

Submitted via Qualtrics

Deacons

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 support the implementation of an alternative ongoing public float threshold alongside the Initial Prescribed Threshold as it offers a pragmatic approach to facilitate listed issuers' post-listing capital management by conducting legitimate transactions such as share buybacks, strategic placements, or corporate restructurings without being unduly constrained by a fixed percentage threshold.

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.

We believe the HK\$1 billion and 10% two-limb thresholds strike a prudent balance between providing issuers with flexibility to conduct corporate actions for capital management and maintaining a meaningful portion of shares in public hands to ensure market liquidity and integrity.

Separately, in paragraph 324 of the Conclusions and Further Consultation Paper, the Exchange noted that issuers that have switched to rely on the Alternative Threshold may subsequently fail to maintain the market value limb due to a sustained decline in

their share price and such issuers would have to restore the shortfall to meet the required threshold. In footnote 169, the Exchange illustrates this by way of an example whereby the Alternative Threshold would no longer be an option for an issuer when its market capitalisation drops to below HK\$4 billion. We suggest the Exchange to clarify in the revised Rules that issuers which have switched to the Alternative Threshold may switch back to rely on the Initial Prescribed Threshold, and such issuers should be required to publish an announcement similar to the requirement under the proposed new Rule 13.32C.

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.

We believe the proposed methodology is a robust approach as the volume-weighting component may help ensure the market value more accurately reflects the pricing of genuine market transactions and the 125 trading days' requirement may help ensure statistical reliability by mitigating the impact of any short-term volatility.

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.

As mentioned in our response to Question 1.3, the 125 trading days' requirement may help ensure statistical reliability by mitigating the impact of any short-term volatility. This is a foundational element for the Alternative Threshold. Therefore, it follows naturally

and logically that a listed issuer which has been listed on the Exchange for less than 125 trading days cannot rely on the Alternative Threshold.

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.

Suspension of trading often signals material events that may distort post-resumption trading prices. Therefore, the rule should empower the Exchange to extend the 125-trading-day period for issuers whose shares have been suspended from trading for a prolonged period.

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.

The same regulatory objectives of reforming the public float requirements should be applicable to GEM issuers. Therefore, the same set of ongoing public float requirements should be applied to both Main Board issuers and GEM issuers.

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.

The lower threshold of 5% than that applicable to other types of issuers acknowledges that significant trading of shares and equity fundraising activities of such issuers often occur on the Mainland stock exchanges, while the HK\$1 billion market value alternative may still represent a reasonable level to ensure liquidity.

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.

As these issuers have similar features as A+H issuers, the same thresholds should be applied to them.

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.

Regular confirmations by issuers in their monthly returns will have the benefits of enhancing transparency for investors, ensuring issuers' ongoing monitoring of their compliance with the public float requirements, and enabling any shortfall be identified and rectified without undue delay.

To help alleviate issuers' compliance burden, we suggest the Exchange may consider providing tools on its website to facilitate issuers which opt to rely on the Alternative Threshold in calculating the market value of their public float.

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.

Such disclosure is necessary for providing clear and helpful information to shareholders and potential investors.

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.

Such disclosures are necessary for providing clear and helpful information to shareholders and potential investors.

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.

Such disclosures are necessary for providing clear and helpful information to shareholders and potential investors.

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 proposed disclosure requirement would not impose additional compliance burden as the same information would have been disclosed in the monthly return for the last month of the relevant financial year.

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.

Such disclosures provide helpful information to 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 proposed requirements are consistent with the existing regulatory approach. Codification of these requirements provides clarity to issuers and investors.

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.

Issuers should be given sufficient time to consider options for its plan to restore the public float. The proposed 15-business-day period is a balanced and sufficient timeframe, enabling issuers to formulate credible restoration plans while ensuring timely information flow to the market without imposing undue burdens.

The proposed new Rule 13.32E(1), as currently drafted, appears to suggest that the default position is that an issuer would be required to disclose details of its restoration plan in the initial announcement

within one business day of it becoming aware that there is a public float shortfall, and it would need to obtain the Exchange's consent to delay such disclosure in a subsequent announcement to be published within 15 business days. With a view to reducing operational burden and to ensuring the initial announcement can be made without undue delay, we suggest that this new Rule be modified to permit the issuer to disclose details of its restoration plan (i.e. particulars set out in Rule 13.32E(1)(iv)) in a

subsequent announcement which must be published within 15 business days, without the need to obtain the Exchange's consent.

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.

This requirement is necessary to keep the issuer's shareholders and potential investors informed of the public float status.

The proposed new Rule provides that the issuer should publish the monthly update announcement no later than the date of publication of its monthly return. This would mean that in order to reduce compliance burden, the issuer may choose to align the timing of publication of the monthly update announcement and the monthly return so that it may disclose in the monthly update announcement the percentage (and, if applicable, market value) of its public float as of the close of the period to which the latest monthly return relates.

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.

This requirement is consistent with directors' obligations to ensure their issuers' compliance with the Listing Rules.

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.

This approach reflects a reasonable and balanced risk-based regulatory approach. For issuers having a public float shortfall which does not constitute a Significant Public Float Shortfall, continued trading of their securities should be allowed. The requirements of publication of the initial announcement and monthly update announcements regarding public float shortfall required under the proposed new Rule 13.32E would serve the purpose of informing the issuer's shareholders and potential investors of the shortfall and liquidity risks.

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.

This approach reflects a reasonable and balanced risk-based regulatory approach. The special stock marker in addition to the heightened disclosure requirements would serve the purpose of alerting the issuer's shareholders and potential investors of the significant shortfall and liquidity risks, enabling them to make informed investment decisions in relation to the issuer's securities. With such measures in place, continued trading of such issuers' securities should be allowed to avoid the undesirable consequences of suspension of trading, which include, among others, depriving existing shareholders of their ability to trade out of their position, potentially limiting the options for issuers to conduct transactions to facilitate public float restoration, and causing market disruption.

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.

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.

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.

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.

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.

A consistent set of requirements should apply to all listed issuers.

The Exchange should consider clarifying the transitional arrangements in handling cases where trading in the securities of the existing listed issuers has been suspended because of public float shortfall under the existing regime while the shortfall would not constitute a Significant Public Float Shortfall under the new regime.

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.

The current practice of granting a timing-relief waiver to an issuer following a general offer acknowledges that general offers often cause temporary public float shortfalls, and is necessary for avoiding the issuers being penalised for temporary technical breaches.

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.

This is consistent with the current approach.

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