Hong Kong Launched New Listing Regime to Attract Innovative Firms

The Stock Exchange of Hong Kong Limited (the Exchange), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEX), has announced new rules to broaden Hong Kong's listing regime effective 30 April 2018.

As part of the reforms, the Exchange is adding three new chapters in the Main Board Listing Rules and made consequential changes to the current Rules to: (a) permit listings of biotech issuers that do not meet any of the Main Board financial eligibility tests; (b) permit listings of companies with weighted voting right (WVR) structures; and (c) establish a new concessionary secondary listing route for Greater China and international companies that wish to secondary list in Hong Kong.

Eyeing the volatile growth of the new economy, particularly innovative companies in Mainland China, stock markets from around the world have been adopting new policies to attract these lucrative firms to their markets. With the new regime, firms that choose Hong Kong as their listing destination can ride on the city's many competitive advantages. Hong Kong has a deeply liquid market, sound legal system and our rules and regulatory structure are transparent and accountable. The city operates according to well-understood international standards.

Great Potential for Biotech Industry

Currently, there are tremendous resources and investment in new pharmaceuticals, treatments and related services that are targeting healthy aging and will revolutionise our lives in the future. Biotech companies require massive capital into research, development and clinical testing. With the new listing regime, Hong Kong's deeply liquid global financial centre can assist in pushing this industry forward and provide the funding they need.

At the same time, the Exchange has proposed appropriate investor safeguards, recognising the potential risks associated with pre-revenue firms and those with WVR structures. These include detailed criteria for determining the suitability of applicants, a higher market capitalisation requirement, as well as enhanced disclosure requirements. For pre-revenue Biotech issuers, measures would be put in place around fundamental changes of principal business and a more streamlined de-listing process to address potential "shell" concerns. For WVR issuers, safeguards include limits on WVR power and rules to protect non-WVR holders' right to vote, in addition to enhanced corporate governance requirements.

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