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Hong Kong float reforms may boost Mainland dual listings

The rules are not meant to manage share prices but to strengthen market integrity.

Hong Kong’s decision to lower public float requirements is expected to draw more dual listings from Mainland Chinese companies, strengthening a segment that has delivered some of its biggest initial public offerings (IPO).

“The eased initial public float requirement for A+H issuers will attract more A-share companies to seek a listing in Hong Kong because the lowered thresholds would accommodate those contemplating a smaller offer size,” **Ronny Chow**, head of Corporate Finance Practice Group at law firm Deacons, told Hong Kong Business.

Steve Alain Lawrence, chief investment officer at Balfour Capital Group, also believes the reduced float threshold will "encourage" A+H listings since it gives "dual-listed issuers more flexibility to calibrate liquidity between mainland and Hong Kong markets."

A+H issuers are Mainland companies that list shares both domestically in Renminbi, or A shares, and in Hong Kong in Hong Kong dollars, or H shares.

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Data from Han Kun Law Offices showed that as of 31 March, 38 A-share listed companies had announced plans for H-share listings in Hong Kong. Twenty of them had filed applications and four successfully listed.

IPOs from A-share companies and their spin-offs pushed Hong Kong’s average deal proceeds to more than five times last year’s level in the first half, according to Ernst & Young Global.

Until August 4, Hong Kong rules required these companies to allocate at least 15% of their issued shares as H shares for public investors.

“The previous 15% threshold would be too high for large cap A+H issuers, which may want to pursue a listing in Hong Kong but may not have an immediate need to raise a large amount of funds from the H share offer,” Chow said in an emailed reply to questions.

The revised public float rule requires H shares in public hands to either constitute at least 10% of the total shares or have a minimum market value of \$3 billion at the time of listing. Chow said this provides flexibility for A+H issuers to size their Hong Kong offers in line with actual funding needs.

For non-A+H issuers, requirements now vary by company size: 25% for firms valued at \$6 billion and below, 15% or \$1.5 billion for those worth over \$6 billion to \$30 billion, and 10% or \$4.5 billion for companies worth over \$30 billion in market capitalization.

Previously, all issuers faced a 25% threshold, though companies valued above \$10 billion were sometimes allowed to list with a float between 15% and 25%. Waivers below 15% were given only to mega-cap issuers and decided case by case by the exchange.

“The case-by-case approach is not ideal as it would mean uncertainty of the exact threshold required by the exchange for large-cap applicants,” Chow said.

Claudia Yiu, a partner at law firm Simmons & Simmons, noted that Hong Kong’s earlier float thresholds were “relatively higher” than those of other exchanges, such as the Australian Securities Exchange, Nasdaq Global Select Market, New York Stock Exchange, and Singapore Exchange.

“The reforms bring Hong Kong in line with leading global exchanges,” Yiu said in an emailed reply, adding that the introduction of an initial free float requirement strengthens the city’s regime compared with peers.

Under the rules, companies must make at least 10%, or 5% for A+H issuers, of their shares with a market value of at least \$50 million for Main Board listings and \$15 million for GEM, Hong Kong’s secondary board. Alternatively, the rule can be satisfied if at least \$600 million worth of shares are in public hands and available for trading on the first day.

Chow said this requirement would likely have a “positive impact on market liquidity,” as it ensures a sufficient number of shares are available for trading upon listing.

However, he cautioned that the reforms would not guarantee stronger first-day trading. Hong Kong has a mixed record on IPO debuts, such as Zhejiang Sanhua Intelligent Controls, which dropped 7% below its offer price in June.

Trading performance, he said, is ultimately shaped by factors such as company fundamentals, IPO pricing, and overall market sentiment.

Lawrence emphasised that weak first-day trading typically reflects wider market fragility. “Investors either lack conviction in valuations or remain cautious due to macro headwinds, regulatory uncertainty, or liquidity constraints,” he said in an emailed reply.

“In Hong Kong’s case, slower debut performance has mirrored weak global equity flows into China-related assets, ongoing US–China tensions, and concerns about earnings visibility in key sectors,” he added.

Yiu said liquidity depends on whether investors choose to sell shares at listing. “Performance on debut can be influenced by and signal a multitude of factors, from issuer-specific concerns and overpricing to broader weak investor appetite or confidence,” she said.

She said the revised rules are not meant to manage share prices but to strengthen market integrity.

Ultimately, Lawrence said the proposed changes will aid pipeline development, but underscored that HKEX should complement them with efforts to expand investor participation and enhance secondary market liquidity.