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The HKEx's New Approaches to IPO Price Discovery and Open Market Standards

Following a market consultation, on 1 August 2025 The Stock Exchange of Hong Kong Limited (the **HKEx**) finalised a series of amendments to its Listing Rules (the **Amendments**), aiming at enhancing IPO price discovery and strengthening open market standards. They introduce changes that can be broadly categorised into:

A. IPO offering mechanism;
B. Open market requirements.

The Amendments are designed to enhance price discovery, improve allocation transparency, and promote a more active and accessible post-listing market. Below is an overview of the key amendments and their practical implications for listing applicants and listed issuers of the Main Board of HKEx. The Amendments became effective on 4 August 2025.

A. IPO Offering Mechanism

In Hong Kong, IPO shares are usually offered in 2 "tranches" :

- Placing Tranche, which encompasses **cornerstone placing**[1] and **bookbuilding placing**[2] (collectively, the **Placing Tranche**); and
- Public Subscription Tranche[3] (the **Public Tranche**)

Investors participating in the bookbuilding Placing Tranche indicate their preferred price and share quantity, which helps to determine the final offer price. As a result, the HKEx regards them as key 'price setters' in IPOs.[4]

The HKEx believes an increase in the participation by these "price setters" will help to narrow the disparity between the final offer price and the actual trading price, thereby optimizing the IPO price discovery process. These are implemented through the following three key areas:

	Before the Amendments	After the Amendments
1) Allocation to Placing Tranche	No minimum number of shares for bookbuilding placing tranche	Minimum 40% of shares initially on offer to be allocated to bookbuilding placing tranche (the **Minimum Bookbuilding Allocation**) *[5]
	Require ≥3 shareholders for each HK$1 million	Removed. Existing requirement of at least 300 shareholders at the time of listing for Main Board

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<table>
<tr><th></th><th>Before the Amendments</th><th>After the Amendments</th></tr>
<tr><td></td><td>Require minimum 100 shareholders for bookbuilding placing tranche</td><td>issuers is sufficient for purposes of minimum shareholder spread [6]</td></tr>
<tr><td>2)
Allocation to the Public Tranche

(also see discussions on practical implications in the below)</td><td>Mandatory clawback of the offer shares from Placing Tranche to the Public Tranche in case of over-subscriptions in the Public Tranche (the Mandatory Clawback) :

<table><tr><th>Public Tranche over subscribed by : (the Thresholds)</th><th>Mandatory Clawback</th></tr><tr><td>≥ 15 to ＜ 50 times</td><td>30%</td></tr><tr><td>≥ 50 to <100 times</td><td>40%</td></tr><tr><td>≥ 100 times</td><td>50%</td></tr></table></td><td>Require IPO applicants to adopt <u>either</u> Mechanism A or Mechanism B at their choice:

<u>Mechanism A</u>: *[7]
• Mandatory fixed initial allocation of 5% of the offer shares to the Public Tranche, and
• Mandatory Clawback as follows:
<table><tr><th>Public Tranche over subscribed by : (the Thresholds)</th><th>Mandatory Clawback</th></tr><tr><td>≥15 to ＜50 times</td><td>15%</td></tr><tr><td>≥50 to ＜100 times</td><td>25%</td></tr><tr><td>≥100 times</td><td>35%</td></tr></table>OR

<u>Mechanism B</u>: *[8]
• Minimum initial allocation of 10% of the offer shares to the Public Tranche
• No Mandatory Clawback</td></tr>
<tr><td rowspan="2">3)
Restrictions on reallocation from placing tranche to public tranche (Reallocation) and public offer over-allocation (Overallocation)

Applies if there are fully or over subscribed Public Tranches, but below the over-subscription Thresholds that trigger Mandatory Clawback</td><td><u>Restriction (a)</u>
Maximum shares permitted for Public Tranche after Reallocation or Overallocation (the Cap) :
The <u>lesser of</u>:
• Initial allocation to Public Tranche times by 2 ; and
• 30% of original total offering</td><td>(a) The Cap will be the <u>lesser of</u>:[9]
• Double the initial allocation to Public Tranche; and
• 15% of total offering (before over-allocation)
(the New Restriction (a))</td></tr>
<tr><td><u>Restriction (b)</u>
Offer price will be <u>lower of</u>:
• Indicative offer price or bottom of offer price range; and
• Downward adjusted final offer price (up to 10% of indicative price or bottom range)</td><td>Restriction (b) applies when there is a Reallocation or Overallocation under the Cap[10]</td></tr>
</table>

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<table>
<tr><th></th><th>Before the Amendments</th><th>After the Amendments</th></tr>
<tr><td></td><td>Restrictions (a) & (b) apply when (i.e. triggering events):
<table>
<tr><td></td><td colspan="2">Public Tranche fully or over subscribed by :</td></tr>
<tr><td rowspan="2">Placing Tranche under subscribed</td><td><15 times</td><td>≥15 times</td></tr>
<tr><td colspan="2">restrictions (a) & (b) apply</td></tr>
<tr><td>Placing Tranche fully or over subscribed</td><td>restrictions (a) & (b) apply</td><td>Mandatory Clawback</td></tr>
</table></td><td>New Restriction (a) applies to Mechanism A and the triggering events will be the same as the requirements before the Amendments[11]. The effective Cap will be 10% of the offer, i.e. 2 times of the 5% for the Public Tranche[12].

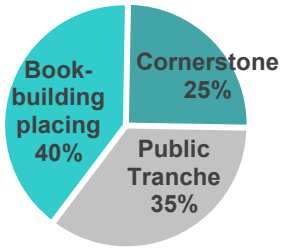
New Restriction (a) applies to Mechanism B (which does NOT have Mandatory Clawback) : [13]
when Public Tranche is fully or over-subscribed by any number.
If initial public allocation >15%, no Reallocation or Overallocation allowed, as it has already reached the Cap</td></tr>
</table>

* Not applicable to Specialist Technology Companies under Chapter 18C of the HKEx's Main Board Listing Rules[14]

Practical Implications for Share Allocations Between Different Tranches

Mechanism A

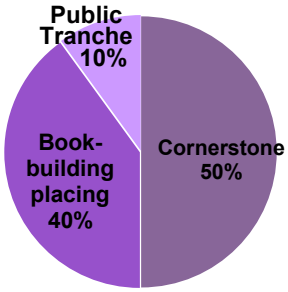
If maximum clawback is triggered



Mechanism A requires a Mandatory Clawback of up to 35% of offer shares. Therefore, in light of the Minimum Bookbuilding Allocation (40% of the offer shares – see above), if cornerstone investors have agreed upfront to subscribe for more than 25% of shares in offer, their allocation will have to be scaled back, depending on the level of Mandatory Clawback, if triggered[15]

Mechanism B

For Mechanism B, in light of the Minimum Bookbuilding Allocation, the initial Public Tranche must be 10% to 60% of the offer shares. If the Public Tranche is at 10%, the cornerstone tranche can be allocated up to 50% of the shares. However, if the Public Tranche is at 60%, no cornerstone tranche can be allocated.



Maximum cornerstone allowed

B. Open Market Requirements

The Amendments in relation to open market requirements will focus on 4 key topics discussed below.

1. Calculation of Public Float

1.1 Basis for Calculating Public Float Percentage

The public float has been expressed as a percentage of an issuer's total number of issued shares, irrespective of whether the shares are listed on the HKEx.

With the Amendments, public float calculations focus more on shares that contribute to the open market in Hong Kong[16]. They are illustrated in the below formulas:

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	Before the Amendments	After the Amendments
Issuers with one share class (non PRC issuers)[17]	*Shares in public hands* *Total issued shares of* that class	*Shares in public hands* *Total issued shares of* that class
Unlisted shares + H shares (PRC issuers)[18]	H *Shares in public hands* Unlisted shares + H shares (i.e. total issued shares)	H *Shares in public hands* Unlisted shares + H shares (i.e. total issued shares) Note : numerator only includes unlisted shares already converted into H shares, BUT does NOT include unlisted shares that are eligible for future conversion
A+H (PRC issuers)[19]	A + H *Shares in public hands* A shares + unlisted shares + H shares	H *in public hands* A shares + unlisted shares + H *Shares* Note: numerator includes H shares underlying any depositary receipts or H shares directly listed overseas
Issuers with same share class listed overseas[20]	Shares in public hands (on HKEx + overseas) Total issued shares	Shares in public hands (on HKEx + overseas) Total issued shares Note : numerator includes HKEx-listed shares underlying any depository receipts listed overseas

Note : All formulas are based on the number of relevant shares and exclude treasury shares.

However, it is noted that the implementation date of this proposal is subject to the HKEx's further consultation on on-going public float (the **Further Consultation**). Pending implementation of the final ongoing public float requirements, the **basis of calculation before the Amendments will continue to apply to existing issuers as part of the transitional arrangements**[21].

1.2 Meaning of "Public"

	Before the Amendments	After the Amendments[22]
Shares to be **excluded from** the meaning of "public" in public float calculations	Held by Core Connected Person (**CCP**)[23]	Same
	Acquisitions of which were financed by CCP	Acquisitions of which were financed by the issuer (or any of its subsidiaries) or CCP
	Relevant shareholders are accustomed to take instructions from CCP	Relevant shareholders are accustomed to take instructions from issuer (or any of its subsidiaries) or CCP
	Issuer's shares in treasury	Same

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Practical implications for shares under share schemes [24]

Shares held by a trustee that are not yet granted to share scheme participants of a listed issuer will NOT be regarded as shares held by "the public" for relevant calculations.

Shares granted by an independent trustee under a scheme to independent participants are regarded as held by "the public," whether vested or not.

Shares transferred to independent share scheme participants under a share scheme (i.e. vested share awards) will be regarded as being held by "the public".

2. Initial Public Float Thresholds

The Amendments have introduced a progressive threshold structure for issuer's minimum public float at the time of listing, based on the expected market value of the securities.

These changes are designed to provide greater flexibility and certainty for issuers, particularly those with large market capitalizations, and to align the public float requirements more closely with international standards.

Before the Amendments		**After the Amendments** [25]	
Expected market capitalisation	Minimum public float at listing	Expected market capitalisation of share class being listed	Minimum public float at listing
≤HK$10 billion	25%	≤HK$6 billion	25%
>HK$10 billion	15-25% at the HKEx's discretion	>HK$6 billion to ≤HK$30 billion	The higher of: (i) 15% or (ii) 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
-	-	>HK$30 billion	The higher of: (i) 10% or (ii) 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

Note : The above does not apply to A+H issuers. Please refer to Section B Part 4 below instead. [26]

Listing applicants and Issuers must disclose details to help investors assess the market value and compliance with the HKEX thresholds, such as the expected public float percentage under different offer price scenarios, and subsequently the minimum public float percentage based on its final offer price.[27]

3. Initial Free Float Requirements

As part of the open market initiative, the HKEx has also introduced a new "free flow" requirement which specifies the level of shares to be held by public at the time of listing. These shares shall not be subject to lock-ups or disposal restrictions (**Free Float**) and hence can be freely traded upon listing.

Applicants need to confirm compliance with free float requirement in prospectus.[28]

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	Before the Amendments	After the Amendments
Free Float thresholds for issuers (excluding H and A+H)	No requirement	Free Float in public hands at listing :[29] • ≥10% of number of issued shares in the class to be listed, with an expected market value of ≥HK$50 million for Main Board issuers; or • Have expected market value of ≥HK$600 million
H share (PRC issuers with no other listed shares)	No requirement	Free Float of H shares (to be listed on the HKEx) in public hands at listing:[30] • ≥10% of number of issued shares in the class for which H shares belong, with an expected market value of ≥HK$50 million; or • Have an expected market value of ≥HK$600 million
A+H (PRC issuers with other listed shares)	No requirement	Free Float of H shares (to be listed on the HKEx) in public hands at listing:[31] • ≥5% of total number of issued shares in class to which H share belong (i.e. A shares and H shares), with an expected market value of ≥HK$50 million; or • Have an expected market value of ≥HK$600 million
Scope of Application	No requirement	Applies to shares only, not to convertible securities or options, warrants or similar rights[32]
Shares in a Share Scheme	No requirement	Exclude shares held by an independent trustee on behalf of independent scheme participants (i.e. shares which have been granted to an independent grantee but unvested under a share scheme) from free float calculation[33]
Biotech (**Ch 18A**) and Specialist Technology Companies (**Ch 18C**)	Initial free float with value equivalent to:[34] Ch 18A – HK$375 million; Ch 18C – HK$600 million	Replace existing free float related requirements with the above.[35]

4. Requirements for A+H Issuers and other Prescribed Types of Issuers : Initial Minimum Percentage and Market Value of Listed Shares in Hong Kong

The requirements of minimum shares available for trading in Hong Kong are traditionally considered to be too high and hence discouraging for the issuers.

While after the Amendments, shares offers by A+H issuers in Hong Kong (or other PRC issuers with other shares listed on overseas regulated market, and/or issuers with other share class(es) listed overseas (collectively, the **Prescribed Issuers**)) may be smaller in size, however the changes are considered by the HKEx as an incentive for issuers who will otherwise choose competing listing platforms.[36]

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	Before the Amendments	After the Amendments	
		Issuer type	
1) Initial minimum % of shares available for trading in Hong Kong at listing	At least 15% of total issued shares (excluding treasury shares); and With HK$125 million in market value	A+H	H Shares seeking listing on the HKEx must be: [37] • At least 10% of the class to which H shares belong (i.e. including A shares); or • ≥HK$3 billion expected market value
2) Initial minimum public float at listing	At least 25% of total issued shares (excluding treasury shares) across all regulated markets, including HKEx.	A+H issuers & Prescribed Issuers	Same as point (1) of this table Shares counted towards this thresholds (i.e. H shares or shares to be listed) must be in pubic hands[38]
3) minimum market value requirement for the class for which listing is sought	HK$125 million in market value	A+H issuers & Prescribed Issuers	Removed[39]

C. Transitional Arrangements for Ongoing Public Float

Newly listed issuers with prospectuses published on or after 4 August 2025 must maintain the applicable minimum initial public float at all times until the new ongoing public float requirement takes effect. Accordingly, Section B Part 4 applies to newly listed A+H issuers, while other newly listed issuers should refer to Section B Part 2.[40]

All existing listed issuers will remain subject to the minimum ongoing public float thresholds that applied prior to the Amendments, based on the basis for calculation before the Amendments. This generally means 25% of the issuer's total number of issued shares (excluding treasury shares), or a lower minimum percentage previously accepted by the HKEx at the time of listing.[41]

If an issuer's public float falls below the required minimum, the HKEx may suspend trading of the issuer's shares until the float is restored.[42]

D. Conclusion

By refining the IPO offering and pricing mechanisms and recalibrating open market requirements, the HKEx aims to foster a more robust and dynamic trading environment that better reflects market demand and investor participation.

In parallel, the Exchange has launched its Further Consultation on ongoing public float requirements, seeking market feedback on how post-listing float thresholds should be maintained and enforced.

Listing applicants, issuers, and market participants should ensure full alignment with the new Amendments already in force, while keeping an eye on further developments that may shape future regulatory obligations and market practices.

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[1] Shares are allocated to selected investors who commit to the IPO at the final offer price, with guaranteed allocation and identity disclosure in the prospectus. The HKEx's consultation paper on the "Proposals to Optimise IPO Price Discovery and Open Market Requirements" dated December 2024 (the **Consultation**) paragraph 20
[2] Investors place orders for shares during a bookbuilding process, indicating the number and price they are willing to pay, without commitment until the final offer price is set; Consultation paragraph 20
[3] Shares are allocated to any investors who apply during the offer period, with allocation proportional to the number of shares applied for and commitment to pay the final offer price. Consultation paragraph 20
[4] Consultation page 9
[5] The Rules Governing the Listing of Securities on the HKEx for the Main Board (the **MBLR**) Practice Note 18 paragraph 3.2
[6] MBLR 8.08(2); Consultation Paragraph 234; The HKEx's conclusion on the Consultation dated August 2025 (the **Consultation Conclusion**) paragraph 450
[7] MBLR Practice Note 18, paragraph 4.2(a)
[8] MBLR Practice Note 18, paragraph 4.2(b)
[9] Guide for New Listing Applicants published by the HKEx (the **Guide**) section 4.14 paragraph 9
[10] The Guide section 4.14 paragraph 9; Consultation Conclusion paragraph 506
[11] Consultation Conclusion paragraphs 493, 501, 502
[12] Consultation Paper paragraph 268; Consultation Conclusion paragraph 504(a)
[13] The Consultation page 80 (footnote to Table 12); Consultation Conclusion paragraph 504(b)
[14] The Guide section 4.14 paragraph 2; Consultation Conclusion paragraphs 425, 483
[15] The Consultation footnote 155; Consultation Conclusion footnote 213
[16] Consultation paragraph 41
[17] Consultation paragraph 44; Conclusion paragraph 86
[18] Consultation paragraphs 45, 57; Conclusion paragraph 86, 90

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[19] Consultation paragraphs 38, 39, 45, 58; Conclusion paragraphs 89, 93 and footnote 7
[20] Consultation paragraphs 55, 56; Conclusion paragraph 98
[21] Consultation paragraph 48; Consultation Conclusion paragraphs 101 and 272; The HKEx has launched a public consultation on the ongoing public float requirements for listed issuers on 1 August 2025
[22] MBLR 8.24
[23] Core Connected Persons means : (a) for a company other than a PRC issuer, or any subsidiary of a PRC issuer, means a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them; (b) for a PRC issuer, means a director, supervisor, chief executive or substantial shareholder of the PRC issuer or any of its subsidiaries or close associate of any of them (MBLR 1.01)
[24] Note to MBLR 8.24; Consultation Conclusion paragraph 116
[25] MBLR 8.08(1), 19A.13A; Consultation Conclusion paragraphs 152, 158; For purposes of determining the expected market value and the minimum percentage, only securities in the class for which listing is sought that are in issue at the time of listing (excluding treasury shares) shall be counted
[26] Consultation Conclusion paragraph 136
[27] Consultation Conclusion paragraphs 159-162
[28] Consultation Conclusion paragraph 217
[29] MBLR 8.08A; Consultation paragraphs 140, 141; Consultation Conclusion paragraph 221; For purposes of determining the number of issued shares in the class to be listed, treasury shares will be excluded from the calculation.
[30] MBLR 19A.13C(1); Consultation paragraph 142; Consultation Conclusion paragraph 225; For purposes of determining the number of issued shares in the class for which H shares belong, treasury shares will be excluded from the calculation.
[31] MBLR 19A.13C(2); Consultation Conclusion paragraph 226
[32] MBLR 8.08A Note 1;Consultation paragraph 144 ; Consultation Conclusion paragraph 231
[33] MBLR 8.08A Note 1;Consultation paragraphs 65 and 145 ; Consultation Conclusion paragraph 231
[34] MBLR 18A.07 and 18C.10
[35] Consultation paragraphs 65 and 146; Consultation Conclusion paragraphs 232-233
[36] Consultation paragraph 174; Consultation Conclusion paragraphs 181-184
[37] MBLR19A.13A(2); Consultation paragraphs 156, 162; Consultation Conclusion paragraphs 166 and 184; For purposes of determining the number of shares, only shares in the class to which H shares belong that are in issue at the time of listing (excluding treasury shares) shall be counted.
[38] MBLR19A.13A(2); Consultation paragraphs 164; Consultation Conclusion paragraphs 173 and 184
[39] Consultation Conclusion paragraphs 177 and 184
[40] MBLR8.08(1); Consultation Conclusion paragraph 272(a)
[41] MBLR8.08 Note 2; Consultation Conclusion paragraph 272(b)
[42] Consultation Conclusion paragraph 272(c)

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