

Analysis of the Fifth Set of listing standards of China Science and Technology Innovation Board

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Abstract. With the landing of micro-electrophysiology on the Science and Technology Innovation Board, the fifth set of Science and Technology Innovation Board listing rules appeared and hoped to promote the development of new things in domestic capital production. The fifth set of Science and Technology Innovation Board listing rules reflects the inclusiveness of the Science and Technology Innovation Board because this set of listing rules is for some unprofitable or small-profit research and development technology, innovation, and future development of enterprises listed standards. Including the core technology, production products and stage results, good market trends, and innovative technological advantages. Especially for most types of biological drug development or medical technology companies. Today, almost all the companies that use the fifth set of Science and Technology Innovation Board to go public have commercialized their products, gained operating income of 100 million yuan, and some companies have even earned profits. As time goes on, the fifth set of Science and Technology Innovation Board of the development is getting better and better. There are many successful cases for other companies with the same enterprises to reference, and the future trend is also on the rise. However, due to the special characteristics of the Technology Innovation Board, the liberalization of IPO listing also brings great risks to the auditing work.

Keywords: Science and Technology Innovation Board, Registration system, IPO audit risk.

1. Introduction

All along, due to the innovative pharmaceutical enterprises in the new drug development process with high investment, long cycle, high risk characteristics, enterprises need to experience long-term sustained research and development, clinical trials, in order to successively have the product through the audit of the success of the market, costly and sustained upfront research and development led to new drug research and development enterprises in the long term in the state of unprofitability. Subject to the limitations of profitability conditions, many emerging biopharmaceutical companies still in the early stages of research and development can only choose private financing or logging Hong Kong stocks, U.S. stocks, before the introduction of the fifth set of standards, the profitability of the inflection point of the delay on the pharmaceutical R & D enterprises in the A-share market landing constituted a substantial impediment. Based on the positioning of supporting scientific and technologically innovative enterprises, the Science and Technology Innovation Board no longer takes the net profit indicator of the proposed listed companies as a mandatory requirement for issuance and listing, but sets up diversified and inclusive listing criteria by taking into account the expected market value, revenue, net profit, R&D investment, cash flow and other factors. As a result, the fifth set of listing criteria of KTB was considered to be tailor-made for unprofitable biopharmaceutical companies once it was introduced.

Compared with the SEHK's 18A listing rules, the fifth set of criteria of the Science and Technology Innovation Board is more stringent in screening listed companies. The above experts pointed out that the fifth set of criteria of KTEM stipulates that a biopharmaceutical company must have at least one product in clinical phase II and meet the requirement of large market space at the time of filing; a major R&D failure in any fiscal year after listing may also trigger a delisting risk warning [1]. The relevant enterprises may also trigger the delisting risk warning if there is a major R&D failure in any fiscal year after listing. If the company loses its core competitiveness due to R&D failure and poor commercialization prospects, it will face delisting for R&D failure (for its main business.), products or the basic technology on which they depend, etc.) and financial index delisting (for two consecutive

years of negative net profit and revenue of less than 100 million yuan, etc.). double delisting risk [2]. It can be said that the fifth set of standards of KTB, from front-end to back-end, puts forward a higher standard on the ability of enterprises to continue operation. It can be said that the fifth set of standards of KTB, from front-end to back-end, has put forward higher requirements on the continuous operation ability of enterprises, and its purpose is to force the companies to accelerate the research and development process and realize the commercialization of products at an early date. The purpose is to force companies to speed up the R&D process and commercialize their products as soon as possible [3].

However, as the Science and Technology Innovation Board is mainly oriented towards technology enterprises and emerging industries, its refinements are numerous, such as biomedicine, specialized technology, information technology, and so on. Therefore, auditors must have an in-depth understanding of industry specifics and delineate different. In addition to distinguishing the main financial content, the auditor must also distinguish between auditing internal control, strategy, and other aspects of the industry. In addition to distinguishing the main financial content, but also to distinguish between the audit of its internal control, strategic planning, production and operation of many other internal and external factors that affect the true and fair nature of financial statements [4]. In addition to the unique scientific and technological attributes of the enterprise itself. The unique scientific and technological attributes of the enterprise itself, to a certain extent, determines that the enterprise needs to always walk in the forefront of science and technology, as the object to be audited, the complexity of the increasingly obvious [5]. Yaobua explained that the IPO application process is complex due to inefficient approval and limitations, including profitability, cash flow and asset valuation, and close links to government relations. So, the IPO is not suitable for China's huge crowd market. But STAR suggests that China's new technologies could work together with future financial reforms to boost the country's economic growth [6]. Huidon science and technology innovation board listing application text will affect the company's success of listing. The author was found in the author's confirmation that the length of disclosure, fog index and redundancy in the registration statement, inquiry letter and response letter play an important role in the company's listing documents [7].

Moreover, Technology companies are heavily controlled in terms of earnings and equity ownership, making it difficult to go public. But the China Securities Regulatory Commission's Shanghai-London Stock Connect regulation mitigated the problem. Despite a series of regulations, the Science and Technology Innovation Board provides more platforms for many companies. The board has relaxed listing standards for tech companies to provide more opportunities for Chinese tech companies [6]. The transformation of the institutional goal of the listing of the Science and Technology Innovation board has changed from the previous government to strictly control the listing of companies to relax the policy, allowing investors to judge and make decisions on the stock trading of listed companies. The author found that today's Science and Technology Innovation Board issuance and listing audit system from the selection of a good company to select a real company. As long as the disclosed materials are compliant, authentic, and in line with market demand, they can be registered. But it does not include the company's operations and investment value. Nor can the government ensure the quality of equity in listed companies [9]. The reform of China's Science and Technology Innovation Board confirms the rights of investors, clarifies the scope of regulatory powers, and effectively protects the rights of investors in the securities market. Not only that, the Science and Technology Innovation Board also promotes the transformation of the "administrative securities rule of law concept" and "market-oriented securities rule of law concept" and then promotes the market adjustment of the securities rule of law system. At the same time, the board also optimizes the system structure of the capital market and respects the needs and characteristics of diverse companies. In addition, with the development of the Internet, the author finds that the Chinese market lacks the financing sector of scientific and technological innovation enterprises, while the listing rules of China's scientific and technological innovation board allow more innovative companies to develop [10].

Whether the fifth set of standards for science and innovation can help these science and innovation enterprises and the risks they may bring about.

2. The current situation of the fifth set of standards

2.1. Listing requirements

The fifth set of listing standards of the Science and Technology Innovation Board (STIB) supports the listing of companies in the research and development stage that have not yet generated a certain amount of revenue, which fully reflects the inclusive charm of the STIB. It fully reflects the inclusive charm of the Science and Technology Innovation Board (STIB). In the view of industry insiders, with the expansion of the fifth set of criteria to the medical device industry, it not only allows more enterprises in the research and development stage to be associated with the capital market, but also better serves the high level of self-reliance in science and technology, and encourages non-profit enterprises to carry out research and development of key core technology products and innovation [11].

Table 1. The fifth set of financial and market value indicators of the listing rules of the Science and Technology Innovation Board

Rule1: ≥ 1 billion	market value+net profit/ market value+net profit+operating revenue
Rule 2: ≥ 1.5 billion	market value+operating revenue+research input
Rule 3: ≥ 2 billion	market value+operating revenue+cash flow from operating activities
Rule 4: ≥ 3 billion	market value+operating revenue
Rule 5: ≥ 4 billion	market value+technological superiority

2.2. Case description

According to the fifth set of public listing standards of the Science and Technology Innovation Board, the profit amount and estimated valuation of listed companies have decreased, but the technical requirements for companies have increased. Enterprises positioning the Science and Technology Innovation Board need to reach a market value of 4 billion yuan plus the estimated value of technological advantages. Then, the estimated value of market value plus revenue is \$3 billion. At the same time, the enterprise must have obvious technical advantages and meet a total share capital of not less than 30 million yuan. The proportion of shareholders shall exceed 25% of the total number of shares of the company; Where the total share capital of a company exceeds 400 million yuan, the shareholding ratio of public shareholders shall be more than 10%. The company's listing documents should contain precautions and risks for buying shares. Re-analyzing the market situation and making corresponding comparisons with other competitors shows that they can make their business successful in the future. At the same time, in this document, the company also needs to predict all the risks that may occur in the future. The most important thing is that companies need to mention in the listing documents their own company's technological advantages, research results or breakthroughs achieved in the line segment and future development. And all the shareholders, and partnership information. All of the above information contained in the listing document must be correct [18].

2.3. The significance and role of standards

The launch of the fifth set of listing standards of the Science and Technology Innovation Board has provided a solid foundation for the high-quality improvement of China's biomedical industry. Up to now, a total of 20 innovative biopharmaceutical enterprises have been landed on the Science and Technology Innovation Board through the fifth set of criteria, and their IPOs have raised a total of about 42.9 billion yuan. At the same time, it has initially formed the gathering effect and demonstration effect of biomedical "hard science and technology" enterprises, and continuously attracted the return of overseas-listed high-quality biomedical enterprises. At present, five HKEx 18A

companies, including Junshi Bio, Kangxinuo, Rongchang Bio, Baizi Divine, and Nuocheng Jianhua, have returned to A-share market through the fifth set of standards of KChB and the red-chip listing system, and eight 18A companies, such as Kangfang Bio, have released announcements related to their listing on KChB. With the help of capital, the innovative biopharmaceutical companies listed on the STEM Board have broken through the capital bottleneck and ushered in the "harvesting period" of product approval, accelerated commercialization, and performance turnaround. According to statistics, among the companies listed on the fifth set of Science and Technology Innovation Board (including two red-chip companies), 15 of them had their major products approved and commercialized rapidly in the year of listing or the following year, which enhanced the accessibility of innovative medical devices [20].

It is worth mentioning that the fifth set of listed companies on the Science and Technology Innovation Board (STIB) have utilized most of their fundraising for the continuous research and development of innovative products. In 2022, the R&D expenses of the above companies totaled RMB 21.379 billion, a year-on-year increase of 15.14%.

Thanks to the continuous high-intensity R&D investment, the innovative product pipeline of the fifth set of listed companies on the Science and Technology Innovation Board has been enriched and expanded. For example, Myway Bio has realized its first product on the market since its listing and added three new innovative drugs, and the company currently has 12 varieties under research and development in different stages of research and development. Another example is Dizhe Pharmaceuticals, which has completed the clinical trial of Suvotinib tablets after its listing, and its application for listing of new drugs has been accepted by the State Pharmaceutical Administration of China (SDA) and has been recognized as a "breakthrough therapy", while another product, Golixitinib tablets, is undergoing international clinical trials and is expected to enter the international market [16].

In addition, the fifth set of listed companies on the Science and Technology Innovation Board (STIB) has become an important force in the research and development of China's domestic innovative drugs. In recent years, the innovative drugs developed by this listing standard accounted for more than a quarter of the number of domestically produced innovative drugs approved annually in China. For example, Shenzhou Cell developed the first domestically produced recombinant factor VIII product for the treatment of hemophilia A, which improved the survival value of patients with rare diseases.

3. Risk and problems

3.1. Growth risk

One of the key objectives of setting up the KTC is to help enterprises with potential and growth to raise capital for high-speed development. Whether an enterprise has growth potential is therefore an important criterion, but this is often difficult to determine. Some enterprises do have good profitability, operating ability, financial ability, and so on, and they are indeed good enterprises at the moment. However, these enterprises may already be in the mature stage of the industrial cycle, and if they fail to make changes to their business and product models, they will gradually enter a period of decline and lose their ability to compete in the market. Some enterprises have just launched some seemingly novel idea products, but they are just some enterprises have just launched some seemingly novel concept products, but they are just a flash in the pan, and will quickly dissipate after the heat, lacking good market prospects.

3.2. Going concern and technology risk

The core of a science and innovation enterprise is its science and innovation ability, and the mandatory requirement on the percentage of R&D expenses for listing on the STIB is also to ensure the science and innovation nature of the business. Most of the science and innovation enterprises are still in the start-up stage, this stage will inevitably require a large amount of investment in research expenses, and often the R&D investment is difficult to see immediate results, it is likely to be a long-

cycle process, and there may not necessarily be ideal R&D results, with a greater degree of uncertainty. Once the R&D is unsatisfactory, it will drag down the normal operation of the enterprise, affecting profitability and the ability to continue operation. In addition, the core technology of a science and innovation enterprise may rely on certain core patents and core scientific and technological personnel talents. If these core patents and core talents appear unforeseeable situations, such as core talents being poached, core technology leaks and other similar situations, the blow to the enterprise will also be great, and the enterprise will be difficult to maintain [17].

In terms of technology, although some enterprises have met the requirement of having at least five patents for listing on the STIB, whether the patents they own are core technologies and whether they are related to their main business products need to be judged accordingly. In the field of technology, the speed of renewal is quite fast, and there is always the risk of being replaced or surpassed. When conducting IPO audits, auditors need to determine whether the enterprise has invested enough in its own technological research and development, whether the technology is competitive in the market, and whether the business model is reasonable, or else the enterprise will easily be eliminated [12]. While relaxing the entry requirements, the requirements for delisting are also more stringent than before. In addition to relaxing the entry requirements, the requirements for delisting are also more stringent than before, so as to eliminate enterprises that do not have development prospects [14].

3.3. Internal control risk

Internal control is the equivalent of an enterprise's immune system, which is crucial to its development. Compared with traditional enterprises, technology start-ups in their growth period may invest a lot of manpower and resources in technology research and development and market development, while internal control is relatively weak. Once a company goes public, it will help the company to raise a huge amount of money quickly, which will also bring huge profits to the management, so that the management will have an incentive to commit fraud. Some startups have poorly set internal organization and unreasonable equity structure, resulting in the enterprise being grasped by a small group of actual controllers. The actual controllers hold most of the equity of the enterprise and have greater power, even to the extent of being able to influence the internal supervisory organization of the enterprise. The failure of internal control gives them the opportunity to commit fraud. These people will find all sorts of excuses to justify themselves, such as the company's listing is for the benefit of all employees, for the long-term development of the company, and not for their own self-interest. Management fraud, and the lack of a relatively sound internal control of its supervision, often with a strong hidden, will give the audit work with a greater risk. This will bring greater risk to the audit work [15].

4. Discussion

Although the fifth edition of the standards of the Science and Technology Innovation Board (STIB) has brought great promotion to innovative enterprises, there are great specialties in the audit of IPOs of the STIB, and there are more kinds of audit risks in the STIB, coupled with the fact that the STIB is different from other sectors. There are more kinds of audit risks, coupled with the different requirements between the TechTronics Board and other boards, which puts a higher demand on auditors' ability.

In addition, the different requirements between the ITC Board and other boards have put forward higher requirements on the ability of auditors, which means that the audit risks are extensive and hidden. This implies that the extensive and secretive nature of audit risks is also rising side by side. This means that the audit risk is extensive and hidden side by side. Auditors must form more operational audit programs and procedures according to the actual industry and situation of the enterprises. More operational audit programs and procedures according to the actual industry and situation of the enterprise, and actively use modern audit methods to truly reflect the actual situation of the enterprise and give full play to the real role of the audit, helping the enterprise to quickly

identify and respond to truly reflect the actual situation of the enterprise and give full play to the real role of auditing, and help the enterprise to quickly identify and cope with audit risks.

5. Conclusion

This paper studied how to apply the main criteria of the fifth set of science and Technology board listing, [19]. I taught a company with little profit at the beginning how to use the fifth set of science and technology version to help a company successfully go public, and understand the main needs and requirements of listing, and mention the future risks and related enterprise development in the listing document. Not only that, the article also explains the fifth set of science and technology board listing standards for China's technology and medical help. At the same time, while understanding the benefits of the fifth set of Science and Technology Innovation Board listing standards for enterprises and the country, it also shows the risks of the rule, including delisting risk, financial risk, and commercialization risk. In addition, in the second half of this article, it about the status quo of the fifth set of science and technology board listing standards, the future development and some people's doubts, such as "three no" companies to take advantage of the opportunity to enter, but the fact is that the rules are very comprehensive and write provisions to prevent this situation, and have good development potential to help the China's technology and science market improve to an better level.

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