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

Overview of exchange

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# Overview of exchange

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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.

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