alternative Threshold provides flexibility to the issuers (with sufficiently large market capitalisation) to conduct corporate actions for capital management (e.g. share buybacks) to bring positive value to its shareholders and attract investors. We had previously indicated our support and set out a similar proposal in the early Consultation.

Question 1.2

Do you agree with the proposed threshold figures (i.e. HK\$1 billion and 10%) for the Alternative Threshold (as set out in paragraph 312 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

The proposed threshold figures strikes a balance between providing greater flexibility to the issuers to conduct corporate actions and ensuring sufficient listed shares are available for trading.

Question 1.3

Do you agree that for the purpose of determining whether the market value of shares held by the public meets the market value limb of the Alternative

Threshold, the market value of an issuer's shares will be determined on a rolling basis by multiplying (a) the number of shares held by the public as of the date of determination by (b) the volume weighted average price of the shares listed on the Exchange over 125 trading days immediately prior to the date of determination (as set out in paragraph 316 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Determination on a rolling basis over 125 trading days helps demonstrate a fair picture of an issuer's market value of shares and minimise the effects of occasional volatile market condition and share price fluctuation. If anything, we think a longer period would be even more appropriate given that market volatility (geopolitical issues, etc.) has become the norm.

Question 1.4

Do you agree that a listed issuer would not be able to rely on the Alternative Threshold if the issuer's shares have traded for fewer than 125 trading days since listing on the Exchange?

Yes

Please give reasons for your views and any alternative suggestions.

The volume weighted average price of the shares over less than 125 trading days may not be sufficient to demonstrate a fair picture of an issuer's market value of shares. Maintaining the 125 trading day requirement for newly listed issuers would give some certainty to investors that the issuer's public float would not change shortly after listing.

Question 1.5

Do you agree that, in the case of an issuer seeking to switch from relying on the Initial Prescribed Threshold to the Alternative Threshold, if its listed shares have been suspended from trading for more than five consecutive business days during the 125-trading-day period for determination of the market value of shares, the Exchange may require the issuer to extend the 125-day period to demonstrate that it can meet the Alternative Threshold over a reasonable period after resumption of trading?

Yes

Please give reasons for your views and any alternative suggestions.

Question 1.6

Do you agree that the same ongoing public float requirements that apply to Main Board issuers should be applied to GEM issuers?

Yes

Please give reasons for your views and any alternative suggestions.

GEM issuers should also be able to enjoy the flexibility to conduct corporate actions for capital management to bring positive value to its shareholders and attract investors. This is also consistent with the approach to the initial public float requirements.

Question 2.1

Do you agree with the proposed bespoke ongoing public float threshold figures (i.e. HK\$1 billion or 5%) for a PRC issuer with other listed shares (such as an A+H issuer) (as set out in paragraph 341 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

As secondary fundraising by a PRC issuer with other listed shares would result in a reduction in the proportion of H shares listed on the Hong Kong Stock Exchange, a lower ongoing public float threshold provides them with flexibility to conduct secondary fundraising on other markets. The threshold figures strike a balance between providing greater flexibility to these issuers to conduct corporate actions and ensuring sufficient listed shares available for trading.

Question 2.2

Do you agree that the bespoke ongoing public float thresholds for PRC issuers with other listed shares should also apply (as modified) to non-PRC issuers with shares listed on a PRC stock exchange (e.g. RMB shares), if those shares are in the same class as, but are not fungible with, the shares listed on the Exchange (as set out in paragraph 342 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

A non-PRC issuer with shares listed on a PRC stock exchange have similar features as a PRC issuer with other listed shares, therefore the same bespoke ongoing public float threshold should also apply.

Question 3.1

Do you agree with the proposal that all issuers be required to confirm, in their monthly returns and annual reports, whether they have met their applicable Ongoing Public Float Thresholds?

Yes

Please give reasons for your views and any alternative suggestions.

The proposed disclosure enables the investors to be better informed of the issuer's public float status and any shortfall which may lead to the risk of delisting. Currently, it is hard to know the exact public float of an issuer, especially those with a waiver at the time of listing.

Question 3.2

Do you agree with the proposal that issuers relying on the Initial Prescribed Threshold must disclose the minimum percentage threshold applicable to them in their monthly returns (as set out in paragraph 352(a)) of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

This allows the investors to better understand the Initial Prescribed Threshold without looking into the prospectus and allotment results announcement of the issuer that may have been published long time ago. In particular, prospectuses and allotment results announcements of some issuers that went listed years ago may not be even available online.

Question 3.3(a)

Do you agree with the proposal that issuers relying on the Alternative Threshold must disclose, in their monthly returns, the market value and percentage of the portion of the class of shares they have listed on the Exchange that are held by the public (as set out in paragraph 352(b) of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Rather than a stable public float threshold under the current regime, the Alternative Threshold of an issuer under the new regime may change from time to time. The proposed disclosure helps enhance the market transparency and enable investors to make better informed investment decisions.

Question 3.3(b)

Do you agree with the proposal that PRC issuers with other listed shares (e.g. A+H issuers) relying on the market value limb of the relevant bespoke ongoing public float threshold must disclose, in their monthly returns, the market value and percentage of the portion of the class of shares they have listed on the Exchange that are held by the public (as set out in paragraph 352(b) of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Rather than a stable public float threshold under the current regime, the bespoke ongoing public float threshold of an issuer under the new regime may change from time to time. The proposed disclosure helps enhance the market transparency and enable investors to make better informed investment decisions.

Question 3.4

Do you agree with the proposal that all issuers also be required to disclose, in each of their annual reports, the relevant information proposed to be included in their monthly returns (see paragraph 352 of the Conclusions and Further Consultation Paper), as at the end of the relevant financial year?

Yes

Please give reasons for your views and any alternative suggestions.

This consolidated information is especially beneficial to investors (rather than going through all monthly returns) to better understand the issuer's information.

Question 3.5

Do you agree with the proposed disclosure obligations in relation to share capital structure information in annual reports for all issuers (as set out in paragraph 354 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

The proposed disclosure helps provide the investors with an annual summary of the issuer's share capital structure, which is helpful information for shareholders and potential investors.

Question 4.1

Do you agree that the additional obligations we propose to apply to issuers if their public float falls below the applicable Ongoing Public Float Threshold (as set out in paragraph 360 of the Conclusions and Further Consultation Paper) are sufficient to:

(a) enable continued trading of the issuer's shares (on the basis that the proposal would enable sufficient information to be provided to potential investors and existing shareholders); and

(b) incentivise relevant issuers to restore their public float to meet the applicable Ongoing Public Float Threshold as soon as practicable?

Yes

Please give reasons for your views and any alternative suggestions.

The potential investors and existing shareholders, being informed of the issuer's public float shortfall and its higher risk of the being delisted through the reading issuer's additional disclosures, would be able to make investment decisions in full knowledge and take their own risks. Moreover, the additional disclosure obligations would

incentivize issuers with public float shortfall to take active steps to restore the shortfall as soon as practicable to avoid any further disclosure or other obligations.

Question 4.2

Do you agree with the proposed disclosure requirement for the initial announcement to be made by an issuer with a public float shortfall within one business day of it becoming aware that there is a public float shortfall (as set out in paragraph 360(b) of the Conclusions and Further Consultation Paper), including the proposed requirement that the issuer must also announce its plan and expected timeline to restore to the applicable Ongoing Public Float Threshold, which can be announced in a subsequent announcement that must be published no later than 15 business days of it becoming aware that there is a public float shortfall?

Yes

Please give reasons for your views and any alternative suggestions.

Public float shortfall is a breach of the Listing Rules and the market should be informed of it as soon as practicable, so that the shareholders may make informed investment decisions accordingly. The subsequent announcement requirement also helps provide to the market meaningful information regarding the issuer's plan to restore its public float.

Question 4.3

Do you agree that if an issuer's public float falls below the applicable Ongoing Public Float Threshold, it must provide monthly updates, by way of announcement, to notify the market of the status of its public float and updates on its restoration plan (as set out in paragraph 360(c) of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Monthly updates would incentivize issuers with public float shortfall to restore the shortfall as soon as practicable to avoid any further disclosure or other obligations.

Question 4.4

Do you agree that, for so long as an issuer does not comply with the applicable Ongoing Public Float Threshold, the issuer itself, and each of its directors, must not (and each director must use his best endeavours to ensure that his close associates do not) take any action that may further lower the issuer's public float percentage, unless the circumstances are exceptional (as set out in paragraph 360(d) of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

A shortfall in public float constitutes a breach of the Listing Rules, hence the issuer should work towards restoring the shortfall and mending the breach as soon as practicable, rather than further increasing the shortfall unless the circumstances are exceptional.

Question 4.5

Do you agree that shares of issuers with a public float below the applicable Ongoing Public Float Threshold can be traded without a special stock marker, as long as such public float shortfall does not constitute a Significant Public Float Shortfall (as set out in paragraph 363 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

If the issuer's public float shortfall is not significant and hence the risk of delisting is low, it is reasonable that its shares can be traded without a special stock marker to avoid overreaction from the market.

Question 4.6

Do you agree that, instead of suspension, issuers with a Significant Public Float Shortfall should be identified with a special stock marker and subject to heightened disclosure requirements and a delisting mechanism (as set out in paragraphs 361 to 369 of the Conclusions and Further Consultation Paper), such that there can be continued trading in the issuer's shares?

Yes

Please give reasons for your views and any alternative suggestions.

Allowing continued trading in the shares of issuers with a Significant Public Float Shortfall can sometimes help restore the public float. The special stock marker enables the public to identify issuers with a Significant Public Float Shortfall, so that the public would be able to make investment decisions in full knowledge that the issuer may potentially be delisted.

Question 4.7(a)

Do you agree with the proposed Significant Public Float Shortfall thresholds (as set out in paragraphs 364 to 366 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

The proposed threshold figures strike a balance between providing greater flexibility to the issuers to take public float shortfall without being identified with a special stock marker and warning the investors of the higher risk of being delisted of the relevant issuers.

Question 4.7(b)

Do you agree with the proposed delisting mechanism for issuers with a Significant Public Float Shortfall (as set out in paragraph 368 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

It is in the public interest to delist an issuer with persistent Significant Public Float Shortfall for continuously having insufficient open market in its shares.

Question 4.7(c)

Do you agree with the proposed additional disclosure obligations for issuers with a special stock marker (as set out in paragraph 369 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

An issuer with a special stock marker (i.e. Significant Public Float Shortfall) has a higher risk of being delisted, the public should be warned of such higher risk in order to make informed investment decisions.

Question 4.7(d)

Do you agree with the proposed conditions for removal of the special stock marker (as set out in paragraph 370 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

The purpose of the special stock marker is to help the public to identify issuers with a Significant Public Float Shortfall and hence higher risk to be delisted. In case an issuer has restored its public float to meet the applicable Ongoing Public Float Threshold, it is no longer in breach of the Listing Rules and the risk of being delisted due to public float shortfall would be lowered, therefore the special stock marker is no longer needed.

Question 5

Do you agree that the proposed ongoing public float requirements be applied to all existing listed issuers?

Yes

Please give reasons for your views and any alternative suggestions.

All existing issuers, as long as they are sufficiently large in size, should be able to equally enjoy the flexibility to conduct corporate actions for capital management to bring positive value to its shareholders and attract investors.

Question 6.1

Do you agree with our proposal to retain the current practice of granting a timing-relief waiver to an issuer from the ongoing public float requirement for a reasonable period after a general offer to restore the public float (as set out in paragraph 391 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Such practice helps impose a positive obligation for the offeror to restore the public float (for example, by disposing some of the offeror's shares) if it intends the issuer to remain listed after the general offer.

Question 6.2

If your answer to Question 6.1 is “yes”, do you agree that such a timing-relief waiver from the ongoing public float requirement should not be granted to the issuer if the public float shortfall upon completion of the general offer is considered as a Significant Public Float Shortfall (as set out in paragraph 391 of the Conclusions and Further Consultation Paper)?

Yes

Please give reasons for your views and any alternative suggestions.

Even if the Significant Public Float Shortfall is a result of the general offer, the issuer is still subject to a higher risk of being delisted and such significant shortfall should be made up as soon as practicable in the interests of the shareholders. The issuer and the offeror should take into consideration the availability of timing-relief waiver when planning for the general offer. This also helps incentivise the issuer and the offeror to restore the issuer's Significant Public Float Shortfall as soon as practicable after completion of the general offer to remove the special stock marker.

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