



Hong Kong

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HONG KONG STOCK EXCHANGE TO ALLOW MAIN BOARD LISTINGS OF INNOVATIVE COMPANIES WITH WEIGHTED VOTING RIGHTS AND PRE-REVENUE BIOTECH COMPANIES

The Hong Kong Stock Exchange published the **Conclusions to the New Board Concept Paper¹ (Conclusions)** today (Friday 15 December 2017) setting out the steps to be taken to extend the Hong Kong listing regime to allow companies from emerging and innovative sectors to list on the Main Board of the Exchange.

The key points are as follows:

1. Listing of Innovative and Emerging Sector Companies with WVR Structures and Pre-revenue Biotech Companies

The Exchange will extend the existing listing regime by introducing two new chapters to the Main Board Listing Rules allowing the listing of:

- i) Biotech issuers which are pre-profit / pre-revenue; and
- ii) Issuers from emerging and innovative sectors that have WVR structures, subject to additional disclosure and safeguards.

¹ HKEx. Consultation Conclusions New Board Concept Paper. December 2017. At [http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/June-2017-Concept-Paper-on-New-Board/Conclusions-\(December-2017\)/cp2017061cc.pdf](http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/June-2017-Concept-Paper-on-New-Board/Conclusions-(December-2017)/cp2017061cc.pdf).

2. Additional Requirements

- i) Pre-revenue companies listing under the new Biotech chapter will be required to have a minimum expected market capitalisation of HK\$1.5 billion at listing.
- ii) Innovative/emerging sector companies with WVR structures will be required to have:
 - a) a minimum expected market capitalisation of HK\$10 billion; and
 - b) if their market capitalisation is below HK\$40 billion, revenue of HK\$1 billion in the full financial year before listing.

3. Biotech Sector

The rationale for allowing biotech sector companies to list as the first step in increasing market access for early stage companies is that the activities of Biotech companies tend to be regulated strictly under regimes setting external milestones on development progress. It is considered that this will assist investors in assessing the value of companies that do not have traditional indicators of performance (e.g. revenue and profit). Biotech companies also make up a majority of the

companies seeking a listing which are in the pre-revenue stage of development. Except for the financial track record requirements, these companies will be subject to the same regulatory standards as other companies listed on the Main Board of the Exchange.

4. Secondary Listing of Foreign Innovative/Emerging Sector Companies

The Exchange also proposes to amend the Listing Rules (and make consequential changes to the 2013 Joint Policy Statement on the Listing of Overseas Companies) to create a new concessionary secondary listing route for foreign companies in emerging and innovative sectors whose primary listings are on the New York Stock Exchange, Nasdaq or the “premium listing” segment of the London Stock Exchange’s Main Market.

5. Next Steps

The Exchange is finalising the proposals and has commenced drafting the proposed Listing Rule amendments. It will further refine the proposals through discussions with stakeholders, and will then conduct a formal consultation on the detailed proposals and proposed Listing Rule amendments. The Exchange expects to begin the discussions shortly with a view to proceeding with the formal consultation on the proposed Rule amendments in the first quarter of 2018.

6. Key Findings from the Consultation Responses

There were 360 responses to the New Board concept paper. Key findings from the market consultation include:

- 91 per cent. of respondents supported measures that would help diversify the Hong Kong market and, in particular, help attract more issuers from emerging and innovative sectors.
- A large majority of respondents considered WVR structures to be a competitive issue and therefore supported allowing them to list in Hong Kong, subject to the imposition of safeguards to provide appropriate shareholder protection.
- There was considerable support for allowing pre-profit companies to list in Hong Kong, but proposals to accommodate these issuers by a “lighter touch” approach to initial listing requirements was not broadly supported.

- There was general support for allowing waivers from strict compliance with Hong Kong’s “equivalent” shareholder protection standards for secondary listings in Hong Kong for innovative companies already listed on the New York Stock Exchange or Nasdaq with a good compliance track record, including those with a “centre of gravity” in Greater China and/or with WVR structures. A significant proportion of respondents considered that other jurisdictions in addition to the US should be considered for similar waivers.

- A majority of respondents supported the introduction of a New Board as one means of widening Hong Kong’s access to listings, but many preferred a simpler structure that incorporated innovative companies directly on the Main Board.

7. Exchange FAQ

The Exchange has also issued a set of [FAQs](#)² on the Conclusions.

² HKEx. FAQ on New Board Consultation Paper Consultation Conclusions. At http://www.hkex.com.hk/-/media/HKEX-Market/News/News-Release/2017/171215news/concept-paper-FAQ_e.pdf?la=en.

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