Frequently Asked Questions on Listing Regime for Companies from Emerging and Innovative Sectors (Released on 24 August 2018 / Last Updated in January 2022)

Release Date (Last Update Date)	Main Board Rules	GEM Rules	Series No.	FAQ No.	Query	Response
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[1] (**"GL93-18"**) (or as the case may be, Guidance Letter HKEX-GL94-18[2] ("**GL94-18**")) and suitable to list with a WVR structure? ***(Updated in January 2022)***	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 (or as the case may be, paragraph 3.2 of GL94-18). An innovative company would normally be expected to possess more than one of the characteristics set out in paragraph 4.2 of GL93-18 (or as the case may be, paragraph 3.2 of GL94-18). In relation to the characteristic in paragraph 4.2(a) of GL93-18 (or as the case may be, paragraph 3.2(a) of GL94-18), 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

1 GL93-18 provides guidance to an applicant on some of the factors that the Exchange will take into account when considering whether an applicant is suitable for listing with a WVR structure that is required to comply with the safeguards of Chapter 8A. For the avoidance of doubt, GL93-18 applies to Non-Grandfathered Greater China Issuers with a WVR structure applying for a secondary listing under Chapter 19C (or a dual primary listing under Chapter 19) because they are required to comply with the WVR safeguards of Chapter 8A.

2 For Grandfathered Greater China Issuers or Non-Greater China Issuers with a WVR structure applying for a dual primary listing under Chapter 19 or a secondary listing under Chapter 19C, they shall refer to GL94-18 for guidance on some the factors that the Exchange will take into account when considering whether it is suitable for listing.

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						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. In relation to the characteristic in paragraph 4.2(b) of GL93-18 (or as the case may be, paragraph 3.2(b) of GL94-18), 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 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. In relation to the characteristic in paragraph 4.2(c) of GL93-18 (or as the case may be, paragraph 3.2(c) of GL94-18), providing a list

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						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. In providing this information, the applicant should avoid jargons, use plain language and provide graphical illustrations where this aids understanding. Where appropriate, the relevant details and explanations should be included in the prospectus. ***(Updated in January 2022)***
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

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						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?	Following a public consultation on Corporate WVR Beneficiaries, the Exchange concluded that it would treat Greater China Issuers that were (a) controlled by corporate WVR beneficiaries (as at 30 October 2020) and (b) primary listed on a Qualifying Exchange (on or before 30 October 2020) in the same manner as Grandfathered Greater China Issuers. Grandfathered Greater China Issuers applying for a dual primary listing under Chapter 19 or a secondary listing under Chapter 19C may retain their existing corporate WVR structure by virtue of the special concession. For details, please refer to HKEX-GL94-18. Save for the above, the Exchange will not accept other applicants with a corporate WVR structure. ***(Updated in January 2022)***
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

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						Letter HKEX-GL92-18 sets out the factors the Exchange considers and illustrative examples which are neither exhaustive nor binding. The Exchange will take into account all relevant circumstances in its assessment.
24/08/2018	4.10, 4.11, 19.13, 19.14, 19.25A, 19C.10D, 19C.23	7.12, 7.14, 24.18 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. US GAAP is acceptable for an overseas issuer with, or seeking, a dual primary or secondary listing in the U.S. and on the Exchange (paragraph 29 of Guidance Letter HKEX-GL111-22). An applicant already listed in U.S. may apply for a waiver from Rule 4.11 and note 2.1 to paragraph 2 of the Appendix 16 to use US GAAP in the preparation of an accountant's report in its prospectus and the financial statements issued after listing. In considering whether to grant the waiver, the Exchange will take into account the following:

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						(i) the applicant's place of operation is in the U.S., and whether it has been adopting US GAAP; (ii) whether the adoption of US GAAP enables its investors to make a more meaningful comparison of its performance with its peers; (iii) the comparability between US GAAP and IFRS; and (iv) whether there is any material difference between the financial statements prepared using US GAAP and IFRS. Please refer to Guidance Letter HKEX-GL102-19 for the details of the conditions, at a minimum, required by the Exchange on granting such waiver. Secondary listed issuers that are listed in the US and new secondary listing applications from US-listed applicants should refer to Guidance Letter HKEX-GL111-22 for the transitional arrangements on the use of US GAAP for secondary listing.

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						(Updated in January 2022)
24/08/2018	Chapter 18A	N/A	N/A	035-2018	(Withdrawn in April 2020)	(Withdrawn in April 2020)
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: (i) whether such authority can be regarded or authorised as a comparable authority as to the Competent Authorities; (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 (iii) whether there are precedent cases and the basis of other Biotech Products seeking such comparable authority for guidance or reference.
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

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						Committee or the SFC on an individual and "as needed" basis. 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	(Withdrawn in April 2020)	(Withdrawn in April 2020)
24/08/2018	Chapter 18A	N/A	N/A	039-2018	What 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? ***(Updated in April 2020)*** *Note: PIs are usually contracted by contract research organisations to provide services to biotech companies.*	Where a PI who is in charge of or supervises a clinical trial of a biotech company 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: (i) the PI's specific functions in the biotech company and the terms of compensation, if any; and (ii) whether such compensation to the PI may impair the integrity of the biotech company's clinical trial.

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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 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 10 of guidance letter HKEX-GL57-13 for conditions when a confidential filing may be considered.

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						Where the Exchange grants a waiver of Rule 12.01A, the applicant should note the following: (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 procedures and ultimate consequence of listing application being delayed for not less than eight weeks; (ii) a draft application proof in Chinese is not required to be published on the Exchange's website; and (iii) compliance with the requirement for the issuance of post hearing information pack does not change.

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24/08/2018	19C.10D, 19C.23	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?	Yes, new secondary listing applications from US-listed applicants that prepare financial statements using US GAAP are required to include a reconciliation statement in their accountants' reports if their new listing applications are submitted on or after 1 January 2023. Under the transitional arrangement, a reconciliation statement is not required in the listing document where US GAAP is adopted for an applicant who submits listing application for a secondary listing under the Main Board Listing Rules on or before 31 December 2022. However, such issuer will be required to include a reconciliation statement in its annual financial statements after listing starting from the first full financial year commencing on or after 1 January 2022 and all subsequent financial statements (including interim financial statements). ***(Updated in January 2022)***

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