

Hong Kong stock exchange

Highlights of listing requirements

Hong Kong Main Board:

(A) Highlights of listing requirements

Track record and market capitalisation requirements

- Trading record of not less than three financial years
- Management continuity for at least the three preceding years and ownership continuity and control for at least the most recent audited financial year
- Three Financial Eligibility Tests:
 - i. Profit test
 - Profits of HK\$20 million for the most recent year and of aggregate of HK\$30 million for the first two years
 - Market capitalisation of at least HK\$500 million at the time of listing
 - ii. Market capitalisation/revenue/cashflow test
 - Revenue of at least HK\$500 million for the most recent audited financial year
 - Positive cashflow from operating activities of at least HK\$100 million in aggregate for the three preceding financial years
 - Market capitalisation of at least HK\$2 billion at the time of listing
 - iii. Market capitalisation/revenue test
 - Revenue of at least HK\$500 million for the most recent audited financial year
 - Market capitalisation of at least HK\$4 billion at the time of listing
 - Track record of less than three years may be accepted if:
 - Directors and management have sufficient and satisfactory experience of at least three years in the line of the listing business and industry
 - Management continuity for the most recent audited financial year
- Exemptions may be granted for mineral companies, newly formed project companies (such as major infrastructure projects) and pre-revenue/pre-profit biotech companies, which can have shorter trading records
- A focused line of business not specifically required, but its core business should meet the minimum financial requirement
- Must have control over its business

Minimum public float

- Market capitalisation of at least HK\$125 million held by the public at the time of listing
- Minimum 25% of the issuers' total issued share capital at the time of listing
- The Exchange may, at its discretion, accept a percentage of public float between 15% and 25% if the market capitalisation of the issuer at the time of listing exceeds HK\$10 billion

Future prospects

- No specific requirement but the applicant is required to include a general statement of future plans and prospects
- Inclusion of profit forecast is optional

Accountants' report

- Must be prepared in accordance with Hong Kong Financial Reporting Standards, International Financial Reporting Standards, or the Accounting Standards for Business Enterprises of the People's Republic of China (PRC CAS)
- Generally accepted accounting principles in the United States of America (US GAAP) or other accounting standards may be acceptable by the Exchange under certain circumstances
- In general, accountants' report covers at least three complete financial years, immediately preceding the issue of the listing document
- The latest financial period reported on by the reporting accountants must not have ended more than six months before the date of the listing document

Corporate governance

- At least three independent non-executive directors required
- Must appoint independent non-executive directors representing at least one-third of the board
- Audit committee required
- Remuneration committee required
- Required to appoint a compliance adviser for the period commencing on initial listing and ending on publication of financial results for the first full financial year after listing

Acceptable jurisdictions

- Austria, Australia, Bermuda, Brazil, British Virgin Islands, Canada — Alberta, Canada — British Columbia, Canada — Ontario, Cayman Islands, Cyprus, England and Wales, France, Germany, Guernsey, Hong Kong, India, Israel, Italy, Japan, Jersey, Labuan, Luxembourg, Netherlands, Russia, Singapore, Republic of Korea, The Isle of Man, The People's Republic of China, United States of America — The State of California, United States of America — The State of Delaware, United States of America — The State of Nevada
- Other jurisdictions which are subject to appropriate standards of shareholder protection that are equivalent to those required under Hong Kong law may be considered
- Other jurisdictions for secondary listing will be considered

Restrictions on controlling shareholders

- A controlling shareholder at the time of listing must undertake:
 - Not to dispose of his interest in the issuer from the listing document issue date to the first six months after listing
 - Not to dispose of his interest in the issuer in the next six months such that he would cease to be a controlling shareholder: at least 30% interest in the issuer

Other considerations

- Competing businesses of controlling shareholders or directors are allowed but full disclosure is required
- Mandatory public offering of at least 10% of the total offer size
- New issue must be fully underwritten
- Listed issuer is not allowed to issue new securities in the first six months after listing

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(B) Specific listing requirements for pre-revenue/pre-profit biotech companies and issuers with weighted voting rights (WVR) structures

Pre-revenue/ Pre-profit biotech companies

In addition to satisfying the general listing requirements (except for Financial Eligibility Tests) as highlighted in section (A), the pre-revenue/pre-profit biotech companies must meet the following requirements:

Features

- At least one core product beyond the concept stage
- Primarily engaged in research and development (R&D) for the core product(s) for at least 12 months prior to listing
- Has as primary reason for listing the raising of finance for R&D to bring the core product(s) to commercialisation
- Has registered patent(s), patent application(s) and/or intellectual property in relation to the core product(s)
- Received meaningful investment from at least one sophisticated investor at least 6 months before listing (which must remain at IPO)

Track record requirements

- In current line of business for at least two financial years under substantially the same management

Market capitalisation and minimum public float requirements

- Market capitalisation of at least HK\$1.5 billion at the time of listing
- Public float of at least 25% (with at least HK\$375 million of public float at the time of listing, which is exclusion of subscriptions by existing shareholders at IPO and subscriptions through cornerstone investments)

Working capital requirement

- Sufficient working capital which covers 125% of the group's costs for at least 12 months from the date of publication of listing document

Issuers with WVR structures

In addition to satisfying the general listing requirements as highlighted in section (A), the WVR issuers must meet the following requirements:

Features

- Innovative company which possesses more than one of the following characteristics:
 - its success is attributable to application, to the company's core business, of (i) new technologies, (ii) innovations and/or (iii) a new business model;
 - R&D is a significant contributor of its expected value and constitutes a major activity and expense;
 - its success is attributable to its unique features or intellectual property; and/or
 - has an outsized market capitalisation/intangible asset value relative to its tangible asset value.
- Demonstrate a track record of high business growth and its high growth trajectory is expected to continue
- Each WVR beneficiary:
 - has been materially responsible for the growth of the business, by way of his skills, knowledge and/or strategic direction; and
 - must be (i) an individual who has an active executive role within the business, and has contributed to a material extent to the ongoing growth of the business; and (ii) a director of the issuer at the time of listing
- Received meaningful investment from at least one sophisticated investor (which must remain at IPO). Such investors must retain an aggregate 50% of their investment at the time of listing for a period of at least six months post-IPO

Market capitalisation requirement

- Market capitalisation of at least HK\$10 billion at the time of listing and revenue of at least HK\$1 billion in the most recent audited financial year; or
- Market capitalisation of at least HK\$40 billion

Enhanced corporate governance

- Compliance adviser appointed on a permanent basis required
- Nomination committee comprising independent non-executive directors (INEDs) required
- INEDs subject to retirement by rotation at least once every three years
- Corporate governance committee comprising entirely of INEDs required
- Key matters decided on one-share one-vote basis
- WVR safeguards incorporated in constitutional documents

WVR safeguards

- Non-WVR shareholders hold at least 10% of voting power
- Voting power of WVR shares are not more than 10 times of the voting power of ordinary shares
- WVR beneficiaries collectively own at least 10% of the underlying economic interest in the applicant's total issued share capital at the time of listing
- WVRs are restricted to directors and will lapse permanently if: (i) the beneficiary dies/ceases to be a director/is incapacitated/no longer meets the requirements of a director; or (ii) the shares are transferred to another person
- After listing, cannot increase the proportion of WVR in issue or issue any further WVR shares

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Highlights of listing requirements

Hong Kong GEM

Track record and market capitalisation requirements

- Trading record of not less than two financial years
- No profit requirement
- Positive cashflow generated from operating activities of at least HK\$30 million in aggregate for the two preceding financial years
- Market capitalisation of at least HK\$150 million at the time of listing
- Exemptions may be granted for mineral companies and newly formed project companies, such as major infrastructure projects, which can have shorter trading records
- Must be under substantially the same management for the two preceding full financial years and up until the date of listing
- Must have a continuity of ownership and control for the preceding full financial year and up until the date of listing

Minimum public float

- Market capitalisation of at least HK\$45 million held by the public at the time of listing
- Minimum 25% of the issuers' total issued share capital at the time of listing
- The Exchange may, at its discretion, accept a percentage of public float between 15% and 25% if the market capitalisation of the issuer at the time of listing exceeds HK\$10 billion

Future prospects

- Statement of business objectives for the period covering the remaining financial year during which listing occurs and the two full financial years thereafter
- Inclusion of profit forecast is optional

Accountants' report

- Must be prepared in accordance with Hong Kong Financial Reporting Standards, International Financial Reporting Standards or the Accounting Standards for Business Enterprises of the People's Republic of China (PRC CAS)
- Generally accepted accounting principles in the United States of America (US GAAP) are acceptable if the company is listed, or will be simultaneously listed, on either the New York Stock Exchange or the NASDAQ National Market
- In general, accountants' report covers at least two complete financial years, immediately preceding the issue of the prospectus
- The latest financial period reported on by the reporting accountants must not have ended more than six months before the date of the listing document

Corporate governance

- At least three independent non-executive directors required
- Must appoint independent non-executive directors representing at least one-third of the board
- Audit committee required
- Remuneration committee required
- Compliance officer required
- Required to appoint a compliance adviser for the period commencing on initial listing and ending on publication of financial results for the two full financial year after listing

Acceptable jurisdictions

- Austria, Australia, Bermuda, Brazil, British Virgin Islands, Canada — Alberta, Canada — British Columbia, Canada — Ontario, Cayman Islands, Cyprus, England and Wales, France, Germany, Guernsey, Hong Kong, India, Israel, Italy, Japan, Jersey, Labuan, Luxembourg, Netherlands, Russia, Singapore, Republic of Korea, The Isle of Man, The People's Republic of China, United States of America — The State of California, United States of America — The State of Delaware, United States of America — The State of Nevada
- Other jurisdictions which are subject to appropriate standards of shareholder protection equivalent to those required under Hong Kong law will be considered
- Other jurisdictions for secondary listing may be considered

Restrictions on controlling shareholders

- A controlling shareholder at the time of listing must undertake:
 - Not to dispose of his interest in the issuer from the prospectus issue date to the first 12 months after listing
 - Not to dispose of his interest in the issuer in the next 12 months such that he would cease to be a controlling shareholder: at least 30% interest in the issuer

Other considerations

- Competing businesses of controlling shareholders, substantial shareholders or directors are allowed but full disclosure is required
- Mandatory public offering of at least 10% of the total offer size
- No underwriting requirement
- Listed issuer is not allowed to issue new securities in the first six months after listing except for the purpose of acquiring assets which will complement its business

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