

ACUMINOUS

2023 SECOND ISSUE

INTRODUCTION OF NEW LISTING REGIME FOR SPECIALIST TECHNOLOGY COMPANIES

On 24 March 2023, The Stock Exchange of Hong Kong Limited (the “Exchange”) published its conclusions to its consultation on the introduction of new listing regime to permit the listing of specialist technology companies. In this issue, we will go through the key features of the new listing regime.

Specialist Technology

To accommodating to rapid and continuous development in science and technology, the term “specialist technology” has not been defined by the Exchange, and the Exchange has provided a list of acceptable specialist technology sectors and will readily consider applicants from these sectors:

- **Next-generation information technology: cloud-based services, artificial intelligence**
- **Advanced hardware & software: robotics & automation, semiconductors, advanced communication technology, electronic & autonomous vehicles, advanced transformation technology, aerospace technology, advanced manufacturing, quantum information technology & computing, metaverse technology**
- **Advanced materials: synthetic biological materials, advanced inorganic/ composite materials, nanomaterials**
- **New energy & environmental protection: new energy generation, storage & transmission technology, new green technology**
- **New food & agriculture technologies**

The Exchange may also consider applicants from other sectors if such applicants can demonstrate their high growth potential, significant R&D activities and reliance on application of new technologies and sciences in their core businesses.

Listing Requirements

The new listing regime imposes different requirements on eligible applicants based on their degree of product commercialisation.

	Commercial Companies	Pre-Commercial Companies
Revenue/ product commercialisation	≥ HK\$250 million <i>(most recent audited financial year)</i>	Demonstrate • “Credible path” towards the commercialisation of its product; and • Ability to achieve the HK\$250 threshold
Minimum R&D expenditure <i>(as % of total operating expenditure)</i>	≥ 15%	≥ 50% (Threshold lowered to ≥ 30% with revenue ≥ HK\$150 million but < HK\$250 million)
Market capitalisation	≥ HK\$6 billion	≥ HK\$10 billion
Continuity	Management ≥ 3 years Ownership ≥ 1 year	
Working Capital	No requirement	Working capital (including IPO proceeds) is sufficient to cover 125% of the applicant’s cost for at least 12 months from the date of prospectus publication.

Listing Requirements (*Continued*)

	Commercial Companies	Pre-Commercial Companies
Minimum total investment from all sophisticated independent investors (“SIIs”)	20% (for companies with market cap \geq HK\$6 billion to $<$ HK\$15 billion)	25% (for companies with market cap \geq HK\$10 billion to $<$ HK\$15 billion)
	15% (for companies with market cap \geq HK\$15 billion to $<$ HK\$30 billion)	20% (for companies with market cap \geq HK\$15 billion to $<$ HK\$30 billion)
	10% (for companies with market cap \geq HK\$30 billion)	15% (for companies with market cap \geq HK\$30 billion)
Pathfinder SIIs	There should be a group of two to five pathfinder SIIs which (a) in aggregate hold $\geq 10\%$ of the issued share capital as at the date of listing and throughout the pre-application 12-month period; or alternatively, (b) invested an aggregate sum of \geq HK\$1.5 billion at least 12 months prior to the listing application date. At least two of such pathfinder SIIs must individually (i) hold $\geq 3\%$ of the issued share capital as at the date of listing and throughout the pre-application 12-month period; or alternatively, (ii) invested an aggregate sum of \geq HK\$450 million at least twelve months prior to the listing application date.	

Use Of IPO Proceeds

For a specialist technology applicant classified as “Pre-Commercial Company”, the IPO proceeds must be primarily applied towards R&D, manufacturing, sales and marketing of specialist technology products for the purpose of bringing them to commercialisation.

Other Requirements

Other requirements include:

- (a) a minimum of 50% of the shares offered in the initial public offering to be taken up by independent price setting investors (comprising institutional professional investors and investors with asset under management/ fund size/ investment portfolio of at least HK\$1 billion) in the placing tranche;
- (b) the imposition of lock-up period of up to 24 months and 12 months for controlling shareholders and pathfinder SIIs of Pre-Commercial Companies, respectively (12 months and 6 months for controlling shareholders and pathfinder SIIs of Commercial Companies, respectively); and
- (c) issued shares with market capitalisation of at least HK\$600 million shall be free from any disposal restrictions upon listing.

Conclusion

The introduction of the new listing regime provides an opportunity for specialist technology companies to be listed on the Main Board of the Exchange using newly introduced set of thresholds.

Companies intending to go public in Hong Kong via the new listing regime should seek financial advice from experienced professionals at an earlier stage to navigate the potential requirements and regulatory issues.

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