



Capital Market and HKEX Listing Rules Update

Financial Reporting Webinar Series

Wednesday, 22 February 2023



Specialist Technology Listing Regime



Chapter 18A
Pre-Revenue Biotech
Companies

Chapter 8A
Companies with
Weighted Voting Rights

Chapter 19C
Secondary Listing of
Qualifying Issuers

Chapter 18B
Special Purpose
Acquisition
Companies

Chapter 18C
Specialist Technology
Companies



**Release of Consultation Paper:
19 October 2022**

**End of consultation period:
18 December 2022**

Defining “Specialist Technologies”



Next-generation information technology

- cloud-based services
- artificial intelligence



Advanced hardware

- robotics and automation
- semiconductors
- advanced communication technology
- electric and autonomous vehicles
- advanced transportation technology
- aerospace technology
- advanced manufacturing
- quantum computing
- metaverse technology



New energy & environmental protection

- new energy generation
- new energy storage and transmission
- green technology



New food and agriculture technologies

- new food technology
- new agriculture technology



Advanced materials

- synthetic biological materials
- smart glass
- nanomaterials



This is not an exhaustive list.

The Exchange may also consider companies with other technologies, based on the following principles:

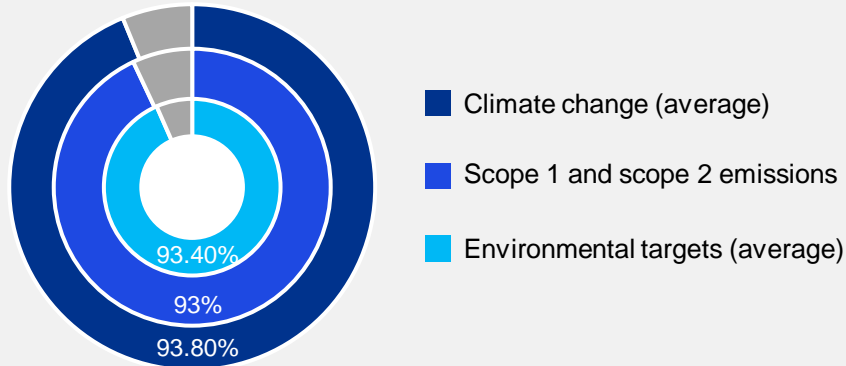
- high growth potential;
- success of the applicant attributable to the application of
 - new technologies; and/or
 - relevant science and/or technology to a new business model; AND
- significant contribution of research and development.

Key Listing Requirements

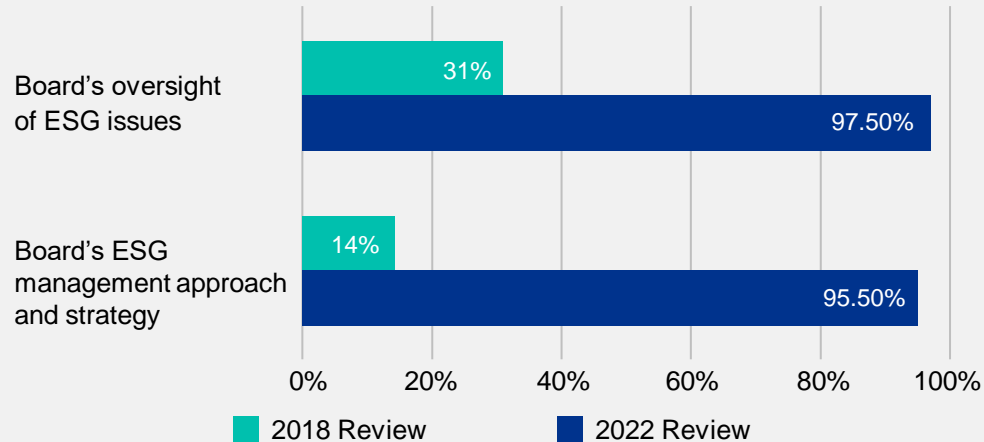
	Pre-Commercial Companies	Commercial Companies
Revenue	<ul style="list-style-type: none"> N/A Need to disclose in listing document a path to commercialization of its products 	<ul style="list-style-type: none"> HK\$250 million for the last FY
Market Cap	<ul style="list-style-type: none"> HK\$15 billion at listing 	<ul style="list-style-type: none"> HK\$8 billion at listing
Minimum R&D Period and Investment	<ul style="list-style-type: none"> each of the last 3 FY: $\frac{\text{R\&D investment}}{\text{Operating expenditure}} \geq 50\%$ 	<ul style="list-style-type: none"> each of the last 3 FY: $\frac{\text{R\&D investment}}{\text{Operating expenditure}} \geq 15\%$
Minimum Investment Requirement	<ul style="list-style-type: none"> At least 2 Sophisticated Independent Investors who have invested at least 12 months before listing application date (“Pathfinder SIIs”) Each Pathfinder SII holding $\geq 5\%$ of the issued share capital Different thresholds of minimum investment from all SIIs, varying by size of market cap 	
Working Capital	<ul style="list-style-type: none"> $\geq 125\%$ for next 12 months 	<ul style="list-style-type: none"> $\geq 100\%$ for next 12 months

2022 Analysis of ESG Practice Disclosure

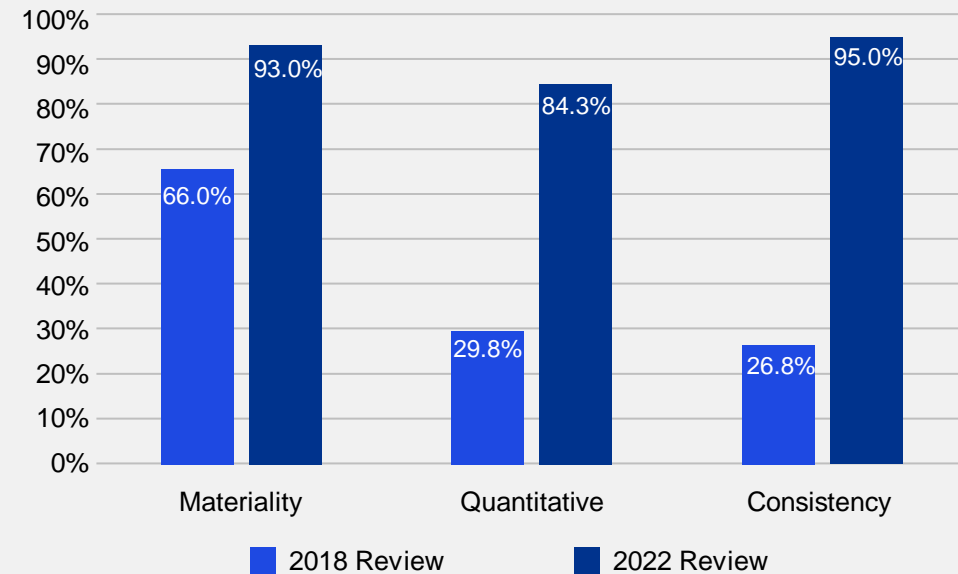
Reporting rate of climate-related matters



Disclosure on board's governance over ESG matters



Application of Reporting Principles



Source: [HKEX "2022 Analysis of ESG Practice Disclosure"](#)

HKEX Review of Issuers' Annual Reports



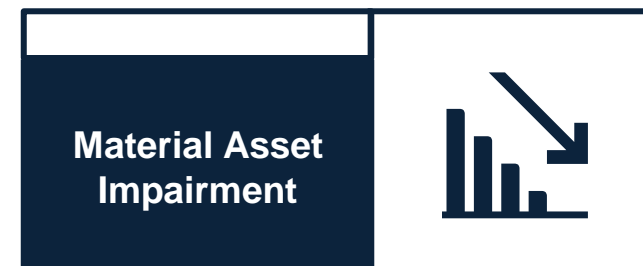
Review of Issuers' Annual Report 2022
(January 2023)

Review of Issuers' Annual Reports - 2022

- The Listing Division of the Hong Kong Stock Exchange (“HKEX”) undertakes an on-going program to review issuers’ annual reports as part of their monitoring activities.
- A **thematic approach** was adopted in selecting specific areas for review based on previous results and emerging trends or matters considered to be of higher regulatory risks, which included the following areas:



Financial Reporting & Related Controls



Material Asset Impairment




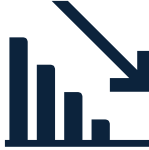


Newly Listed Issuers (2020 & 2021)



Financial Disclosure under Accounting Standards

- The Listing Division also reviewed **issuers’ compliance with annual report disclosure requirements** under the Listing Rules

Areas Subject To Thematic Review

<p>Financial Reporting & Related Controls</p> 	<p>Material Asset Impairment</p> 	<p>Newly Listed Issuers (2020 & 2021)</p> 	<p>Financial Disclosure under Accounting Standards</p> 
<p>Areas reviewed:</p> <ul style="list-style-type: none">• Material differences between audited & unaudited financial statements• Auditor's modified opinions• Delay of publication of results	<p>Areas reviewed:</p> <ul style="list-style-type: none">• Material asset impairment (other than loans)• Material lending transactions by money lenders• Material lending transactions outside ordinary and usual course of business.	<p>Findings:</p> <ul style="list-style-type: none">• Post-listing developments• Changes in use of IPO proceeds and/or business plan• Profit alerts and material changes in financial results• Non-compliance with Listing Rules• Fulfilment of undertakings provided before listing	<p>Areas for improvement:</p> <ul style="list-style-type: none">• Judgements and estimates• Material intangible assets• Fair value measurement• Expected credit losses and credit risk disclosure• Business combinations• Disclosure of interests in other entities• Going concern disclosure

Issuers' Compliance with Annual Report Disclosure Requirements

Areas reviewed	FY2021 Compliance rate	FY2020 Compliance rate	Trend
Continuing connected transactions	94 - 98%	92 - 98%	▲
Share schemes			
- Share option schemes	84 - 99%	80 - 98%	▲
- Share award schemes	70 - 98%	69 - 97%	▲
Fundraisings through issue of equity / convertible securities and subscription rights	85 - 96%	79 - 91%	▲
Significant investments	84 - 91%	87 - 96%	▼
Results of performance guarantees after acquisitions	80 - 100%	85 - 100%	▼
Other annual report disclosure	96 - 99.7%	86 - 99.6%	▲

Webinar dates and topics for 2023

- **22 February – Capital Market and HKEX Listing Rules Update**
- 21 April – ISSB updates
- 26 May – Interim updates
- 11 August – IASB projects
- 13 October – TBC
- 14 December – Year-end updates



For more details and access to our webinar series:

<https://home.kpmg/cn/en/home/services/audit/ifrs-news/financial-reporting-webinar-series.html>

Resources

Specialist technology Companies regimes

[Hong Kong Capital Markets Update Issue 2022-02](#)



[Hong Kong \(SAR\) Capital Markets Update](#)



ESG disclosures



[Climate Change reporting – Imminent, Challenging and Mandatory – The opening moves](#)

[Climate change financial reporting resource centre](#)



[ISSB Sustainability reporting resource centre](#)



Other resources



[The Exchange's Review of Issuers' Annual Reports 2022](#)



[The Exchange's "2022 Analysis of ESG Practice Disclosure"](#)

HKEX's "ESG in Practice"

[Climate change and TCFD \(hkex.com.hk\)](#)



Paperless Listing Regime Consultation

[Exchange Publishes Consultation Paper on Paperless Listing Regime Consultation](#)



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