

May 2018



Tricor operating companies that provide core services in China & Hong Kong:

Tricor Services Limited

Tricor Investor Services Limited

Tricor Consultancy (Beijing) Limited

**Global Provider of
Integrated Business, Corporate & Investor Services**



HKEX's New Listing Regime for Emerging and Innovative Companies

The Hong Kong Exchanges and Clearing Limited ("HKEX") on 24 April 2018 published the conclusions to its consultation paper "**A Listing Regime for Companies from Emerging and Innovative Sectors**" (the "Consultation Conclusions") and introduced three chapters to the Main Board Listing Rules (the "MB Rules") to:

- (1) permit listings of biotech companies that do not meet any of the financial eligibility tests under the MB Rules;
- (2) permit listings of innovative and high growth companies with a weighted voting right ("WVR") structure; and
- (3) establish a concessionary secondary listing route for emerging and innovative Greater China and international companies ("Qualified Issuers") that are primarily listed on a Qualified Exchange¹.

The new MB Rules took effect on 30 April 2018, from which date companies seeking to list under the new regime can submit formal applications.

This *TechNews* highlights certain key features of the conditions for listing and additional requirements / investor safeguards that companies seeking to list under the new regime have to comply with. HKEX has also published guidance letters setting out the relevant listing eligibility and suitability criteria.

| | Conditions for Listing | Additional Requirements / Investor Safeguards |
|--------------------------|--|--|
| Biotech Companies | <ul style="list-style-type: none"> • At least HK\$1.5 billion initial market capitalization • At least 2 financial years' operation in current line of business under substantially the same management • Primarily engaged in research and development ("R&D"), application and commercialization of biotech products, processes or technologies • At least one core product beyond the concept stage, with completion of the relevant clinical trial(s) or an equivalent process endorsed by a Competent Authority², and R&D for a minimum of 12 months prior to listing • Sufficient working capital covering at least 125% of the group's costs (substantially consisting of general, administrative and operating costs and R&D) for at least the next 12 months • Must have received meaningful third-party investment (as set out in HKEX's guidance letter) from Sophisticated Investor(s)³ at least 6 months before the proposed listing date | <ul style="list-style-type: none"> • A portion of the total number of issued shares with a market capitalization of at least HK\$375 million are to be held by the public at the time of listing, excluding any shares allocated to cornerstone investor(s) and any shares subscribed for by existing shareholders of the company at the time of listing • HKEX's prior approval required for fundamental change of principal business • If the company fails to meet the continuing obligation to maintain sufficient operations or assets and cannot re-comply with such requirement within 12 months, HKEX may cancel the listing of the shares of the company under the accelerated de-listing process • Stock marker "B" at the end of the stock name |

| | Conditions for Listing | Additional Requirements / Investor Safeguards |
|---------------------------------------|---|--|
| Companies with a WVR Structure | <ul style="list-style-type: none"> • At least HK\$40 billion initial market capitalization or at least HK\$10 billion initial market capitalization and revenue of at least HK\$1 billion in the most recent audited financial year • Must be an innovative company as defined by HKEX's guidance letter and can demonstrate a track record of high business growth • Each WVR beneficiary must be an individual who has an active executive role within the business and has contributed to ongoing business growth, and must be a director of the company at the time of listing • WVR beneficiaries must beneficially own collectively at least 10% of the economic interest in total issued share capital at the time of listing • Must have received meaningful third-party investment from Sophisticated Investor(s) who will retain 50% investment for at least 6 months post-IPO (subject to exceptions) | <ul style="list-style-type: none"> • WVR shares shall be unlisted shares • Non-WVR shareholders must be entitled to cast at least 10% of voting rights at general meetings • WVR shares must not entitle beneficiaries to more than 10 times the voting power of ordinary shares • No increase in the proportion of WVR shares and ordinary shares after listing • Rights attached to WVR shares shall cease if the beneficiary is deceased, no longer a director, or deemed by HKEX to be incapacitated or no longer meeting the requirements of a director; or has transferred the economic interests in or control over the WVR shares • Conversion of WVR shares into ordinary shares must occur on a one-to-one ratio subject to HKEX's prior approval of the listing of such ordinary shares • WVR structure must lapse when all WVR beneficiaries at the time of initial listing cease to have beneficial ownership of WVR shares • Key matters such as change of constitutional documents and variation of class rights of shares must be decided on "one-share one-vote" basis • Enhanced corporate governance <ul style="list-style-type: none"> – To engage a compliance adviser on a permanent basis – To establish a corporate governance committee comprised entirely of independent non-executive directors ("INEDs"), which will report on its work on at least half-yearly and yearly basis and will disclose, on a comply or explain basis, its recommendations to the board in respect of conflict of interests, risks related to WVR structure and appointment and removal of compliance adviser – To establish a nomination committee (chairman must be an INED) – To confirm to HKEX (as part of listing application) that the directors (including WVR beneficiaries and INEDs), senior management and company secretary have undertaken training on rules and risks associated with a WVR structure • Enhanced disclosure <ul style="list-style-type: none"> – To include the relevant warning statement and/or description of WVR structure and associated risks in corporate documents – To disclose WVR beneficiaries and any dilution impact of potential conversion of WVR shares into ordinary shares in listing documents, interim and annual report • Stock marker "W" at the end of the stock name |

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Tricor Group (Tricor) is a global provider of integrated Business, Corporate and Investor Services. As a business enabler, Tricor provides outsourced expertise that allows clients to concentrate on what they do best – Building Business.

Tricor's mission is to be the Business Enabler of Choice

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