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Welcome

Happy New Year and welcome to the second edition of our bi-annual listing newsletter!

2020 was a very busy year for us. It saw nine homecoming listings on our market, compared with only one in 2019 and issuers raised the most amount of funds in a decade. We launched a project to modernise Hong Kong's IPO settlement process. We also sought market views on raising our profit requirement for entry onto the Main Board as an important market-quality measure and established a way forward on corporate weighted voting rights.

In this issue we look to the future, and how HKEX is embracing the potential of technology empowered regulation. A cornerstone of HKEX's strategic plan is to leverage technology to modernise our core business. The Listing Division has delivered on that aim to the benefit of the market as a whole. Our Head of Listed Issuer Regulation, Christine Kan, explains the exciting breakthroughs her department has made through the implementation of artificial intelligence (AI) and other technologies.

I hope you find this newsletter useful and informative. You can email us [here](#) with any feedback. Please feel free to suggest any topics that you would like us to feature in future editions.

Bonnie Y Chan
Head of Listing



Leveraging technology to enhance listing regulation

The Listing Division's Listed Issuer Regulation (LIR) department is responsible for monitoring issuers' ongoing compliance with the Listing Rules, processing issuers' applications for follow-on equity issues and handling listing cancellations.

In 2020, the department revolutionised the information technology (IT) systems that support its business processes. Christine Kan, Head of Listed Issuer Regulation discusses here the scope of her department's ambitions, the progress achieved so far and future plans.



Christine Kan
Head of Listed Issuer Regulation

Why was it necessary to overhaul your IT systems? What problems were you trying to solve?

Christine: We have two major IT projects ongoing that solve different pain points in our processes. These are our One-stop Processing & Approval System project, otherwise known as Project OPAS; and Project Jura.

Let me start with OPAS. Like many organisations, we had accumulated multiple IT systems over time, each dedicated to supporting a particular process. We knew that if we could integrate these systems, we could improve our workload management capabilities and expand our knowledge base.

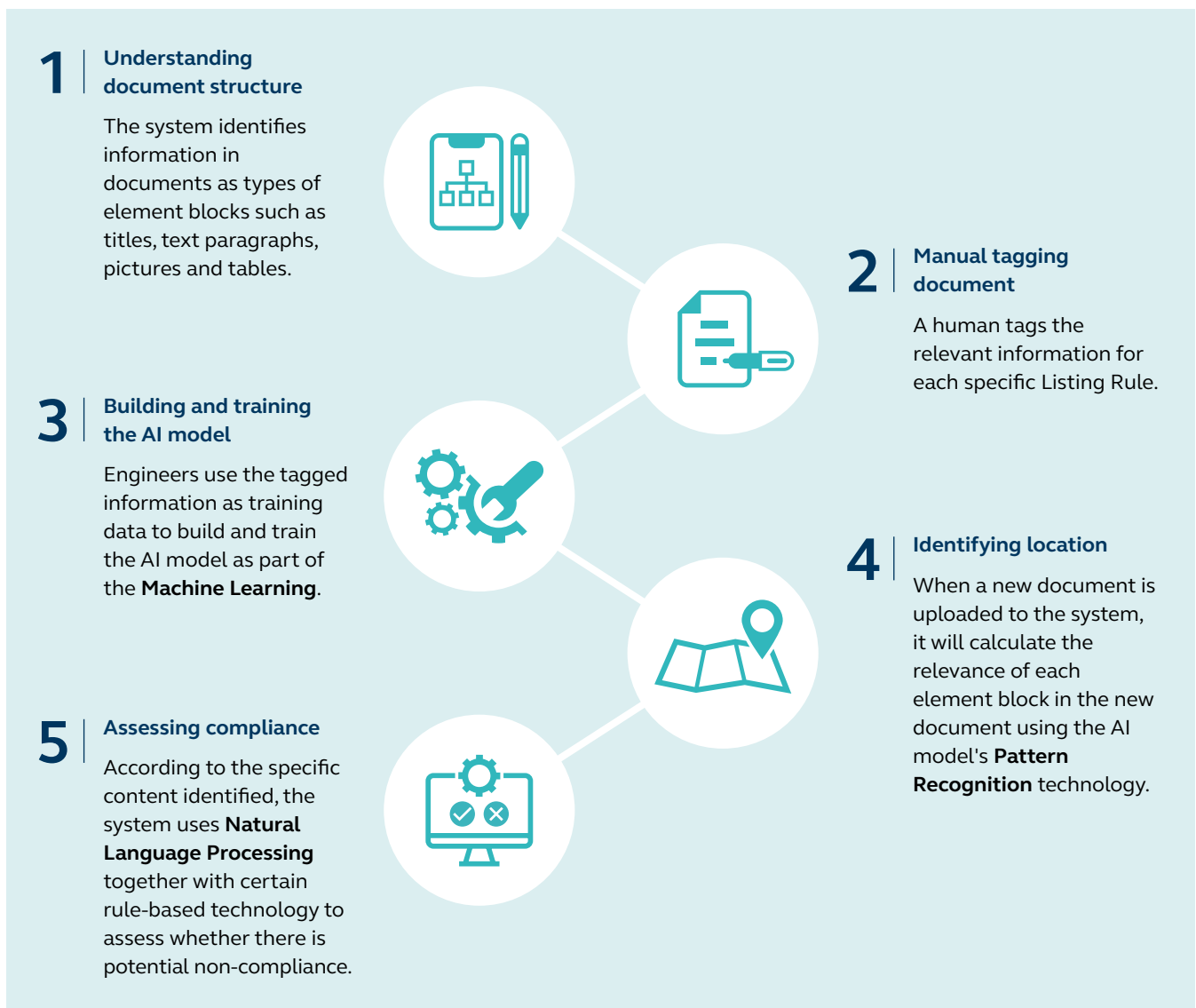
What was the solution?

Christine: OPAS provides a one-stop case management solution, and allows users to access all the information needed to process various different tasks. Simply put, OPAS allows the department to respond to regulatory concerns more quickly and efficiently for the benefit of investor protection and the quality of the market as a whole.

You mentioned Project Jura, what is that?

Christine: Jura is an AI system designed to review disclosures in issuers' annual reports. Annual reports are unstructured documents and the information in them is presented in a variety of ways as sections, paragraphs, tables, charts and footnotes. The first task is to train the AI model to recognise the structure of the report. Then we tag the elements of the report that are relevant to Listing Rules. The AI model can then be run on unseen annual reports and the results sample checked. If the AI model identifies some non-compliance cases which, upon human checking, are found to be in compliance, this information is fed back into the AI model. By training the AI model again and again in this way, it is able to identify non-compliance cases with a higher accuracy rate over time.

How does the AI disclosure review system work?



Could you explain some of the benefits?

Christine: The new system has boosted the breadth and accuracy of annual report assessment. By using technology to do the more mundane work, our colleagues can concentrate on more meaningful tasks, such as the thematic topics that underpin our [Annual Report Review Programme](#), the latest edition of which we will publish very soon. This more valued-add type of work gives valuable feedback to issuers and their advisers to enable them to meet higher standards of financial disclosure in their future annual reports.

Both these projects sound like significant achievements. What was the main factor behind their success?

Christine: The main factor was our people. Literally everyone in the department was involved in one or both of the projects. I am also happy to report that in December, Jura was awarded Outstanding Project – Financial Document Analysis by the Regulation Asia Awards for Excellence 2020 – a satisfying recognition for all our hard work.



Recent listing developments

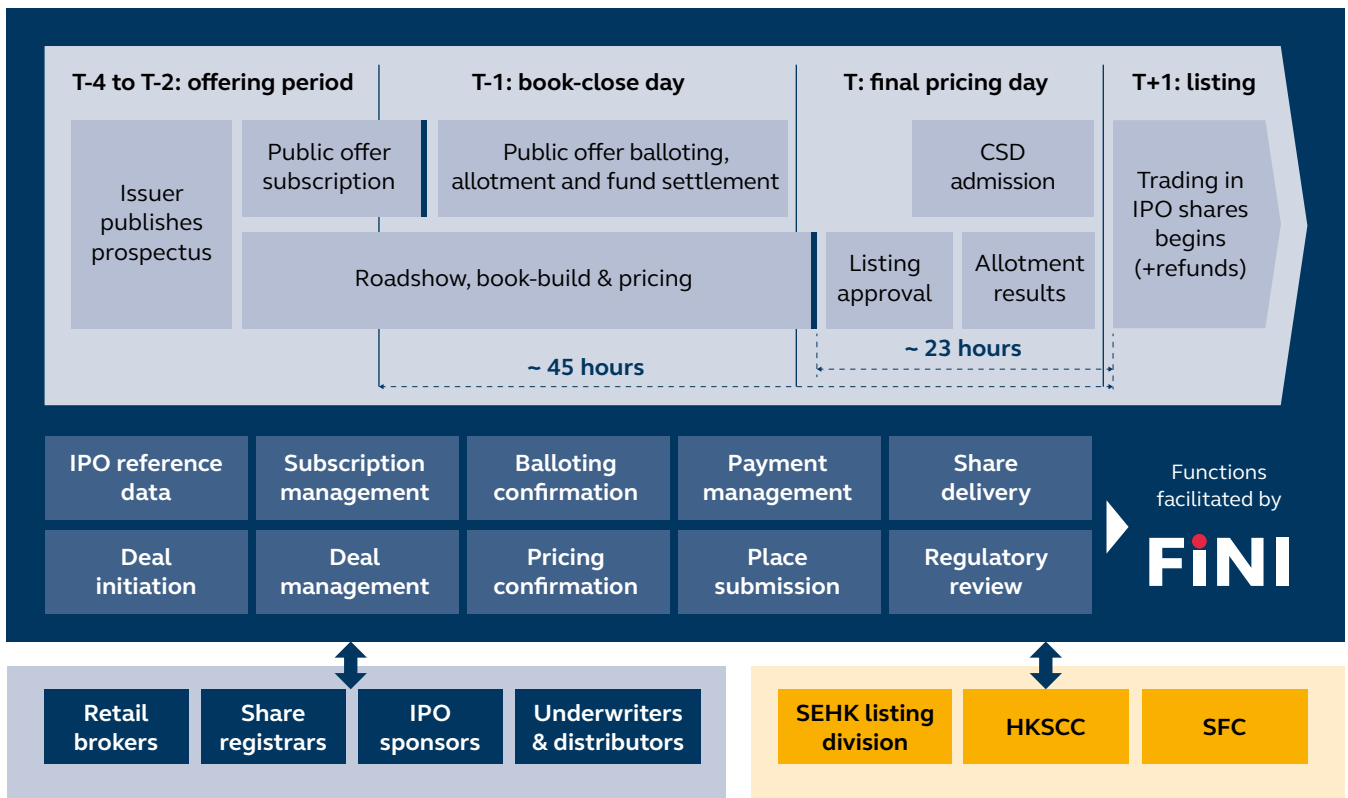
Modernising Hong Kong's IPO settlement process

On 16 November 2020, HKEX published a [Concept Paper](#) to seek market feedback on its proposal to comprehensively modernise and digitalise Hong Kong's IPO settlement process. Under the proposal, HKEX will introduce a new web-based service called FINI (Fast Interface for New Issuance) that enables IPO market

participants, advisers and regulators to interact digitally and seamlessly, shortening the IPO settlement process by 80% to a new T+1 regime. The roll-out of FINI is expected to occur after second quarter of 2022. For those who are interested, we have published a webinar on [our website](#) held in December for sponsors and legal counsels. This gives a useful overview of the workflows, functions and benefits of FINI. We have also published the Q&As from the two sessions.



Target settlement timetable for Hong Kong IPOs, supported by the FINI platform



The deadline for responding to the Concept Paper is 15 January 2021. Please respond via this [link](#).

Paperless IPOs

Another technology-empowered 2020 initiative concluded on 18 December with our decision to implement [paperless IPOs](#). From 5 July 2021, all listing documents for a new listing must be published solely in an electronic format. New listing subscriptions, where applicable, must be made

through electronic channels only. Also, from 4 October 2021, documents that are currently displayed physically alongside certain transactions (such as an IPO) must instead be published online.

Listing e-forms

From the beginning of 2021, issuers have been required to submit routine information for publication on our website via e-forms. Our Listing e-Forms [webpage](#) provides templates of the e-forms that should be used with a Form Filling Guide for each. The e-forms:

- Standardise the presentation of routine information and allow for easier comparison by investors between issuers
- Reduce the risk of manual input error through the use of data validation in e-form fields
- Reduce the preparation time in announcements containing routine information
- Assist the Exchange in collecting and analysing data more efficiently



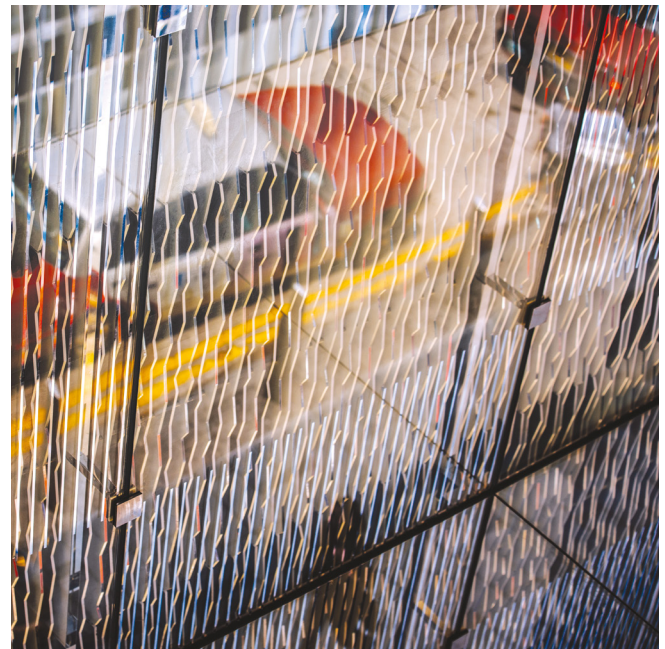


Looking forward

Future technology initiatives

In 2021, we will continue to expand our OPAS and Jura systems and roll out, launch an e-signature system and enhance our optical character recognition capabilities. We also hope to implement a more secure platform for communication with external members of our Listing Committee and Listing Review Committee and improved audio-visual facilities for sponsors and issuers who attend meetings of those committees remotely. We will also publish consultation conclusions to our Concept Paper on Modernising Hong Kong's IPO Settlement Process and conclusions to our Consultation Paper on the Main Board Profit Requirement (see above).

As the capabilities of modern technology evolve we look forward to capturing the benefits these can bring to better regulate the market, protect the interests of investors and enhance the reputation of Hong Kong's financial markets as a whole.



Wishing you a happy, healthy & prosperous 2021!

Contact Details

If you would like to share your feedback with us, please email to listingnews@hkex.com.hk.

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