



## Hong Kong Stock Exchange Eases IPO Public Float Requirements and Reforms IPO Price Discovery Process

August 2025

Last Friday (1 August 2025), the Hong Kong Stock Exchange (the “**Exchange**”) released the conclusions to its December 2024 consultation on the “Proposals to Optimise IPO Price Discovery and Open Market Requirements” (the “**Conclusions**”). The Exchange has largely adopted the proposals following broad market support, implementing a number of modifications and clarifications in response to market feedback.

The new rules came into effect on **4 August 2025**.<sup>1</sup> This bulletin highlights the key new requirements, as revised in the Conclusions.

In addition, the Exchange is running a further two-month consultation on the detailed proposed changes to the public float requirements applicable to listed issuers. The deadline for submitting comments to this further consultation is **1 October 2025**. Please refer to our separate **bulletin** which covers this further consultation.

If you would like to discuss any aspects of the new rules or the ongoing consultation in more detail, please get in touch with your usual Linklaters contact.

### Open Market Requirements at IPO

#### Free float at IPO

A new free float requirement now applies to all new primary listings (and not secondary listings), adhering to the principle of ensuring sufficient liquidity in newly listed shares by establishing a minimum “pool” of shares that are not subject to lock-up restrictions and are available for trading at the time of listing. The new standard replaces the previous mandatory free float requirements which applied only to Biotech Companies and Specialist Technology Companies (“**SpecTechs**”) at IPO. Now, the same free float standard applies to all new primary listings, regardless of sector.

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<sup>1</sup> The new rules will apply to new applicants with listing documents published on or after 4 August 2025.

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## *Definition of the “pool” of free float shares at IPO*

To satisfy the new free float requirement for a Hong Kong IPO, only certain shares qualify towards the required “pool”:

> **Eligible shares:**

- (a) must be held by the public; and
- (b) must not be subject to any disposal restrictions – whether imposed by contract, the Listing Rules, applicable law or otherwise. Only shares that are already in issue at the time of listing on the Exchange count towards the free float “pool”.

> **Excluded shares:**

- (a) shares yet to be issued at the time of listing, such as those to be issued upon the exercise of an over-allotment option (the “**Over-allotment Shares**”);
- (b) shares held by trustees under share incentive plans for participants in respect of awards or options (this is regardless of whether they are considered as being in public hands); and
- (c) treasury shares.

## *Minimum free float thresholds and/or its market value*

At the time of listing, an issuer must ensure that its free float meets the applicable threshold.

> **For all issuers except PRC issuers**

- > at least 10% of the total number of shares in the relevant class for which listing is sought, with an expected market value of at least HK\$50 million; or
- > an expected market value of HK\$600 million or more.

> **PRC issuers with no other listed shares**

- > at least 10% of the total number of issued shares in the class to which H shares belong, with an expected market value of at least HK\$50 million; or
- > an expected market value of HK\$600 million or more.

> **PRC issuers with other listed shares (such as A shares)**

- > at least ~~10%~~ 15% of the total number issued shares in the class to which H shares belong ~~number of H shares~~, with an expected market value of at least HK\$50 million; or
- > an expected market value of HK\$600 million or more.

*(Note: The mark-up above reflects the final rule changes against the original proposal.)*

## **Public float at IPO**

The Exchange has adopted the proposed tiered structure for the IPO public float requirements but has removed Tier D from the original proposal as it would have been relevant to very few IPO applicants. The Exchange has stated it considers it more suitable to assess the public float requirements for so-called “mega-cap” issuers individually (where the market value of these issuers is extremely high).

## *Scope of application*

- > The new tiered structure applies to all IPO issuers, other than A+H PRC issuers which are subject to a different, bespoke set of rules. See Table B further below for the details.

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- > The tiered structure applies to any class of equity securities new to listing (including shares, convertible equity securities, options and warrants). The intention is to facilitate an open and liquid market in these securities immediately upon listing.

## *Discretionary waiver*

The Exchange retains discretion to grant individual waivers from strict compliance with the new IPO public float requirements where the expected market value of the relevant class of securities at listing significantly exceeds HK\$45 billion.

## *Tiered structure thresholds*

The specific percentage and market value requirements for each tier are detailed in the referenced Table A.

### **Table A**

The mark-up in this table reflects the final rule changes against the original proposal.

Tier	Expected market value of the class of securities for which listing is sought (excluding treasury shares) at listing	Minimum percentage of that class of securities to be held by the public at listing
<b>A</b>	≤HK\$6 billion	25% with an expected market value of those securities held by the public to be at least HK\$125 million
<b>B</b>	>HK\$6 billion to ≤HK\$30 billion	The higher of: (i) the % that would result in the expected market value of those securities held by the public to be HK\$1.5 billion; and (ii) 15%
<b>C</b>	>HK\$30 billion to ≤HK\$70 billion	The higher of: (i) the % that would result in the expected market value of those securities held by the public to be HK\$4.5 billion; and (ii) 10%
<b>D</b>	>HK\$70 billion	The higher of: (i) the percentage that would result in the expected market value of those securities in public hands to be HK\$7.0 billion; and (ii) 5%

### Notes:

- > When calculating the expected market value of securities at IPO, an issuer should only count securities in the class for which listing is sought and that are in issue at the time of listing. Over-allotment Shares and treasury shares should be excluded.
- > The current requirements that (a) there must be at least 300 shareholders at the time of listing and (b) not more than 50% of the securities in public hands may be beneficially owned by the three largest public shareholders will remain unchanged.

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Table B below provides a summary of the current and newly adopted IPO public float and free float requirements applicable to non-PRC issuers, issuers with a WVR structure and SPACs and PRC issuers with or without A share listing. The information has been extracted from Table 11 in the Conclusions. The mark-up reflects the final rule changes against the original proposal.

**Table B**

			Current initial public float requirements	New initial public float requirements	New initial free float requirements
Issuers with a single class of shares (other than a PRC issuer)	Basis for % calculation	Numerator	Shares in public hands		Free float shares in public hands
		Denominator	Total number of issued shares		
	Thresholds		25% (or 15%-25% if the expected market capitalisation is over HK\$10 billion at listing)	Tiered percentage thresholds ranging between <del>5</del> 10% and 25%	10%, with market value of HK\$50 million (or HK\$600 million in market value)
Issuers with a WVR structure and SPACs	Basis for % calculation	Numerator	Shares (or securities) in public hands		Free float shares in public hands
		Denominator	Total number of issued shares	Total number of shares (or securities) in issue of the class to be listed <sup>2</sup>	
	Thresholds		25% (or 15%-25% if the expected market capitalisation is over HK\$10 billion at listing)	Tiered percentage thresholds ranging between <del>5</del> 10% and 25%	10%, with market value of HK\$50 million (or HK\$600 million in market value)
PRC issuers with a single class of shares and no other listed shares	Basis for % calculation	Numerator	H shares in public hands		Free float H shares in public hands
		Denominator	Total number of issued shares		
	Thresholds		25% (or 15%-25% if the expected market capitalisation is over HK\$10 billion at listing)	Tiered percentage thresholds ranging between <del>5</del> 10% and 25%	10%, with market value of HK\$50 million (or HK\$600 million in market value)
A+H issuers with a single class of shares	Public float	Basis for % calculation	A and H shares in public hands	Repeal current requirement	(Not applicable)
		Denominator	Total number of issued shares		
		Thresholds			
	Minimum H shares	Basis for % calculation	H shares in public hands		Free float H shares in public hands
		Denominator	Total number of issued shares		
Thresholds		15%	10% (or HK\$3 billion in market value) <sup>@</sup>	<del>5</del> 10%, with market value of HK\$50 million (or HK\$600 million in market value)	

<sup>@</sup> For PRC issuers that satisfy the IPO public float requirement by rely on this market value threshold, they have to satisfy the post-listing minimum public float percentage – calculated by dividing HK\$3 billion by the market value of its total issued shares in the class to which H shares belong at listing.

<sup>2</sup> 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, Promoter Shares (and Promoter Warrants) would be excluded.

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## Who will not be counted as part of the “public”

Two additional categories of shareholders will not be considered part of the “public”. We have highlighted below the new requirements, marked against the pre-amended interpretation of the “public” in Rule 8.24 of the Listing Rules.

- > A core connected person (being a director, chief executive, substantial shareholder, (for PRC issuers) supervisor or a close associate of any of them).
- > A person whose purchase of the issuer’s shares has been financed by the issuer (or any of its subsidiaries) or a core connected person.
- > A person who is accustomed to act according to instructions from the issuer (or any of its subsidiaries) or a core connected person of the issuer regarding the disposition of its shares in the issuer.
- > The issuer holding its own shares in treasury.

## *Treatment of trustee-held shares under the public float rules*

Shares held by trustees on behalf of participants for share option or award schemes are now more strictly regulated under the public float calculations. The Exchange believes that these shares do not contribute to an open market in Hong Kong as they are not typically actively traded. However, the Exchange will allow shares held by independent trustees on behalf of independent scheme participants, in both cases who are not core connected persons, to be regarded as shares in public hands.

## Changes to the IPO Offering Mechanism

The framework for a typical offering mechanism for a Hong Kong IPO, including the placing guideline, clawback mechanism, numerous guidance published by the Exchange, as well as market practice, has been modified to optimise the IPO price discovery process and updated to better align Hong Kong with practices in other international markets. Below is a summary of several key changes to the offering mechanism in a typical Hong Kong IPO.

## Cornerstone investment lock-up period

- > The Exchange has maintained the status quo of the mandatory six-month lock-up requirement for cornerstone investors.
- > The Exchange decided not to implement the “staggered release” proposal. Market participants did not reach a consensus on relaxing the six-month lock-up period. In addition, the adoption of other changes help addresses concerns about share price volatility as a result of “overhang” of shares. The Exchange considered it prudent to keep the existing cornerstone investor lock-up.

## Placing (bookbuilding) tranche

- > **Minimum allocation to this tranche (other than SpecTechs):** A new minimum allocation requirement of at least 40% (reduced from the proposed 50%) of the shares initially being offered to the placing (bookbuilding) tranche (which the cornerstone investments will not form part) has been introduced. The calculation excludes both Over-allotment Shares and any offer size adjustment. This change aims to ensure a significant proportion of shares being offered is made available to institutional investors, who act as “price setters” and are expected to enhance the quality and transparency of the IPO price discovery process.
- > **SpecTechs and minimum allocation:** The current, stricter minimum allocation requirements already applied to SpecTechs will remain in force because of their unique characteristics.
- > **Repeal of two previous requirements:** There is no longer a requirement to have at least three holders for every HK\$1 million of placing. The requirement for a minimum of 100 placees in the placing tranche has also been removed. The repeal of the two previous requirements gives the underwriting syndicate more flexibility so long as the allocation process upholds the SFC Code of Conduct requirements.

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## Public tranche

**Initial allocation and clawback mechanism overhaul:** The Exchange has introduced a revised framework that gives IPO issuers a choice between two mechanisms for the initial allocation of shares and the associated clawback process for the public subscription tranche. This follows extensive market feedback on the original proposal.

### Mechanism A

The mark-up in this table reflects the final rule changes against the original proposal.

	Initial allocation	Over-subscription in the public tranche		
		≥15x to <50x	≥50x to <100x	≥100x
Minimum % of offer shares to be allocated to the public tranche	5%	15%	25%	35%

### Mechanism B

Allocate at least 10% of the offer shares to the public without triggering the clawback mechanism.

#### Observations

- > **Mechanism A – modified PN18 clawback:** This mechanism retains the familiar PN18 clawback mechanism, but the mandatory reallocation percentages triggered upon high retail demand have been lowered. For an IPO issuer adopting Mechanism A, the allocation to different tranches will change depending on the level of over-subscription in the public tranche:

	Initial allocation	Over-subscription in the public tranche		
		≥15x to <50x	≥50x to <100x	≥100x
Public subscription tranche	5%	15%	25%	35%
Placing (book building) tranche	40% (ring-fenced)			
Cornerstone tranche	55%	45%	35%	25%

The number of offer shares that can be allocated to cornerstone investors may be scaled back if the cornerstone investors agreed upfront to subscribe for more than 25% of the shares initially on offer.

IPO issuers with a significant offer size can continue the current practice of seeking individual waivers from the Exchange to adjust the prescribed reallocation percentages. The Exchange has retained the “Typical PN18 Waiver” and the parameters for grants in the Guide to New Listing – HK\$10 billion remained as the benchmark for “significant offer size”.

- > **Mechanism B:** This mechanism provides a defined and yet flexible structure for offer share allocation across the three major tranches. With the introduction of allocation to the bookbuilding (placing) tranche ring-fenced at not less than 40%, the maximum possible initial allocation to the public subscription tranche and cornerstone investment combined will be 60% of the offer. IPO issuers are able to formulate its optimal allocation to the public subscription and cornerstone tranches within this 60% limit (subject to the allocation cap for the public subscription tranche, which the Exchange has decided to retain with modifications).

Adding another layer of flexibility – the Exchange recognises that exceptionally large IPOs may need a lower retail allocation. Issuers with a significant offer size may seek individual waivers from the prescribed allocation of 10%.

- > **SpecTechs – no change:** Due to their distinctive characteristics, neither Mechanism A nor Mechanism B are available to SpecTechs. The bespoke mechanism design for it in rule 18C.09 has remained unchanged.

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## **Will not allow flexibility to upward adjustment of IPO offer price**

The Exchange has decided to maintain Hong Kong's IPO process relatively robust in terms of setting and adjusting the IPO offer price. This means, in summary:

- > If an IPO issuer wishes to set the final offer price above the top end of the price range, it has to issue a supplemental prospectus and, as a consequence, this will delay the IPO timetable.
- > The Exchange has decided not to proceed with the proposal to lower the permitted spread between the ceiling and floor of the indicative price range from 30 per cent to 20 per cent. The status quo of a maximum 30 per cent spread is retained.

IPO issuers must continue to exercise careful judgement when setting the price range and build in sufficient headroom if they anticipate strong demand, as post-bookbuilding upward adjustment is operationally difficult.

## **Placing Guideline**

The Placing Guideline have been updated as proposed, with very minor modifications to clarify the requirements.

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