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

Principal listing and maintenance requirements and procedures

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# 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.

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