**Frequently Asked Questions on Listing Regime for Companies from Emerging and Innovative Sectors**
**(Released on 24 August 2018 / Last Updated in April 2020)**

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| 24/08/2018 | 8A.04 | N/A | N/A | 030-2018 | What information is required for an applicant to demonstrate it is innovative under Guidance Letter HKEX-GL93-18 (**"GL93-18"**) and suitable to list with a WVR structure? | To establish whether an applicant is "innovative" for the purpose of Chapter 8A, the Exchange will take into consideration the characteristics set out in paragraph 4.2 of GL93-18. An innovative company would normally be expected to possess more than one of the characteristics set out in paragraph 4.2.<br><br>In relation to the characteristic in paragraph 4.2(a), an applicant should elaborate on how its operations differ from conventional methods of operating a business in its industry which sets it apart from peers. If the applicant's peers are employing similar technology/business model, the Exchange will take into account whether the applicant was the "first mover" in the industry by reference to the timeline of the implementation of its technology, innovation and/or business model compared to its closest peers.<br><br>In relation to the characteristic in paragraph 4.2(b), the applicant should, in addition to providing the amount of its research and development (**R&D**) expenses during the track record period (both as a figure and as a |

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| | | | | | | percentage of revenue/total expenses), also explain how the R&D contributes value to the applicant. In this connection, the Exchange will examine whether the R&D expenses are capitalised as intangible assets in the accounts of the applicant as an indicator of the value generated through the R&D activities. Where a significant portion of the R&D expenses are not capitalised, the applicant should provide the reasons for this.<br><br>In relation to the characteristic in paragraph 4.2(c), providing a list of patents and trademarks alone is not sufficient to demonstrate this characteristic. The applicant should provide detailed explanation on how its intellectual properties enabled it to achieve business success.<br><br>In providing this information, the applicant should avoid jargons, use plain language and provide graphical illustrations where this aids understanding.<br><br>Where appropriate, the relevant details and explanations should be included in the prospectus. |

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| 24/08/2018 | 8A.11 | N/A | N/A | 031-2018 | What information is required for a WVR beneficiary demonstrate that they have been materially responsible for the growth of an applicant's business? | Paragraph 4.4 of GL93-18 requires the applicant to demonstrate that each WVR beneficiary has been materially responsible for the growth of the business. It is therefore not sufficient for the applicant to simply state the identity of the proposed WVR beneficiary and that the WVR beneficiaries would be directors of the applicant. The applicant should clearly disclose the role of each proposed WVR beneficiary in the applicant and how the knowledge and skills of each proposed WVR beneficiary contributed to the business growth of the applicant. |
| 24/08/2018 | 8A.11, 8A.17, 8A.18, 8A.19 | N/A | N/A | 032-2018 | Whether the Exchange will accept a corporate WVR holder? | No. The Exchange currently only accepts individuals who are directors of applicants as beneficiaries of WVR.<br>If there are any changes, the Exchange will update the market on the subject. |
| 24/08/2018 | N/A | N/A | N/A | 033-2018 | What is the meaning of sophisticated investor? | There are no "bright line" tests as sophisticated investors may vary according to many factors. Paragraph 3.2(g) of Guidance Letter HKEX-GL92-18 sets out the factors the Exchange considers and illustrative examples |

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| | | | | | | which are neither exhaustive nor binding.<br>The Exchange will take into account all relevant circumstances in its assessment. |
| 24/08/2018 | 4.10, 4.11 | N/A | N/A | 034-2018 | Whether the Exchange will allow an applicant, including a biotech company, to adopt generally accepted accounting principles in the United States (**US GAAP**) in the preparation of accountants' report and subsequent financial reports after listing? | Rule 4.11 requires an accountants' report in a listing document be prepared in Hong Kong Financial Reporting Standards or International Financial Reporting Standards (**IFRS**) for non-PRC companies.<br>US GAAP is permitted for an overseas issuer whose primary listing is on another stock exchange under Rule 19.39(c) or in case of a dual primary listing in the U.S. (paragraph 64 of the Joint Policy Statement regarding the Listing of Overseas Companies).<br>An applicant already listed in U.S. may apply for a waiver from Rule 4.11 to use US GAAP in the preparation of an accountant's report.<br>In considering whether to grant the waiver, the Exchange will take into account the following:<br>(i) the applicant's place of operation is in the U.S., and whether it has been adopting US GAAP; |

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| | | | | | | (ii) whether the adoption of US GAAP enables its investors to make a more meaningful comparison of its performance with its peers;<br>(iii) the comparability between US GAAP and IFRS; and<br>(iv) whether there is any material difference between the financial statements prepared using US GAAP and IFRS.<br>A waiver may be recommended subject to the following conditions:<br>(i) the applicant will include a reconciliation statement showing the financial effect of any material differences between the financial statements prepared using US GAAP and IFRS in its (a) listing document) and (b) all subsequently published interim and annual reports which must be audited / reviewed by the applicant's auditors; and<br>(ii) the applicant will revert to HKFRS or IFRS in the preparation of its financial accounts in the event that it is no longer listed in the US. |

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| 24/08/2018 | Chapter 18A | N/A | N/A | 035-2018 | ~~What constitutes "Other Biotech Products" under Chapter 18A?~~<br><br>~~What are the factors to be considered for an applicant eligible to list under Chapter 18A where its products fall under "Other Biotech Products"?~~ Withdrawn in April 2020 | ~~Where a product does not fall into the pharmaceutical, biologics or medical devices (including diagnostics) category, it may be considered under the "Other Biotech Products" category on a case by case basis (paragraph 3.4 of Guidance Letter HKEX-GL92-18 (**"GL92-18"**).~~<br><br>~~Where there is a regulatory regime for the applicant's product, the Exchange will require the applicant to demonstrate that it meets the requirement of paragraph 3.4 by reference to such regulatory regime. Where there is no regulatory regime which sets out the external milestones and objective framework to assess the development progress and a level of scrutiny, scientific accuracy and importance for a product under the "Other Biotech Products" category, the Exchange will consider, for example:~~<br><br>~~(i) the number, significant of selection and diversity of the test sampling population in pre-clinical and clinical trials;~~<br>~~(ii) follow-on study findings of staged testing;~~<br>~~(iii) time-frame and impediments to commercialization;~~ |

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| | | | | | | ~~(iv) where the pre-clinical and clinical results have been published in leading medical journals:~~<br>~~(a) the peer review editorial and selection process – whether the authority and rigorous peer review and selection process provides an appropriate and objective framework for investor to rely on to understand the level of scrutiny, scientific accuracy and importance of the product and ultimately to make an informed investment decision;~~<br>~~(b) background of the relevant journal – whether such journal is a flagship journal representative of its specialty and delivers top-ranked and industry-leading peer-reviewed research and interactive clinical content to physicians, educators, and the global medical community;~~<br>~~(c) review process of the journal – whether clinical trials need to be registered in order be eligible for consideration by the journal, how many rounds of comments on~~ |

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| | | | | | | ~~integrity of the statistics presented; and supervision and authority on trials involving human subjects.~~<br>~~(v) where Competent Authorities have published relevant guidelines on their views and aspects of a comparable framework and/ or objective indicators of "Other Biotech Products".~~ |
| 24/08/2018 | Chapter 18A | N/A | N/A | 036-2018 | Whether the Exchange would accept the clinical trials of a Biotech Product that are conducted by other authorities other than Competent Authorities under Chapter 18A (the Food and Drug Administration, the European Medicines Agency and China Food and Drug Administration? | The Exchange may recognised other national or supranational authority on a case by case basis with reference to:<br>(i) whether such authority can be regarded or authorised as a comparable authority as to the Competent Authorities;<br>(ii) whether the approval process of that authority in relation to the Biotech Product in question is comparable to the process and expertise of a Competent Authority in terms of assessing the robustness of a Biotech Product; and<br>(iii) whether there are precedent cases and the basis of other Biotech Products seeking such comparable authority for guidance or reference. |

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| 24/08/2018 | Chapter 18A | N/A | N/A | 037-2018 | What is the function of the Biotech Advisory Panel and the process in seeking its advice? | The function of the members of the Biotech Advisory Panel is advisory only and members will be consulted by the Exchange, the Listing Committee or the SFC on an individual and "as needed" basis.<br>Please refer to the Exchange's announcement on 4 May 2018 at: http://www.hkex.com.hk/News/News-Release/2018/1805042news?sc_lang=en |
| 24/08/2018 | Chapter 18A | N/A | N/A | 038-2018 | ~~Under what circumstances could an existing shareholder of a biotech company subscribe for additional shares in the IPO?~~Withdrawn in April 2020 | ~~Any existing shareholders of a biotech company may subscribe for additional shares in the IPO of the biotech company provided that the applicant is able to meet the additional public float requirement under Rule 18A.07. For example:~~<br>• ~~An existing shareholder holding less than 10% of shares in the listing applicant may subscribe for shares in the IPO as either a cornerstone investor or as a placee. In the case of subscription as placee, the applicant and its sponsor must be able to confirm that no preference in allocation was given to the existing shareholder. In the case of subscription as a cornerstone investor, the applicant and its sponsor~~ |

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| | | | | | | ~~must be able to confirm that no preference other than the preferential treatment of assured entitlement at the IPO Price and on substantially the same terms as other cornerstone investors under a cornerstone investment was given to the existing shareholder.~~<br><br>• ~~An existing shareholder holding 10% or more of shares in the listing applicant may subscribe for shares in the IPO as a cornerstone investor.~~<br><br>~~An existing shareholder with a contractual anti-dilution right may exercise such right and subscribe for shares in the IPO in accordance with the existing requirements under paragraph 3.10 of Guidance Letter HKEX-GL43-12.~~ |
| 24/08/2018 | Chapter 18A | N/A | N/A | 039-2018 | What ~~detailed~~ material information is expected to be disclosed in a listing document regarding a principal investigator ("**PI**") *note* who is in charge of or supervising a biotech company's clinical trial~~are biotech companies~~ | ~~Where applicable, the listing document should have sufficient disclosure on the data related to the (i) safety, and (ii) sustainability of efficacy of the Core Products from all completed clinical trials.~~<br><br>~~If~~ Where a ~~person~~ PI who is in charge of or supervises a clinical trial of a biotech company |

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| | | | | | ~~expected to disclose in their listing document~~? ***(Updated in April 2020)***<br><br>*Note:*<br>*PIs are usually contracted by contract research organisations to provide services to biotech companies.* | has additional roles, such as acting as a member of scientific advisory panel, in a biotech company and receives compensation for such roles, the following disclosure is expected in the listing document:<br>(a) the PI's specific functions in the biotech company and the terms of compensation, if any; and<br><br>~~(a)~~(b) ~~at a study site to oversee compliance with relevant requirements and standards, details of any overlapping roles with key opinion leaders, and~~ whether such ~~measures to address potential conflicts of interest and independence where additional~~ compensation~~s are given~~ to the PI ~~such person which~~ may impair the integrity of the biotech company's clinical trial ~~should be disclosed~~. |
| 24/08/2018 | 8.08(1), 8.24, 18A.07 | N/A | N/A | 040-2018 | How is the market capitalization of shares held in the hands of the public ascertained for a biotech company? | A biotech company listing under Chapter 18A must meet both Rule 8.08(1) and 18A.07. For the purpose of Rule 18A.07, the applicant must ensure that it has at least HK$375 million of public float at the time of listing, which must exclude subscriptions by existing |

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| | | | | | | shareholders at IPO and subscriptions through cornerstone investments. |
| 24/08/2018 | Chapter 18A | N/A | N/A | 041-2018 | Could a biotech company with revenue and profit under Main Board Rule 8.05 be able to list under the Chapter 18A? | No, a biotech company which is able to meet the financial eligibility requirements under Rule 8.05 cannot list under Chapter 18A. In determining whether a biotech company is able to meet the financial eligibility requirements under Rule 8.05, the existing rules and guidance will be applied (for example, examining whether any revenue / profit is generated from activities outside the ordinary and usual course of its business). |
| 24/08/2018 | 12.01A | N/A | N/A | 042-2018 | When can an applicant, including a biotech company, be permitted to confidentially file its application proof? | Please refer to Paragraph 18 of Practice Note 22 and paragraph A10 of guidance letter HKEX-GL57-13 for conditions when a confidential filing may be considered.<br><br>Where the Exchange grants a waiver of Rule 12.01A, the applicant should note the following:<br><br>(i) where the listing application and related documents (including the application proof) submitted are not considered substantially complete under Rule 9.03(3), it will be returned and subject to the review |

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| | | | | | | procedures and ultimate consequence of listing application being delayed for not less than eight weeks;<br>(ii) a draft application proof in Chinese is not required to be published on the Exchange's website; and<br>(iii) compliance with the requirement for the issuance of post hearing information pack does not change. |
| 24/08/2018 | Chapter 19C and 19.39 | N/A | N/A | 043-2018 | Is a reconciliation statement required for a secondary listing applicant applying for listing under Chapter 19C who has adopted US GAAP for its financial reporting? | No reconciliation is required where US GAAP is adopted for an applicant applying for a secondary listing under the Main Board Listing Rules. |
| 24/08/2018 | 19C.11 | N/A | N/A | 044-2018 | Where a stub period is included in the listing document, is it acceptable for the secondary listing applicant to disclose reviewed but unaudited interim data and its comparatives? | The financial information for all periods covered in an accountants' report, except for the stub period comparatives, are required to be audited.<br>Where the stub period comparatives are unaudited, at a minimum, a review opinion for such comparative financial information is required to be included in accountants' reports and the unaudited financial information must |

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| | | | | | | be clearly identified as unaudited (paragraph 4.16 of Guidance Letter HKEX-GL32-12). |