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# Hong Kong Capital Markets Update

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## HKEX's consultation conclusion on IPO price discovery and open market requirements and further consultation on ongoing public float proposals

On 1 August 2025, the Stock Exchange of Hong Kong Limited (the "**Exchange**") published the consultation conclusion[1] ("**Conclusion**") on its proposals to optimise IPO price discovery and open market requirements and launched a further consultation on ongoing public float proposals. The key amendments are summarised below:

## Key Amendments

### Open Market Requirements

1. **revised initial public float requirement** – tiered initial public float thresholds at the time of listing:

| Tier | Expected market value of relevant class of securities | Minimum percentage of such class of securities to be held in public hands |
|---|---|---|
| **A** | ≤ HK$6 billion | 25% |
| **B** | > HK$6 billion to ≤ HK$30 billion | 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 | 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% |

2. **new initial free float requirement** – new free float thresholds for issuers at the time of listing:
   (a) ≥ 10% of total shares issued with market value ≥ HK$50 million (GEM: HK$15 million); OR
   (b) market value ≥ HK$600 million

3. **relaxed requirements for A+H issuers**
   (a) lower initial public float requirement at the time of listing:
      (i) ≥ 10% of total shares issued; OR
      (ii) market value ≥ HK$3 billion
   (b) lower initial free float requirement at the time of listing:
      (i) ≥ 5% of total shares issued with market value ≥ HK$50 million (GEM: HK$15 million); OR
      (ii) market value ≥ HK$600 million

### IPO Price Discovery

4. **bookbuilding placing tranche** – at least 40% of shares initially on offer be allocated to the bookbuilding placing tranche

5. **public subscription tranche** – reduce offer shares to public subscription tranche and clawback, allowing:
   Mechanism A: initial allocation of 5% of offer shares, subject to clawback of up to 35%; OR
   Mechanism B: minimum 10% (maximum 60%) initial allocation of offer shares with no clawback mechanism

[1] HKEX's consultation conclusion and further consultation, https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/December-2024-Optimise-IPO-Price/Conclusions-Aug-2025/cp202412cc.pdf

The following are the key proposals for the further consultation on ongoing public float:

## Key Proposals

### Ongoing Public Float

A. **revised ongoing public float requirement** – maintain the Initial Prescribed Threshold (i.e. tiered initial threshold ranging 10% - 25%) on an ongoing basis, with an optional Alternative Threshold (i.e. ≥ 10% of total shares issued AND market value ≥ HK$1 billion)

B. **relaxed requirements for A+H issuers** – new bespoke ongoing public float thresholds: (a) ≥ 5% of total shares issued; OR (b) market value ≥ HK$1 billion

C. **removal of trading suspensions** – no suspension solely due to public float shortfall

D. **new requirements and consequence for Significant Public Float Shortfall** – where the issuers' public float falls significantly below its ongoing public float threshold, the issuer would be identified with a special stock marker, and delisted if the issuer fails to restore its public float to the applicable thresholds within 18 months (GEM: 12 months).

E. **enhanced regular public float reporting** – help ensure investors are better informed of public float status

## Background

To ensure the Exchange's listing mechanism remains attractive and competitive for existing and prospective issuers, the Exchange published a consultation paper[2] (the "**Consultation Paper**") on 19 December 2024 seeking views and comments on proposed changes to the Listing Rules (please refer to our Capital Markets Update Issue 2025-02).

Having considered the responses to the Consultation Paper, the Exchange has adopted most of its proposals with some modifications and clarifications, which came into effect on 4 August 2025. In response to market feedback on the appropriate ongoing public float requirements, the Exchange is also launching a further consultation on detailed proposals on those requirements. The Exchange invites public comments on their proposals until Wednesday, 1 October 2025.

## Amendments to Open market requirements

### 1. Revised initial public float requirement

The Exchange has adopted a tiered initial public float threshold to replace previous thresholds (see key amendments).

The thresholds codify the waivers granted by the Exchange in the past, so that new applicants can enjoy greater regulatory certainty. In addition, the thresholds also remove unfairness in marginal cases and will bring the initial public float requirements more closely in line with those of other international stock exchanges.

Tier D under the original proposal for expected market value of over HK$70B was removed in view of respondents' comments, but the Exchange will reserve the discretion to grant case-by-case waivers to new applicants from strict compliance with the new initial public float requirements where the expected market value of the relevant class of securities significantly exceeds HK$45 billion at the time of listing.

### 2. New initial free float requirement

The Exchange has introduced a new initial free float requirement as follows:

<table>
<tr><th></th><th>Basis for % calculation</th><th>Initial free float requirements</th></tr>
<tr><td>Issuers with a single class of shares (other than a PRC issuer)</td><td>Free float shares in public hands / Total number of issued shares (excluding treasury shares)</td><td rowspan="2">10%, with market value of HK$50 million (GEM: HK$15 million); OR HK$600 million in market value</td></tr>
<tr><td>PRC issuers with a single class of shares and no other listed shares</td><td rowspan="2">Free float H shares in public hands / Total number of issued shares (excluding treasury shares)</td></tr>
<tr><td>A+H issuers with a single class of shares</td><td>5%, with market value of HK$50 million (GEM: HK$15 million); OR HK$600 million in market value</td></tr>
</table>

[2] HKEX's consultation paper, https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/December-2024-Optimise-IPO-Price/Consultation-Paper/cp202412.pdf

The initial free float requirement was adopted to minimise the potential risk of share price manipulation where a large portion of shares in public hands are subject to disposal restrictions in the early phase of listing.

Similar to the initial public float requirements, the Exchange clarifies that only shares which contribute towards an open market on the Exchange should be included in the numerator of the percentages, and therefore, only free float H shares will be included in the numerator for PRC issuers and A+H issuers.

### 3. Relaxed requirements for A+H issuers

The Exchange has adopted an initial public float threshold of 10% or HK$3 billion in market value, which was determined after considering previous waivers granted to A+H issuers.

In the past, A+H issuers were required to maintain a minimum H share threshold of 15% (being the number of H shares in public hands divided by the total number of issued shares). Stakeholders had commented that the 15% threshold is too high for A+H issuers with very large market capitalisation, and so may inhibit their wish to list in Hong Kong. Over the years, the Exchange has observed that a listing of H shares representing less than 15% of the total number of their issued shares would still constitute a meaningful amount and support active trading on the Exchange. The amendments help address market competitiveness while ensuring that the minimum threshold still represents a meaningful amount to attract a "critical mass" of investors.

## Amendments on IPO Price Discovery

### 4. Bookbuilding placing tranche

The Exchange now requires at least 40% of the shares initially on offer to be allocated to the bookbuilding placing tranche for each IPO, instead of 50% as originally proposed.

Directly "ring-fencing" the bookbuilding placing tranche helps ensure that bookbuilding investors, as key price setters of the final offer price, contribute meaningfully to price discovery in an IPO. The Exchange believes that better price discovery will benefit all investors participating in the IPO, including those participating in other tranches.

### 5. Public subscription tranche

The Exchange has replaced the existing allocation of offer shares to the public subscription tranche with a choice of either Mechanism A or Mechanism B:

| **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** |
| **% 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 would be 60% of offer shares.

The Exchange believes that a modification to the existing allocation and clawback mechanism is necessary to provide a better balance between the placing tranche and the public subscription tranche in the IPO allocation process to optimise price discovery.

## Proposals not adopted

The Exchange has decided to retain the existing six-month cornerstone lock-up requirement to uphold investor commitment to offerings. Additionally, the proposed upward pricing flexibility mechanism will not be implemented, given the practical challenges highlighted by respondents during the consultation process.

## New Proposals for Ongoing public float

### A. Revised ongoing public float requirement

In view of the changes to the initial public float threshold requirement, consequential amendments have been made to the previous ongoing public float thresholds so that a portion of the class of shares an issuer has listed on the Exchange that is held by the public must, at all times, represent at least:

(a) 25% of the total number of issued shares in the class of shares listed (excluding treasury shares); OR
(b) any lower public float percentage prescribed at the time of its initial listing. (the "**Initial Prescribed Threshold**")

In addition to the Initial Prescribed Threshold, the Exchange has proposed to permit an alternative ongoing public threshold whereby a portion of the class of shares an issuer has listed on the Exchange that is held by the public must, at all times:

(a) have a market value of at least HK$1 billion; AND
(b) represent at least 10% of the issuers' total number of issued shares in the class of shares listed (excluding treasury shares).

(the "**Alternative Threshold**", together with the Initial Prescribed Threshold, the "**Ongoing Public Float Threshold**")

While the Initial Prescribed Threshold would apply to most issuers, the Alternative Threshold provides issuers that have a large market capitalisation after listing (including those that have grown significantly in size over time) greater flexibility to conduct transactions for capital management purposes, even if those transactions may result in its public float percentage falling below the Initial Prescribed Threshold.

### B. Relaxed requirements for A+H issuer

For A+H issuers, instead of the abovementioned Ongoing Public Float Threshold, the Exchange has proposed an ongoing public float threshold so that their H shares listed on the Exchange and held by the public must, at all times:

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

Respondents had noted that secondary fundraising by an A+H issuer on a PRC stock exchange would result in a reduction in the proportion of H shares listed on the Exchange, even though the absolute number of publicly held H shares listed in Hong Kong remains unchanged. In response to the request for added flexibility for A+H issuers to conduct secondary fundraisings on other markets, the Exchange has proposed a market-value threshold of HK$1 billion (representing a 67% discount to the initial market value of HK$3 billion for mega cap A+H issuers) and a 5% threshold (lower than the 10% threshold required at initial listing).

### C. Removal of trading suspensions

The Exchange has proposed not to suspend trading in the shares of an issuer solely due to a shortfall in its public float below a specified threshold.

The current regulatory approach of suspending trading for public float breaches may increase the difficulty and costs for the issuer to restore its public float. Suspension also deprives shareholders of their ability to trade out of their position, which hinders a controlling shareholders' ability to help the issuer restore the public float.

Instead, the Exchange has proposed the following actions when an issuer's public float falls below the applicable Ongoing Public Float Threshold:

(a) restoration – the issuer must take active steps to restore its public float to meet the applicable Ongoing Public Float Threshold as soon as possible;
(b) initial and subsequent monthly update announcement – the issuer must publish an announcement when it becomes aware that there is a public float shortfall, and must also announce its plan and expected timeline to restore its public float. The issuer must also provide monthly announcements to notify the market of the status of its public float and its restoration plan;
(c) restrictions on actions that may further reduce public float – the issuer and each of its directors must not take any action that may further lower the issuer's public float percentage.

The Exchange believes the above proposals will provide better investor protection, whilst retaining a strong deterrent effect against prolonged non-compliance, compared to the current regulatory regime of immediate trading suspension.

Although the Exchange has proposed not to suspend trading in the shares of an issuer solely due to a shortfall in its public float, the Exchange would continue to retain its discretion to direct a trading halt of, or suspend dealings in, any issuer's securities where any indication of a false market is detected.

### D. New requirements and consequence for Significant Public Float Shortfall

The Exchange considers a public float shortall to be a Significant Public Float Shortfall unless a portion of the issuer's class of shares listed on the Exchange and held by the public:

(a) represent at least 15% of the issuer's total number of issued shares in the class of shares listed (excluding treasury shares) (or for an issuer subject to minimum public float percentage lower than 25% at the time of its initial listing, represents at least 50% of the issuers' Initial Prescribed Threshold); OR
(b) have a market value of at least HK$500 million and represent at least 5% of the issuers' total number of issued shares in the class of shares listed (excluding treasury shares).

For A+H issuers, a public float shortfall will be considered as a Significant Public Shortfall unless its H shares listed on the Exchange and held by the public:
(a) have a market value of at least HK$500 million; OR
(b) represent at least 5% of the issuers' total number of shares in the class to which H shares belong (excluding treasury shares).

The Exchange has proposed to identify issuers with a Significant Public Float Shortfall with a special stock market added to its stock short name. Such issuers would also be subject to additional disclosure obligations and would be delisted if it fails to restore public float within a prescribed remedial period of 18 months (GEM: 12 months) from the date of commencement of the Significant Public Float Shortfall. The special stock market can be removed if the issuer can demonstrate that its public float has been restored to meet the applicable Ongoing Public Float Threshold.

The special stock marker and heightened disclosure requirements would help existing shareholders and investors clearly identify issuers with a Significant Public Float Shortfall, allowing them to make investment decisions in full knowledge that the issuer has such issues and may potentially be delisted. The proposed delisting mechanism incentivises issuers to restore their public float promptly, to avoid an accumulation of issuers with Significant Public Float Shortfall on the Hong Kong market.

## E. Enhanced regular public float reporting

The Exchange has proposed that all issuers be required to confirm, in their monthly returns and annual reports, whether they have met their applicable Ongoing Public Float Thresholds. In addition, the Exchange propose that an issuer disclose in each of its monthly returns and annual reports (as at the end of the relevant period/ financial year):
(a) in the case where the issuer relies on the Initial Prescribed Threshold, its applicable Initial Prescribed Threshold;
(b) in the case where the issuer relies on the Alternative Threshold or the A+H issuer relies on the HK$1 billion market value ongoing public float requirement, 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.

The Exchange also propose to require all issuers to state, in their annual reports, the structure of their share capital at the end of the relevant financial year, including details of the different types and classes of securities, together with the percentage for each type of shares, the ranking of each type of shares and details of any special voting right structure.

The above proposals would help enhance market transparency and help ensure investors are better informed of issuers' public float status and any shortfall that may lead to a risk of delisting.

If you have any questions about the matters discussed in this publication, please feel free to contact the following capital market partners.

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