

# New Chapter of Listing Rules Unveiled

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31<sup>st</sup> March, 2023

## Introduction

A new chapter of the Main Board Listing Rules (the “**Listing Rules**”) establishing specialist technology listing regime will be rolled up to solicit new Specialist Technology Companies (“**STC**”) to get listed on the Stock Exchange of Hong Kong Limited (“**SEHK**”). The new chapter, Chapter 18C of the Listing Rules relaxes the listing thresholds for STC and permits the listing of STC that cannot meet the Main Board Eligibility Tests subject to additional requirements. The new chapter will take effect on 31 March 2023.

## STC Coverage

STC are companies primarily engaged in the research and development (“**R&D**”) of and commercialisation and/or sales of products and/or services that apply science and/or technology, whether alone or together with other products or services (“**Specialist Technology Product**”) within an acceptable sector of a Specialist Technology Industry (“**STI**”).

The list of (i) STI; and (ii) acceptable sector which is a non-exhaustive list and will be revised and updated from time to time by the SEHK is set out below:

<b>STI</b>	<b>Acceptable Sector</b>
(a) Next-generation information technology	<ul style="list-style-type: none"><li>• Cloud-based services</li><li>• Artificial intelligence</li></ul>
(b) Advanced hardware and software	<ul style="list-style-type: none"><li>• Robotics and automation</li><li>• Semiconductors</li><li>• Advanced communication technology</li><li>• Electric and autonomous vehicles</li><li>• Advanced transportation technology</li><li>• Aerospace technology</li><li>• Advanced manufacturing</li><li>• Quantum information technology and computing</li><li>• Metaverse technology (e.g., virtual reality)</li></ul>
(c) Advanced materials	<ul style="list-style-type: none"><li>• Synthetic biological materials</li><li>• Advanced inorganic materials</li><li>• Advanced composite materials</li><li>• Nanomaterials</li></ul>
(d) New energy and environmental protection	<ul style="list-style-type: none"><li>• New energy generation</li><li>• New energy storage and transmission technology</li><li>• New green technology</li></ul>
(e) New food and agriculture technologies	<ul style="list-style-type: none"><li>• New food technology</li><li>• New agriculture technology</li></ul>

An applicant falling outside the above STI or acceptable sectors could be considered as within an acceptable sector of STI if it can demonstrate that:

- (i) it has a high growth potential;
- (ii) its success is attributable to the application, to its core business, of new technologies and/or the application of the relevant science and/or technology within that sector to a new business model, and it is different from traditional market participants serving similar consumers or end users; and
- (iii) R&D significantly contributes to its expected value and constitute a major activity expense.

Further, the SEHK has divided STC into two categories and set different listing thresholds:

1. ***Commercial Company***: an STC which has met the minimum revenue threshold of HK\$250 million for the most recent audited financial year arising from its specialist technology business segment(s) (the “**Commercialisation Revenue Threshold**”); and
2. ***Pre-Commercial Company***: an STC which is primarily engaged in R&D to bring its products to commercialisation and which has not yet met the Commercialisation Revenue Threshold at IPO.



## Thresholds for Listing

Eligibility Requirements	Commercial Company	Pre-Commercial Company
<b>Revenue</b>	≥ HK\$250 million for the most recent audited financial year	No requirement but demonstrating a credible path <sup>1</sup> to achieve the Commercialisation Revenue Threshold
<b>Market capitalisation</b>	≥ HK\$6 billion	≥ HK\$10 billion
<b>Trading record</b>	Usually ≥ three financial years and a shorter trading record of at least two financial years accepted on a case-by-case basis in exceptional circumstances	
<b>Working capital</b>	No requirement	With sufficient working capital (including IPO proceeds) to cover at least 125% of its group's costs for at least the next 12 months from the date of publication of its listing document
<b>R&amp;D expenditure ratio<sup>2</sup></b>	≥ 15%	≥ 30% with revenue ≥ HK\$150 million but <HK\$250 million  ≥ 50% with revenue less than HK\$150 million for the most recent audited financial year
<b>R&amp;D Period</b>	Already engaged in the R&D for at least three financial years prior to listing and a shorter period of at least two financial years accepted in exceptional circumstances	
<b>Management continuity</b>	Already in operation in its current line of business for at least three financial years prior to listing under substantially the same management	
<b>Ownership continuity</b>	Ownership continuity and control in the 12 months prior to the date of the listing application, and up until the time immediately prior to the offering and/or placing becoming unconditional	

<sup>1</sup> Proof by binding contracts or non-binding framework agreements, and those contracts/agreements meet the requirements of the "credit path" examples in the Guidance Letter issued by the HKEx (e.g., with a substantial potential aggregate contract value realizable within 24 months from the date of listing).

<sup>2</sup> A percentage of total operating expenditure for each of the three financial years prior to listing.

<p><b>Meaningful investment from sophisticated independent investors (SIIs)<sup>3</sup></b></p>	<p>Meaningful investment at least 12 months before the date of the listing application from SIIs (“<b>Pathfinder SIIs</b>”) satisfying the following:</p> <ul style="list-style-type: none"> <li>• Two to five Pathfinder SIIs that: <ul style="list-style-type: none"> <li>○ in aggregate hold <math>\geq 10\%</math> of an applicant’s issued share capital as at the date of listing application and throughout the pre-application 12-month period; or</li> <li>○ otherwise an aggregate investment sum of <math>\geq</math> HK\$1.5 billion in the applicant at least 12 months prior to the date of listing application (excluding any subsequent divestments made on or before the date of the listing application); and</li> </ul> </li> <li>• At least two such Pathfinder SIIs: <ul style="list-style-type: none"> <li>○ each hold <math>\geq 3\%</math> of an applicant’s issued share capital as at the date of listing application and throughout the pre-application 12-month period; or</li> <li>○ otherwise each have invested <math>\geq</math> HK\$450 million in the applicant at least 12 months prior to the date of listing application (excluding any subsequent divestments made on or before the date of the listing application).</li> </ul> </li> </ul>
<p><b>Optimised price discovery process</b></p>	<ul style="list-style-type: none"> <li>• <math>\geq 50\%</math> of offer shares to be taken up by “<b>Independent Price Setting Investors<sup>4</sup></b>”</li> </ul>



<sup>3</sup> Investment experience, knowledge and expertise in the relevant field (e.g., net assets, AUM, size of its investment portfolio or track record of investments where applicable) will be considered and the HKEx will publish guidance on the definition of sophisticated independent investors, and the nature and extent of investment from time to time.

<sup>4</sup> “Independent Price Setting Investors” comprises (i) Independent Institutional Professional Investors; and (ii) other types of independent investors with AUM, fund size or investment portfolio size of at least HK\$1 billion that satisfy the same independence requirement, excluding existing shareholders and any of their close associates, and core connected persons.

## Disclosure Requirements

Both Commercial and Pre-Commercial Companies are required to comply with the existing Listing Rule requirements and guidance on the disclosure of the use of proceeds, including those required to be disclosed in annual and interim reports and in relation to a material change in the use of proceeds not previously disclosed in the Listing Document. In the case of any such material change, STC, as with other issuers, must make an announcement to notify investors of the change after listing as this is generally regarded as price sensitive information.

The SEHK imposes additional requirement on a Pre-Commercial Company and it must demonstrate to the SEHK and disclose in its listing document a credible path to the commercialisation of its Specialist Technology Product(s), as appropriate to the relevant STI, that will result in it achieving the Commercialisation Revenue Threshold.

The above are summary of the new Listing Rules. For details, please see Chapter 18C of the Listing Rules.

