Cross-Border Listings Guide - Hong Kong Stock Exchange (Main Board)

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# Quick Summary

## Initial financial listing requirements

[Last updated: 1 January 2024, unless otherwise noted]

To qualify for listing on the Main Board of the HKSE, a company must have a trading record of not less than three financial years and meet at least one of the following three financial criteria at the time of listing:

Profit test

Market capitalization of at least HK$500 million (approx. US$63.95 million).

 Profit attributable to shareholders of at least HK$80 million (approx. US$10.23 million) in the last three financial years, with profits of at least HK$35 million (approx. US$4.48 million) recorded in the most recent year and aggregate profits of at least HK$45 million (approx. US$5.76 million) recorded in the two years before that.

Market capitalization/revenue test

Market capitalization of at least HK$4 billion (approx. US$511.60 million).

Revenue of at least HK$500 million (approx. US$63.95 million) for the most recent audited financial year.

Market capitalization/revenue/cash flow test

Market capitalization of at least HK$2 billion (approx. US$255.80 million).

Revenue of at least HK$500 million (approx. US$63.95 million) for the most recent audited financial year.

Positive cash flow from operating activities of at least HK$100 million (approx. US$12.79 million) in aggregate for the three preceding financial years.

In addition, a company must have available sufficient working capital for the group's present requirements, for at least the next 12 months from the date of the prospectus.

*Note:* Certain types of companies are subject to modified listing and ongoing compliance rules. For example, pre-revenue biotech companies, innovative companies with weighted voting rights (WVR) structures, mineral companies, overseas companies, PRC companies, investment companies and specialist technology companies have separate chapters in the Main Board Listing Rules which are dedicated to each of these types of companies. In addition, the HKSE may accept a shorter trading record period and/or may vary or waive the profit or other financial requirements for mineral companies, newly formed project companies (for example, a company formed to construct a major infrastructure project), pre-revenue biotech companies and specialist technology companies.  A special purpose acquisition company (SPAC) listing, which is an alternative way of listing a business, is subject to a separate listing regime.

## Other initial listing requirements

[Last updated: 1 January 2024, unless otherwise noted]

*Share price.* TheHKSE does not require a minimum trading price.

*Distribution.* To list its securities, a company must have:

At all times, at least 25% of its total issued share capital held by the public.

At the time of listing, at least 300 shareholders.

Not more than 50% of the shares in public hands at the time of listing can be beneficially owned by the three largest public shareholders.

*Accounting standards.* Audited financial statements must be prepared in compliance with HKFRS, IFRS, or, for a PRC issuer, CASBE. The financial reporting standards in the United States, the European Union, Singapore, the United Kingdom, Australia, Canada and Japan have been accepted previously, subject to certain limitations.

*Financial statements.* The listing document must generally include three years' audited financial statements and, if the latest financial year ended more than six months before the date of the listing document, and an audited interim (or stub) set of accounts for part of the current financial year.

*Operating history and ownership.* A trading record of at least three financial years, with:

Management continuity for at least the three preceding financial years.

Ownership continuity and control for at least the most recent audited financial year.

 *Other markets.* The HKSE also offers listings on GEM (formerly known as the Growth Enterprise Market), which has less stringent listing requirements. Information about GEM can be found in another chapter of this handbook.

## Listing process

[Last updated: 1 January 2024, unless otherwise noted]

The HKSE will review the prospectus and relevant announcements. The following is a fairly typical process and timetable for a listing of a company on the HKSE via an underwritten public offering in Hong Kong.

[Link to Timetable](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2024-update-10th-edition/hkse-main---short-form---listing-process.pdf?sc_lang=en)

## Corporate governance and reporting

[Last updated: 1 January 2024, unless otherwise noted]

Requirements for public companies include:

Appointment of a prescribed number of independent non-executive directors.

Appointment of at least one director of a different gender to the board.

Professional qualification of a company secretary.

Audit committee and its composition.

Remuneration committee and its composition.

Nomination committee and its composition.

Appointment of a compliance adviser.

A listed company has continuing disclosure and reporting obligations under the Hong Kong Listing Rules and the Hong Kong Securities and Futures Ordinance.

A listing applicant must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. However, the HKSE may grant a waiver from strict compliance with this requirement. Each waiver application will be considered on a case-by-case basis depending on the merits of the case.

## Fees

[Last updated: 1 January 2024, unless otherwise noted]

A company seeking to list must pay both initial listing fees and annual fees. The initial listing fee ranges from HK$150,000 (approx. US$19,185) to HK$650,000 (approx. US$83,135). Additional shares listed subsequently will require additional payments. The annual fee ranges from HK$145,000 (approx. US$18,546) to HK$1,188,000 (approx. US$151,945), depending on the nominal value of shares listed.

# Overview of exchange

## Overview of exchange

[Last updated: 1 January 2024, unless otherwise noted]

The Stock Exchange of Hong Kong Limited (commonly referred to as SEHK or HKSE) is recognized worldwide as a premier securities exchange with access to abundant local and overseas funds and free flow of both capital and information. The HKSE has a long-standing reputation as one of the most popular destinations for capital-raising among major financial markets.

With Hong Kong's close ties to Mainland China and other Asian economies, the HKSE is strategically placed to serve as an ideal platform for issuers to achieve exposure to the rapidly growing Mainland Chinese and other Asian markets. In addition, Hong Kong has a well-established legal system based on English common law, which provides companies with a strong and attractive foundation for capital raising and reinforces confidence for investors. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules) are comparable to international standards and demand from issuers a high level of corporate governance and transparency. Over the years, the Hong Kong government and regulators have sought ways to expand, diversify and internationalize the stock market by attracting more foreign companies of good quality to list in Hong Kong.

There are two boards on the HKSE where issuers may list their securities:

The Main Board is a market for companies that meet the profit or other financial criteria of the HKSE. Companies can list either shares or depositary receipts, as a primary or secondary listing, on the Main Board.

The second board is the GEM (formerly known as the Growth Enterprise Market), which is a stand-alone market for small and mid-sized companies.

The HKSE does not specialize in, or encourage listings by, any particular type of company, but instead encourages any company that meets its listing requirements to list in Hong Kong.

Certain types of companies are subject to modified listing and ongoing compliance rules. For example, pre-revenue biotech companies, innovative companies with weighted voting rights (WVR) structures, mineral companies, overseas companies, companies incorporated in Mainland China (PRC companies), investment companies and specialist technology companies have separate chapters in the Main Board Listing Rules which are dedicated to each of these types of companies. A special purpose acquisition company (SPAC) listing, which is an alternative way of listing a business, is subject to a separate listing regime.

As at 31 December 2023, the aggregate market capitalization of the securities listed on the Main Board and GEM was HK$31,039.10 billion (approximately US$3,979.90 billion), representing a 12.97% decrease from HK$35,666.8 billion (approximately US$4,561.78 billion) as of 31 December 2022. The Main Board's market capitalization was HK$30,985.47 billion (approximately US$3,963.04 billion), representing a 12.92% decrease from HK$35,581.73 billion (approximately US$4,550.90 billion) as of 31 December 2022.

As at 31 December 2023, the average daily trading turnover for Main Board and GEM was HK$105.00 billion (approximately US$13.43 billion), representing a 15.30% decrease from HK$124.91 billion (approximately US$15.98 billion) in 2022.

As at 31 December 2023, there was a total of 2,609 companies listed on the HKSE (December 2022: 2,597), of which 2,283 companies are listed on Main Board (December 2022: 2,257). That marks a slight increase of 1.15% in the total number of listed companies on the HKSE. In 2023, the Main Board had 73 new listings (2022: 90), representing a decrease of 18.89%.

As at 31 December 2023, the Main Board and GEM had a total of 1,447 Mainland enterprises (December 2022: 1,409 (including H Share companies, Red Chip companies and Mainland private enterprises) and 1,162 domestic and foreign companies (December 2022: 1,188). In 2023 and 2022, Mainland enterprises constituted approximately 55% and 54% of the total number of listed companies on the HKSE. In term of market capitalization, Mainland enterprises constituted 76.5% as at 31 December 2023 and 76.9% as at 31 December 2022, representing a decrease of 13.41%. It is not feasible to differentiate meaningfully between domestic and foreign companies listed on the HKSE because many domestic companies restructure themselves before listing and use foreign holding companies as their listing vehicles (for example, investment holding companies incorporated in offshore tax havens like Cayman Islands, British Virgin Islands or Bermuda).

For the avoidance of doubt, H-Share companies are enterprises incorporated in Mainland China and controlled by either Mainland Chinese Government entities or Mainland Chinese individuals. Red Chip companies are enterprises incorporated outside Mainland China and controlled by Mainland Chinese Government entities. Mainland private enterprises are companies incorporated outside Mainland China and controlled by Mainland Chinese individuals.

As at 31 December 2023, the Main Board and GEM raised IPO equity funds of approximately HK$46.29 billion (approximately US$5.92 billion) (as of 31 December 2022: HK$104.62 billion (approximately US$13.38 billion), representing a decrease of 55.8%.

In Hong Kong, two main regulators are involved in any proposed listing on the HKSE and post-listing compliance matters. They are the HKSE and the Securities and Futures Commission (SFC). The HKSE takes the leading role in regulating companies seeking a listing in Hong Kong and supervising their post-listing compliance requirements. The SFC performs a leading role in market regulation and certain areas of listing regulation.

Hong Kong operates a dual filing regime. The HKSE is responsible for the day-to-day administration of all listing-related matters, while the SFC supervises and monitors the HKSE in its listing-related functions and responsibilities. As such, disclosure documents are required to be filed with both the HKSE and the SFC. The HKSE is the frontline regulator and the primary point of contact for listed companies. The HKSE passes information and materials submitted by listing applicants and listed companies to the SFC. The SFC may exercise its statutory powers to investigate persons who knowingly or recklessly provide false or misleading information in its statutory filing with the SFC under the dual filing system.

During a listing process, the Listing Division of the HKSE is the primary point of contact for listing applicants and their advisers. The Listing Division vets materials submitted by listing applicants for compliance with the Main Board Listing Rules and prospectus requirements under the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Securities and Futures Ordinance (SFO) under the laws of Hong Kong. The Listing Committee/Division of the HKSE will determine (subject to an established review procedure) whether a listing applicant may or may not list on the HKSE. The SFC does not actively participate in the listing approval process, but, if it appears to the SFC that the disclosure materials of a listing applicant contain false or misleading information or the applicant is otherwise unsuitable to list in Hong Kong, the SFC can object to a listing. The SFC has taken a front-loaded approach to identify risks and take pre-emptive measures to regulate the stock market.

*Primary and secondary listing on the Main Board*

For companies in conventional industry sectors, the HKSE has one set of listing requirements which apply to both primary and secondary listings and both foreign and domestic companies. The HKSE has set out additional requirements, modifications and exceptions which apply to an overseas issuer whose primary listing is or is to be on another stock exchange. An overseas company can opt for a dual-primary listing where it is subject to both full requirements in Hong Kong (unless specifically waived by the HKSE) and those of another jurisdiction.

Alternatively, an overseas company can apply for a secondary listing on the Main Board if it already has or simultaneously seeks to apply for a primary listing on another stock exchange recognized by the HKSE (Recognized Stock Exchange) and the majority of their equity securities are traded outside Hong Kong.

Below is a list of the Recognized Stock Exchanges published on the HKSE's website:

The Amsterdam Stock Exchange (NYSE Euronext – Amsterdam).

The Australian Securities Exchange (ASX).

The *São Paulo Stock, Commodities and Futures Exchange (B3 S.A. - Brasil, Bolsa, Balcão)*.

The Frankfurt Stock Exchange (Deutsche Börse).

The Indonesia Stock Exchange (IDX).

The Italian Stock Exchange (Borsa Italiana).

The London Stock Exchange (LSE).

The Madrid Stock Exchange (Bolsa de Madrid).

Nasdaq OMX (US).

The New York Stock Exchange (NYSE Euronext (US)).

The Paris Stock Exchange (NYSE Euronext – Paris).

The Saudi Exchange (Tadawul).

The Singapore Exchange (SGX).

The Stockholm Stock Exchange (Nasdaq OMX – Stockholm).

The Swiss Exchange (SIX Swiss Exchange).

The Tokyo Stock Exchange (TSE).

The Toronto Stock Exchange (TMX).

An overseas company seeking a secondary listing on the Main Board will also be required to satisfy other criteria such as minimum market capitalization at listing and minimum track record on the primary exchange. Different thresholds and different specific rules may apply to different types of overseas companies, including, for example, whether such companies are innovative companies with WVR structures or companies in conventional industry sectors.

Overseas companies must also demonstrate how the domestic laws, rules and regulations to which they are subject, and their constitutional documents, in combination, provide the core shareholder protection standards as set out in the Listing Rules. For this purpose, the HKSE may require an issuer seeking a secondary listing to amend its constitutional documents to provide for such core shareholder protection standards.

A secondary listed company will principally be regulated by the rules and authorities of the jurisdiction where they are primary listed and the dominant market of their securities will also be on that overseas primary exchange. For this reason, the HKSE exempts or waives certain requirements of the Listing Rules for issuers with, or seeking, a secondary listing. The Listing Rules set out a list of automatic waivers, which are granted automatically without making any application, and a list of common waivers, which will be granted on a case-by-case basis by the HKSE after taking into account the merits of the case and all relevant facts and circumstances.

*Spin-off listing*

Companies listed on the HKSE may apply for a separate listing of their existing businesses and assets if the spin-off proposal meets the principles applied by the HKSE, which include: (a) the spin-off entity satisfying all listing criteria, (b) no spin-off within three years of the parent's original listing and (c) the parent's remaining business having sufficient operations and assets to support its separate listing status after the spin-off.

*Stock connect*

Stock Connect, the mutual market access program that links the stock markets in Mainland China (Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE)) and Hong Kong, celebrated its ninth anniversary in November 2023. Since its launch, Stock Connect has seen volume growth in both Northbound trading (trading of SSE securities or SZSE securities by Hong Kong and overseas investors) and Southbound trading (trading of SEHK securities by Mainland Chinese investors) to meet rising global investor demand. Southbound Stock Connect is an important source of liquidity for Hong Kong's equity market. Average daily turnover (ADT) on Southbound trading has grown from HK$900 million (approximately US$115.11 million) in 2014 to HK$33.80 billion (approximately US$4.32 billion) in the first half of 2023, representing 14.7% of total ADT on the Main Board of the HKSE. In addition to shares of listed companies, Exchange Traded Funds (ETFs) are included as eligible securities to be traded under Stock Connect on 4 July 2022.

*Special purpose acquisition company (SPAC) listing*

On 1 January 2022, the Hong Kong SPAC regime came into effect. It provides an alternative route for listing on the Main Board and is designed to welcome SPAC listing applications from experienced and reputable SPAC promoters seeking good quality de-SPAC targets. Please refer to our Global SPACs Guide which sets out a comparison of some of the features and requirements applicable to SPACs and de-SPACs in a number of jurisdictions across the regions, including Hong Kong. Please feel free to contact us for further information on the Hong Kong SPAC regime.

*Specialist technology company listing*

On 31 March 2023, a new listing regime was introduced to attract listing applications from companies operating in an acceptable sector of any of the following specialist technology industries:

Next-generation information technology.

Advanced hardware and software.

Advanced materials.

New energy and environmental protection.

New food and agriculture technologies.

Under the new listing regime, specialist technology companies are categorized as commercial companies (namely those that have met the commercial revenue threshold of at least HK$250 million (approximately US$31.98 million) for their most recent audited financial year) or pre-commercial companies (namely those that have not yet met the said commercial revenue threshold), with more stringent listing requirements for pre-commercial companies given their risk profile.

A company falling outside the list of industries or acceptable sectors must submit a pre-IPO enquiry to the HKSE before submitting a formal listing application under the new listing regime.

# Principal listing and maintenance requirements and procedures

## Principal listing and maintenance requirements and procedures

[Last updated: 1 January 2024, unless otherwise noted]

A listing applicant must meet the basic requirements to qualify for a listing on the Main Board. The HKSE may grant waivers from strict compliance with the requirements, and it assesses each waiver application on a case by case basis depending on the merits of each case. The HKSE has additional listing and disclosure requirements for innovative companies with WVR structures, pre-revenue biotech companies, infrastructure companies, mineral companies, investment companies, overseas companies, PRC companies and specialist technology companies.

In general, an applicant whose assets consist wholly or substantially of cash and/or short-dated investments will not normally be regarded as suitable for listing, except when the cash and short-term investments are held by a member of the issuer's group that is a banking company, an insurance company or a securities house.

 *Financial requirements.* A Main Board applicant must have a trading record of not less than three financial years and meet one of the following three financial criteria:

[Link to Table](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2024-update-10th-edition/hkse-main---long-form---principal-listing-and-maintenance.pdf?sc_lang=en)

An innovative company with WVR structure is required to have a minimum market capitalization of HK$40 billion (approx. US$5.12 billion), or alternatively, a minimum market capitalization of HK$10 billion (approx. US$1.28 billion) and a minimum revenue of HK$1 billion (approx. US$127.90 million) for the most recent audited financial year. A pre-revenue biotech company must have an initial market capitalization of at least HK$1.5 billion (approx. US$191.85 million). A specialist technology company is required to have a minimum market capitalization of HK$6 billion (appox. US$767.40 million) and a revenue of at least HK$250 million (approx. US$31.98 million) for the most recent audited financial year, or alternatively, a minimum market capitalization of HK$10 billion (approx. US$1.28 billion). A mineral company failing to satisfy the financial requirements may still apply to be listed if it can establish that its directors and senior managers, taken together, have sufficient experience relevant to the exploration and/or extraction activity that the mineral company is pursuing. A mineral company is defined as a new applicant whose major activity is the exploration for and/or extraction of natural resources (that is, mineral and/or petroleum). "Major activity" means an activity that represents 25% or more of the total assets, revenue or operating expenses of the applicant's group with reference to its latest audited consolidated financial statements.

A listing applicant must be satisfied, after due and careful inquiry, that it has available sufficient working capital for the group's present requirements, for at least the next 12 months from the date of the prospectus. In the case of a mineral company, a pre-revenue biotech company or a specialist technology company with less than HK$250 million (approx. US$31.98 million) revenue for the most recent audited financial year, it must have available working capital to meet 125% of the group's working capital needs for at least 12 months from the date of the prospectus.

After the initial listing, a company is not required to meet similar ongoing financial requirements in order to maintain its listing.

*Operating history and management.* A Main Board listing applicant must have a trading record of at least three financial years, with:

Management continuity for at least the three preceding financial years.

Ownership continuity and control for at least the most recent audited financial year.

The track record period for a pre-revenue biotech company is modified to two financial years with management continuity for at least two financial years. Ownership continuity remains 12 months prior to the date of the listing application. The ownership continuity and control requirement for a specialist technology company is modified to 12 months prior to the the date of the listing application and up until the time immediately before the offering and/or placing becomes unconditional.

Under the market capitalization/revenue test, the HKSE may accept a shorter trading record period under substantially the same management if the new applicant can demonstrate that: (i) its directors and management have sufficient and satisfactory experience of at least three years in the line of business and industry of the new applicant; and (ii) management continuity for the most recent audited financial year.

*Minimum public float.* At least 25% of the listing applicant's total issued share capital must at all times be held by the public, subject to a minimum market capitalization of HK$125 million (approximately US$15.99 million) at the time of listing. However, for listing applicant with an expected market capitalization of over HK$10 billion (approximately US$1.28 billion) at the time of listing, the HKSE may accept a lower percentage of between 15% and 25%. This minimum public float must be maintained at all times after listing. For example, a corporate issuer with a large market capitalization at the time of listing might obtain a waiver from strict compliance with the normal public float requirement.

*Other open market requirements*. At the time of listing, there must be a minimum of 300 shareholders. In addition, not more than 50% of the shares in public hands at the time of listing can be beneficially owned by the three largest public shareholders.

*Lock-up requirements.* The Main Board Listing Rules provide that any controlling shareholder(s) (holding 30% or more of the issued share capital of an issuer) must not, from the prospectus date until six months after the date of initial listing, in any way dispose of any of its interest in the issuer (including shares, options, rights or encumbrances). In addition, for a further six months, a controlling shareholder cannot dispose of any of its interest in the issuer so that it will cease to be controlling shareholder.

These restrictions do not apply to:

Any offer for sale contained in the prospectus.

Any additional securities purchased by the controlling shareholder(s) during the relevant period, subject to the requirements to maintain an open market in the securities and a sufficient public float.

Any stock lending arrangement to facilitate settlement of over-allocations.

Using the securities as security in favor of an authorized institution for a bona fide commercial loan.

*Corporate governance.* The Main Board Listing Rules have various chapters dedicated to corporate governance issues. These cover various topics, including notifiable transactions, connected transactions, board composition and committee structure, review by auditors and retention of external compliance advisers. See Section 5 below for further information.

*Board and executive management requirements.* Each issuer must appoint at least three independent non-executive directors (INED), which represents at least one-third of the board before listing and at least one INED who has appropriate accounting or professional qualification. A listing applicant with a single gender board must appoint at least one director of a different gender before listing.

*Sponsor and sponsor-overall coordinator.* Each listing applicant must appoint at least one independent sponsor to assist with its listing application and to act as a sponsor-overall coordinator. A sponsor must be licensed or registered under applicable laws to advise on corporate finance matters. A sponsor is not independent if, for instance, the sponsor group holds, directly or indirectly, more than 5% of the number of issued shares of the new applicant, except where the holding arises as a result of an underwriting obligation.

*Minimum trading price.* The HKSE does not impose any requirement for listed companies to have or maintain a minimum trading price for their securities.

*Currency.* Eligible securities must be traded and settled in Hong Kong dollars, Renminbi or US dollars, even though they may be denominated in other currencies.

*Clearing of trades.* All new equity securities to be listed on the HKSE are required to be admitted on their first listing or trading date to the Central Clearing and Settlement System (CCASS) operated by Hong Kong Securities Clearing Company Limited (HKSCC). CCASS is a securities settlement system used within the HKSE market system. It is not a mandatory requirement to deposit the shares in CCASS, but all on-market transactions will be settled through CCASS. Securities deposited in CCASS will be registered in the name of HKSCC Nominee Limited.

*Compliance adviser and company secretary.* A newly listed issuer must appoint a compliance adviser from listing until the date on which the issuer complies with the relevant Main Board Listing Rules in respect of its financial results for the first full financial year commencing after the date of its initial listing. Under the Main Board Listing Rules, the compliance adviser must be a corporation or authorized financial institution licensed or registered to carry on Type 6 regulated activities (advising on corporate finance) under the SFO. After the prescribed period, the HKSE has the discretion to direct a listed issuer to appoint a compliance adviser to undertake such role for such period in specific circumstances if a listed issuer has breached the Main Board Listing Rules consistently.

An issuer must appoint a company secretary who possesses academic or professional qualifications or relevant experience capable of discharging the functions of company secretary.

*Sophisticated investors and meaningful investment.* For innovative companies with WVR structures, pre-revenue biotech companies and specialist technology companies, there are additional requirements for sophisticated investors and meaningful investment. Sophisticated investors for innovative companies and specialist technology companies are assessed based on factors that include net assets, assets under management, relevant investment experience and such investors' knowledge and expertise in the relevant field. Examples of sophisticated investors for pre-revenue biotech companies include dedicated healthcare funds, major healthcare companies and investors with minimum assets under management of HK$1 billion (approximately US$127.90 million), and there is also indicative benchmark investment (that ranges from 1% to 5% or more of the issued share capital of the issuer upon listing) for different amounts of market capitalization of pre-revenue biotech issuers.

# Listing documentation and process

## Listing documentation and process

[Last updated: 1 January 2024, unless otherwise noted]

*Primary listings*. In cases where the Main Board is the primary location where the listing applicant's securities will be traded and it is raising funds in the listing process, the applicant must provide to investors a prospectus and relevant announcements and circulars. These documents must also be submitted to the Hong Kong regulators as part of the listing process. In addition, accountants' reports, financial information for a stub period, a property valuation report (if applicable) additional technical valuation reports, application for exemptions (if application) and legal opinions have to be submitted to the regulators.

*Secondary listings*. In cases where the listing applicant's securities are already traded on another exchange, subject to very minor differences, the Main Board Listing Rules requirements are the same as those for a primary listing. In particular, the listing process and documentary requirements are very similar. Please feel free to contact us for the specific details.

*Prospectus contents*. The mandatory content requirements of a prospectus are set out in the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Main Board Listing Rules and the Securities and Futures (Stock Market Listing) Rules. The main disclosure requirements include:

General nature of the business of the issuer.

Current and historical shareholding and capital structure of the issuer, and details of the substantial shareholder(s) of the issuer.

Risk factors.

Waivers and exemptions from compliance with the Listing Rules.

Information about the listing.

Relationship with controlling shareholders.

Accountants' report for three financial years prior to the date of the prospectus.

Property valuation report, if applicable.

Summary of all material contracts entered into by the issuer group during the track record period.

Summary of the constitutional documents of the issuer.

Indebtedness of the issuer group.

Use of proceeds.

Details of the directors of the issuer and parties involved in the offering.

If the issuer is a mining or exploration company, avaluation report of the resources.

*Financial statements.* At the time of initial listing, the prospectus must include an accountants' report which reports on the last three financial years' results and, if the latest financial year ended more than six months before the date of the prospectus, then, in addition, an audited interim (or stub) set of accounts for part of the current financial year.

For primary and secondary listings of all issuers, financial statements must be prepared in accordance with any one of:

The Hong Kong Financial Reporting Standards (HKFRS).

International Financial Reporting Standards (IFRS).

For PRC issuers only, China Accounting Standards for Business Enterprises (CASBE).

The HKSE has in previous cases granted waivers from strict compliance with these accounting standard requirements for primary and secondary listings. In the case of the accountants' report for an overseas issuer, the financial reporting standards in the United States, the European Union, Singapore, the United Kingdom, Australia, Canada and Japan have been accepted previously, subject to certain limitations. Where the HKSE allows an oversea issuer's accountants' report to be drawn up otherwise than in conformity with HKFRS or IFRS, the HKSE will normally require the report to contain a reconciliation statement setting out the financial effect of the material differences (if any) from either HKFRS or IFRS.

*Typical process and timetable for a listing of a foreign company*

The length of time required to list a company from the kick-off meeting to the actual listing depends on many factors such as the size of the company's operation, complexity of issues, the quality of the internal records of the company, the due diligence process and whether all requisite documents and approvals are available or have been obtained. In general, a very smooth project will take six to nine months to complete. Complex corporate restructuring, preparation of financial statements up to the required standard and application for special waivers would lengthen the listing timetable.

The following diagram summarizes the process for a listing application on the Main Board.

*Note: "H" stands for the provisional date when the HKSE Listing Division meets to consider and discuss the listing application (commonly known as the "listing hearing"). The days indicated are clear business days (that is, days on which securities are traded on the HKSE). All indications of dates are estimates.*

[Link to Table](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2024-update-10th-edition/hkse-main---long-form---listing-doc-and-process1.pdf?sc_lang=en)

The documentation requirements described in this section are similar for foreign and domestic companies, with a few minor deviations. The following is a fairly typical timetable for a listing of a company on the Main Board.

[Link to Table](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2024-update-10th-edition/hkse-main---long-form---listing-doc-and-process2.pdf?sc_lang=en)

# Continuing obligations/periodic reporting

## Continuing obligations/periodic reporting

[Last updated: 1 January 2024, unless otherwise noted]

Once a company is listed, it must publish its interim and annual accounts within a prescribed timeframe and follow the content and publication requirements set out in the Main Board Listing Rules. In addition, the Main Board Listing Rules prescribe other continuing disclosure requirements on listed companies, such as immediate disclosure of inside information, notifiable transactions and connected transactions. In the first financial year after listing, a newly listed company must consult its compliance adviser (i) before publication of any regulatory announcement, circular or financial report; (ii) when it is contemplating a notifiable or connected transaction; (iii) when it is proposing to use the proceeds of the initial public offering in a manner different from that detailed in the prospectus or where the business activities, developments or results of the issuer deviate from any forecast, estimate, or other information in the prospectus.

A listed issuer may not affect any transaction or arrangement which would result in a fundamental change in its principal business activities as described in the prospectus in the first 12 months after listing.

*Inside information.* As one of the continuing disclosure requirements under the Main Board Listing Rules and the SFO, a listed company has a general obligation to disclose price sensitive or inside information to the public. Inside information means specific information about the company, its shareholders or officers or its shares/derivatives that is not generally known to the persons who are accustomed to deal in the shares of the company, which, if known to them would likely materially affect the price of the listed shares. The obligations to disclose inside information depend upon the facts of each case.

*Financial statements*. The issuer must issue (i) an annual report including its annual financial results within four months after the end of the financial period; and (ii) an interim report including its half-year interim results (for the first 6 months of each financial year) within three months after the end of that six months period.

Annual financial statements must be audited by a firm of practising accountants which is a PIE Auditor under the Hong Kong Accounting and Financial Reporting Council Ordinance (AFRCO).  Annual financial statements of an overseas issuer with primary listing on the HKSE must be audited by either (a) a Registered PIE Auditor under the AFRCO; or (b) an overseas firm of practising accountants that is a Recognised PIE Auditor of that issuer under the AFRCO. Interim financial statements (half-year or quarterly) do not need to be audited but they must be "reviewed" by the auditors.

In addition to disclosing inside information and financial statements, the Main Board Listing Rules impose other continuing disclosure obligations on listed companies such as changes of directors, notifiable transactions (which, in some cases, may not only require disclosure but will also require prior approval from shareholders) and corporate actions. Generally, announcements regarding acquisitions, disposals and results of shareholders' meeting must be published on the same day that the relevant agreements are signed or on the same day on which the shareholders' meeting was held. In any event, announcements must be published no later than 30 minutes before the commencement of the morning trading session of the next business day. Certain types of announcements and circulars have to be vetted by the HKSE before publication.

*Market misconduct.* In Hong Kong, market misconduct is governed by the SFO. The six forms of market misconduct comprise:

Insider dealing.

False trading.

Price rigging.

Stock market manipulation.

Disclosure of false or misleading information inducing transactions.

Disclosure of information about prohibited transactions.

The SFO governs the Market Misconduct Tribunal (MMT), which has the power to impose civil sanctions for market misconduct activities. The SFO also contains a parallel criminal regime. There is, however, no "double jeopardy" under the two regimes. Under the civil regime, the MMT may make various orders, such as:

Disqualifying an officer of a listed corporation for up to five years.

Prohibiting dealings in any securities, futures or leveraged foreign exchange contracts for up to five years.

Disgorgement of the amount of any profit gained or loss avoided as a result of the market misconduct.

The maximum criminal sanctions are 10 years' imprisonment and fines of HK$10 million (approximately US$1.28 million).

In addition, third party actions in the courts are permitted. A person who has "committed a relevant act in relation to market misconduct" is liable to pay compensation by way of damages to any other person for any pecuniary loss sustained by the other person as a result of the market misconduct. The proceedings of the MMT are admissible in such cases.

The SFO also imposes a duty on a company's officers (including its directors) to take all reasonable measures to ensure that proper safeguards exist to prevent the company from committing any market misconduct. If the company is identified as having engaged in market misconduct, the MMT may impose sanctions on any of its officers (including its directors) so long as the misconduct is attributable, directly or indirectly, to a breach by that officer of the duty imposed on him to take the preventive measures.

# Corporate governance

## Corporate governance

[Last updated: 1 January 2024, unless otherwise noted]

*Listing Rules requirements*

The Main Board Listing Rules have a chapter and an appendix dedicated to corporate governance. In addition, various requirements relevant to corporate governance are contained throughout the Main Board Listing Rules. There are four tiers of requirements:

Type A: Rules, which are the required standard of corporate governance mandatory for all issuers and breaches may lead to sanctions.

Type B: Mandatory requirements for disclosure in an issuer’s corporate governance report, any failure to disclose will be regarded as a breach of the Listing Rules.

Type C: Code provisions ("comply or explain" requirements), which an issuer is expected to comply with, but may deviate from if the issuer gives considered reasons for the deviation and explains how good corporate governance was achieved by means other than strict compliance with the code provision. The explanation should provide a clear rationale for the alternative actions, steps taken by the issuer and the impacts and outcome. Failure to provide considered reasons and an explanation in such manner will be regarded as a breach of the Listing Rules.

Type D: Recommended best practices, which an issuer is encouraged to adopt on a voluntary basis, but a failure to adopt does not require explanation.

*Type A regulations*

The requirements which a company must comply with are relatively prescriptive. Examples include:

Appointment of at least three INEDs to the board and INEDs must represent at least one-third of the board.

At least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise.

Appointment of at least one director of a different gender to the board.

Professional qualification of a company secretary.

Appointment of an audit committee and its composition.

Appointment of a remuneration committee and its composition.

Appointment of a nomination committee and its composition.

Appointment of a compliance adviser.

*Type B, Type C and Type D regulations*

Type B, Type C and Type D regulations are mainly included in the Corporate Governance Code (CG Code). The CG Code sets out:

The mandatory disclosure requirements for corporate governance reports in the areas of corporate governance practices, board of directors, chairperson and chief executives, board committees, company secretary, directors' securities transactions, risk management and internal control, auditor's remuneration, diversity, shareholders' rights, and investor relations.

The principles of good governance and code provisions that deal with: corporate strategy, business model and culture; corporate governance functions; board composition, succession and evaluation; appointment, re-election and removal of directors; nomination committee; the responsibilities of directors; the roles and responsibilities of chairman and chief executive; management functions; board committees; conduct of board proceedings and supply of and access to information; company secretary; financial reporting; risk management and internal control; audit committee; the level and make-up of remuneration and disclosure; effective communication with shareholders, and shareholders meetings.

The recommended best practices.

*Corporate governance report*

Issuers must include a corporate governance report prepared by the board of directors in their annual reports. The corporate governance report must include all the information required in the Main Board Listing Rules, for example:

The mandatory disclosure requirements for corporate governance reports.

A narrative statement explaining how the issuer has applied the principles of good governance to enable shareholders’ evaluation of such application.

A statement as to whether the issuer has complied with the CG Code provisions.

For any deviation from the CG Code provisions (including adoption of any alternatives other than the CG Code provisions), details of the deviation during the financial year (including the considered reasons and explanation).

Issuers must state in their interim reports whether they have complied with the code provisions for the period covered in their interim reports and provide considered reasons and explanation for any deviation.

*Environmental, Social and Governance (ESG) report*

Issuers must publish their ESG report on an annual basis and regarding the same period covered in their annual reports in accordance with the prescribed ESG reporting guide set out in the Main Board Listing Rules. The ESG report may be presented as information in the issuer's annual report or in a separate report. The ESG report has to address two subject areas: environmental and social. Corporate governance is addressed separately in the CG Code.

The ESG reporting guide under the Main Board Listing Rules comprises two levels of disclosure obligations: (a) mandatory disclosure requirements; and (b) "comply or explain" provisions. If a company deviates from the "comply or explain" provisions, it must give considered reasons in its ESG report.

# Specific situations

## Specific situations

[Last updated: 1 January 2024, unless otherwise noted]

*Large companies*. The financial criteria for companies with a large market capitalization are different from smaller companies. These differences include:

Acceptance of a shorter trading record period under the market capitalization/revenue test if the applicant is able to demonstrate that its directors and management have sufficient and satisfactory experience of at least three years in the line of business and industry and there is management continuity for the most recent audited financial year.

Acceptance of a lower percentage of public float (between 15% and 25%) for issuers with an expected market capitalization of over HK$10 billion (approximately US$1.28 billion) at the time of listing, compared with the usual 25% as described in section 2 above.

*Small companies*. There are no additional requirements, or changes in the normal requirements, that apply to smaller companies listing on the Main Board.

*Specific industries*. Companies in certain industries are subject to modified listing and maintenance rules. For example, innovative companies, pre-revenue biotech companies, mineral companies, infrastructure companies, investment companies, specialist technology companies have separate chapters in the Main Board Listing Rules which are dedicated to each of these types of companies. In addition, the HKSE may accept a shorter trading record period and/or may vary or waive the profit or other financial requirements for pre-revenue biotech companies, mineral companies, newly formed project companies (infrastructure projects) or specialist technology companies.

The HKSE has the discretion to determine whether a particular company is suitable for listing in Hong Kong. In general, an issuer whose assets consist wholly or substantially of cash or short-term investments will not be regarded as suitable for listing, except for cash or short-term investments held by a member company that is a banking company, an insurance company or a securities house.

*"Fast track" listings*. The HKSE does not have a "fast track" or expedited listing procedure. However, for cases where all the necessary information is already available, the listing process could be much shorter than usual.

# Presence in the jurisdiction

## Presence in the jurisdiction

[Last updated: 1 January 2024, unless otherwise noted]

*Management presence*. A new applicant applying for a primary listing on the HKSE must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. However, the HKSE may grant a waiver from strict compliance with this requirement and will assess each waiver application on a case-by-case basis depending on the merits of the case.

*Process agent*. A foreign issuer must appoint and maintain throughout the period when its securities are listed on the HKSE, a process agent in Hong Kong to accept service of process and notices on its behalf in Hong Kong.

*Authorized representative*. Every issuer must appoint and retain at all times two authorized representatives as the principal channel of communication between the issuers and the HKSE. The two authorised representatives must be either two directors or a director and the company secretary of the issuer unless the HKSE, in exceptional circumstances, agrees otherwise. The authorized representatives may also be the process agent referred to in the preceding paragraph.

*Corporate records*. It is a Main Board Listing Rule requirement that only securities registered on a register kept in Hong Kong may be traded on the HKSE. A foreign issuer must keep a register of holders in Hong Kong for transfers to be registered locally.

In addition, any foreign issuer must be registered as a non-Hong Kong company under the Hong Kong Companies Ordinance. Therefore, a foreign issuer must file requisite records and documents with the Registrar of Companies in Hong Kong, such as the details of directors and company secretary.

# Fees

## Fees

[Last updated: 1 January 2024, unless otherwise noted]

*Initial listing.* For an initial listing, any issuer (domestic or foreign) must pay an initial listing fee. For primary listings, the fee is determined by the following scale:

[Link to Table](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2024-update-10th-edition/hkse-main---long-form---fees1.pdf?sc_lang=en)

For secondary listings, the initial listing fee is normally 25% of the fees listed above, subject to a minimum fee of HK$150,000 (approximately US$19,185).

*Ongoing fees*. All domestic or foreign listed issuers must pay an annual listing fee on the following scale:

[Link to Table](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2024-update-10th-edition/hkse-main---long-form---fees2.pdf?sc_lang=en)

For secondary listing, the annual listing fee is normally 25% of the fees listed above.

For issuers whose shares have a nominal value of less than HK$0.25 (approximately US$0.03) or no nominal value at listing, the nominal value per share shall be deemed to be HK$0.25 (approximately US$0.03) for calculation of the annual listing fees.

# Additional Information

## Additional Information

[Last updated: 1 January 2024, unless otherwise noted]

All materials to be distributed to shareholders must be in both the English and Chinese unless the Main Board Listing Rules specify otherwise.

Under the Main Board Listing Rules, all documents furnished to the HKSE in a language other than English must be accompanied by a certified English translation.

There are many issues a foreign company should examine when considering a cross-border listing. Whether the foreign company is already listed on any stock exchange or not, when considering a listing on the HKSE, the issuer, its directors and senior management should familiarize themselves with the continuing compliance obligations imposed by the HKSE and other relevant Hong Kong securities laws and regulations, such as the Codes on Takeovers and Mergers and Share Buy-backs (Codes). A secondary listed company on the HKSE is not subject to the Codes unless it is a "public company in Hong Kong" within the meaning of the Codes.

*Key differences in requirements for domestic companies*

Listing requirements for domestic companies are generally the same as those for foreign companies. Certain foreign companies are, however, subject to the HKSE's case-by-case assessment for suitability to list in Hong Kong.

# Contacts

## Contacts within Baker McKenzie

The following partners are the most appropriate contacts within Baker McKenzie for inquiries about prospective listings on the HKSE.

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