

Whether the Exchange would allow a listed issuer to reduce its minimum public float to 15 per cent based on its market capitalisation after listing

Facts

1. An issuer (**Company A**) was listed on the Main Board. Under Rules 8.08(1) and 13.32(1), at least 25% of its total issued share capital must at all times be held by the public [\(see Note below\)](#).
2. After listing, Company A requested the Exchange to exercise its discretion under Rule 8.08(1)(d) to allow it to maintain a minimum public float of 15%. At the time of application, Company A's market capitalisation was approximately HK\$12 billion.
3. Company A submitted that:
 - Given the number of securities concerned and their widespread distribution, the market for Company A's shares would still be able to operate properly after relaxation of the minimum public float from 25% to 15%.
 - It expected that its public float percentage would likely be reduced to 15% because: (i) it proposed to repurchase its own shares; and (ii) its existing shareholders, including institutional investors, might increase their shareholdings where circumstances permitted.
 - As at the time of listing, Company A had a market capitalisation of approximately HK\$20 billion. While Note (2) to Rule 13.32(2) provided that the relaxation of the public float requirement under Rule 8.08(1)(d) would not be open for application after listing, Company A was of the view that the Note was only intended to apply to an issuer who was unable to meet the market capitalisation threshold of HK\$10 billion at the time of listing, but not an issuer, Company A, who had met that threshold at the time of listing.

Relevant Listing Rules

4. Rule 8.08(1)(d) provides that:

The Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalisation at the time of listing of over HK\$10,000,000,000, where it is satisfied that the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage, ...

5. Note (2) of Rule 13.32(2) provides that:

The lower percentage of securities in public hands that the Exchange may at its discretion grant to eligible issuers under rule 8.08(1)(d) may only be granted at the time of listing and will not be open for application post listing notwithstanding an issuer may after listing attain a market capitalisation over HK\$10,000,000,000.

Analysis

6. Rule 8.08(1)(d) describes the conditions upon which the Exchange may exercise discretion to accept a lower percentage of public float of between 15% to 25% at the time of listing. Note (2) to Rule 13.32(2) further reinforces the timing at which the Exchange may exercise such discretion by providing that “... *the lower percentage of securities in public hands that the Exchange may at its discretion grant to eligible issuers under Rule 8.08(1)(d) may only be granted at the time of listing and will not be open for application post listing notwithstanding an issuer may after listing attain a market capitalization of over HK\$10,000,000,000.*”
7. It is clear that the prescribed minimum public float, once determined at the time of listing, is not subject to further relaxation after listing merely on the basis of market capitalisation. This position recognises the fact that the fluctuations of the share price, and hence market capitalisation, of listed issuers after listing would make it difficult to monitor compliance and create market uncertainty if the minimum public float is allowed to be reviewed and adjusted merely because of such fluctuations.
8. The Exchange did not agree that Note (2) to Rule 13.32(2) was only intended to apply to an issuer who was unable to meet the market capitalisation threshold of HK\$10 billion at the time of listing, but not to an issuer who had met that threshold at the time of listing. The Exchange’s administrative practice in considering a public float waiver request at the time of listing is to allow the minimum public float to be the higher of the prescribed minimum according to the Listing Rules and that held by the public immediately after completion of the offering and upon exercise of the over-allotment option. Accordingly, had Company A who was able to meet the minimum 25% public float requirement, applied for a waiver at the time of listing, no waiver would have been granted.

Conclusion

9. The Exchange declined Company A’s request for the Exchange to exercise its discretion under Rule 8.08(1)(d) to allow Company A to maintain a minimum public float of 15%.

Note: Rule 8.08(1) was amended on 11 June 2024 to exclude treasury shares in the calculation of issued shares for the purpose of determining the public float of the issuer. The Rule amendments would not change the analysis and conclusion in this case.