



New HKEX Listing Regime for Specialist Technology Companies Launches 31 March 2023

On 24 March 2023, the Stock Exchange of Hong Kong Limited (**HKEX**) published [Consultation Conclusions](#) on its proposals to expand Hong Kong's listing framework to allow Specialist Technology Companies to list on its Main Board under new Chapter 18C of the Rules Governing the Listing of Securities on the HKEX (the **HKEX Listing Rules**). For a summary of the original Consultation Paper, please see Charltons' [October 2022 newsletter](#).

During the consultation period, the HKEX received 90 submissions from various stakeholders and, after reviewing the feedback, the HKEX has decided to implement the proposals as set out in the Consultation Paper, with some amendments and clarifications. Specifically, the HKEX has lowered the market capitalisation thresholds for all applicants and reduced the minimum Research and Development (**R&D**) Expenditure Ratio requirement for specific Pre-Commercial Companies within a certain revenue range.¹ The changes to the HKEX Listing Rules took effect on 31 March 2023.

Defining Specialist Technology Companies

Under the HKEX Listing Rules, a "Specialist Technology Company" is a company primarily engaged (whether directly or through its subsidiaries) in the research and development of, and the commercialisation and/or sales of, product(s) and/or service(s) that apply science and/or technology within an acceptable sector of a "Specialist Technology Industry" (**Specialist Technology Products**).

Specialist Technology Industries and Acceptable Sectors

The Specialist Technology Industries and acceptable sectors are listed in new Guidance Letter [HKEX-GL115-23](#) on Specialist Technology Companies and include (among others):²

- Next-generation information technology – (e.g. cloud-based services and AI);
- Advanced hardware and software – (e.g. robotics and automation, semiconductors, advanced communication and transportation technology, aerospace technology, advanced manufacturing, electric and autonomous vehicles, quantum information technology and computing, and metaverse technology);
- Advanced materials – (e.g. synthetic biological materials, advanced inorganic materials and nanomaterials);
- New energy and environmental protection – (e.g. new energy generation, storage and transmission technology and new green technology); and
- New food and agriculture technologies – (e.g. agricultural synthetic biology, agricultural

biotechnology and crop efficiency technology, and farming technology).

The HKEX declined various suggested amendments to the list of Specialist Technology Industries. It rejected suggestions to include “big data analytics” and FinTech as separate Specialist Technology Industries or acceptable sectors on the basis that many of these businesses involve the “downstream” application of Specialist Technology (e.g. cloud-based services and artificial intelligence technology) to the Specialist Technology Products (e.g. big data analytics solutions or FinTech software) they sell. On that basis, “big data analytics” and FinTech would already be included within the regime. The HKEX also noted that companies (including some types of FinTech companies) that facilitate transactions between service providers/product suppliers and customers and that generate revenue on a commission or transaction fee basis are not included under the Specialist Technology Regime, as such revenue cannot be regarded as revenue arising from the applicant’s Specialist Technology business segment (see Note to HKEX Listing Rule 18C.03(4)). This is because the business models of these companies are primarily based on their matching services and not the sale of Specialist Technology Products.

The HKEX also declined to include blockchain and digital asset-related businesses in the list of Specialist Technology Industries and acceptable sectors due to its research findings that many US-listed blockchain technology companies have features that it considers to be inconsistent with the HKEX Specialist Technology regime. For example, it noted that a large number of blockchain companies engage in crypto asset mining and that the success of these companies is generally attributable to the expansion of mining capacity, rather than the application of new technology. Also, R&D does not appear to contribute significantly to these companies’ expected value nor constitute a major activity and expense of these companies. Instead, they tend to have high costs of sales, primarily comprising: (a) energy and infrastructure costs; (b) depreciation and amortisation of fixed assets such as mining facilities; and (c) selling and marketing expenses.

The Guidance Letter for Specialist Technology Companies³ provides that a biotech company that does base its listing application on a Regulated Product (as defined in Chapter 18A of the HKEX Listing Rules) can apply to list under Chapter 18C if it meets the definition of a Specialist Technology Company.

Eligibility for Listing of Companies outside the List of Specialist Technology Industries and Acceptable Sectors

Applicants falling outside the existing list of Specialist Technology Industries or acceptable sectors may still be eligible for listing if they meet the following criteria:⁴

- they have high growth potential;
 - their success can be attributed to the application, to their core business, of new technologies and/or the application of the relevant science and/or technology within their sector to a new business model that differentiates them from traditional market participants; and
 - R&D significantly contributes to their expected value and constitutes a major activity and expense
- (Principles for Listing Specialist Technology Companies).**

Before submitting a listing application under Chapter 18C of the HKEX Listing Rules, these applicants must submit a pre-IPO enquiry to the HKEX for confidential guidance on whether they can be considered “within an acceptable sector of a Specialist Technology Industry”. The HKEX will consult with the SFC to obtain its approval before determining that the applicant is within an acceptable sector of a Specialist Technology Industry and thus eligible to apply for listing under Chapter 18C.

The HKEX will update the list of Specialist Technology Industries and acceptable sectors from time to time with the approval of the SFC. For example, it may update the list after, or at the same time as, an applicant from a new industry or sector is listed, but reserves the right not to do so if the applicant has characteristics that are not typical of other companies in the industry or sector.

HKEX Listing Applicants with Multiple Business Segments

Listing applicants with multiple business segments, some of which do not fall within one or more acceptable sectors of the Specialist Technology Industries, must demonstrate that they primarily engage in specialist technology business. In determining the issue of primary engagement, the HKEX will consider:⁵

- whether a substantial portion of the company’s total operating expenditure and staff resources (including their time and the number of staff with relevant expertise and experience) was allocated to the research and development of, and the commercialisation and/or sales of, Specialist Technology Products in the company’s Specialist Technology business segment(s) for at least three financial years prior to listing;
- whether investors’ valuation and expected market capitalisation of the company is based primarily on its Specialist Technology business segment(s);
- whether the proposed use of proceeds for listing would primarily be applied to its Specialist Technology business segment(s);

- the proportion of the revenue (if any) generated by the Specialist Technology business segment relative to the total revenue of the company; and
- the reason for retaining the non-Specialist Technology business(s) and the history of the company's operations.

HKEX's Right to Reject a Listing Application

The HKEX will have the discretion to reject a listing application from an applicant within an acceptable sector which has features that are inconsistent with the Principles for Listing Specialist Technology Companies.

Commercial and Pre-Commercial Specialist Technology Companies

There are two categories of Specialist Technology Companies with more stringent requirements for Pre-Commercial Companies given their risk profile:

- Commercial Companies: Specialist Technology Companies that have revenue of at least HK\$250 million for their most recent audited financial year (**Commercialisation Revenue Threshold**); and
- Pre-Commercial Companies: Specialist Technology Companies that have revenue of less than HK\$250 million for their most recent audited financial year.

Qualifications for Listing on the HKEX

Market Capitalisation

The minimum expected market capitalisation required at the time of listing is:

- HK\$6 billion for Commercial Companies (reduced from HK\$8 billion under the original proposals); and
- HK\$10 billion for Pre-Commercial Companies (reduced from the originally proposed HK\$15 billion).

Revenue Requirements

Commercial Companies are required to have revenue of at least HK\$250 million for the most recent audited financial year. There is no revenue requirement for Pre-Commercial Companies.

In determining whether a company meets the minimum revenue threshold, only revenue arising from the company's Specialist Technology business segment(s) (and not any inter-segmental revenue from its other business segments) will be recognised. Revenue arising from "book" transactions, such as banner barter transactions, the writing back of accounting provisions and other similar activities resulting from mere book entries, must also be disregarded.⁶

The HKEX also requires Commercial Companies to demonstrate a year-on-year growth of revenue throughout the track record period, but makes allowances for temporary declines in revenue due to factors beyond the applicant's control (e.g. economic, market or industry-wide conditions). Commercial company applicants will be required to explain to the HKEX's satisfaction, and disclose in their listing documents, the reasons for, and the remedial steps taken (or to be taken) to address, a downward trend in their annual revenue.⁷

Research and Development (R&D) Expenditure

The HKEX requires listing applicants to have engaged in the R&D of its Specialist Technology Product(s) for at least three financial years prior to listing.

For Commercial Companies, R&D expenditure must constitute at least 15% of total operating expenditure.

For Pre-Commercial Companies with revenue below HK\$150 million for the most recent audited financial year, R&D expenditure must constitute at least 50% of total operating expenditure.

For Pre-Commercial Companies with revenue of between HK\$150 million and HK\$250 million for the most recent audited financial year, the amended requirements lower the minimum threshold for R&D expenditure to 30% (from the proposed 50%) of total operating expenditure to accommodate Pre-Commercial Companies in the initial stages of commercialisation.⁸

Period of Application

The original proposals required the minimum R&D expenditure requirement to be met for each of the three

financial years prior to listing.

To account for possible fluctuations in R&D and operating expenditures, the finalised Chapter 18C requires the minimum R&D expenditure requirement to be met on a yearly basis for at least two of the three financial years prior to listing, as well as on an aggregate basis over all three financial years prior to listing.

The amount of R&D expenditure will include costs that are directly attributable to the Specialist Technology Companies' R&D activities including development costs that have been capitalised as intangible assets for accounting purposes, but excluding administrative and general costs not clearly related to R&D.

In addition, the HKEX expects the amount of R&D expenditure to consist primarily of the following costs:

- the costs of personnel engaged in R&D activities;
- depreciation, service fees or other costs directly attributable to the equipment or facilities used in R&D activities;
- amortisation of intangibles used in R&D activities (to the extent the related R&D costs being capitalised as intangibles have not been included in the development costs mentioned above); and
- the costs of materials consumed in R&D activities.

Track Record, Management and Ownership Continuity

In line with the criteria applicable to other Main Board listing applicants, Specialist Technology Companies are required to demonstrate a minimum of three financial years of operation in their current line of business under substantially the same management. In exceptional cases, the HKEX may consider a shorter trading period of at least two financial years. Specialist Technology Companies will also require ownership continuity and control for at least 12 months before listing, and up until the time immediately before the offering and/or placing becomes unconditional.⁹ The new Guidance Letter for Specialist Technology Companies provides that the HKEX will apply its guidance on the ownership continuity and control requirement under HKEX Listing Rule 8.05 (as set out in Guidance Letter [HKEX-GL89-16](#)) to the ownership continuity and control requirement for Specialist Technology Companies. This means that:

- if a Specialist Technology Company does not have a controlling shareholder, the ownership continuity requirement will be assessed by reference to the single largest shareholder; and
- a change in controlling shareholder(s) does not necessarily render a listing applicant ineligible for listing. If the change in ownership continuity results from the dilution of a shareholding, the listing applicant can rebut the presumption that there has been a material change in influence on management by demonstrating that there was no such change.

Minimum Third Party Investment

Investment from Pathfinder SIIs

A Specialist Technology Company must have received meaningful investment from sophisticated independent investors (**SII**s). To address concerns about difficulty in meeting the proposed indicative benchmark on meaningful investment from Pathfinder SII

s (i.e. two Pathfinder SIIs holding shares or convertible securities equivalent to 5% or more of the issued share capital of the listing applicant), the HKEX has revised the benchmark.

Under the revised benchmark, the requirement for a Specialist Technology Company to have received meaningful investment from SII

s under HKEX Listing Rule 18C.05 will be met if the Specialist Technology Company has received investments from a group of two to five SIIs at least 12 months before the date of the listing application (**Pathfinder SII**s) who:¹⁰

- a) in aggregate, hold shares or securities convertible into shares equivalent to 10% or more of the listing applicant's issued share capital as at the date of its listing application and throughout the pre-application 12-month period; or
- b) have invested an aggregate sum of at least HK\$1.5 billion in the shares or securities convertible into shares of 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).

In addition, at least two Pathfinder SII

s must meet one of the following conditions:

- a) each holds shares or securities convertible into shares equivalent to 3% or more of the applicant's issued share capital as at the date of listing application and throughout the pre-application 12-month period; or
- b) each has invested at least HK\$450 million in the shares or securities convertible into shares of

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).

It is important to note that the HKEX may allow fluctuations in the shareholding of the Pathfinder SII(s) based on the specific circumstances of each case. The Guidance Letter for Specialist Technology Companies has been revised to incorporate the following non-exhaustive instances where such fluctuations may be permitted:¹¹

- Temporary dilution during the pre-application 12-month period is accepted if the Pathfinder SII(s)' shareholding meets the relevant threshold at the time of listing application and on average (i.e. 12-month average of the shareholding as of each month-end) throughout the pre-application 12-month period; and
- Temporary dilution pending top-up investment is allowed if: (i) the Pathfinder SII(s)' shareholding is diluted due to investments made by other investors during the pre-application 12-month period; (ii) the relevant Pathfinder SII (or in the case of the aggregate group threshold, at least one Pathfinder SII within the group has committed irrevocably to top up its investment before the listing application by an amount that would have resulted in the Pathfinder SII(s) meeting the relevant indicative benchmark as at the date of listing application if the top-up had been completed; and (iii) the top-up will be completed before the listing date.

The HKEX has clarified in the Guidance Letter for Specialist Technology Companies that:

- it will consider case-by-case whether investments in a listing applicant made by different funds managed by the same fund manager, or by different entities wholly-owned by the same investor, can be aggregated as investments made by one Pathfinder SII; and
- if an SII holds securities convertible into the shares of a listing applicant (e.g. convertible or exchangeable bonds, notes or loans or convertible preference shares), only the investment in the securities to be converted at, or before, listing will be counted in determining whether the meaningful investment requirement is met. This information must also be disclosed in the applicant's listing document.

Investment from all SIIs

Specialist Technology Companies must also have received aggregate investment from all SIIs meeting a prescribed minimum percentage of their issued share capital (before the exercise of any overallotment option) at the time of listing. Depending on their expected market capitalisation at listing, the minimum percentage ranges from 10% to 20% for Commercial Companies and 15% to 25% for Pre-Commercial Companies. However, the HKEX has adjusted the expected market capitalisation tiers as follows:

Applicant's expected market capitalisation at listing	Minimum total investment from all SIIs	
	Commercial Companies	Pre-Commercial Companies
≥ HK\$6bn and < HK\$15bn Commercial Companies	20%	
≥ HK\$10bn and < HK\$15bn Pre-Commercial Companies		25%
≥ HK\$15bn and < HK\$30bn	15%	20%
≥ HK\$30bn	10%	15%

The Guidance Letter for Specialist Technology Companies also clarifies that the Aggregate Investment Benchmark can be met by the issue of offer shares to SIIs in the IPO, irrespective of whether they held securities in the Specialist Technology Company before listing.

Where pre-IPO and cornerstone investments made SIIs are insufficient to satisfy the Aggregate Investment Benchmark, the HKEX would allow an applicant to list on the condition that sufficient offer shares would be allocated to SIIs participating as placees under the placing tranche to satisfy the Aggregate Investment Benchmark (referred to as **SII Placees**), in which case the listing applicant, the overall coordinator(s) and the sponsor(s) should give an undertaking in this regard and that undertaking should be disclosed in the listing document. In these cases, the HKEX will only accept placees that clearly fall within the illustrative examples of SIIs (as set out in paragraph 32 of the Guidance Letter for Specialist Technology Companies). To avoid any delay to listing, where an applicant plans to rely on an allocation to be made to an SII which is a key market participant (as referred to in paragraph

32(d) of the Guidance Letter for Specialist Technology Companies), the listing applicant must submit the relevant information on the SII(s) to which it intends to allocate offer shares as placees for the above purpose well in advance so that the HKEX has enough time to assess whether the places can be regarded as SIIs. The Specialist Technology Company must also confirm in the allotment results announcement that the investment from all SIIs has met the Aggregate Investment Benchmark and disclose the identities of the SII Placees, the number of shares held by them, and other relevant information of the SII Placees as required to be disclosed in a listing document (see paragraph 36 of the Guidance Letter for Specialist Technology Companies) to substantiate that they have the relevant investment experience, knowledge and expertise to be considered sophisticated. This information should be given as of a date that is no more than six months prior to the date of listing.

Sophisticated Independent Investors

A core connected person of the listing applicant cannot be a Sophisticated Independent Investor. A substantial shareholder may qualify as a Sophisticated Independent Investor if it is a core connected person only by virtue of the size of its shareholding in the Specialist Technology Company, but a controlling shareholder, the founders and their respective close associates of the listing applicant cannot be a Sophisticated Independent Investor.¹² The HKEX will consider whether an investor qualifies as a Sophisticated Independent Investor on a case-by-case basis by reference to its relevant investment experience, knowledge and expertise in the relevant field, which could be demonstrated by its net assets, assets under management (**AUM**), size of its investment portfolio or track record of investments. The independence of an SII is determined at the date of signing the definitive agreement for investment in the listing applicant, and up to the date of listing.

The Guidance Letter for Specialist Technology Companies gives the following illustrative examples of sophisticated investors:

- a) an asset management firm with AUM of, or a fund with a fund size of, at least HK\$15 billion;
- b) a company with a diverse investment portfolio size of at least HK\$15 billion;¹³
- c) an investor within (a) or (b) with an AUM, fund size or investment portfolio size of at least HK\$5 billion derived primarily from Specialist Technology investments; and
- d) a key participant in the relevant upstream or downstream industry with a meaningful market share and size, as supported by appropriate independent market or operational data.

The applicant is also required to disclose the size (and the basis for determination) of the SIIs' AUM, fund or investment portfolio, and other relevant information in its listing document to demonstrate their relevant investment experience, knowledge and expertise. If that information cannot be disclosed due to confidentiality, the HKEX may consider accepting alternative disclosures on a case-by-case basis. This information should be given as of: (i) a date which is no more than six months before the date of signing of the definitive agreement for the investors' relevant investment in the applicant; and (ii) a date which is no more than six months before the date of listing application.

Additional Qualification Requirements for Pre-Commercial Companies

Path to Achieving the Commercialisation Revenue Threshold

Pre-Commercial Companies are required to demonstrate to the HKEX, and disclose in their listing documents, a credible path to achieving the Commercialisation Revenue Threshold which means a credible path to achieving the commercialisation of their Specialist Technology Product(s) such that they achieve revenue of at least HK\$250 million from their Specialist Technology business segment for the relevant audited financial year.¹⁴

Pre-Commercial Companies must be cautious when disclosing timeframes and paths to achieving the Commercialisation Revenue Threshold, ensuring clear disclosure of risks, impediments and material assumptions involved in making such statements to avoid misleading information.

According to the new Guidance Letter for Specialist Technology Companies, non-exhaustive examples of how a credible path to achieving the Commercialisation Revenue Threshold may be demonstrated include binding contracts or non-binding framework agreements, with details of the timeframe and milestones for commercialisation of the applicant's Specialist Technology Product(s). These binding contracts or non-binding framework agreements should have as counterparties a reasonable number of independent customers and should relate to the development, testing or sales of the Specialist Technology Product(s), with a substantial potential aggregate contract value realisable within 24 months from the date of listing. A binding contract or non-binding framework agreement with an expected timeframe of more than 24 months may be accepted by the HKEX in exceptional circumstances where the counterparty is an independent, highly reputable customer.¹⁵

The independence of a customer will be evaluated using the same criteria applied to Sophisticated Independent Investors. The HKEX will assess whether a customer is a “highly reputable customer” on a case-by-case basis, but would generally consider the following to be within the definition: (i) a key market player in the relevant upstream or downstream industry with a meaningful market share and size, as substantiated by appropriate independent market or operational data; or (ii) a State or State corporation as defined in the HKEX Listing Rules.

If the illustrative examples set out in the Guidance Letter do not suit a Pre-Commercial Company’s circumstances, it may demonstrate its path to commercialisation through other means with alternative evidence. To demonstrate a credible path towards meeting the Commercialisation Revenue Threshold, Pre-Commercial Companies targeting retail customers could provide evidence of the number of retail customers indicating their interest in the Specialised Technology Product(s), as supported by evidence such as confirmed orders.

Working Capital Requirement

A Pre-Commercial Company will also be required to have available sufficient working capital (including the IPO proceeds) to cover at least 125% of its group’s costs (which should substantially consist of general, administrative and operating costs, and R&D costs) for at least 12 months from the date of listing to mitigate the risk of insufficient funding for operations.¹⁶

Use of proceeds

In order to be eligible for listing as a Pre-Commercial Company, the primary purpose of listing must be to raise capital for the R&D of, and the manufacturing and/or sales and marketing of, its Specialist Technology Product(s), with the ultimate goal of achieving commercialisation and meeting the Commercialisation Revenue Threshold.¹⁷

Specialist Technology Companies with a WVR Structure

The HKEX proposed in the Consultation Paper that Specialist Technology Companies seeking to list with a WVR structure should adhere to the existing WVR Listing Rule requirements, which include having a market capitalisation of HK\$40 billion if they do not have revenue of HK\$1 billion for the most recent audited financial year which allows them to have a market capitalisation of HK\$10 billion.¹⁸ Despite suggestions from some consultation respondents that this threshold would be too high, the HKEX insisted that the WVR requirements apply to all listing applicants with WVR structures, including Biotech Companies which are also at a relatively early stage of their development. Thus, Specialist Technology Companies wishing to list with a WVR structure must meet the HK\$40 billion market capitalisation threshold if they do not have revenue of HK\$1 billion for the most recent audited financial year.

IPO Requirements

Minimum Allocation to Independent Price Setting Investors

Specialist Technology Companies will be required to allocate at least 50% of the total number of shares offered in the IPO (excluding shares to be issued on the exercise of any over-allotment option) to independent price setting investors in the placing tranche.¹⁹ Independent price setting investors are defined in the Guidance Letter for Specialist Technology Companies as Institutional Professional Investors (i.e. institutional professional investors as set out in paragraphs (a) to (i) of the definition of professional investor in section 1 of Part 1 of Schedule 1 to the SFO) and other types of investors with AUM, fund size or investment portfolio size of at least HK\$1 billion. A person will not qualify as an independent price setting investor if they are an existing shareholder of the listing applicant or a close associate of an existing shareholder or a core connected person of the listing applicant.

Minimum Free Float

Specialist Technology Companies must ensure a free float of at least HK\$600 million upon listing that are not subject to any disposal restrictions (whether under contract, the HKEX Listing Rules or applicable laws).²⁰

Offer Size

The HKEX requires a meaningful offer size, including both the placing tranche and public subscription tranche, for listing a Specialist Technology Company. It could disapprove a listing if the offer size is considered not significant enough to facilitate price discovery, or to otherwise give rise to orderly market concerns.²¹

Disclosure Requirements

Specialist Technology Companies must include additional disclosures in their listing documents as set out in paragraph 70 of the Guidance Letter for Specialist Technology Companies. The information required to be disclosed includes (among others) information on: pre-IPO investments; the company’s key Specialist Technology Product(s); the commercialisation status and prospects of each Specialist Technology Product, R&D expenditure,

intellectual property, risks and a specified warning statements.

Apart from the disclosure requirements set out in the HKEX Listing Rules and the Guidance Letter for Specialist Technology Companies, Specialist Technology Companies must also disclose all relevant information in the listing document to demonstrate that they meet the definition of Specialist Technology Companies, the suitability and eligibility criteria and the requirements for listing as specified in Chapter 18C of the HKEX Listing Rules and the guidance letter. These include:

- the Specialist Technology Industry and the acceptable sector that they fall within; and
- the identity, timing of investment, shareholding and/or investment amount (where applicable) of the relevant sophisticated independent investors for the purpose of the third party investment requirement.

Liquidity Arrangements for Applicants Listed on Another Stock Exchange

When seeking to list securities in Hong Kong, whether accompanied by an offer or not, applicants who already have securities listed on another stock exchange (which are, or represent, shares in the same class as the shares for which listing is sought on the HKEX) must consider if there will be an open market in the securities for which listing is sought. If necessary, suitable arrangements to facilitate the liquidity of their share should be made to meet Hong Kong market demand. This requirement aims to ensure fair and orderly trading of the listed shares.²²

Specialist Technology Companies planning to list by introduction must comply with existing guidance on liquidity arrangements ([Guidance Letter HKEX-GL53-13](#)) during the initial listing period to meet Hong Kong market demand.

Initial Retail Allocation and Clawback Mechanism

A modified initial allocation and clawback mechanism will apply to Specialist Technology Companies as summarised in the table below:

	Initial	No. of times (x) of over-subscription in the public placing tranche	
		≥ 10x to < 50x	≥ 50x
Minimum allocation to retail investors as % of total shares offered in IPO	5%	10%	20%

Additional Disclosure Requirements for Pre-Commercial Companies

Pre-Commercial Companies will be required to make the following additional disclosures in their listing documents:

- the stage of R&D for each Specialist Technology Product(s);
- development details by key stages and milestones for their key Specialist Technology Product(s) to achieve the Commercialisation Revenue Threshold;
- all relevant risks associated with the commercialisation of each Specialist Technology Product(s);
- an additional warning statement drawing investors' attention to the risk that the company may not generate sufficient revenue to sustain its operations after listing and that it may fail due to a lack of available funds; and
- the potential earlier expiry of the lock-up periods applicable to the relevant shareholders in the case of the removal of designation as a Pre-Commercial Company.

Subscription of IPO Shares by Existing Shareholders

The HKEX will allow existing shareholders of Specialist Technology Companies to subscribe for their IPO shares provided that the companies meet the public float requirement, the requirement for a minimum allocation to Independent Price Setting Investors and the minimum free float requirement. The "Existing Shareholder Conditions" set out in paragraph 4.20 of [HKEX Guidance Letter HKEX-GL85-16](#) will not apply to Specialist Technology Companies. Accordingly:

- an existing shareholder holding less than 10% of the shares in a Specialist Technology Company before listing in the IPO can subscribe for shares in the IPO as either a cornerstone investor or as a placee. Where an existing shareholder subscribes as a placee, the applicant, its sponsor and overall coordinator must confirm that no preference in allocation was given to the existing shareholder. Where an existing shareholder subscribes as a cornerstone investor, confirmation must be given by the applicant and its sponsor that no preference was given to the existing shareholder other than an

ensured entitlement at the IPO price and the terms of the subscription must be substantially the same as those of any other cornerstone investors; and

- an existing shareholder holding 10% or more of the shares in a Specialist Technology Company before listing can subscribe for shares in the IPO as a cornerstone investor.

If shares will be allocated to core connected persons, the Specialist Technology Company will need to apply for, and the HKEX will typically grant, a waiver from HKEX Listing Rule 9.09. Existing shareholders who wish to exercise a contractual anti-dilution right will also be allowed to subscribe for IPO shares in accordance with paragraph 3.10 of [Guidance Letter HKEX-GL43-12](#). The HKEX clarifies that these existing shareholders may subscribe for further IPO shares to a level higher than his/her pre-IPO shareholding if the public float requirement, the requirement for a minimum allocation to Independent Price Setting Investors, and the minimum free float requirement are met.

Post-IPO Lock-ups

The listing regime imposes post-IPO lock-ups on:

- controlling shareholders;
- key persons (including the founders, the beneficiaries of weighted voting rights, executive directors and senior management, and key personnel responsible for the technical operations and/or R&D of the Specialist Technology Company) (**Key Persons**); and
- the Pathfinder SII.²³

The controlling shareholders of a Commercial Company are subject to a 12-month lock-up period, while the controlling shareholders of a Pre-Commercial Company are subject to a 24-month lock-up period.

The Key Persons of a Commercial Company and their close associates are subject to a 12-month lock-up period, while Key Persons of a Pre-Commercial Company and their close associates are subject to a 24-month lock-up period.

Pathfinder SII is subject to a 6-month lock-up period (for a Commercial Company) or a 12-month lock-up period (for a Pre-Commercial Company).

Securities Subject to Lock-ups

Shareholders subject to lock-up requirements will only need to comply with the restrictions on disposal in relation to the securities which the listing document shows to be beneficially owned by them. They will not be prevented from disposing of their shares before listing or from offering them for sale as part of the IPO. Only the securities held by relevant shareholders after listing will be subject to the lock-up requirements.

Shareholders subject to lock-up requirements will also be allowed to purchase additional securities in the IPO and dispose of them during the lock-up period, provided that the listed company continues to comply with the requirements of the HKEX Listing Rule 8.08 to maintain an open market in the securities and a sufficient public float.

Lock-ups: Deemed Disposals of Securities

A deemed disposal of securities by a person subject to the lock-up restrictions which results from the allotment, grant or issue of new securities by a Specialist Technology Company during a lock-up period, will not be regarded as a breach of the lock-up restrictions.

Lock-ups: Lock-up Period upon removal of Designation as a Pre-Commercial Company

The HKEX had proposed that any lock-up period in effect at the time of removal of designation as a Pre-Commercial Company would continue unchanged. In light of the feedback received from consultation respondents, the HKEX has modified the requirement so that if a Pre-Commercial Company achieves the Commercialisation Revenue Threshold, the lock-up periods will be shortened to end on the later of:

- the date on which such lock-up periods would have ended if the issuer had applied for listing as a Commercial Company; and
- the date falling on the 30th day after the announcement of the removal of designation as a Pre-Commercial Company.²⁴

Disclosure of Shareholdings

A Specialist Technology Company must set out in its listing document the total number of its securities held by each person subject to the lock-up requirements.²⁵

According to Rule 18C.18 of the HKEX Listing Rules, a Specialist Technology Company is required to disclose in its interim and annual reports the total number of securities held by each person that is subject to the lock-up requirements, based on publicly available information or otherwise within the knowledge of the company's directors, as of the latest practicable date prior to the report's issue date. This disclosure must continue as long as the relevant person remains a shareholder.

Additionally, a Specialist Technology Company must disclose the total number of securities in the issuer held by each person subject to the lock-up requirements who are employed by the company as at the latest practicable date prior to the issue of the relevant report.²⁶

Additional Continuing Obligations for Pre-Commercial Companies

Pre-Commercial Companies will have a number of additional continuing obligations until they reach the Commercialisation Revenue Threshold. These include:

- an obligation to disclose in their interim and annual reports details of their R&D activities and commercialisation activities during the period, including:
 - details of the development progress of their Specialist Technology Product(s);
 - the timeframe for, and any progress made towards, meeting the Commercialisation Revenue Threshold;
 - updates on any revenue, profit and other business and financial estimates as provided in the listing document and any subsequent update to those estimates as published by the Pre-Commercial Companies;
 - summary of R&D expenditure; and
 - a prominently disclosed warning that the companies may not achieve the Commercialisation Revenue Threshold.
- a 12-month (rather than the typical 18-month) remedial period for re-compliance with the sufficiency of operations requirement before delisting;
- a restriction on effecting any transaction that would constitute a material change of business without the HKEX's prior consent; and
- identification through a "PC" stock marker at the end of their stock names.

Removal of Pre-Commercial Company Designation

The additional continuing obligations for Pre-Commercial Companies will cease to apply once they are able to demonstrate to the HKEX that they meet the Commercialisation Revenue Threshold or at least one of the Main Board's financial eligibility tests. A Pre-Commercial Company will need to apply to the HKEX for the removal of its designation as a Pre-Commercial Company and must submit its published audited financial statements in support of the application. Specialist Technology Companies must, as soon as practicable after receiving notification from the HKEX confirming that they cease to be Pre-Commercial Companies, announce the removal of the designation and the dates on which the lock-up periods for relevant shareholders end.

[1] The R&D expenditure ratio is calculated as the total amount of an applicant's expenditure on the R&D of its Specialist Technology Product(s) incurred for the relevant period, divided by its total operating expenditure for the same period

[2] Guidance Letter HKEX-GL115-23 on Specialist Technology Companies at paragraph 7

[3] Guidance Letter HKEX-GL115-23 on Specialist Technology Companies at paragraph 9

[4] Ibid. at paragraph 10

[5] Ibid. at paragraph 16

[6] HKEX Listing Rule 18C.03(4)

[7] Guidance Letter HKEX-GL115-23 on Specialist Technology Companies at paragraph 19(c)

[8] HKEX Listing Rules 18C.04(2)(b)

[9] Guidance Letter HKEX-GL115-23 on Specialist Technology Companies at paragraph 19(b)

[10] Ibid. at paragraph 37(a)

[11] Ibid. at paragraph 40

[12] Ibid. at paragraph 29

[13] Investment portfolio is defined as the aggregate value of investments in investee companies as determined under the prevailing accounting standards

[14] HKEX Listing Rule 18C.06

[15] Guidance Letter HKEX-GL115-23 on Specialist Technology Companies at paragraph 49

[16] HKEX Listing Rule 18C.07

[17] Guidance Letter HKEX-GL115-23 on Specialist Technology Companies at paragraph 19(a)

[18] HKEX Listing Rule 8A.06 requires a listing applicant with a WVR to have: (i) a market capitalisation at listing of HK\$40 billion; or (ii) a market capitalisation at listing of HK\$10 billion and revenue of HK\$1 billion for the most recent audited financial year;

[19] HKEX Listing Rule 18C.08

[20] HKEX Listing Rule 18C.10

[21] HKEX Listing Rule 18C.11

[22] Guidance Letter HKEX-GL115-23 on Specialist Technology Companies at paragraph 62

[23] The lock-up restrictions under HKEX Listing Rule 18C.14(2) only apply to Pathfinder SIIs that satisfy the indicative minimum investment benchmarks. If a listing applicant has more than the required number of sophisticated independent investors that meet the minimum investment benchmarks for Pathfinder SIIs, the applicant would be free to decide, on a commercial basis, which of these investors are to be designated as the Pathfinder SIIs, who will then be subject to the lock-up restrictions under HKEX Listing Rule 18C.14(2) (paragraph 81 of Guidance Letter 115-23).

[24] Note 2 to HKEX Listing Rule 18C.23

[25] HKEX Listing Rule 18C.17

[26] Guidance Letter HKEX-GL115-23 on Specialist Technology Companies at paragraph 83

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CHARLTONS
易周律師行

Hong Kong Office

Dominion Centre 12th Floor
43-59 Queen's Road East Hong Kong

enquiries@charltonslaw.com

www.charltonslaw.com
Tel: + (852) 2905 7888
Fax: + (852) 2854 9596