

## Guidance On Public Float

### I. Background and purpose

1. This letter provides guidance to listed issuers on their public float continuing obligations under the Listing Rules.

### II. Relevant Listing Rules

2. Main Board Rules 13.32A to 13.32G (GEM Rules 17.37A to 17.37G) set out the ongoing public float requirements that apply to any issuers other than PRC issuers. These rules are modified by Main Board Rules 19A.28A to 19A.28G (GEM Rules 25.21A to 25.21G), respectively, in the case of PRC issuers (including PRC issuers with no other listed shares and PRC issuers with other listed shares).

### III. Guidance

#### A. Calculation of market value for applicable thresholds

3. Under Main Board Rules 13.32B and 19A.28B (GEM Rules 17.37B and 25.21B), there must be an open market in the shares listed on the Exchange, at all times, either by maintaining the Initial Prescribed Threshold<sup>1</sup> or relying on the Alternative Threshold<sup>2</sup> (or in the case of PRC issuers with other listed shares, the bespoke ongoing public float thresholds with reference to the market value or percentage of the H shares listed on the Exchange and held by the public<sup>3</sup>).
4. Issuers (including PRC issuers with no other listed shares) relying on the Alternative Threshold and PRC issuers with other listed shares (e.g. A+H issuers) relying on the market value threshold of the applicable ongoing public float requirement (these thresholds are collectively referred to in this guidance as the **“Market Value Thresholds”**) are required to demonstrate that the market value of their public float meets the applicable threshold. Such a market value is to be determined by multiplying (a) the number of shares held by the public as of the date of determination by (b) the volume weighted average price of an issuer’s shares listed on the Exchange over the 125 trading days (or all trading days since listing, if shorter, in the case of a PRC issuer with other listed shares) immediately prior to the date of determination.<sup>4</sup>

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<sup>1</sup> See Main Board Rules 13.32B(1) and 19A.28B(1)(a) / GEM Rules 17.37B(1) and 25.21B(1)(a).

<sup>2</sup> See Main Board Rules 13.32B(2) and 19A.28B(1)(b) / GEM Rules 17.37B(2) and 25.21B(1)(b).

<sup>3</sup> See Main Board Rule 19A.28B(2) / GEM Rule 25.21B(2).

<sup>4</sup> See the Notes to Main Board Rules 13.32A(3) and 19A.28A / GEM Rules 17.37A(3) and 25.21A.

5. An illustration of the calculation method for the volume weighted average price, for this purpose, is set out below:

- (a) List the daily turnover of the relevant shares (i.e. issued shares in the class of shares listed) in dollar value and daily number of shares traded over the relevant reference period<sup>5</sup>.
- (b) Calculate the total turnover and the total number of shares traded over the relevant reference period.
- (c) The volume weighted average price of the relevant shares over the relevant reference period is calculated by dividing the total turnover, over that period, by the total number of shares traded over the same period. For example, in the table below, the volume weighted average price is  $3,744,000 / 600,000 = \text{HK\$6.24}$ .

Day	Turnover (HKD)	Number of shares traded
1	28,800	4,800
2	22,320	3,600
3	40,200	6,000
...	...	...
125	24,000	3,000
<b>TOTAL</b>	<b>3,744,000</b>	<b>600,000</b>

6. If an issuer conducted a corporate action involving a capital reorganisation such as a share consolidation, share sub-division or bonus issue of shares, during the relevant reference period, the number of shares traded should be adjusted for the corporate action to derive the volume weighted average price.

7. Set out below is an illustrative example of a two-for-one share sub-division effective from the 100th day, the daily trading volume on each of Days 1 to 99 will be multiplied by an adjustment factor of 2 (2:1) to obtain the adjusted number of shares traded. The volume weighted average price is  $4,280,000 / 900,000 = \text{HK\$4.76}$ .

Day	Turnover (HKD)	Number of shares traded	Adjusted number of shares traded
1	34,000	3,200	6,400
2	12,020	2,400	4,800
3	20,200	4,400	8,800
...	...	...	...
100	35,000	5,000	5,000
...	...	...	...
125	14,000	2,000	2,000
<b>TOTAL</b>	<b>4,280,000</b>	<b>650,000</b>	<b>900,000</b>

<sup>5</sup> See Main Board Rule 13.32A(3), Note 2 to Rule 13.32C, Rule 19A.28A(3), Rule 19A.28A(4) and Note 2 to Rule 19A.28C / GEM Rule 17.37A(3), Note 2 to Rule 17.37C, Rule 25.21A(3), Rule 25.21A(4) and Note 2 to Rule 25.21C.

## B. Regular reporting obligations

### Overview

8. Issuers are subject to regular public float disclosure obligations under Main Board Rules 13.32D and 19A.28D (GEM Rules 17.37D and 25.21D), as summarised below:

Reporting obligation	Monthly returns	Annual reports
<b>Confirmation of compliance with the applicable ongoing public float threshold</b>	All issuers	All issuers
<b>Minimum public float percentage threshold</b>	Issuers relying on the Initial Prescribed Threshold	Issuers relying on the Initial Prescribed Threshold
<b>Actual public float percentage</b>	Issuers relying on the Market Value Thresholds	All issuers <sup>(note)</sup>
<b>Actual public float market value</b>	Issuers relying on the Market Value Thresholds <sup>(note)</sup>	Issuers relying on the Market Value Thresholds <sup>(note)</sup>
<b>Share ownership composition</b>	Not applicable	All issuers
<b>Share capital structure</b>	Not applicable	All issuers

*Note: Issuers that have relied on the Market Value Thresholds at any time within the financial year are required to disclose: (a) in respect of each month in which they relied on the applicable Market Value Threshold as at the end of that month, the market value and percentage of their public floats as at the end of that month; and (b) a commentary on all material changes to their public float levels during the financial year (see paragraphs 15 and 16 of this guidance letter).<sup>6</sup>*

### Basis for disclosure

9. Main Board Rules 13.32D(4) and 19A.28D(4) (GEM Rules 17.37D(4) and 25.21D(4)) provide that regular public float disclosure must be made based on information that is publicly available to the issuer or otherwise within the knowledge of their directors or supervisors (in the case of a PRC issuer).

10. An issuer must make reasonable efforts to determine its public float for the purpose of the disclosure. For example, an issuer is expected to:

- incorporate the information reported in filings made under Part XV of the SFO; and
- put in place necessary internal control procedures to ensure that its core connected persons (and other persons who are not considered “the public”) are aware of the requirement, and will promptly inform the issuer of their initial shareholdings and any subsequent changes in their shareholdings. The issuer should incorporate information received under such procedures with any other non-public shareholding that has not been disclosed in public filings (e.g. in situations where the relationship of the

<sup>6</sup> See Main Board Rules 13.32D(3) and 19A.28D(3) / GEM Rules 17.37D(3) and 25.21D(3).

shareholder with the issuer does not trigger filing requirement) but is known to directors or supervisors (in the case of a PRC issuer).

For this purpose, an issuer is not expected to exhaust all possible means to ascertain the underlying shareholders, for example, an issuer is not expected to conduct an investigation under section 329 of the SFO.

11. Any caveats and assumptions relating to the regular public float disclosure should be stated clearly to facilitate understanding of the disclosure. For example, if a disclosure is made based on SFO Part XV filings but the issuer is not able to confirm the actual shareholding of the relevant shareholder (as of the date the disclosure is to be made), the issuer must disclose the relevant limitation(s) of the disclosure (for monthly return, such information should be stated in the "Additional Information" box).

### Annual report disclosure

#### Share ownership composition

12. Main Board Rules 13.32D(2)(c)(iii)(1) and 19A.28D(2)(c)(iii)(1) (GEM Rules 17.37D(2)(c)(iii)(1) and 25.21D(2)(c)(iii)(1)) require an issuer to set out, in each of its annual reports, a statement showing the composition of ownership of the relevant class of shares<sup>7</sup> listed on the Exchange as at the end of the relevant financial year. We expect such a statement to contain, to the extent applicable, at least the information set out below:

Group of shareholders	Expected disclosure
<b>(a) Shareholders who are <u>not</u> members of "the public"</b>	
(i) Substantial shareholders of the listed issuer and their close associates	Individual shareholding of each shareholder on an individually named basis <sup>(note)</sup>
(ii) Directors, supervisors, chief executives of the listed issuer and their close associates	
(iii) Any other persons excluded from the definition of "the public" <sup>8</sup>	Aggregate shareholding of the group
<b>(b) Shareholders who are members of "the public"</b>	
(i) Persons who fall within the definition of "the public" and have disclosed their interests pursuant to Part XV of the SFO	Individual shareholding of each shareholder on an individually named basis <sup>(note)</sup>
(ii) A trustee holding shares which are regarded as being held by "the public" pursuant to the Note to Main Board Rule 8.24 / Note 3 to GEM Rule 11.23 <sup>9</sup> , i.e. an independent trustee holding granted (vested or unvested) shares of a share scheme of the issuer on behalf of independent scheme participants	
(iii) Any other members of "the public"	Aggregate shareholding of the group

*Note: The disclosure should indicate the name of each shareholder and the nature of its relationship with the issuer.*

<sup>7</sup> In the case of a PRC issuer, the reference to "relevant class of shares" is replaced by H shares.

<sup>8</sup> These persons may include: (a) persons who are core connected persons only because of the person's connection with the listed issuer's subsidiary(ies), e.g. a director, chief executive or substantial shareholder of a subsidiary of the listed issuer or a close associate of any of them; and (b) those who are accustomed to take instructions from core connected person(s) of the issuer.

<sup>9</sup> If only part of the shares held by the trustee are regarded as being held by "the public" pursuant to the Note to Main Board Rule 8.24 / Note 3 to GEM Rule 11.23, the shareholding disclosed in respect of this item (b)(ii) shall comprise those shares that are regarded as being held by "the public". The issuer should include appropriate notes to facilitate understanding of the disclosure.

### **Share capital structure**

13. Main Board Rules 13.32D(2)(c)(iii)(2) and 19A.28D(2)(c)(iii)(2) (GEM Rules 17.37D(2)(c)(iii)(2) and 25.21D(2)(c)(iii)(2)) require an issuer to set out, in each of its annual reports, a statement showing its share capital structure as at the end of the relevant financial year. We expect the relevant statement on share capital structure to include details of the different type(s) and class(es) of securities, together with:
  - (a) the percentage for each type of shares (as a percentage of the total number of shares);
  - (b) the ranking of each type of shares; and
  - (c) details of any special voting right structure (if applicable).
14. The information required under Main Board Rules 13.32D(2)(c)(iii) and 19A.28D(2)(c)(iii) (GEM Rules 17.37D(2)(c)(iii) and 25.21D(2)(c)(iii)) can be presented in a tabular format and/or such other format the issuer believes will best present the composition of the ownership of the relevant class of shares listed on the Exchange and its share capital structure in the relevant report.

### ***Commentary on material changes in public float levels (for issuers relying on Market Value Thresholds)***

15. Main Board Rules 13.32D(3)(b) and 19A.28D(3)(b) (GEM Rules 17.37D(3)(b) and 25.21D(3)(b)) require an issuer that relied on a Market Value Threshold as at the end of any month during a financial year to include, in the relevant annual report, a commentary on all material changes in its public float levels during the financial year.
16. The commentary should explain the details of each material change in the issuer's public float level during the financial year, including the date and nature of the event triggering the material change. If the material change was triggered by a transaction, a brief description of the transaction should be provided.

## **C. Public Float Shortfall**

### **Restoration**

17. Where an issuer's public float falls below the applicable public float threshold, it must take active steps to restore its public float in a timely manner. The board of the issuer should promptly devise and announce a concrete and viable restoration plan<sup>10</sup>, which should include a clear timeframe in respect of each stage of work under the plan to demonstrate that the required minimum public float will be restored within a reasonable period. The Exchange may give guidance to issuers on the adequacy of their plans and comment on their timeframe, where appropriate. However, it is the issuer's obligation to devise an effective restoration plan to ensure re-compliance with the applicable ongoing public float threshold.
18. The Exchange has the discretion to take appropriate action(s), including to deem an issuer as having a Significant Public Float Shortfall<sup>11</sup> or to suspend the trading of, or cancel the listing of,

<sup>10</sup> This could be done, for example, by a placing of existing shares by the controlling or substantial shareholder(s), or a placing of new shares by the issuer.

<sup>11</sup> Main Board Rules 13.32G and 19A.28G / GEM Rules 17.37G and 25.21G.

the shares of an issuer<sup>12</sup>, if an issuer fails to re-comply with the applicable ongoing public float requirements within a reasonable period. The Exchange will assess each case individually taking into account the specific circumstances of the issuer and the actions taken to address the issue.

### Initial Announcement

19. Under Main Board Rules 13.32E(1)(b) and 19A.28E(1)(b) (GEM Rules 17.37E(1)(b) and 25.21E(1)(b)), an issuer must, upon becoming aware of a public float shortfall, publish an announcement ("Initial Announcement") within one business day to inform the public of the non-compliance and information on its public float.
20. In the Initial Announcement, the issuer is obliged to disclose its plan and expected timeline to restore its public float under Main Board Rules 13.32E(1)(b)(iv) and 19A.28E(1)(b)(iv) (GEM Rules 17.37E(1)(b)(iv) and 25.21E(1)(b)(iv)). If details of the restoration plan cannot be finalised and disclosed in the Initial Announcement, the issuer may include such details in a subsequent announcement to be published within 15 business days of becoming aware of the public float shortfall<sup>13</sup>.
21. Issuers are expected to prepare their restoration plans on a best effort basis. If there are any subsequent material changes to their restoration plans, issuers should promptly publish follow-up announcements to update the market and clearly explain the reasons for the changes.
22. In addition, issuers are required to disclose details of the composition of ownership of the relevant class of shares<sup>14</sup> listed on the Exchange in the Initial Announcement under Main Board Rules 13.32E(1)(b)(v) and 19A.28E(1)(b)(v) (GEM Rules 17.37E(1)(b)(v) and 25.21E(1)(b)(v)). For this purpose, the guidance as set out in paragraph 12 on the expected level and format for the disclosure on share ownership composition also applies.

### Subsequent Monthly Announcements

23. For so long as an issuer has a public float shortfall, it is obliged to publish monthly announcements ("Subsequent Monthly Announcements") under Main Board Rules 13.32E(2)(a) and 19A.28E(2)(a) (GEM Rules 17.37E(2)(a) and 25.21E(2)(a)).
24. In respect of the disclosure in a Subsequent Monthly Announcement of the status of its public float restoration plan and the expected timing for such restoration, the issuer must include:
  - (a) progress updates against the milestones set out in its restoration plan to enable existing shareholders and potential investors to understand the action(s) taken and any forthcoming action(s) planned for re-compliance with the applicable ongoing public float requirements; and
  - (b) clear explanations for any material delay(s) or deviation(s) from its original restoration plan.

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<sup>12</sup> Main Board Rule 6.01(2) / GEM Rule 9.04(2).

<sup>13</sup> Note 1 to Main Board Rule 13.32E(1)(b) and Note 1 to Main Board Rule 19A.28E(1)(b) / Note 1 to GEM Rule 17.37E(1)(b) and Note 1 to GEM Rule 25.21E(1)(b).

<sup>14</sup> In the case of a PRC issuer, the reference to "relevant class of shares" is replaced by H shares.

### Restriction on actions that may further lower public float

25. Under Main Board Rules 13.32E(2)(b), 13.32E(3), 19A.28E(2)(b) and 19A.28E(3) (GEM Rules 17.37E(2)(b), 17.37E(3), 25.21E(2)(b) and 25.21E(3)), for so long as an issuer has a public float shortfall, the issuer itself and its directors (and supervisors, in the case of a PRC issuer) must not take actions that will further lower the issuer's public float percentage. This is even if the action is taken pursuant to a pre-existing arrangement entered into prior to the issuer experiencing a public float shortfall, unless there are exceptional circumstances.
26. For this purpose, the Exchange considers the following to be examples of such "*exceptional circumstances*" for an issuer with a public float shortfall:
  - (a) the issuer subsequently seeking privatisation (e.g. by repurchasing shares through the making of a general offer);
  - (b) compliance with court orders or regulatory enforcement actions; and
  - (c) the temporary holding of shares pursuant to a pre-existing arrangement, followed immediately by disposal as part of a transaction to restore a public float shortfall.
27. In addition, the Exchange has the power to impose sanctions on any directors and any other person as specified under Main Board Rule 2A.09(1) (GEM Rule 3.10(1)) such as substantial shareholder or senior management of an issuer if they are found to have caused by action or omission, or knowingly participated in, a contravention of the Listing Rules<sup>15</sup> (including actions resulting in the issuer breaching its ongoing public float threshold).

### Significant Public Float Shortfall

28. An issuer must publish an announcement to inform the public upon it becoming aware of a Significant Public Float Shortfall (pursuant to Main Board Rules 13.32G(1) and 19A.28G(1) (GEM Rules 17.37G(1) and 25.21G(1))). For the avoidance of doubt, all other requirements applicable to an issuer with a public float shortfall also apply to an issuer with a Significant Public Float Shortfall.

### Stock marker

29. In addition, the listed shares of an issuer with a Significant Public Float Shortfall must have a stock name that ends with the marker "-PF". The relevant requirements, in this regard, are set out in Notes 1 and 2 to Main Board Rule 13.32G and Notes 1 and 2 to Main Board Rule 19A.28G (Notes 1 and 2 to GEM Rule 17.37G and Notes 1 and 2 to GEM Rule 25.21G).
30. An issuer with a Significant Public Float Shortfall must submit its proposed stock short name for the relevant listed shares to the Exchange on the same date as its announcement of the Significant Public Float Shortfall, using the form prescribed by the Exchange from time to time for changes to trading arrangements. In particular:
  - (a) the stock short names of equity securities are subject to character limits as set out in the Naming Conventions of Stock Short Name published on the HKEX website from time to time ("**Naming Conventions**"). Accordingly, an issuer with a Significant Public Float

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<sup>15</sup> See Main Board Rules 2A.09 and 2A.10B / GEM Rules 3.10 and 3.11B.

Shortfall may need to abbreviate the existing characters in the stock short name of the relevant listed shares to allow the addition of the marker;

- (b) if the addition of the marker to its existing stock short name would not exceed the relevant character limit for the English and/or Chinese stock short name, the proposed stock short name must reflect only the addition of the marker (i.e. the addition must not alter the existing characters representing the name of the relevant listed shares in this circumstance); and
- (c) in all cases, the proposed stock short name must comply with the Naming Conventions. The Exchange reserves the right to determine the final stock short name.

31. The Exchange will normally notify the issuer of the final stock short name and the intended effective date and time of the new stock short name for the trading in the relevant listed shares within one business day after the receipt of all necessary information. The issuer is expected to announce the new stock short name together with the effective date and time to the market as soon as practicable after the receipt of such a notification (in any event within the same business day).

32. The stock marker and the requirements set out in paragraphs 30 to 31 also apply to any other trading counters, for example: multiple trading currency counters; trading counters for nil paid rights (in the case of a rights issue); and parallel trading counters in the case of a share consolidation or subdivision. The Exchange reserves the right to impose the designated marker in any manner it considers appropriate, including where: an issuer fails to submit the prescribed form; does not comply with the procedures set out in this guidance; or otherwise fails to cooperate with the Exchange.

33. The procedures set out in paragraphs 30 to 31 also apply to the removal of the stock marker.

### ***Delisting***

34. Under Main Board Rules 13.32G(3) and 19A.28G(3) (GEM Rules 17.37G(3) and 25.21G(3)), the Exchange will cancel the listing of an issuer's shares if the issuer has a Significant Public Float Shortfall and fails to re-comply with the applicable ongoing public float threshold for a continuous period of 18 months (GEM: 12 months) beginning from the commencement of the Significant Public Float Shortfall.

35. This delisting mechanism prescribes a clear timeline to facilitate the timely delisting of issuers that have a Significant Public Float Shortfall, and also provides certainty to the market. Accordingly, consistent with our practice of delisting long suspended issuers<sup>16</sup>, any extension of the remedial period may only be granted by the Listing Committee<sup>17</sup> in exceptional circumstances<sup>18</sup> to ensure the effectiveness and credibility of the delisting mechanism and to prevent undue delay in the delisting process.

36. For the avoidance of doubt, the Exchange generally expects issuers with a public float shortfall to resolve the issue within a reasonably short period of time. Accordingly, an issuer's inability to obtain cooperation from major shareholders would not be considered a valid ground for the

<sup>16</sup> Issuers whose securities have been suspended from trading for more than three months.

<sup>17</sup> Under Main Board Rules 2A.08 and 2A.37K / GEM Rules 3.09 and 3.38K, the Listing Committee reserves to itself the power to decide whether to delist an issuer which is subject to a review of the decision by the Listing Review Committee in accordance with the review procedure under the Rules.

<sup>18</sup> See paragraphs 22 and 23 of [HKEX-GL95-18 \(Guidance on long suspension and delisting\)](#).

Exchange to refrain from delisting the issuer if it fails to restore sufficient public float within the remedial period.

**D. Issuers with shares listed on a PRC stock exchange**

37. The ongoing public float requirements applicable to PRC issuers are modified by Main Board Rules 19A.28A to 19A.28G (GEM Rules 25.21A to 25.21G), which include bespoke ongoing public float requirements specifically applicable to PRC issuers with other listed shares (e.g. A+H issuers). Such bespoke requirements will apply to existing A+H issuers (and existing PRC issuers with no other listed shares which subsequently list a portion of their shares on a PRC stock exchange).
38. The Exchange is also aware that some issuers that are not PRC issuers may have shares listed on a PRC stock exchange which are in the same class as, but are not fungible with, the shares listed on the Exchange (e.g. shares denominated in Renminbi).
39. In view of the similarity in their features, the Exchange will apply the ongoing public float requirements for PRC issuers with other listed shares (e.g. A+H issuers) to such issuers, even if they are not PRC issuers. For such issuers, the reference to "H shares" in the relevant Rule requirements shall be modified to mean their shares listed on the Exchange.

**Important note:**

This letter does not override the Listing Rules and is not a substitute for advice from qualified professional advisers. If there is any conflict or inconsistency between this letter and the Listing Rules, the Listing Rules prevail. You may consult the Listing Division on a confidential basis for an interpretation of the Listing Rules, or this letter.