

The Hong Kong Stock Exchange welcomes Specialist Technology Companies under the new Chapter 18C of the Main Board Listing Rules

04 May 2023

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On 24 March 2023, The Stock Exchange of Hong Kong Limited (the "**Exchange**") published the consultation conclusions (the "**Consultation Conclusions**") on the listing regime for Specialist Technology Companies on the Main Board of the Exchange under the new Chapter 18C of the Main Board Listing Rules. The new Chapter 18C, together with the guidance letter on Specialist Technology Companies (GL115-23) (the "**Guidance Letter**"), came into effect on 31 March 2023.

Specialist Technology Companies ("**STCs**")

Specialist Technology Industry	Acceptable sectors
Next-generation information technology	<ul style="list-style-type: none"> • Cloud-based services • Artificial intelligence
Advanced hardware and software	<ul style="list-style-type: none"> • Robotics and automation • Semiconductors • Advanced communication technology • Electric and autonomous vehicles • Advanced transportation technology • Aerospace technology • Advanced manufacturing • Quantum information technology and computing • Metaverse technology
Advanced materials	<ul style="list-style-type: none"> • Synthetic biological materials • Advanced inorganic materials • Advanced composite materials • Nanomaterials
New energy and environmental protection	<ul style="list-style-type: none"> • New energy generation • New energy storage and transmission technology • New green technology
New food and agriculture technologies	<ul style="list-style-type: none"> • New food technology • New agriculture technology

Eligibility requirements for listing of a STC

The eligibility requirements differ depending on the applicants' degree of commercialisation: "**Commercial Companies**" (with revenue of at least HK\$250 million for the most recent audited financial year) and "**Pre-Commercial Companies**" (with revenue not meeting the HK\$250 million threshold for the most recent audited financial year).

Eligibility Requirements	Commercial Companies	Pre-Commercial Companies
Market capitalisation	≥ HK\$6 billion	≥ HK\$10 billion

Revenue	≥ HK\$250 million for the most recent audited financial year (" Commercialisation Revenue Threshold ")	To demonstrate a "credible path" to achieving the Commercialisation Revenue Threshold
R&D	Engaged in R&D of its specialist technology product(s) for at least three financial years prior to listing R&D expenditure ≥ 15% of its total operating expenditure on yearly basis for at least two of the three financial years prior to listing, and on aggregate basis over the three financial years	R&D expenditure out of total operating expenditure: <ul style="list-style-type: none"> • ≥ 50% (for companies with revenue < HK\$150 million for its most recent audited financial year); or • ≥ 30% (for companies with revenue ≥ HK\$150 million but < HK\$250 million for its most recent audited financial year), on yearly basis for at least two of the three financial years prior to listing, and on aggregate basis over the three financial years
Minimum total investment from all Sophisticated Independent Investors ("SIIs") as a percentage of the issued share capital of the STC at the time of listing	<ul style="list-style-type: none"> • 20% (for companies with expected market capitalisation ≥ HK\$6 billion but < HK\$15 billion) • 15% (for companies with expected market capitalisation ≥ HK\$15 billion but < HK\$30 billion) • 10% (for companies with expected market capitalisation ≥ HK\$30 billion) 	<ul style="list-style-type: none"> • 25% (for companies with expected market capitalisation ≥ HK\$10 billion but < HK\$15 billion) • 20% (for companies with expected market capitalisation ≥ HK\$15 billion but < HK\$30 billion) • 15% (for companies with expected market capitalisation ≥ HK\$30 billion)
Investment from Pathfinder SIIIs	Investment from a group of two to five sophisticated independent investors each of whom having invested in the applicant at least 12 months before the date of the listing application (" Pathfinder SIIIs ") that: <ul style="list-style-type: none"> • in aggregate hold ≥ 10% of an applicant's issued share capital as at the date of listing application and throughout the pre-application 12-month period; or • have otherwise invested an aggregate sum of ≥ HK\$1.5 billion in the applicant at least 12 months prior to the date of the listing application (excluding any subsequent divestments made on or before the date of the listing application); provided that at least <u>two</u> such Pathfinder SIIIs: <ul style="list-style-type: none"> • each holds ≥ 3% of an applicant's issued share capital as at the date of listing application and throughout the pre-application 12-month period; or • otherwise each has invested ≥ 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 listing application). 	

Working Capital	No requirement	To demonstrate available sufficient working capital to cover at least 125% of its group's costs for at least 12 months from the date of publication of its listing document
Operational track record and management continuity	Generally, at least three financial years of operation prior to listing under substantially the same management	
Ownership continuity	Ownership continuity and control in the 12 months prior to the date of the listing application, and up until the time immediately before the offering and/or placing become unconditional	

Optimised price discovery process /Minimum allocation to independent price setting investors

The new Chapter 18C requires at least 50% of the total number of shares offered in the initial public offering (excluding any shares to be issued pursuant to the exercise of any over-allotment option) of a STC be taken up by "independent price setting investors" (comprising independent Institutional Professional Investors; and other types of independent investors with AUM, fund size or investment portfolio size of at least HK\$1 billion).

Post-IPO lock-up restrictions

- Lock-ups of 12 months (in the case of Commercial Companies) and 24 months (in the case of Pre-Commercial Companies) apply to controlling shareholders, and key persons (including founders, the beneficiaries of weighted voting rights, executive directors, senior management and key personnel for technical operations and/or R&D of the company).
- Lock-ups requirements for Pathfinder SII are 6 months (in the case of Commercial Companies) and 12 months (in the case of Pre-Commercial Companies). Lock-up periods can be shortened if a Pre-Commercial Company achieves the Commercialisation Revenue Threshold during that period.

Disclosure

- Disclosure requirements in listing documents include but are not limited to details of the company's: (i) pre-IPO investments and cash flows; (ii) commercialisation status and prospects; (iii) R&D investment, expenditure, experience and risks; (iv) industry-specific information; (v) intellectual property; and (vi) specified warning statement on the cover of the listing document.
- Pre-Commercial Companies should also disclose the key stages and milestones for achieving the Commercialisation Revenue Threshold, with mandatory progress updates in their interim and annual reports.

The [Consultation Conclusions](#) and [Guidance Letter on Specialist Technology Companies](#) are available on the Exchange's website. Prospective listing applicants are welcome to contact us for further details.

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