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Hong Kong Stock Exchange Publishes Conclusions on IPO Price Discovery and Open Market Reforms

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The Stock Exchange adopts most of its proposals to optimise IPO price discovery and open market requirements, with certain modifications based on market feedback.

On 1 August 2025, The Stock Exchange of Hong Kong Limited (the Stock Exchange) published its Consultation Conclusions following its December 2024 Consultation Paper on proposals to optimise IPO price discovery and open market requirements. The Stock Exchange will implement the proposals, with modifications in response to market feedback, and has launched a further consultation on ongoing public float proposals. The amendment to the Rules Governing the Listing of Securities on the Stock Exchange (Listing Rules) became effective on 4 August 2025 and will apply to all issuers and all new applicants with listing documents published on or after that date, with transitional arrangements for ongoing public float requirements pending further consultation.

Key Amendments

The amendments focus on enhancing market liquidity, transparency, and flexibility in IPOs, while aligning Hong Kong's regulatory framework with international standards. After considering market feedback, the Stock Exchange has adopted the following new key requirements and implementation timeline:

Tiered Public Float Threshold

- The Stock Exchange will implement a three-tiered structure for initial public float requirements; the new thresholds are:

Tier	Expected market value of the relevant class of securities at the time of listing	Minimum percentage of such class of securities to be held in public hands at the time of listing
A	≤HK$6 billion	25%
B	>HK$6 billion to ≤HK$30 billion	The higher of: (i) the percentage that would result in the expected market value of such securities in public hands to be HK$1.5 billion at the time of listing; and (ii) 15%
C	>HK$30 billion	The higher of: (i) the percentage that would result in the expected market value of such securities in public hands to be HK$4.5 billion at the time of listing; and (ii) 10%

- The Stock Exchange retains discretion to grant waivers for issuers with an expected market value significantly exceeding HK$45 billion at the time of listing.
- These thresholds apply to any class of equity securities new to listing, except for (i) PRC issuers with other listed shares (e.g., A+H issuers) and (ii) bonus issuance of a new class of securities subject to satisfaction of certain conditions.
- **For PRC issuers with no other listed shares** at the time of listing on the Stock Exchange, the new thresholds in the above table will apply, which will be calculated using the following methodology: the minimum percentage to be held in public hands will be calculated by reference to the issuer's H shares only, and any other shares in issue that are in the class to which H shares belong will only be included in the denominator; and the expected market value of its relevant class of securities will be the expected market value of all shares in the class to which its H shares belong.
- **For PRC issuers with other listed shares** (e.g., A+H issuers), the portion of H shares for which listing is sought that are held by the public, at the time of listing, must represent at least 10% of the total number of issued shares in the class to which H shares belong or at least HK$3 billion of expected market value.
- **Definition of "the public":** Revised the definition of "the public" such that the following will not be considered part of "the public" (the underlined parts are the revised sections):
  - Any person whose acquisition of securities has been financed directly or indirectly by **the issuer (or any of its subsidiaries) or** a core connected person **of the issuer**
  - Any person who is accustomed to take instructions from **the issuer (or any of its subsidiaries) or** a core connected person **of the issuer** in relation to the acquisition, disposal, voting, or other disposition of securities of the issuer registered in his name or otherwise held by him
- Shares held by a trustee who is not a core connected person (or a trustee that is a core connected person only because a beneficiary is a core connected person) under a share scheme, which have been granted to specified participants (not core connected person and not accustomed to take instructions from the issuer, any of its subsidiaries, or any of its core connected person), are regarded as being "in public hands" — regardless of whether those shares are vested or unvested.

New Initial Free Float Requirement

- **New initial free float requirement:** All new applicants must ensure that a portion of the class of shares for which listing is sought is held by the public and not subject to any disposal restrictions at the time of listing (i.e., "free float").

- **For most issuers:** At least 10% of the relevant class (with expected market value of at least HK$50 million) or an expected market value of at least HK$600 million must be in free float.
- **For PRC issuers with no other listed shares:** The portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions must be at least 10% of the total number of issued shares in the class to which H shares belong at the time of listing (with expected market value of at least HK$50 million) or an expected market value of at least HK$600 million.
- **For PRC issuers with other listed shares (e.g., A+H issuers):** The free float threshold is revised to 5% of the total number of issued shares in the class to which H shares belong (with expected market value of at least HK$50 million), or an expected market value of at least HK$600 million at the time of listing.

For further information, please refer to the table below (extracted from Appendix VII of the Consultation Conclusions) for illustration of the new initial public float and the free float requirements for different types of issuers:

<table>
<tr><th colspan="3"></th><th>Old initial public float requirements</th><th>New initial public float requirements</th><th>New initial free float requirements</th></tr>
<tr><td rowspan="3">Issuers with a single class of shares (other than a PRC issuer)</td><td rowspan="2">Basis for % calculation</td><td>Numerator</td><td colspan="2">Shares in public hands</td><td>Free float shares in public hands</td></tr>
<tr><td>Denominator</td><td colspan="3">Total number of issued shares (excluding treasury shares)</td></tr>
<tr><td colspan="2">Thresholds</td><td>25% (or 15% to 25% if the expected market capitalisation is over HK$10 billion at listing)</td><td>Tiered percentage thresholds ranging between 10% and 25%</td><td>10%, with market value of HK$50 million (GEM: HK$15 million)

(or HK$600 million in market value)</td></tr>
<tr><td rowspan="3">Issuers with a WVR structure and SPACs</td><td rowspan="2">Basis for % calculation</td><td>Numerator</td><td colspan="2">Shares (or securities) in public hands</td><td>Free float shares in public hands</td></tr>
<tr><td>Denominator</td><td>Total number of issued shares (excluding treasury shares)</td><td colspan="2">Total number of shares (or securities) in issue of the class to be listed[1] (excluding treasury shares)</td></tr>
<tr><td colspan="2">Thresholds</td><td>25% (or 15% to 25% if the expected market capitalisation is over HK$10 billion at listing)</td><td>Tiered percentage thresholds ranging between 10% and 25%</td><td>10%, with market value of HK$50 million (GEM: HK$15 million)

(or HK$600 million in market value)</td></tr>
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<table>
<tr><th colspan="4"></th><th>Old initial public float requirements</th><th>New initial public float requirements</th><th>New initial free float requirements</th></tr>
<tr><td colspan="2" rowspan="3">PRC issuers with a single class of shares and no other listed shares</td><td rowspan="2">Basis for % calculation</td><td>Numerator</td><td colspan="2">H shares in public hands</td><td>Free float H shares in public hands</td></tr>
<tr><td>Denominator</td><td colspan="3">Total number of issued shares (excluding treasury shares)</td></tr>
<tr><td colspan="2">Thresholds</td><td>25% (or 15% to 25% if the expected market capitalisation is over HK$10 billion at listing)</td><td>Tiered percentage thresholds ranging between 10% and 25%</td><td>10%, with market value of HK$50 million (GEM: HK$15 million)

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<tr><td rowspan="6">A+H issuers with a single class of shares</td><td rowspan="3">Public float</td><td rowspan="2">Basis for % calculation</td><td>Numerator</td><td>A and H shares in public hands</td><td rowspan="3">Repeal current requirement</td><td rowspan="3">(Not applicable)</td></tr>
<tr><td>Denominator</td><td>Total number of issued shares (excluding treasury shares)</td></tr>
<tr><td colspan="2">Thresholds</td><td>25%</td></tr>
<tr><td rowspan="3">Minimum H shares</td><td rowspan="2">Basis for % calculation</td><td>Numerator</td><td colspan="2">H shares in public hands</td><td>Free float H shares in public hands</td></tr>
<tr><td>Denominator</td><td colspan="3">Total number of issued shares (excluding treasury shares)</td></tr>
<tr><td colspan="2">Thresholds</td><td>15%</td><td>10%

(or HK$3 billion in market value)</td><td>5%, with market value of HK$50 million (GEM: HK$15 million)

(or HK$600 million in market value)</td></tr>
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IPO Offering Mechanism

- **Cornerstone investor lock-up:** The current six-month regulatory lock-up for cornerstone investors is retained. The Stock Exchange decided not to proceed with introducing a staggered approach to allow a disposal of up to 50% of cornerstone shares after three months of listing, with the remaining to be released six months after listing.

- **Bookbuilding placing tranche:**
  - A new minimum of at least 40% of the total number of shares in the initial public offering must be allocated to investors in the bookbuilding placing tranche (this allocation has been

reduced from 50% in the original proposal) which effectively sets a cap to the cornerstone investment tranche.

- The 40% ring-fencing requirement does not apply to new applicants seeking a listing as a specialist technology company under Chapter 18C of the Listing Rules. Instead, the existing requirement to allocate at least 50% of the total offer shares to independent, price-setting investors will apply in respect of the placing tranche.

- The guideline on minimum spread of placees has been removed, being a minimum of three holders for each HK$1 million of the placing, with a minimum of 100 holders in the placing tranche.

- **Allocation to public subscription tranche:**

  - Issuers have two options to choose from in relation to the minimum allocation of shares to the public subscription tranche:

    - Mechanism A: replaced the current allocation and clawback mechanism with prescribed allocations to the public subscription tranche as follows:

	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
Modified percentage of offer shares allocated to the public subscription tranche	5%	15%	25%	35%

    - Mechanism B: a minimum initial allocation of 10% of offer shares to the public subscription tranche, with no clawback mechanism. The maximum possible initial allocation to the public subscription tranche under Mechanism B is 60% of the total offering because the minimum bookbuilding placing tranche is 40%.

  - Please note that the above Mechanisms A and B do not apply to a specialist technology company listed under Chapter 18C of the Listing Rules.

  - The Stock Exchange continues to have the discretion to grant case-by-case waivers to new applicants with a significant offer size from the prescribed allocation percentages under Mechanism A or B, based on the facts and circumstances of each case and subject to appropriate waiver conditions.

- **Pricing flexibility mechanism:** The Stock Exchange has decided not to adopt the proposal to allow an upward adjustment by a maximum of 10% above the indicative offer price or the top of the offer price range after prospectus publication.

Implementation of the Listing Rules

Listing Rule amendments became effective on **4 August 2025** (the Implementation Date) and apply to (i) all issuers; and (ii) new applicants with listing documents published on or after that date.

Further Consultation on Ongoing Public Float Proposals

In view of the changes to the initial public float thresholds, the Stock Exchange seeks views on ongoing public float proposals. The key proposals are set out below.

Initial Prescribed Threshold

Prior to 4 August 2025, the Listing Rules required that at least 25% of an issuer's total number of issued shares (excluding treasury shares) must at all times be held by the public. In view of the tiered initial public float thresholds, the Stock Exchange proposed that a portion of the class of shares an issuer has listed on the Stock Exchange that is held by the public must, at all times, represent at least:

- 25% of the total number of issued shares in the class of shares listed (excluding treasury shares); or

- any lower public float percentage prescribed at the time of its initial listing (the Initial Prescribed Threshold).

The second limb of the proposed Initial Prescribed Threshold will apply to (i) existing issuers that already obtained public float waivers from the 25% threshold at listing under the **current** initial public float requirements; and (ii) issuers that are listed under Tier B or Tier C of the **new** initial public float requirements and any issuers that were granted a waiver for a lower initial public float threshold.

Alternative Threshold

In order to provide issuers with flexibility and headroom to conduct corporate actions within its capital management strategy, the Stock Exchange proposed to permit an alternative ongoing public float threshold, whereby a portion of the class of shares an issuer has listed on the Stock Exchange that is held by the public must, at all times:

- have a market value of at least HK$1 billion (as determined on a rolling basis by multiplying (i) the number of shares held by the public as of the date of determination by (ii) the volume weighted average price of the shares listed on the Stock Exchange over 125 trading days immediately prior to the date of determination); **and**

- represent at least 10% of the issuers' total number of issued shares in the class of shares listed (excluding treasury shares) (the Alternative Threshold).

The Stock Exchange expects that the Alternative Threshold will mainly be relevant for issuers with a market capitalisation of more than HK$4 billion, as 25% of their listed shares will have a market value that can meet the first limb of the Alternative Threshold. The Initial Prescribed Threshold and the Alternative Threshold will also apply to PRC issuers with no other listed shares. However, please note that a listed issuer will 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 Stock Exchange.

Issuers relying on the Alternative Threshold will have to make an announcement containing reasons for relying on the Alternative Threshold and information as to the actual market value and percentage of its public float, and provide additional disclosure in monthly returns and annual reports.

PRC Issuers With Other Listed Shares

For PRC issuers with other listed shares (such as A+H issuers), the Stock Exchange proposes that their H shares listed on the Stock Exchange and held by the public must, at all times:

- have a market value of at least HK$1 billion; or
- represent at least 5% of the total number of shares in the class to which H shares belong (excluding treasury shares).

The above is proposed to be applicable equally to non-PRC issuers with shares listed on PRC stock exchange; for such issuers, the reference to "H shares" in the relevant requirement is modified to mean their shares listed on the Stock Exchange. This bespoke ongoing public float threshold, together with the Initial Prescribed Threshold and the Alternative Threshold, are referred to as the Ongoing Public Float Threshold.

Regular Public Float Reporting

The Stock Exchange proposed all issuers to be subject to public float reporting by requiring to confirm, in their monthly returns and annual reports, whether they have met their applicable Ongoing Public Float Threshold.

- **Monthly returns:**
  - Issuers relying on the Initial Prescribed Threshold: Disclose the minimum percentage threshold applicable to the issuer.
  - For (i) issuers relying on the Alternative Threshold or (ii) PRC issuers with other listed shares relying on the market value limb of the relevant bespoke ongoing public float threshold: Disclose the market value and percentage of the portion of the class of shares they have listed on the Stock Exchange that are held by the public.

- **Annual report:** Disclose the same information as required in the monthly return, at the end of the financial year.

Consequences of Public Float Shortfalls

- **Obligations upon breach of the ongoing public float requirements:**
  - **Restoration:** Take active steps to restore its public float to meet the applicable Ongoing Public Float Threshold.
  - **Initial announcement:** Publish announcement within one business day of becoming aware of the public float shortfall and announce its plan and expected timeline to restore the applicable Ongoing Public Float Threshold in a subsequent announcement no later than 15 business days after becoming aware of the public float shortfall.
  - **Subsequently monthly update announcement:** Provide a monthly update announcement of the status of its public float and updates on its restoration plan.
  - **Restrictions:** The issuer and each of its directors must not take any actions that may further lower the issuer's public float percentage (e.g., share repurchase or acquisition of shares by directors/close associates).
- **Trading suspension and delisting:**
  - **Not to impose trading suspension:** The Stock Exchange proposed not to suspend trading in shares solely due to shortfall in its public float.
  - **Imposition of special stock marker:** The Stock Exchange proposed to identify issuers with significant public float shortfall to add a special stock marker to its stock name. A public float shortfall is considered "significant" unless a portion of the class of shares listed on the Stock Exchange and held by the public either (i) represent at least 15% of the listed class (or for an issuer subject to a public float percentage lower than 25% at the time of listing, 50% of the issuer's Initial Prescribed Threshold), or (ii) have a market value of at least HK$500 million and represent at least 5% of the listed class. For PRC issuers with other listed shares, a shortfall is "significant" unless the H shares held by the public have a market value of at least HK$500 million or represent at least 5% of the H share class. The special stock maker will be removed only if the issuer can demonstrate that its public float has been restored to meet the applicable Ongoing Public Float Threshold.
  - **Delisting:** The Stock Exchange proposes to delist the issuer if the issuer with a special stock marker fails to restore its public float within 18 months of the date of commencement of the significant public float shortfall.

Please see below a table of comparison of the current and proposed ongoing public float requirements:

<table>
<tr><th></th><th>Current requirement</th><th>Proposed requirement</th></tr>
<tr><td colspan="3">Ongoing Public Float Thresholds</td></tr>
<tr><td>Issuers (not incorporated in PRC) with a single class of shares</td><td rowspan="3">Maintain at all times the prescribed public float percentage at listing (i.e., 25% or lower)</td><td rowspan="2">Maintain at all times:
(i) Initial Prescribed Threshold of at least 25% of the listed class (excluding treasury shares), or any lower percentage prescribed at initial listing (e.g., for issuers with a waiver or under Tier B/C); or
(ii) Alternative Threshold: Public float has a market value of at least HK$1 billion and represents at least 10% of the listed class.</td></tr>
<tr><td>PRC issuer with no other listed shares</td></tr>
<tr><td>PRC issuer with other listed shares (e.g., A+H issuers)</td><td>Bespoke Ongoing Public Float Threshold: H shares held by the public must, at all times, either:
(i) have a market value of at least HK$1 billion; or
(ii) represent at least 5% of the total number of shares in the class to which H shares belong.</td></tr>
<tr><td>Public Float Reporting</td><td>Include in its annual report a statement of sufficiency of public float</td><td>Confirm public float sufficiency in the annual report and monthly returns, with additional actual public float disclosure requirements</td></tr>
<tr><td colspan="3">Consequences of Public Float Shortfall</td></tr>
<tr><td>Obligations upon breach</td><td>Restore public float and issue announcement</td><td>Restore public float, issue announcement, and publish monthly updates

Issuer and each of its directors must not take any actions that may further lower the issuer’s public float percentage (e.g., share repurchase or acquisition of shares by directors/close associates)</td></tr>
<tr><td>Trading suspension</td><td>Trading suspension if its public float percentage falls below 15% (for issuers with a minimum public float of 25% at the time of listing) or 10% (for issuers with public float of between 15% and 25% at the time of listing)</td><td>No trading suspension solely due to public float shortfall

Impose special stock market if there is a significant public float shortfall</td></tr>
<tr><td>Delisting mechanism</td><td>Delist if trading has been suspended for a continuous period of 18 months</td><td>Impose special stock market if there is a significant public float shortfall

Delist if the issuer fails to restore public float within 18 months of the date of commencement of significant public float shortfall</td></tr>
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Transitional Arrangements on Ongoing Public Float

The Stock Exchange invites comments on the ongoing public float proposals and will publish conclusions based on the feedback received. Prior to the implementation of the new ongoing public float requirements (if adopted), existing ongoing public float requirements will continue to apply to all issuers. The Stock Exchange has made transitional consequential amendments to those existing ongoing public float requirements to ensure they are compatible with the new initial public float requirements:

- New applicants listed on the Stock Exchange with listing documents published **on or after the Implementation Date** under the new initial public float requirements must maintain the relevant minimum public float percentage prescribed at the time of their listing, at all times, until the implementation of the new ongoing public float requirements (if adopted), meaning:
  - 25% or any lower minimum percentage prescribed at the time of listing; or
  - in the case of a PRC issuer with other listed shares (e.g., A+H issuers), H shares held by the public that represent either (i) 10% of the issuer's total number of issued shares in the class to which H shares belong (excluding treasury shares); or (ii) in the case of an issuer listed in reliance upon the market value threshold of HK$3 billion, the percentage derived by dividing HK$3 billion by the total market value of the issuer's total issued shares in the class to which H shares belong at the time of listing.
- All other issuers (i.e., including all existing listed issuers) will continue to be subject to the existing minimum ongoing public float thresholds (i.e., 25% or the lower minimum percentage that was accepted by the Stock Exchange at the time of listing), based on the existing basis for calculation.

The table below sets out a summary of the ongoing public float threshold during the transitional period for new applicants with their listing document published on or after the Implementation Date (extracted from Appendix VIII to the Consultation Conclusions):

	Transitional consequential amendments		Proposed requirement
	Existing Issuers	**Newly listed issuers with listing documents published on or after the Implementation Date**	**All issuers**
All issuers (other than a PRC issuer)	25% or such lower percentage accepted by the Stock Exchange at listing[2]	Initial Prescribed Threshold (i.e., tiered percentage threshold ranging between 10% and 25%)	Initial Prescribed Threshold, with an optional Alternative Threshold of HK$1 billion and 10%
PRC issuers with no other listed shares	25% or such lower percentage accepted by the Stock Exchange at listing[3]	Initial Prescribed Threshold (i.e., tiered percentage threshold ranging between 10% and 25%)	Initial Prescribed Threshold, with an optional Alternative Threshold of HK$1 billion and 10%

	Transitional consequential amendments		Proposed requirement
	Existing Issuers	**Newly listed issuers with listing documents published on or after the Implementation Date**	**All issuers**
PRC issuers with other listed shares (e.g. A+H issuers)	25%, with the numerator taking into account the total securities of the issuers held by the public (on all regulated market(s))	Minimum prescribed percentage threshold at listing based on the new bespoke initial public float threshold (i.e., 10% or HK$3 billion)	New bespoke ongoing public float threshold (i.e., HK$1 billion or 5%)

Conclusion

For listing applicants, it is important to assess how the new tiered initial public float and free float requirements will affect the structure and size of their IPOs. PRC issuers in particular should consider the impact of the new requirements and ensure that sufficient new H shares are issued to meet the new tiered public float and free float thresholds. When planning for allocation and bookbuilding, listing applicants should take into account the updated bookbuilding and public subscription tranche requirements, ensuring that allocations are structured to comply with the new requirements.

Listed issuers should pay attention to the revised definition of "the public" and ensure that they have sufficient shares in public hands. In particular, they should review their share schemes and trustee arrangements to ensure that they align with the revised definition of "the public", particularly in light of the clarified treatment of shares held by trustees. They must actively monitor their ongoing public float levels to ensure continued compliance with the requirements during the transitional period, and be prepared to meet any new reporting and disclosure obligations in preparation of the conclusions on the ongoing public float threshold consultation. Issuers with large market capitalisations should consider how the flexibility provided by the Alternative Threshold can be leveraged for capital management purposes. It is also crucial to understand the consequences of any public float shortfall, which may include the imposition of a special stock marker and, if not remedied, potential delisting.

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Endnotes

[1] This means that: (a) in the case of an issuer with a WVR structure, WVR shares would be excluded; and (b) in the case of a SPAC, promotor shares (and promotor warrants) would be excluded.

[2] The Stock Exchange has previously granted public float waivers to certain issuers after listing due to their exceptional circumstances. For the avoidance of doubt, those waivers will continue to apply.

[3] *Ibid*.