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Latham & Watkins LLP

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 the proposal to introduce the Alternative Threshold. The Alternative Threshold is a pragmatic and necessary enhancement to the public float regime, particularly for large-cap issuers. For such issuers, the application of a percentage-based public float requirement alone can result in an unrealistically large absolute dollar value of shares required to be held in public hands, which may not be justified by actual market liquidity needs. By introducing an alternative based on a fixed market value threshold (HK\$1 billion) and a percentage threshold (10%), the Exchange provides large-cap issuers with greater flexibility to conduct legitimate corporate actions, such as share buybacks or capital management initiatives, without inadvertently causes an ongoing public float shortfall. This approach recognises that, for large-cap issuers, a lower public float percentage can still represent a substantial absolute value of shares available for trading, which is sufficient to support an open and liquid market, without compromising the interests of the shareholders as a whole. Consistent with our response to the Consultation Paper, we are of the view that issuers should be allowed a degree of flexibility to maintain a lower public float percentage after listing providing that there are safeguards in place to protect market liquidity and investors' interests. The Alternative Threshold avoids forcing issuers to maintain an unnecessarily and unrealistically high public float in absolute terms, which could otherwise restrict their ability to manage their capital efficiently and respond to ever-changing market conditions.

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 agree with the proposed threshold figures for the Alternative Threshold. As explained by the Exchange in the Consultation Conclusions, the Alternative Threshold is only available to issuers with a market capitalisation of more than HK\$4 billion. The first limb, a market value of HK\$1 billion, is set at 25% of HK\$4 billion, which mirrors the 25% public float percentage required under the previous regime prior to the implementation of the Consultation Conclusions. The second limb, a 10% percentage threshold, corresponds to the lowest percentage threshold (Tier C) under the new tiered initial public float requirements. This calibration ensures that only issuers with a sufficiently large market capitalisation can benefit from the flexibility of the Alternative Threshold, while still maintaining a critical mass of shares in public hands to support an open and liquid market. Furthermore, these figures are designed to strike a balance between providing flexibility for large-cap issuers to manage their capital structure and ensuring robust investor protection. The HK\$1 billion market value limb is set at a level that is substantial enough to support active trading and market integrity, while the 10% percentage limb ensures that the proportion of shares in public hands does not fall to a level that could undermine the interests of the shareholders as a whole.

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 agree with the use of a 125-trading-day volume weighted average price to determine compliance with the market value limb of the Alternative Threshold on a rolling basis. The 125-trading-day period is sufficiently long to ensure that the public

float market value is not unduly affected by short-term fluctuations in share prices, and instead reflects a more stable and representative average price over a reasonable period of time. This approach provides a robust and objective basis for assessing compliance with the market value limb of the Alternative Threshold, smoothing out temporary volatility and reducing the risk of inadvertent breaches due to market movements that are out of the issuer's control. This methodology strikes the right balance between accuracy and practicality, and is consistent with the regulatory approach that the Exchange takes.

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.

We agree that requiring 125 trading days before an issuer can rely on the Alternative Threshold helps to ensure a robust and representative trading record, and mitigates the risk of short-term volatility distorting the public float market value due to circumstances/situations that are out of the issuer's control. However, we note that this approach may present challenges for newly listed large cap issuers, who may find it difficult to comply with the Initial Prescribed Threshold during the first 125 trading days. We invite the Exchange to consider whether there could be exceptional circumstances in which large cap issuers might be permitted to rely on the Alternative Threshold earlier, for example by adopting a modified formula for the trading average or by allowing a shorter reference period where there is sufficient liquidity and trading volume. Such flexibility could help address practical difficulties for large cap issuers while maintaining the integrity of the public float regime.

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.

We 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. Providing the Exchange with the ability to extend the measurement window after a suspension of more than five consecutive business days maintains the integrity of the calculation while affording issuers case-by-case flexibility. Once this rule has come into effect, we recommend the Exchange to consider providing further guidance, including practical examples and precedent as to the application of this proposed rule, to give issuers and market practitioners greater clarity on how the calculation will be applied in such circumstances.

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.

We agree that the same ongoing public-float regime should apply to Main Board and GEM issuers. This approach is consistent with the Exchange's approach to the initial public float requirements that apply equally to both Main Board 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.

We agree with the proposed bespoke public float threshold of HK\$1 billion or 5 per cent for PRC issuer with other listed shares. As noted in our response to the Consultation Paper, 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 bespoke 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.

We also support the Exchange's reasoning that a lower ongoing public float threshold is appropriate for A+H issuers, as secondary fundraising on a PRC stock exchange can reduce the proportion of H shares listed in Hong Kong, even if the absolute number of H shares available for trading remains the same. By setting the ongoing percentage threshold at 5%, which is lower than the initial 10% threshold at listing, the Exchange provides A+H issuers with the necessary flexibility to conduct secondary fundraising in the PRC without failing to comply with the Hong Kong's ongoing public float requirements.

Furthermore, the market value threshold of HK\$1 billion represents a significant discount to the initial market value threshold for mega-cap A+H issuers, which helps to ensure that normal share price fluctuations will not easily trigger a breach of the ongoing public float requirement. This approach maintains a critical mass of H shares available for trading in Hong Kong, supports market liquidity, and aligns the ongoing regime with the practical realities faced by A+H issuers.

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.

We agree. The same liquidity considerations arise where a non-PRC issuer has an additional, non-fungible share class listed on a PRC exchange. Applying the bespoke threshold on a modified basis therefore maintains regulatory consistency.

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.

We 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. This requirement is a positive step towards enhancing market transparency and ensuring that investors have access to timely and accurate information regarding an issuer's compliance with ongoing public float requirements.

The monthly confirmation provides a regular and consistent update to the market, allowing investors to make more informed investment decisions. This allows investors to better assess the liquidity and potential risks associated with their investments. The monthly reporting obligation is not unduly burdensome for issuers as the information to be included in the monthly is relatively straightforward. Additionally, the inclusion of this confirmation in annual reports provides a comprehensive overview of the issuer's compliance over the financial year. This annual disclosure complements the monthly updates and provides a holistic view of the issuer's ongoing public float status.

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.

We 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. This disclosure is crucial because the Initial Prescribed Threshold can encompass a

range of different thresholds, depending on the issuer's specific circumstances. This range is particularly relevant for existing issuers who have obtained public float waivers from the 25% threshold at listing, as well as for issuers listed under Tier B or Tier C of the new initial public float thresholds. By specifying the applicable threshold, issuers provide clarity and transparency to investors, ensuring they are informed about the exact public float requirements the issuer is subject to and whether or not the issuer satisfies such ongoing public float requirement.

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)?

No

Please give reasons for your views and any alternative suggestions.

We disagree with the proposal that issuers relying on the Alternative Threshold and 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. While we agree that all issuers should confirm whether they have met the applicable Ongoing Public Float Threshold, requiring the calculation and disclosure of the market value and percentage of public shares on a monthly basis can be quite burdensome. This is particularly true for issuers with larger market capitalisations, who are more likely to rely on the Alternative Threshold. The administrative effort and resources required to perform these calculations every month may outweigh the benefits, especially when the information is unlikely to fluctuate significantly within such a short period.

Instead, we propose that it should be sufficient for issuers to confirm compliance with the Ongoing Public Float Threshold through a statement in their monthly returns. The Exchange can rely on this statement for regulatory purposes, reducing the administrative burden on issuers while still ensuring compliance. This approach maintains transparency and accountability without imposing unnecessary operational challenges, especially for large cap issuers.

Additionally, for issuers with larger market capitalizations, the likelihood of significant monthly changes in public float percentages is relatively low. We invite the Exchange to

consider, if necessary, impose a quarterly or semi-annual disclosure of detailed market value and percentage figures might be more appropriate, balancing the need for transparency with practical considerations for issuers.

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)?

No

Please give reasons for your views and any alternative suggestions.

Please refer to our responses to Question 3.3(a).

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.

We agree with the proposal that all issuers be required to disclose, in each of their annual reports, the relevant information proposed to be included in their monthly returns, as at the end of the relevant financial year. Including this information in the annual report ensures consistency and accuracy in the disclosure of an issuer's ongoing public float status. By aligning the annual report requirement with the monthly returns, issuers provide a comprehensive and holistic view of their compliance with ongoing public float requirements over the entire financial year. Incorporating such information into the annual report should not impose a significant additional burden on issuers, as they are already compiling this data for monthly disclosures. The annual report serves as a key document for investors and stakeholders, offering a consolidated and holistic overview of the issuer's financial and operational status. Including ongoing public float

information and its compliance with the requirement enhances the report's value by providing stakeholders with a full and complete picture of the issuer's regulatory compliance with the ongoing public float requirement.

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.

We agree with the proposed disclosure obligations regarding share capital structure information in annual reports for all issuers. This proposal aligns with existing practices and enhances transparency. The existing disclosure requirements under the Listing Rules, as highlighted in paragraph 99 of the Consultation Conclusions, already facilitate the assessment of shareholding interests, including those of substantial shareholders and directors. By mandating the inclusion of share capital structure information in annual reports, the proposal builds on these existing practices, ensuring consistency and completeness in the information provided to stakeholders and ensuring that shareholders and potential investors have access to critical information necessary for assessing the overall shareholding structure of an issuer.

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.

We agree with the proposal that the additional obligations proposed for issuers whose public float falls below the applicable Ongoing Public Float Threshold are generally sufficient to enable continued trading of the issuer's shares. The requirement for issuers to provide timely and detailed information through initial and monthly update announcements ensures that potential investors and existing shareholders are well-informed about the issuer's public float status and the steps being taken to address any shortfall.

However, regarding whether these obligations are sufficient to incentivize issuers to restore their public float, there is a distinction to be made between issuers with a Significant Public Float Shortfall and those without. For issuers with a Significant Public Float Shortfall, the imposition of a special stock marker serves as a clear signal to the market of the issuer's non-compliance, and the potential consequence of delisting after 18 months provides a strong incentive for issuers to take prompt action to restore their public float. In contrast, for issuers with a shortfall that does not meet the criteria for a Significant Public Float Shortfall, the current measures which are limited to the publication of announcements and monthly updates may not provide sufficient motivation to expedite the restoration of public float levels. Without additional consequences or incentives, these issuers might not prioritize addressing the public float shortfall, potentially prolonging the period of non-compliance.

To enhance the effectiveness of the proposal, the Exchange may consider implementing other measures for issuers with non-significant public float shortfalls. For example, introducing a tiered approach where the frequency of required updates increases over time if the shortfall persists and requiring more detailed information in the announcement for issuers with persistent insignificant public float shortfall, could encourage issuers to act more swiftly and restoring the ongoing public float threshold in a timely manner. These measures would provide a balanced approach, ensuring that all issuers are adequately motivated to maintain compliance with public float requirements.

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.

We agree with the proposed disclosure requirement for an initial announcement within one business day of becoming aware of a public float shortfall and also the proposed requirement that the issuer must also announce its plan and expected timeline to restore to the applicable Ongoing Public Float Threshold 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. It is crucial to make this announcement immediately to ensure market transparency and allow investors to make informed decisions. Prompt disclosure is essential for maintaining investor confidence and market integrity, and it is also consistent with existing regulatory approach.

We also agree with the requirement for a subsequent announcement no later than 15 business days. This timeframe is necessary as it allows management the opportunity to discuss and develop a comprehensive restoration plan. It also provides the time needed to consult with relevant professional parties to ensure that the plan is substantive and tailored to the issuer's specific needs. This approach balances the need for timely information with the practical considerations involved in formulating an effective and practical strategy for compliance with the Ongoing Public Float Threshold.

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.

We agree with the proposal for issuers with a public float shortfall to provide monthly update announcements. Regular updates serve as a mechanism to maintain market confidence and encourage issuers to address the shortfall promptly. This requirement ensures ongoing transparency and keeps the market informed of the issuer's progress in restoring its public float so that investors can make well-informed investment decisions. By providing detailed updates on the status of the restoration plan, issuers demonstrate their commitment to resolving the shortfall, which is crucial for maintaining investor trust and market stability. However, we recommend enhancing the requirement for the monthly update announcement to include not only the actions already taken to restore the public float but also the future actions that the issuer is expected to take in order to achieve restoration within the expected timeline. By detailing the steps that remain to be taken, investors can better assess the issuer's progress and the likelihood of successfully meeting the public float threshold. This additional transparency will provide investors with a clearer understanding of the issuer's commitment and strategy for compliance, enabling them to make more informed investment decisions based on the issuer's proximity to restoring the required public float level. Additionally, it is unclear when the Exchange will exercise its discretion, under what circumstances, and what constitutes a "reasonable period" for re-compliance under the proposed Note to Rule 13.32E. Greater clarity on these points would be beneficial to issuers, investors and market practitioners alike, as it would provide a clearer framework for understanding the Exchange's expectations and the potential consequences of non-compliance.

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.

We agree with the proposal that issuers and their directors should be restricted from taking any actions that may further reduce the public float percentage while non-compliance persists. This aligns with the directors' duties to use their best endeavours

to procure the issuer's compliance with the Listing Rules. By ensuring that directors actively work towards restoring compliance, the proposal reinforces the importance of adhering to regulatory standards and maintaining market integrity.

We also agree that these restrictions should be lifted in exceptional circumstances, such as when an issuer seeks privatisation by repurchasing shares through the making of a general offer, as mentioned in paragraph 374 of the Consultation Conclusions. This approach seeks to balance the directors' duty to procure compliance with the Listing Rules and their responsibility to act in the best interest of shareholders. In situations where privatisation or similar actions are in the shareholders' best interest, lifting the restrictions is a pragmatic and necessary measure. To further enhance clarity and understanding, we suggest that the Exchange provide additional guidance on examples of exceptional circumstances that would allow these restrictions to be lifted. Such guidance would assist issuers and directors in navigating complex situations while ensuring compliance with regulatory requirements and protecting shareholders' interests.

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.

We agree with the proposal that shares of issuers with a public float below the applicable Ongoing Public Float Threshold can be traded without a special stock marker, provided that such a public float shortfall does not constitute a Significant Public Float Shortfall. This approach takes into account situations where the shortfall is not substantial enough to warrant immediate trading suspension, allowing issuers the flexibility to address the shortfall while maintaining market activity. By avoiding unnecessary trading suspensions, issuers can continue to engage in market transactions that may facilitate the restoration of their public float, thereby minimizing disruption to shareholders and the market.

We believe this strikes a good balance, as a small gap between the required minimum public float and the actual percentage of public float is unlikely to significantly impact liquidity. Under the current regime, trading suspension could trigger other concerns, such as events of default, which could have broader implications for the issuer and its stakeholders. The imposition of a special stock marker for ensures that investors are promptly informed of the issuer's status and potential risks, while also providing issuers with the room and flexibility to rectify their public float shortfall. This flexibility benefits shareholders by allowing the issuer to address the shortfall without the immediate consequence of trading suspension, thereby protecting investor interests and maintaining market stability.

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.

We agree with the proposal. Importantly, only issuers with a Significant Public Float Shortfall will be subject to the potential consequence of delisting. The definition of a Significant Public Float Shortfall ensures that only those issuers with a material deficiency in public float will warrant more severe regulatory actions and be subject to heightened disclosure requirements and delisting mechanism. This approach is proportionate and targeted, protecting investors' interests by focusing regulatory intervention on cases where the lack of public float could genuinely undermine market integrity and liquidity. The 18-month remedial period is reasonable and appropriate. It provides issuers with sufficient time to take substantive actions to restore their public float, while also ensuring that the process is not unduly prolonged to the detriment of shareholders. Notably, the 18-month period is consistent with the maximum time allowed for suspended issuers to remedy issues and resume trading under the existing delisting framework. This alignment ensures consistency in the regulatory approach and maintains a strong deterrent effect against prolonged non-compliance. We support the Exchange's balanced package of measures, which includes immediate public float

disclosure, monthly progress announcements, a special stock marker for issuers with a Significant Public Float Shortfall, and the potential consequence of delisting after 18 months. These measures collectively provide strong incentives for issuers to restore compliance promptly, while preserving market liquidity and protecting investors' interests, such that there will not be indefinite continuation of trading of shares of issuers with Significant Public Float Shortfall.

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.

We agree with proposed thresholds for determining a Significant Public Float Shortfall. These thresholds are objective, straightforward to calculate, and ensure that the imposition of a special stock marker is only limited to the more serious cases of public float deficiency. As noted in the Exchange's Consultation Conclusions, the first limb of the threshold (15% or 50% of the Initial Prescribed Threshold) is consistent with the existing 15% suspension trigger. The second limb, which combines both a market value threshold and a percentage threshold (i.e., requiring at least HK\$500 million in public hands and at least 5% of the relevant class), is designed to ensure that a shortfall is only considered significant if it is both material in absolute value and insufficient in terms of percentage of shares in public hands. This dual-limb approach is particularly important for larger issuers, where a relatively low percentage of public float may still represent a substantial market value, and thus, may not pose the same risks to market liquidity. In addition, the proposed formulation also ensures that a drop in market value alone, due to share price fluctuations, will not trigger a Significant Public Float Shortfall if the percentage of public float remains adequate. By requiring both conditions to be met, the regime avoids penalising issuers for temporary or market-driven changes, and instead focuses allowing for regulatory action on situations where both the proportion and the value of public float fall to levels that could genuinely undermine market quality and investor interests.

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.

We agree with the proposed delisting mechanism of delisting issuers with Significant Public Float Shortfall who fails to restore within 18 months from the commencement of the Significant Public Float Shortfall. Please refer to our response to question 4.6.

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.

We note that, in terms of disclosure in monthly returns and annual reports, issuers with a Significant Public Float Shortfall are currently subject to the same level of disclosure as those without such a shortfall. We invite the Exchange to consider whether additional information should be required in the disclosure for issuers with a Significant Public Float Shortfall, such as more detailed updates on the steps taken may be beneficial to shareholders. Enhanced disclosure could further improve transparency and enable investors to more effectively monitor the issuer's progress in restoring its public float, thereby supporting informed investment decisions and reinforcing market confidence.

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.

We agree with removal of the stock marker once the issuer has demonstrably re-complied with the applicable threshold and announced that fact. This provides a clear,

objective exit route and encourages prompt rectification and restoration of the Ongoing Public Float Threshold.

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.

We agree with the proposal to apply the proposed ongoing public float requirements to all existing listed issuers. This approach ensures consistency across the market, maintaining a level playing field for all issuers. By applying the requirements uniformly, the Exchange reinforces the importance of maintaining adequate public float levels, which are crucial for market liquidity and investor confidence. The Alternative Threshold provides flexibility for companies with larger share cap, this flexibility can be instrumental in helping issuers manage their capital more effectively, as described in the Consultation Paper. It ensures that larger issuers, who are capable of meeting these thresholds, can optimize their capital structure while still in compliance with the relevant rules.

We agree with the proposal of not to apply ongoing public float requirements to convertible securities, options, warrants, or similar rights. Such instruments are typically subject to fixed terms and are exercised or converted at the discretion of the holders, which is beyond the issuer's control. Including them in the public float calculation could mislead investors about the actual liquidity of the underlying shares and create practical difficulties for issuers in maintaining an open market for these securities.

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.

We agree with the 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. This approach is consistent with the existing regulatory framework and recognizes the practical challenges that issuers may face in immediately restoring public float following changes in shareholding due to a general offer. Allowing a reasonable period for restoration provides issuers with the necessary flexibility to manage their capital structure effectively while ensuring that they remain compliant with public float requirements.

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.

We agree that such a timing-relief waiver should not be granted if the public float shortfall upon completion of a general offer is considered a Significant Public Float Shortfall. In cases of Significant Public Float Shortfall, the risks to investors are heightened due to the reduced liquidity and potential for increased volatility. This approach incentivizes issuers and offerors to take prompt action to restore the public float, thereby minimizing the duration of increased risk exposure for investors in the case of a Significant Public Float Shortfall. Additionally, the imposition of a special stock marker in such cases serves as a clear signal to the market, ensuring that investors are well informed of the issuer's status and the potential consequences of non-compliance. This strikes a balance between providing issuers with the necessary flexibility to manage their public float post-offer and ensuring that significant shortfalls are addressed promptly to protect investor interests and maintain market confidence.

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