

HKEx New Listing Regime for Specialist Technology Companies



Highlights

HKEx has introduced a new listing regime for Specialist Technology Companies¹. The new regime will take effect on 31 March 2023.

Key listing requirements:

Specialist Technology Companies	Commercial companies ²	Pre-commercial companies ³
Minimum expected market capitalisation	HK\$6 billion	HK\$10 billion
Minimum revenue from Specialist Technology business segment(s) for the most recent audited financial year	HK\$250 million ("the Commercialisation Revenue Threshold")	No requirement
Minimum research and development ("R&D") expenditure incurred for the three financial years prior to listing (as a % of total operating expenditure)	15%	30% - 50% depending on the revenue for the most recent audited financial year
Operational track record	At least three financial years of operations in its current line of business under substantially the same management and with ownership continuity and control for at least the most recent audited financial year prior to listing	
Third party investment	Received meaningful investment from Sophisticated Independent Investors ("SIIs"), including a group of two to five Pathfinder SIIs ⁴	



¹ 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, Specialist Technology Product(s) within an acceptable sector of a Specialist Technology Industry.

² A "Commercial Company" refers to a Specialist Technology Company that has met the Commercialisation Revenue Threshold at the time of listing.

³ A "Pre-Commercial Company" refers to a Specialist Technology Company that has not met the Commercialisation Revenue Threshold at the time of listing

⁴ SIIs that have invested at least 12 months before the date of the listing application of a Specialist Technology Company

On 24 March 2023, The Stock Exchange of Hong Kong Limited (the “Exchange”) published the consultation conclusion on the new regime for listing of Specialist Technology Companies (the “Specialist Technology Regime”) on the Main Board of the Exchange. The new regime will be set out in Chapter 18C of the Listing Rules⁵ and take effect on 31 March 2023.

Key changes from the consultation

The Exchange has made the following key changes to the proposals in finalising the new regime:

- Reduce the minimum expected market capitalisation from HK\$8 billion to HK\$6 billion for Commercial Companies and from HK\$15 billion to HK\$10 billion for Pre-Commercial Companies.
- Relax the R&D expenditure requirement by changing the proposal of “requiring the applicant to meet the applicable percentage threshold for each of the three years prior to listing” to “requiring the applicants to meet the applicable percentage threshold: (a) on a yearly basis for at least two of the three financial years prior to listing; and (b) on an aggregate basis over all three financial years prior to listing”.
- Reduce the minimum R&D expenditure (as a % of total operating expenditure) for Pre-Commercial Companies from 50% to 30% if the Pre-Commercial Companies have generated HK\$150 million or more revenue for the most recent audited financial year.
- Revise the minimum investment benchmark from Pathfinder SIIIs from “requiring at least two Pathfinder SIIIs each holding at least 5% of the issued share capital of the applicant at the date of listing application and throughout the pre-acquisition 12-month period” to the following:

Investment from a group of two to five Pathfinder SIIIs that satisfy both (a) and (b) below:

Investment from Pathfinder SIIIs	(a) 2 to 5 Pathfinder SIIIs	(b) At least 2 of Pathfinder SIIIs referred to in (a)
Minimum investment as a % of the applicant’s issued share capital as at the date of the listing application and throughout the preapplication 12-month period; OR	≥10% in aggregate OR	≥3% each OR
Minimum amount invested 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)	≥HK\$1.5 billion in aggregate	≥HK\$450 million each

Scope of the Specialist Technology Company

The Exchange has adopted a broad definition for “Specialist Technology Company” (“STC”) in the Listing Rules and supplemented it by a guidance letter with a list of Specialist Technology Industries and the non-exhaustive acceptable sectors that the Exchange considers to fall within each of these industries as set out in Appendix I.

An applicant falling outside the list may be considered as “within an acceptable sector of a Specialist Technology Industry” for the purpose of the definition of STC, if it can demonstrate that:

- it has high growth potential;
- its success can be demonstrated to be attributable to the application, to its core business, of new technologies and/or the application of the relevant science and/or technology within that sector to a new business model, which differentiates it from traditional market participants serving similar consumers or end users; and
- research and development significantly contributes to its expected value and constitutes a major activity and expense.

A company in the biotech industry that does not base its listing application on Regulated Product (as defined in Ch 18A of the Listing Rules) may apply to list under the Specialist Technology Regime as long as it meets the definition of a Specialist Technology Company.

⁵ The Rules Governing the Listing of Securities on the Exchange.

Listing requirements for Specialist Technology Company

The key listing requirements for STC are as follows:

	Commercial Companies	Pre-Commercial Companies
Minimum expected market capitalisation	HK\$6 billion	HK\$10 billion
Minimum revenue from Specialist Technology("ST") business segment(s) for the most recent audited financial year	<p>HK\$250 million</p> <p>The company must demonstrate year-on-year growth of revenue throughout its track record period, with allowance for temporary declines in revenue due to economic, market, industry-wide conditions or other factors which were temporary and outside the applicant's control.</p>	<p>No requirement</p> <p>The applicant must have as its primary reason for listing the raising of funds for the R&D of, and the manufacturing and/or sales and marketing of, its ST Product(s) to bring them to commercialisation and achieving the Commercialisation Revenue Threshold; and must demonstrate a credible path to commercialisation of its ST Product(s) that will result in it achieving the Commercialisation Revenue Threshold.</p>
Minimum R&D expenditure	<p>Engaged in R&D of its ST Product(s) for at least three financial years prior to listing and:</p> <p>(a) on a yearly basis for at least two of the three financial years prior to listing; and</p> <p>(b) on an aggregate basis over all three financial years prior to listing, meet the following minimum R&D expenditure (as a % of total operating expenditure)</p>	
	15%	<p>With revenue for the most recent audited financial year</p> <ul style="list-style-type: none"> • ≥HK\$150 million: 30% • <HK\$150 million: 50%
	<p>The amount of R&D expenditure for a period includes costs that are directly attributable to the STC's R&D activities during the period, including development costs for the period that have been capitalised as intangible assets for accounting purposes, but excluding general, administrative or other costs that are not clearly related to R&D activities, the initial recognition of any fixed assets relating to the company's R&D activities and any expense of a finance nature.</p> <p>The total operating expenditure for a period is the sum of (i) the total expenses of the company as reflected in the financial statements of the company during the period, excluding cost of sales and any expense of a finance nature, and (ii) any such costs that have not been recognised as expenses during the period but qualify as R&D expenditure, e.g. development costs capitalised as intangible assets.</p>	

Commercial Companies		Pre-Commercial Companies											
Operational track record	The applicant must have been in operation in its current line of business for at least three financial years prior to listing under substantially the same management, and with 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 becomes unconditional												
Working capital requirement	At least 100% of the group’s requirement for at least the next 12 months	At least 125% of the group’s costs for at least the next 12 months											
Third party investment	The applicant must have received meaningful investment from SII’s*.												
	As an indicative benchmark, an applicant meeting the following requirements will be generally considered as having received “meaningful investment”:												
	• Investment from a group of two to five Pathfinder SII’s that satisfy both (a) and (b) below:												
	<table><tr><th>Investment from Pathfinder SII’s</th><th>(a) 2 to 5 Pathfinder SII’s</th><th>(b) At least 2 Pathfinder SII’s referred to in (a)</th></tr><tr><td>Minimum investment as a % of the applicant’s issued share capital as at the date of the listing application and throughout the preapplication 12-month period; OR</td><td>≥10% in aggregate OR</td><td>≥3% each OR</td></tr><tr><td>Minimum amount invested 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)</td><td>≥HK\$1.5 billion in aggregate</td><td>≥HK\$450 million each</td></tr></table>		Investment from Pathfinder SII’s	(a) 2 to 5 Pathfinder SII’s	(b) At least 2 Pathfinder SII’s referred to in (a)	Minimum investment as a % of the applicant’s issued share capital as at the date of the listing application and throughout the preapplication 12-month period; OR	≥10% in aggregate OR	≥3% each OR	Minimum amount invested 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)	≥HK\$1.5 billion in aggregate	≥HK\$450 million each		
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Minimum amount invested 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)	≥HK\$1.5 billion in aggregate	≥HK\$450 million each											
• At least the following aggregate investment from all SII’s (as a % of issued share capital) as at the time of listing (before exercise of any over-allotment option):													
<table><tr><th>Minimum market capitalisation</th><th>Commercial Companies</th><th>Pre-Commercial Companies</th></tr><tr><td>< HK\$15 billion</td><td>20%</td><td>25%</td></tr><tr><td>≥HK\$15 billion but <HK\$30 billion</td><td>15%</td><td>20%</td></tr><tr><td>≥HK\$30 billion</td><td>10%</td><td>15%</td></tr></table>		Minimum market capitalisation	Commercial Companies	Pre-Commercial Companies	< HK\$15 billion	20%	25%	≥HK\$15 billion but <HK\$30 billion	15%	20%	≥HK\$30 billion	10%	15%
Minimum market capitalisation	Commercial Companies	Pre-Commercial Companies											
< HK\$15 billion	20%	25%											
≥HK\$15 billion but <HK\$30 billion	15%	20%											
≥HK\$30 billion	10%	15%											
The SII’s must not be the applicant’s core connected person(s) (excluding a person being connected only by virtual of being a substantial shareholder), controlling shareholders and founder(s) and the founder(s)’ respective close associate.													
The Exchange will assess whether an investor is sophisticated by reference to its relevant investment experience, and its 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, where applicable. For this purpose, the Exchange would generally consider the following as examples of sophisticated investors:													
• an asset management firm with AUM of, or a fund with a fund size of, at least HK\$15 billion;													
• a company having a diverse investment portfolio size of at least HK\$15 billion;													
• an investor of any of the types above with an AUM, fund size or investment portfolio size (as applicable) of at least HK\$5 billion where that value is derived primarily from ST investments; and													
• 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.													

	Lock-up period		
	Persons subject to lock-up	Commercial Companies	Pre-Commercial Companies
Post-IPO lock-up (For securities beneficially owned as disclosed in listing document (excluding those sold under any offer for sale contained in the listing document))	Controlling shareholders & Key Persons#	12 months from the date of listing	24 months from the date of listing
	Pathfinder SIIIs	6 months from the date of listing	12 months from the date of listing
<p># "Key Persons" includes (a) founders; (b) beneficiaries of weighted voting rights; (c) executive directors and senior management; and (d) key personnel responsible for the technical operations and/or R&D of its ST Product(s).</p> <p>If a Pre-Commercial Company achieves the Commercialisation Revenue Threshold, the lock-up periods could be shortened to end on the later of: (a) the date on which such lock-up periods would end if the issuer applied for listing as a Commercial Company; and (b) the date falling on 30th days after the announcement on the removal of designation as a Pre-Commercial Company.</p>			

In addition to the above, a Pre-commercial Company has to meet the following additional continuing obligations:

- Subject to a remedial period of 12 months (instead of 18 months for other issuers) to re-comply with the sufficiency of operations and assets requirement before delisting, in the event that the Exchange considers that a Pre-Commercial Company has failed to maintain sufficient operations or assets;
- Must not effect any transaction that will result in a fundamental change to its principal business without the prior consent of the Exchange; and
- Must be prominently identified through a unique stock marker "P" at the end of their stock names.

The above continuing obligations would no longer apply once a Pre-Commercial Company has met the Commercialisation Revenue Threshold or at least one of the Main Board Eligibility Tests⁶ and ceases to be regarded as a Pre-Commercial Company.

Effective date

The new regime will take effect on 31 March 2023.

A STC and its sponsor(s) may now submit formal pre-IPO enquiries regarding the interpretation of the Rules set out in the conclusion paper and their application to the prospective listing applicant's circumstances. Companies may submit a formal application for listing under the new regime on or after 31 March 2023.

Full text of the consultation conclusion: [Link](#)

⁶ Main Board Eligibility Tests - financial eligibility requirements of the Main Board, being (i) Rule 8.05(1) (the Profit Test), (ii) 8.05(2) (the Market Capitalisation/ Revenue /Cash Flow Test); and (iii) Rule 8.05(3) (the Market Capitalisation/Revenue Test) of the Listing Rules.

Appendix I

List of Specialist Technology Industry and acceptable sectors falling within each Specialist Technology Industry

Specialist Technology Industry	Acceptable sectors falling within each Specialist Technology Industry
Next-generation information technology	Cloud-based services
	Artificial intelligence
Advanced hardware and software	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	Synthetic biological materials
	Advanced inorganic materials
	Advanced composite materials
	Nanomaterials
New energy and environmental protection	New energy generation
	New energy storage and transmission technology
	New green technology
New food and agricultural technologies	New food technology
	New agricultural technology



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