



羅兵咸永道

Hong Kong Exchanges and Clearing Limited
8th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

16th December 2022

Dear Sirs

Re. Consultation Paper on Listing Regime for Specialist Technology Companies

PricewaterhouseCoopers welcomes the opportunity to respond to the subject consultation. Unless otherwise defined, terms used herein shall have the same meaning as those defined in the consultation paper.

We support the Exchange's initiative to introduce a listing regime for Specialist Technology Companies ("STC") in Hong Kong. Given the global technology trend and high growth potential of STC, we believe there would be strong demand for listings of STC in Hong Kong. Updating our listing regime to facilitate the listings of STC while upholding market standards will enhance the competitiveness of Hong Kong as an international financial centre.

In general, we agree to adopt a broad definition for the term "Specialist Technology" given the rapidly evolving nature of technology, and to impose more stringent requirements on Pre-Commercial Companies than Commercial Companies due to the higher risks associated with investing in Pre-Commercial Companies.

Minimum expected market capitalisation

The paper proposes that a STC listing applicant must have a minimum expected market capitalisation at listing of HK\$8 billion for a Commercial Company and HK\$15 billion for a Pre-Commercial Company.

Although we agree that a large expected market capitalisation at listing would help ensure the quality of the applicant, we are mindful that an unrealistically high threshold would affect the commercial viability or competitiveness of the proposed regime. Based on our discussion with various potential STC listing applicants, they are very interested in listing in Hong Kong and most of them can meet the proposed listing requirements except for the market capitalisation requirement. They are with high growth potential and can achieve remarkable growth if they can access to more funding through IPO. Also, compared to other major capital markets, the proposed minimum market capitalisation thresholds are much higher than that of the other major capital markets' non-profit-based and non-cashflow-based financial eligibility tests, including that for SSE in Mainland China, NYSE and NASDAQ in United States, LSE in United Kingdom, and SGX in Singapore as set out on page 22 of the consultation paper.


In addition, referring to companies listed on the STAR Market since its introduction in July 2019, only around 56% and 31% could meet the proposed thresholds of HK\$8 billion and HK\$15 billion respectively. Also, we noted that among those listed on the STAR Market in 2019 that had a market capitalisation falling between HK\$6 billion and HK\$8 billion at the time of listing, 42% of them have achieved a market capitalisation of more than HK\$8 billion as of 30 Nov 2022, and for all companies listed on the STAR Market since its introduction up to 30 Nov 2022, 24% of them have achieved a market capitalisation of more than HK\$8 billion. As illustrated, certain quality companies with market values lower than HK\$8 billion at the time of listing have been able to leverage IPO funds raised to reach valuations above HK\$8 billion in a reasonable time.

In view of the above, to facilitate the growth of Hong Kong STC and to make Hong Kong capital market competitive with other major capital markets, we invite the Exchange to consider lowering the proposed minimum expected market capitalisation thresholds.

Minimum research and development investment

The paper proposes that a STC listing applicant must have research and development (R&D) investment amounting to at least a certain percentage of total operating expenditure for each of its three financial years prior to listing.

We understand from the paper that the total operating expenditure does not include any expense of financial nature. However, there is no clear definition of operating expenditure under listing rules or accounting standards. To avoid confusion in the market, we recommend the Exchange to consider providing further guidance on the definition or scope of operating expenditure. If the Exchange plans to take reference to the presentation of the income statement prepared under HKFRS/IFRS, it should be noted that the International Accounting Standards Board is undertaking a project, Exposure Draft ED/2019/7 – General Presentation and Disclosures, to classify income and expenses included in profit or loss and above profit before income tax into three categories (i.e. Operating, Investing and Financing) and this will affect the financial line items to be presented above and below the line of “operating profit”.

We hope the above are helpful. If you would like to discuss any matter further, please do not hesitate to contact 

Yours faithfully

