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Hong Kong Stock Exchange Listing Rule Changes Effective 4 August 2025 and Further Consultation on Ongoing Public Float

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Background

On 4 August 2025, the Hong Kong Stock Exchange made major changes to the Listing Rules, including a reduction in the portion of IPO shares available for retail allocation and in the public float requirement for companies listing on the Stock Exchange.

Top IPO Platform

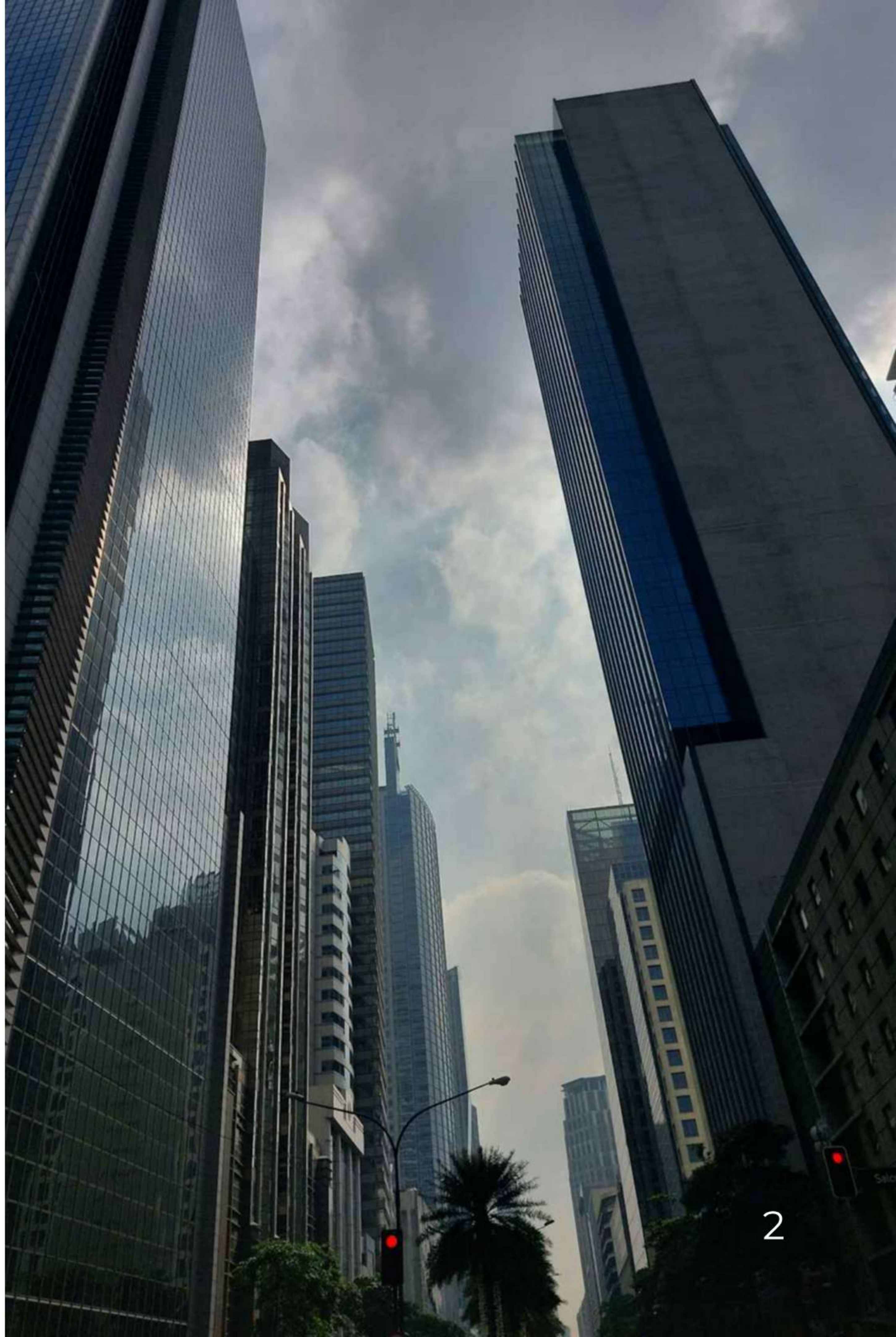
HKEX regains its global leadership in IPO fundraising, supported by record southbound buying.

Record Fund-Raising

H1 2025 saw HK$107 billion raised across 42 listings, highlighting strong market confidence.

A+H Listings Fuel Growth

Major A+H listings, like CATL, contributed over 70% of the IPO funds during this period.



New Tiered Initial Public Float Requirements

The HKEX has revised Main Board Listing Rule 8.08(1), introducing a tiered initial public float system based on the listing applicant's expected market value at listing. This aims to provide more tailored requirements for companies of different sizes.

Tier	Expected market value of relevant class of securities at listing	Minimum percentage of those securities to be publicly
A	≥HK$6 billion	25%
B	>HK$6 billion to ≤HK$30 billion	Higher of HK$1.5 billion (market value) or 15%
C	<HK$30 billion	Higher of HK$4.5 billion (market value) or 10%

A proposed Tier D (for HK$70 billion+) was not adopted due to limited applicability.

The same initial public float thresholds apply to GEM listing applicants under GEM Listing Rule 13.37B.

Application of tiered public float thresholds

The new tiered public float requirements apply broadly, with an exemption for PRC companies (e.g., A+H issuers) already listed on overseas regulated exchanges, which have different requirements.

Broad Application

Applicable to most equity securities listing on the HKEX.

Covered Classes

- Convertible Equity Securities
- Options
- Warrants
- Shares

Removal of requirement for WVR shares to be included in public float calculation

The updated Listing Rules introduce specific adjustments to how public float is calculated for certain types of shares and entities, ensuring more accurate and appropriate valuations.

1

Weighted Voting Rights Shares

Unlisted shares with Weighted Voting Rights (WVR) are no longer included in the denominator when calculating the public float for issuers with WVR structures.

2

SPAC Public Float

Main Board Listing Rule 18B.05A removes the requirement for promoter shares and promoter warrants to be included in the denominator when calculating a SPAC'spublic float.

Change to the Basis for Calculating the Public Float of HKEX-listed Companies

HKEX refines public float calculation to reflect shares genuinely tradable in Hong Kong's market.

Previous Method

Shares not tradable in HK (e.g., PRC A shares) could count towards public float.

Revised Method

Public float now primarily counts shares of the listed class only.

H share issuers' public float

The public float calculation for H share issuers has been revised, primarily impacting A+H share structures.

H-Share Issuers with no other listed shares

The calculation remains unchanged: publicly held H shares as a percentage of total issued shares (H shares + unlisted domestic shares).

H share issuers with other listed shares (e.g., A + H issuers)

The public float is now based on publicly held H shares in the numerator. Publicly held A shares are included in the denominator but excluded from the numerator.

The updated calculation for A+H issuers is:

$$\frac{\text{Number of H shares in public hands}}{\text{Issuer's total issued shares including domestic unlisted and listed (i.e. A shares) shares}}$$

Non-PRC issuers and PRC issuers (other than A+H issuers) with other classes of shares listed overseas

HKEX has clarified public float calculations for specific scenarios and future share issuances:

- proposal to align the public float requirements for PRC issuers (other than A+H issuers) and non-PRC issuers with shares listed on other exchanges with requirements for H share listing applicants have other listed shares not adopted
- public float calculation includes both HKEX-listed and offshore DR/DS in numerator and denominator
- only already issued shares count; future issuances (e.g., options) are excluded

“The public”

The Hong Kong Stock Exchange has updated the definition of "the public" in its Listing Rules. This ensures a more accurate representation of genuinely publicly held shares by excluding those effectively controlled by the issuer, such as shares held for employee schemes.

Revised definition of "the public"

“The public” has been revised to additionally exclude:

- any person whose acquisition of shares has been financed directly or indirectly by the issuer (or any of its subsidiaries) or a core connected person of the issuer); and
- any person who is accustomed to take instructions from the issuer (or any of its subsidiaries) or a core connected person of the issuer).

Clarification of Calculation of Minimum Market Value in Public Hands for HKEX Listing Applicants

The HKEX clarified how the minimum market value of publicly held shares is assessed for listing applicants.

- Only publicly held shares listed in Hong Kong are considered for the minimum market value requirement (HK$125 million for Main Board, HK$45 million for GEM).
- Other publicly held shares, whether listed offshore or unlisted, are not counted in satisfying this market value threshold.

Disclosure of Initial Public Float

The HKEX has introduced new disclosure requirements to ensure greater transparency regarding public float calculations at the time of listing and in subsequent announcements.

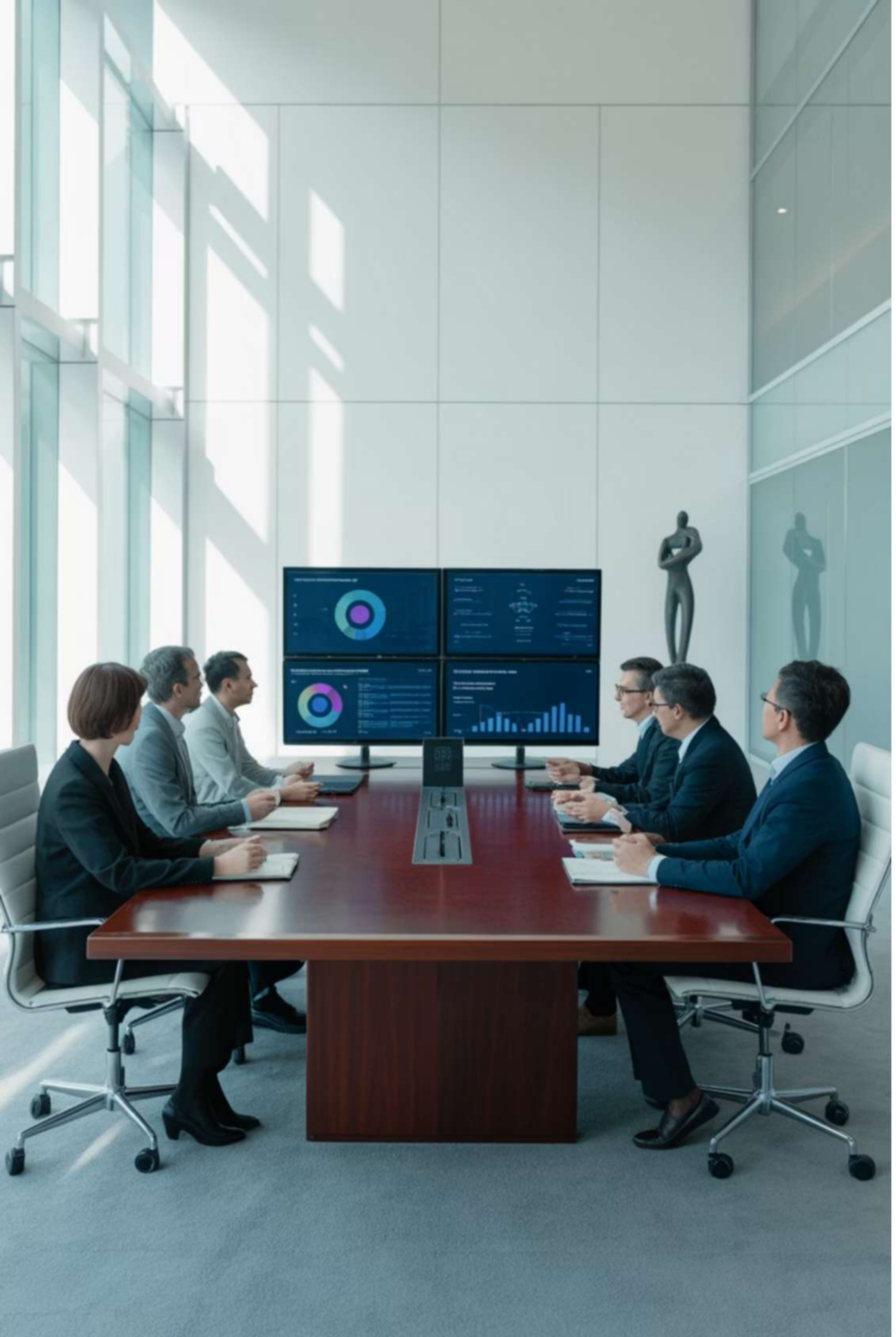
Listing Document

Listing applicants must disclose the expected public float percentage in their listing documents, applicable to the class of securities being listed.

Allotment Results Announcement

Allotment results announcements now require disclosure of

- the prescribed minimum public float percentage threshold, determined based on the final offer price; and
- a statement confirming compliance with the applicable public float threshold immediately after completion of the offering.



ISSUERS WITH OTHER OVERSEAS LISTED SHARES

The HKEX has reduced the required portion of total shares that companies with other listed shares must list on the Hong Kong Stock Exchange from 15% to 10%.

New Applicant H-Share Issuers (e.g., A+H Issuers)

The H shares listed on the HKEX must represent at least **10% of total issued shares** (excluding treasury shares) or have an expected market value of at least **HK$3 billion**.

Non-PRC New Applicants with Overseas Listed Shares

The class of shares listed on the HKEX must represent at least **10% of total issued shares** (excluding treasury shares) or have an expected market value of at least **HK$3 billion**.

Public Float Threshold Requirement

- The public float threshold requirement for new listing applicants that are A + H issuers is the same as the minimum portion of shares they must list on the HKEX - must have publicly held H shares that either represent 10% of their total issued shares or have an expected market value at listing of HK$3 billion
- The HKEX has decided not to apply that same public float threshold to "*other prescribed types of issuers*"

Required initial free float for HKEX listing applicants

The revised Listing Rules require that a portion of a new listing applicant's publicly held shares must be free of disposal restrictions at the time of listing.

1

Shares must represent **10% or more** of the shares being listed and have an expected market value at listing of at least:

- **HK$50 million** (Main Board)
- **HK$15 million** (GEM)

2

Alternatively, the shares must have an expected market value at listing of at least **HK$600 million**.

INITIAL FREE FLOAT REQUIREMENT FOR HKEX LISTING APPLICANTS

Free float requirement for H share issuers with no other listed shares

H share listing applicants with no other listed shares are required to have publicly held H shares that have no restrictions on disposal that either:

- represent 10% or more of the total number of issued shares in the class to which the H shares belong and have an expected market value at listing of at least HK$50 million (GEM: HK$15 million); or
- have an expected market value at listing of at least HK$600 million at the time of listing.

Free float requirement for H share issuers with other listed shares (e.g., A+H issuers)

The free float requirement for H share issuers with other listed shares, such as A+H issuers, requires that the publicly held H shares that are free from restrictions on disposal at listing must:

- represent at least 5% of the total number of issued shares in the class to which the H shares belong (i.e. the A and H shares in the case of A+H issuers) and have an expected market value at listing of at least HK$50 million; or
- have an expected market value at listing of at least HK$600 million.

Application of HKEX free float requirement

Shares in a share scheme

Free float for Biotech and Specialist Technology companies

Free float disclosure by HKEX listing applicants

Consultation on ongoing public float requirements

The HKEX is proposing consequential amendments to the ongoing public float thresholds that require the publicly held shares listed on the HKEX to represent, at all times, at least:

- 25% of the total number of issued shares in the class of shares listed on the HKEX (excluding treasury shares); or
- any lower public float percentage prescribed by the HKEX at listing (the **Initial Prescribed Threshold**).

An alternative ongoing public float threshold (**Alternative Threshold**) is proposed which would require the publicly held shares listed on the HKEX, at all times:

- to have a market value of at least HK$1 billion; and
- represent at least 10% of the issuer's total number of issued shares in the class of shares listed on the HKEX (excluding treasury shares).

Proposed ongoing public float for H share issuers with other listed shares (e.g., A+H issuers)

The HKEX is proposing that H share issuers with other listed shares, such as A+H issuers, should be subject to bespoke ongoing public float thresholds.

This would require the publicly held H shares, at all times:

1. to have a market value of at least HK$1 billion; or
2. to represent at least 5% of the total number of shares to which the H shares belong (including their H shares and A shares but excluding any treasury shares).

Suspension of Trading

The HKEX retains the power to suspend the listing of shares of a listed company that fails to maintain a sufficient public float.

Suspension Thresholds

This typically applies if the public float falls below:

- **15%** (general threshold)
- **10%** (for companies granted a lower public float percentage upon listing)

Ongoing Consultation

The Stock Exchange sought views in its Consultation Paper on whether it should retain this practice of suspending trading for insufficient public float.

Transitional arrangements

While new ongoing public float obligations are under consultation, the HKEX has implemented transitional amendments:

New Listing Applicants (on or after 4 August 2025)

Must maintain the minimum public float percentage prescribed at the time of their listing:

- Generally, **25%** of total issued shares, or any lower percentage approved at listing.
- For A+H Share Issuers: Publicly held H shares must be either:
    - **10%** of the total shares in the H share class (excluding treasury shares); or
    - the percentage derived from HK$3 billion market value at listing, relative to the total market value of the H share class.

Other Listed Companies

Remain subject to the **existing ongoing public float threshold** that applied on their listing (typically 25%, unless a lower percentage was accepted by the HKEX).

Determining the market value threshold

Market Value Calculation for Alternative Threshold

The market value of publicly held shares, for the Alternative Threshold, is now determined on a **rolling basis**.

- **Number of shares held by the public** on the day of determination
- Multiplied by the **volume weighted average price** over the preceding **125 trading days**.

Companies whose shares have traded for less than 125 trading days are not eligible to rely on this Alternative Threshold.

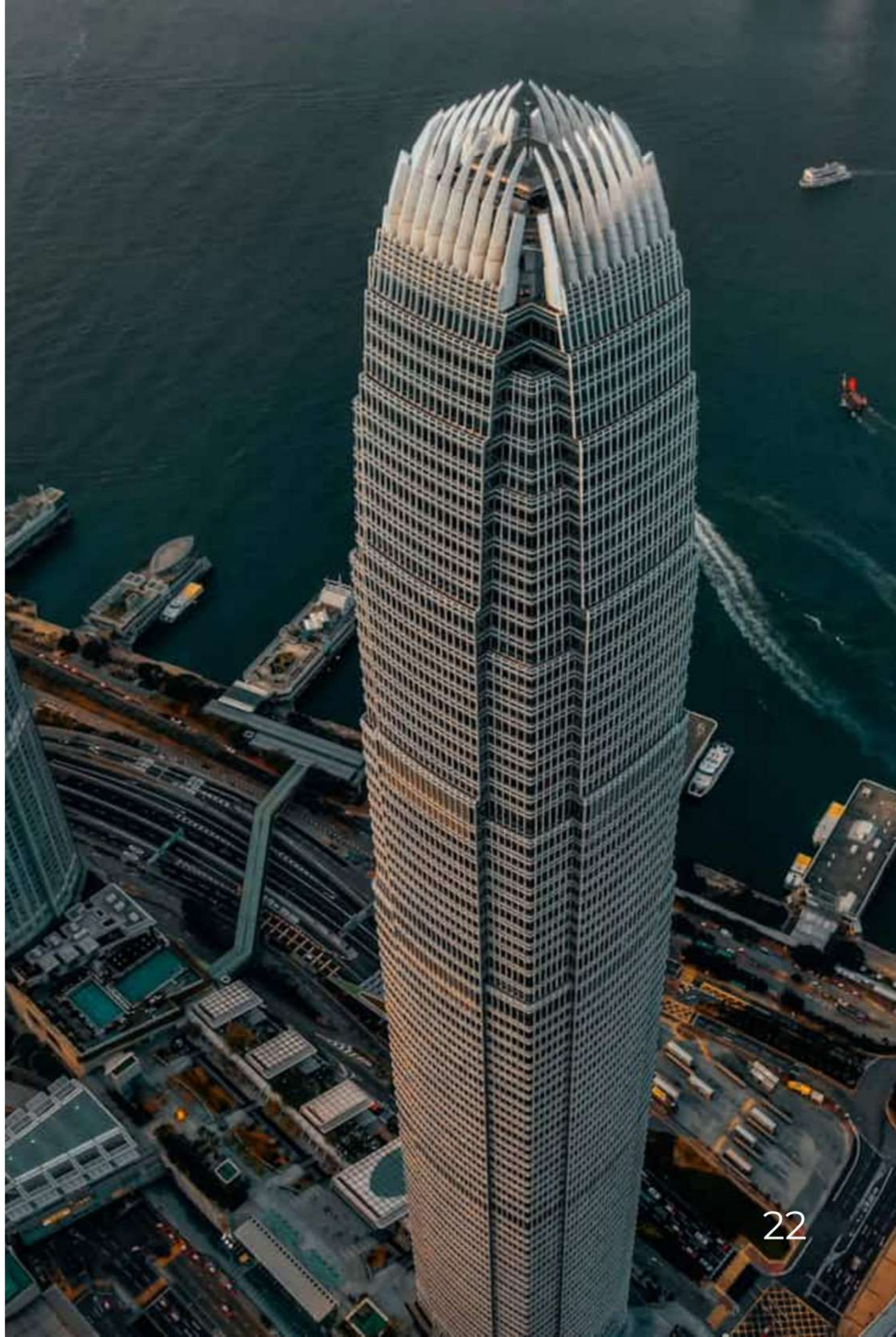
No Waivers for Public Float Breaches

The HKEX maintains a strict stance on public float requirements:

- Listed companies are **not permitted** to let their public float fall below the Initial Prescribed Threshold or the Alternative Threshold.
- HKEX **will not grant waivers** in these situations.
- Failure to maintain the required public float will constitute a **Listing Rule breach**.

Potential OTC market

- The HKEX noted in the Consultation Paper that one of the problems with suspending a listed company's shares is that it deprives the shareholders of an exit route given that Hong Kong lacks a market for trading suspended and delisted shares
- 81% of consultation respondents supported establishing an OTC market in Hong Kong to facilitate trading for delisted issuers and other securities unable to meet listing criteria



Annual Report Public Float Disclosure

Proposed ongoing public float disclosure requirements will be implemented once the HKEX concludes its consultation on ongoing public float requirements. Listing Rules will be revised to require listed companies to disclose their actual public float in annual reports.

Shares held by the following categories of shareholders who are not members of the public

- substantial shareholders of the listed issuer and their close associates (identified on an individually named basis)
- directors, supervisors and the chief executive of the listed issuer and their close associates (identified on an individually named basis)
- other persons excluded from the definition of “public”

Shares held by the following categories of public shareholders

- any persons that are defined as the “public” and have disclosed their interests pursuant to Part XV of the Securities and Future Ordinance (identified on an individually named basis)
- an independent trustee holding granted but unvested shares of a share scheme on behalf of the independent scheme participants
- other members of the public

Disclosures should be based on publicly available information or knowledge of directors in preparing the annual report.

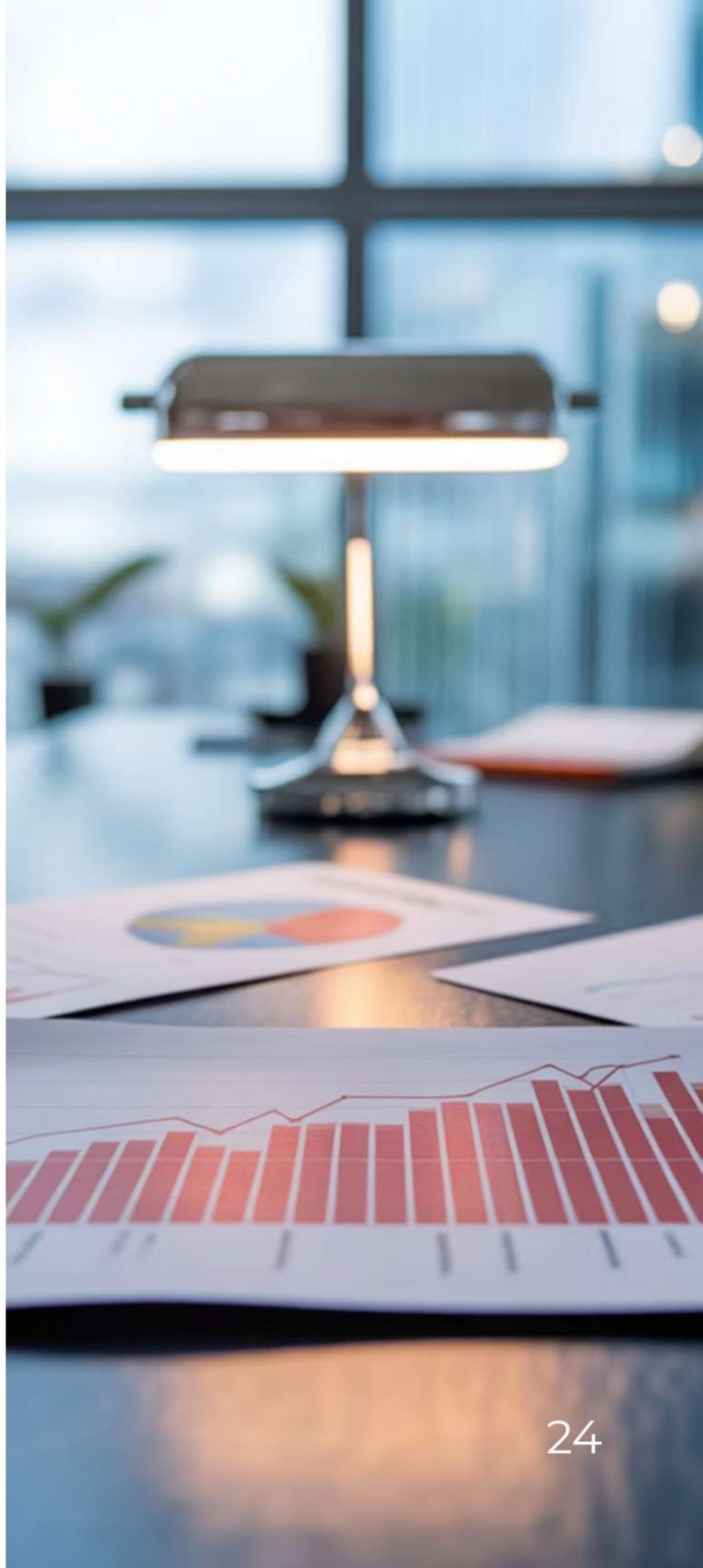
Regular Public Float Reporting

The HKEX is consulting on additional public float disclosures to enhance transparency for investors.

Key proposals include:

- confirming compliance with their ongoing public float threshold in monthly returns and annual reports
- disclosure of share capital structure in annual reports

Reporting Obligation	Monthly Returns	Annual Reports
Confirmation of compliance with ongoing public float percentage	All listed companies	All listed companies
Minimum public float percentage threshold	Listed companies relying on the Initial Prescribed Threshold	Listed companies relying on the Initial Prescribed Threshold
Actual public float percentage	Listed companies relying on the market value-based thresholds	All listed companies
Actual public float market value	Listed companies relying on the market value-based thresholds	Listed companies relying on the market value-based thresholds
Share ownership composition	N/A	All listed companies
Share capital structure	N/A	All listed companies



Obligations on breach of public float requirements

Falling below the required ongoing public float threshold will be a breach of the HKEX Listing Rules which will require:

- restoration
- initial announcement
- subsequent monthly update announcement
- restrictions on actions that may further reduce public float

Issuers with a significant public float shortfall

The HKEX is proposing not to suspend trading purely due to a shortfall below certain public float thresholds.

- **Introduction of a Special Stock Marker:** listed companies with a significant public float shortfall will be marked with a special stock identifier in their stock short name
- **Thresholds for Significant Public Float Shortfall:** less than 15% of total issued shares in the class or have a market value of at least HK$500 million and constitute at least 5% of total issued shares in the class

Consequences of Significant Public Float Shortfall

Delisting

Companies must restore their public float to the applicable ongoing threshold within 18 months (or 12 months for GEM) from the start date of the Significant Public Float Shortfall, or face delisting.

Additional disclosure obligations

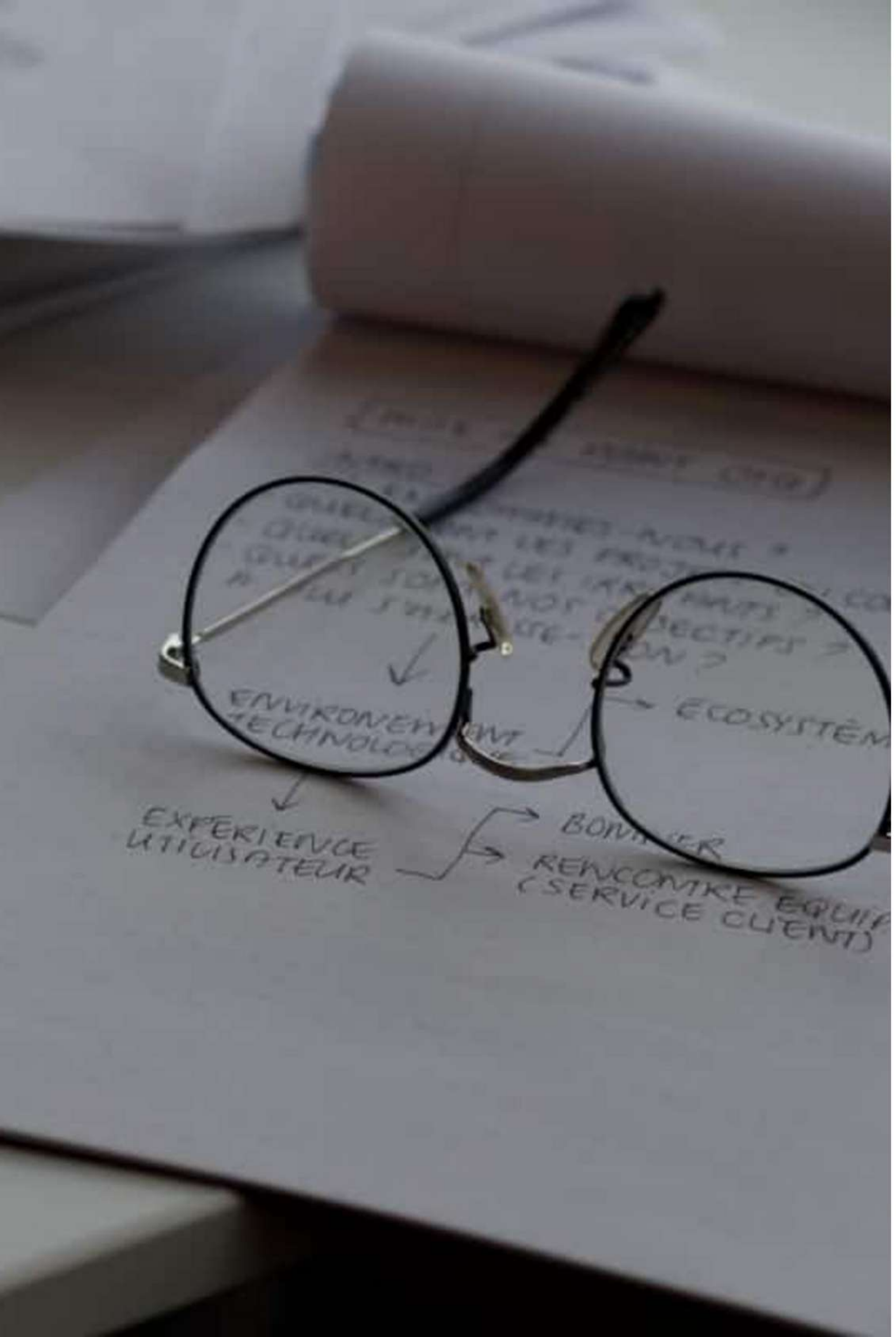
- publish an announcement within one business day
- include an appropriate warning statement in all announcements and documents required under the Listing Rules

Removal of the special stock marker

The HKEX will only remove the special stock marker when the listed company has restored its public float to meet the applicable ongoing public float threshold.

Sanctions and scope of application

- Sanctions may be imposed on substantial shareholders who breach Listing Rules
- The HKEX can order trading halts or suspensions if there are signs of a false market
- If shareholding concentration is suspected, HKEX can require companies to:
  - publish an announcement warning investors of concentration
  - conduct and publish investigation results under SFO section 329



Takeovers Code Offers

HKEX is proposing to retain the existing requirement for Takeovers Code offerors to:

- commit to restoring any public float shortfall upon completing an offer if they intend the company to remain listed
- include this commitment in the offer document
- align the amendments to the Listing Rules

Lock-up on Cornerstone Investors and Allocation to the Placing Tranche

- Six-month lock-up on cornerstone investors retained
- IPO placing tranche: At least 40% of shares allocated to bookbuilding
- Specialist Tech Companies (Chapter 18C) subject to the requirement to allocate at least 50% of the total offer shares to independent price setting investors
- Spread of placees on HKEX IPOs
- Stock Exchange can reject applicants without adequate spread of placees

Allocation to the Public Subscription Tranche

Revised Listing Rules require adopting either Mechanism A or Mechanism B for public subscription. Maximum clawback allocation for public subscription raised to 35%

Mechanism A

	Initial allocation	Demand for shares in the public subscription tranche in number of times (x) the initial allocation		
		≥15x to <50x	≥50x to <100x	≥100x
Percentage of offer shares allocated to the public subscription tranche	5%	15%	25%	35%

Mechanism B

Minimum initial allocation of 10% of the offer shares (up to a maximum of 60%) to the public subscription tranche but has no clawback mechanism.

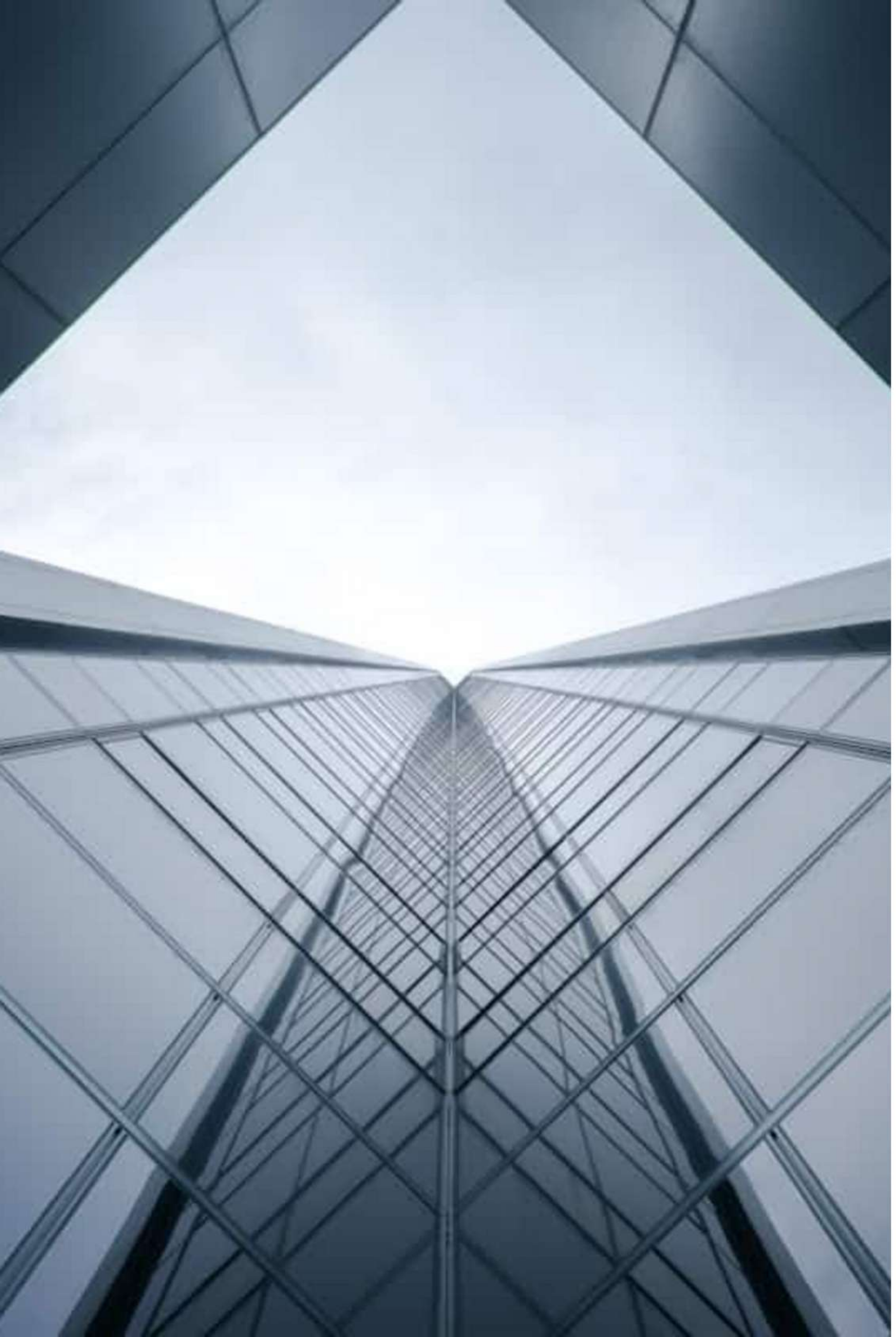
Restrictions on Reallocation and PO Over-Allocation

Mechanism A

		Public subscription tranche		
PLACING TRANCHE		**Undersubscribed**	**Fully subscribed or oversubscribed by < 15 times**	**Oversubscribed by 15 times or more**
	Undersubscribed	IPOs cannot proceed unless shortfall is taken up by underwriters	Restrictions on Reallocation and/or PO Over-allocation	
	Fully subscribed or oversubscribed	No Reallocation or PO Over-allocation	Restrictions on Reallocation and/or PO Over-allocation	Clawback mechanism

Mechanism B

		Public subscription tranche	
PLACING TRANCHE		**Undersubscribed**	**Fully subscribed or oversubscribed**
	Undersubscribed	IPOs cannot proceed unless shortfall is taken up by underwriters	Where initial allocation to the public subscription tranche is less than 15%, Restrictions on Reallocation and/or PO Over-allocation apply
	Fully subscribed or oversubscribed	No Reallocation or PO Over-allocation	Where initial allocation to the public subscription tranche is less than 15%, Restrictions on Reallocation and/or PO Over-allocation apply



IPO Pricing Flexibility Mechanism

Proposal to allow listing applicants to set the final IPO offer price 10% above the indicative offer price or the top of the offer price range after publishing the prospectus **<u>not</u>** adopted

HKEX Placing Guidelines

Consequential and housekeeping amendments to the Placing Guidelines in Appendix F1 to the Main Board Listing Rules

Consequential HKEX Listing Rule Amendments

- Bonus Issues of a Class of Securities New to Listing
- Listing Document Disclosure of Minimum Public Float
- Waiver of Initial Free Float Requirement for Secondary Listings
- Mandatory Public Offer Requirement for GEM Listing Applicants
- Determination of Market Capitalisation for New Listing Applicants
- Publication of a Listing Notice
- SPAC Warrants and Successor Company Warrants