



**HKEX CONCLUSIONS ON**

**CHAPTER 18C: THE NEW LISTING REGIME FOR  
SPECIALIST TECHNOLOGY COMPANIES**



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## Listing Eligibility Threshold Relaxed Under The New Chapter 18C

On 24 March 2023, the Stock Exchange of Hong Kong Limited (HKEX) has published the consultation conclusions on the proposed new listing regime for Specialist Technology Companies by introducing the new Chapter 18C.

The new Chapter 18C will become effective on 31 March 2023 where companies may submit a formal listing application under this new listing regime<sup>1</sup>

The HKEX has adopted a more issuer-friendly approach in setting the eligibility criteria for Chapter 18C. The key modifications to the original consultation proposal include:

- (1) lowering the expected market capitalisation:
  - (a) Commercial Companies to  $\geq$  HK\$6 billion (from  $\geq$  HK\$8 billion);
  - (b) Pre-Commercial Companies  $\geq$  HK\$10 billion (from  $\geq$  HK\$15 billion);
- (2) allowing greater flexibility in satisfying the requirement of Pathfinder SIIIs:

As at the A1 date and throughout the prior 12 months,

  - (a) up to 5 Pathfinder SIIIs in aggregate held  $\geq$  10% shareholding or invested  $\geq$  HK\$1.5 billion **and**
  - (b) at least 2 of the Pathfinder SIIIs, each held  $\geq$  3% shareholding or invested  $\geq$  HK\$450 million;
- (3) lowering the R&D expenditure % within the total operating expenditure for Pre-Commercial Companies to:
  - (a)  $\geq$  30% (with revenue of the most recent year being  $\geq$  HK\$ 150 and  $\leq$  250 million) or
  - (b)  $\geq$  50% (with revenue of the most recent year  $<$  HK\$150 million)

<sup>1</sup>

See here for the consultation paper, consultation conclusion by the HKEX:  
[https://www.hkex.com.hk/News/Market-Consultations/2016-to-Present/October-2022-Specialist-Technology-Co?sc\\_lang=en](https://www.hkex.com.hk/News/Market-Consultations/2016-to-Present/October-2022-Specialist-Technology-Co?sc_lang=en)

## What are "Specialist Technology Companies"

Companies primarily engaged (whether directly or through its subsidiaries) in the R&D of, and the commercialisation and/or sales of, product and/or services (alone or together with other products or services) that applies science and/or technology within an acceptable sector of a "Specialist Technology Industry" to list on the HKEX.

"Specialist Technology Industry" - a list of industries that would be updated by HKEX from time to time. The list comprises:

Specialist Technology Industry	Acceptable Sectors
Next-generation information technology	Cloud-based services; artificial intelligence
Advance hardware and software	Robotics and automation; semiconductors; advanced communication technology; electric & autonomous vehicles; advanced transportation technology; aerospace technology; advanced manufacturing; quantum information technology and computing; metaverse technology
Advanced materials	Synthetic biological materials; advanced inorganic material; advanced composite material; nanomaterials
New energy and environmental protection	New energy generation; new energy storage and transmission technology; new green technology
New food & agriculture technologies	New food technology; new agriculture technology



## What Are The Eligibility Requirements

There are two eligibility tests for "Specialist Technology Company" - **Commercial Companies** (those that have achieved meaningful commercialisation) and **Pre-Commercial Companies**.

## Conditions for Listing of a Specialist Technology Company

Eligibility Requirements	Commercial Companies	Pre-Commercial Companies
<b>Market capitalisation</b>	≥HK\$6 billion	≥HK\$10 billion
<b>Revenue</b>	≥HK\$250 million for the most recent audited financial year	no requirement, but must demonstrate a “credible path” to achieving the HK\$250 million threshold
<b>Research &amp; Development</b>	≥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	<ul style="list-style-type: none"> <li>• ≥50% of its total operating expenditure (for companies with revenue &lt; HK\$150 million)</li> <li>• ≥30% of its total operating expenditure (for companies with revenue ≥ HK\$150 million but &lt; HK\$250 million) on yearly basis for at least two of the three financial years prior to listing; and on aggregate basis over the three financial years</li> </ul>
<b>Working capital</b>	no requirement	working capital (including IPO proceeds) able to cover at least 125% of its group’s costs for at least the next 12 months from publication date of the listing document
<b>Profit</b>	no requirement	
<b>Trading record and management continuity</b>	≥ 3 financial years prior to listing	



## Conditions for Listing of a Specialist Technology Company (con'd)

Eligibility Requirements	Commercial Companies	Pre-Commercial Companies
<b>Ownership continuity</b>	in the 12 months prior to the date of the listing application and up until the time immediately before the offering and/or placing becomes unconditional	
<b>Third Party Investments</b>	<p>"Meaningful investment" from 2-5 "Pathfinder Sophisticated Independent Investors (Pathfinder SIIIs)":</p> <p>a. Up to 5 Pathfinder SIIIs, in aggregate, holding shares or convertible instrument equivalent to <math>\geq 10\%</math> of total issued share capital as at the A1 date or invested <math>\geq</math> HK\$1.5 billion, throughout at least the 12 months before A1 date; <b>and</b></p> <p>b. At least 2 Pathfinding SIIIs, each, holding shares or convertible instrument equivalent to <math>\geq 3\%</math> of total issued share capital as at the A1 date or invested <math>\geq</math> HK\$450 million, throughout at least the 12 months before A1 date</p> <p>*exclude all subsequent divestments made on or before A1 application</p>	
<b>Sophisticated Independent Investors (SIIIs) – minimum total investment from all SIIIs at listing (as a percentage of applicant's issued share capital before exercise of over-allotment option)</b>	<ul style="list-style-type: none"> <li>• 20% (for companies with market cap <math>\geq</math> HK\$6 billion to <math>&lt;</math> HK\$15 billion)</li> <li>• 15% (for companies with market cap <math>\geq</math> HK\$15 billion to <math>&lt;</math> HK\$30 billion)</li> <li>• 10% (for companies with market cap <math>\geq</math> HK\$30 billion)</li> </ul>	<ul style="list-style-type: none"> <li>• 25% (for companies with market cap <math>\geq</math> HK\$10 billion to <math>&lt;</math> HK\$15 billion)</li> <li>• 20% (for companies with market cap <math>\geq</math> HK\$15 billion to <math>&lt;</math> HK\$30 billion)</li> <li>• 15% (for companies with market cap <math>\geq</math> HK\$30 billion)</li> </ul>



## WHAT DO WE NEED TO INCLUDE IN THE LISTING DOCUMENTS



## Additional disclosure requirements in the listing document

Commercial Companies	Pre-Commercial Companies
<p>Specific disclosure requirements to facilitate IPO investors' assessment of a Specialist Technology Company, including:</p> <ul style="list-style-type: none"> <li>• Pre-IPO investments and cash flow</li> <li>• Products and commercialisation status and prospects</li> <li>• R&amp;D</li> <li>• Industry specific information</li> <li>• Intellectual property</li> </ul> <p>*Warning statement that the listing applicant is a Specialist Technology Company and so investment in its securities carries additional risk</p>	
N/A	<ul style="list-style-type: none"> <li>• Path to achieving the Commercialisation Revenue Threshold (being HK\$ 250 million for the most recent audited financial year arising from the Specialist Technology business segment)</li> <li>• Key stages and milestones for Specialist Technology Product(s) to achieve Commercialisation Revenue Threshold</li> <li>• Warning statement – to draw investors' attention to the risk that the listing applicant may not generate sufficient revenue to sustain their operations after listing and that it may fail due to a lack of available fund</li> </ul>



## Are There Any Offering Related Requirements



## Initial Public Offering (IPO) of a Specialist Technology Company

	Commercial Companies	Pre-Commercial Companies
<b>Minimum free float</b>	shares (listed on HKEX not subject to any disposal restrictions) with a market capitalisation of at least HK\$600 million upon listing	
<b>Optimised price discovery process</b>	≥ 50% of offer shares (before exercise of over-allotment option) must be taken up by “Independent Price Setting Investors” (comprising Institutional Professional Investors; and other types of investors with AUM, fund size or investment portfolio size of at least HK\$1 billion that satisfy the same independence requirement)	
<b>Minimum allocation of shares to public subscription tranche (as a percentage of total offer shares)</b>	<ul style="list-style-type: none"> <li>• 5% - initial allocation</li> <li>• 10% - over-subscription of 10x to &lt; 50x</li> <li>• 20% - over-subscription of ≥50x</li> </ul>	
<b>Existing shareholders subscribing IPO shares</b>	<ul style="list-style-type: none"> <li>• holder of &lt; 10% may subscribe as corner investor or placee</li> <li>• holder of ≥10% may subscribe as corner investor</li> </ul>	

## Post-IPO Lock-up Requirements for a Specialist Technology Company

Lock-up Period		
Persons (including their respective close associates)	Commercial Companies	Pre-Commercial Companies
Controlling shareholders	12 months	24 months
<p>“Key persons” comprising :</p> <ul style="list-style-type: none"> <li>• founders (including founding members of key operating subsidiaries)</li> <li>• beneficiaries of weighted voting rights</li> <li>• executive directors and senior management</li> <li>• key personnel responsible for the technical operations and/or R&amp;D</li> </ul>	12 months	24 months
Pathfinder SIIIs that satisfy the indicative minimum investment benchmark (above)	6 months	12 months
Cornerstone investors	generally for at least six months	



# WHAT DO WE NEED TO DO POST-LISTING



	Commercial Companies	Pre-Commercial Companies
Stock marker	N/A	Stock code will end with "P"
Additional disclosure in the interim and annual reports	N/A	<p>Including:</p> <ul style="list-style-type: none"> <li>• Timeframe for and any progress made towards achieving the Commercialisation Revenue Threshold</li> <li>• Updates on any revenue, profit and other business and financial estimates as disclosed in the listing document</li> <li>• Summary of R&amp;D investment during the relevant period</li> <li>• Warning that the company may not achieve the revenue requirement necessary to be designated as a Commercial Company</li> </ul>
Other obligations	N/A	<ul style="list-style-type: none"> <li>• If HKEX considers the company has failed to meet its continuing obligation to maintain sufficient operations or assets, HKEX will give a 12 month remedial period for the company to re-comply or otherwise cancel its listing</li> <li>• The company must not effect any transactions that will result in a fundamental change to its principal business without HKEX's prior consent</li> </ul>





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