

**Submitted via Qualtrics**

**Freshfields**

**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 implement the Alternative Threshold. This proposal provides greater flexibility for issuers, particularly those with large market capitalisations, to conduct capital management transactions.

**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 of HK\$1 billion and 10% for the Alternative Threshold. The 10% threshold is set to reflect the minimum percentage thresholds under the new tiered initial public float requirements.

**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 proposed methodology for determining the market value of shares. However, a client has expressed concerns that linking the market value of shares held by the public to the minimum threshold could make the threshold susceptible to share price fluctuations, potentially leading to a public float shortfall during a bear market. We acknowledge that the proposed use of a volume weighted average price (VWAP) over 125 trading days on a rolling basis is specifically designed to mitigate this concern which smooths out short-term price movements and extreme daily volatility. The Stock Exchange may wish to consider a longer look-back period (e.g. a 150 trading day-period) for the VWAP calculation or retain the discretion to consider a longer look-back period in exceptional circumstances, which may provide a more stable and representative measure of an issuer's market value.

#### **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 with the proposal to ensure that there is a sufficient trading record before allowing a more flexible threshold. It is also uncommon for new issuers to conduct transactions that would sufficiently decrease their initial public float 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.**

We agree with the proposal to ensure that the market value is accurately determined.

### **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 to apply consistent requirements across both boards.

### **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 proposal. The HK\$1 billion threshold aligns with the Alternative Threshold for other 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 that these bespoke thresholds should also apply to non-PRC issuers with shares listed on a PRC stock exchange. As stated in the consultation paper, such issuers share similar characteristics with A+H issuers.

**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 this proposal.

**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 this proposal.

**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.**

We agree with this proposal.

**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.**

We agree with this proposal.

**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 this proposal.

**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 this proposal.

**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 these additional obligations.

However, it is not explicitly clear whether a maximum time limit is imposed on issuers experiencing a non-significant public float shortfall. While issuers with a Significant Public Float Shortfall face a clear maximum delisting timeline of 18 months (or 12 months for GEM) to restore their public float, there is a lack of a defined maximum restoration period for issuers whose public float falls below the applicable Ongoing Public Float Threshold but does not constitute a Significant Public Float Shortfall. There is a risk that an issuer could remain below the optimal public float level for an extended period which could lead to a less efficient market.

#### **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 proposal for an initial announcement within one business day to ensure immediate transparency regarding a public float shortfall.

However, we have concerns that the proposed 15 business day timeframe for announcing a comprehensive restoration plan and expected timeline may be too short. Formulating an effective plan to restore public float often involves complex considerations, such as identifying potential investors, structuring capital-raising activities, or seeking necessary regulatory approvals, which may extend beyond this period. If an issuer is unable to announce the restoration plan by the end of the proposed 15 business day period, the issuer should be required to consult with the Stock Exchange and publish an announcement with the expected date by which it would announce the restoration plan with reasons why further time is needed for the restoration plan to be announced.

**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 requirements to keep the market fully informed. Additionally, we seek clarification on the flexibility an issuer has to modify the restoration plan once announced as the issuer's circumstances and market conditions may change after the initial restoration plan was formulated thereby necessitating a change to the restoration plan. It would be helpful to clarify the Stock Exchange's expectations regarding significant changes to the initial plan. Specifically, whether such modifications require formal approval, if they impact the originally stated timeline, and what the consequences are for deviations from the initial plan.

**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 this restriction. The inclusion of an "exceptional circumstances" clause provides necessary flexibility for legitimate corporate actions that might otherwise be prohibited.

#### **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 that the special stock marker should only apply to issuers with a Significant Public Float Shortfall. Our reasoning is that the special stock marker is a warning mechanism intended to alert investors to the ultimate threat of delisting. Under the proposed framework, only issuers with a Significant Public Float Shortfall are subjected to a definitive 18-month delisting timeline (or 12 months for GEM) if they fail to restore their public float.

#### **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 this pragmatic approach over automatic suspension. It permits continued trading, thereby maintaining trading liquidity for shareholders and allowing the issuer to undertake on-market actions to restore the public float.

**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 the proposed threshold which aligns with the existing triggers for trading suspensions.

**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 which is consistent with the existing delisting frameworks for suspended issuers. However, we suggest the Exchange provide clearer guidance on the calculation of this 18-month (or 12-month for GEM) period. Specifically, it is important to clarify whether the "clock" for the 18-month (or 12-month) period will be suspended or restart in situations where the issuer partially restores its public float, moving from a "Significant Public Float Shortfall" to a "non-significant public float shortfall" (i.e., above the Significant Public Float Shortfall threshold but still below the applicable Ongoing Public Float Threshold).

**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 agree with the proposed requirement for including warning statements in all public documents.

**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 the special stock marker be removed if the issuer's public float has been restored to meet the applicable Ongoing Public Float Threshold. However, similar to our comments in (b) above, the Stock Exchange should clarify whether the special stock marker should be removed as soon as the issuer partially restores its public float, moving from a "Significant Public Float Shortfall" to a "non-significant public float shortfall".

**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.

**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 retaining this practice. However, it is not clear on how the timing-relief waiver operates under the new regime, particularly concerning the detailed obligations set out in paragraph 360 of the Consultation Paper. Paragraph 391 states that "Any such timing-relief waiver will be conditional upon the issuer being subject to the same level of disclosure as if it were an issuer that had breached the public float requirement". It is not entirely clear if this implies that, during the waiver period, issuers would be subject to all or only part of the obligations in paragraph 360.

## **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 with the proposal. Withholding the waiver for severe cases ensures that the market is fully informed of the increased risks.

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