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16 December 2022

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

Dear Sirs

**Re: Consultation Paper - Listing Regime for
Specialist Technology Companies**

The Hong Kong Institute of Directors (“HKIoD”) is pleased to forward our response to the captioned paper.

HKIoD is Hong Kong’s premier body representing directors to foster the long-term success of companies through advocacy and standards-setting in corporate governance and professional development for directors. We are committed to contributing towards the formulation of public policies that are conducive to the advancement of Hong Kong’s international status.

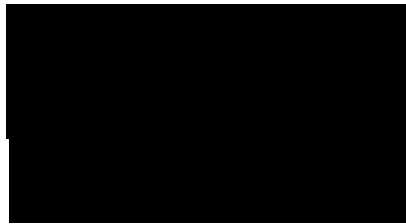
In developing the response, we have consulted our members.

Should you require further information regarding our response, please do not hesitate to contact me on tel no. [REDACTED]

Thank you very much for your kind attention.

Yours sincerely

THE HONG KONG INSTITUTE OF DIRECTORS



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cc: Dr Christopher To, Chairman, HKIoD
Mr Henry Lai, Immediate Past Chairman, HKIoD &
Chairman, Corporate Governance Policies Committee

Issued on: 16 December 2022

The Exchange's Consultation Paper

Listing Regime for Specialist Technology Companies (October 2022)

In relation to the captioned Consultation Paper, The Hong Kong Institute of Directors has the following views and comments.

General Comments

HKIoD welcome the Exchange's proposal to institute a listing regime for Specialist Technology Companies (as defined) to further diversify the investment opportunities in the Hong Kong market. One aim is to plug the gap between Hong Kong and the US and Mainland China for new economy companies boasting next-generation technology or knowhow, in information technology, hardware and materials, energy and environment, or food and agriculture. These Specialist Technology Companies can have high growth potential, may command a sizeable market capitalisation if to be listed, but will often not meet the Main Board Eligibility Tests.

To accommodate technology companies, the Exchange has already implemented requirements for Biotech Companies and WVR issuers (insofar as companies from innovative sectors often seek to take on WVR structures). Those requirements and regulatory logic do provide a yardstick for the Specialist Technology Companies regime.

The Exchange as regulator will not likely be the quickest to identify leading-edge technology and to vet their commercial prospect. Unlike Biotech Companies where there would exist a competent authority to test and measure commercialisation progress, much leading-edge technology now existing or that may emerge in the future would not always see a similar judging process. The experience and expertise of professional institutional investors or participants in the upstream or downstream industries of a certain technology, however, is a market force that can be tapped to imbue some measure of validation. Consultation Paper para 150-170.

Independent institutional investors will require sufficient incentives to devote resources to research on Specialist Technology Companies and track their performance. The usual price discovery process, however, will work to severely limit the shares allotted to independent institutional investors on IPO. The proposal to have a larger allocation to independent institutional investors and to scale down the clawback is all reasonable.

We do not believe retail investors should be prevented to participate in Specialist Technology Companies, though investor education will have its role to play. Cost-friendly fund products would also be a way to enable retail investors to participate in technology companies, Commercial and Pre-Commercial, with a diversified portfolio rather than betting the house on one hot issuer of the day.

More stringent requirements are placed on Pre-Commercial Companies. These would include heightened quantitative thresholds of eligibility. In addition, there will be additional disclosure requirements on them to report their commitment in R&D and progress in commercialisation.

Disclosure is certainly one important aspect to make the regime work. All issuers should be encouraged to give pertinent information to inform investment decision making.

On the whole, we believe the proposals are reasonable. The Exchange however will be well advised to have a mechanism in place to enable timely update and adjustments to catch up with the pace of technology and market development. To make and keep the regime truly competitive ought to be one major consideration.

Consultation questions

Subject to the general comments above, we state below our response to specific questions as set out in the Consultation Paper.

DEFINITION OF “SPECIALIST TECHNOLOGY COMPANY”

Question 1 Do you agree with the proposed definitions of “Specialist Technology Company”, “Specialist Technology Products” and “Specialist Technology”?

HKIoD Response:

- AGREE
 - The proposed definitions are reasonable.

Question 2 Do you agree with the list of Specialist Technology Industries and the respective acceptable sectors set out in paragraph 4 of the Draft Guidance Letter (Appendix V to the Consultation Paper)?

HKIoD Response:

- AGREE
 - The proposed list is reasonable. The Exchange may want to have a mechanism in place to enable timely update and adjustment to catch up with the pace of technology and market development.

Question 3 Do you agree that the Exchange should take into account the factors set out in paragraph 107 of the Consultation Paper to determine whether a company is “primarily engaged” in the relevant business as referred to in the definition of “Specialist Technology Company”?

HKIoD Response:

- AGREE
 - The factors are reasonable.

- The rules should not prevent companies that belong to traditional industries to list under the Specialist Technology Companies regime if they have genuinely transitioned their primary business. Consultation Paper para 106.

Exchange's right to reject a listing application

Question 4 Do you agree that the Exchange should retain the discretion to reject an application for listing from an applicant within an acceptable sector if it displays attributes inconsistent with the principles referred to in paragraph 101 of the Consultation Paper?

HKIoD Response:

➤ AGREE

The Exchange may want to have a mechanism in place to enable timely update and adjustment to catch up with the pace of technology and market development.

Accessibility of Pre-Commercial Companies to all investors

Question 5 Do you agree that the Specialist Technology Regime should accommodate the listings of both Commercial Companies and Pre-Commercial Companies?

HKIoD Response:

➤ AGREE

- We do not believe that a Specialist Technology regime, if to be instituted at all, should prevent Pre-Commercial Companies from participating. There may be a concern with whether Pre-Commercial Companies are suitable for investment by retail investors. That Commercial Companies have a track record of revenue cannot by itself guarantee a better prospect than Pre-Commercial Companies.
- We do not believe retail investors should be prevented from participating in Pre-Commercial Companies. Investor education will have its role to play. Cost-friendly fund products would also be a way to enable retail investors to participate in technology companies, Commercial and Pre-Commercial, with a diversified portfolio rather than betting the house on one hot issuer of the day.

Question 6 If you answer to Question 5 is “Yes”, do you agree with the proposed approach to apply more stringent requirements to Pre-Commercial Companies?

HKIoD Response:

➤ AGREE

- To apply more stringent requirements to Pre-Commercial Companies seems reasonable.

Question 7 If you answer to Question 5 is “Yes”, do you agree with the proposal that all investors, including retail investors, should be allowed to subscribe for, and trade in, the securities of Pre-Commercial Companies?

HKIoD Response:

- AGREE
 - We do not believe retail investors should be prevented from participating in Pre-Commercial Companies. Investor education will have its role to play. Cost-friendly fund products would also be a way to enable retail investors to participate in technology companies, Commercial and Pre-Commercial, with a diversified portfolio rather than betting the house on one hot issuer of the day.

QUALIFICATIONS FOR LISTING

Minimum Expected Market Capitalisation

Question 8 Do you agree that a Commercial Company applicant must have a minimum expected market capitalisation of HK\$8 billion at listing?

HKIoD Response:

- AGREE
 - The proposal seems reasonable, but the Exchange may want to revisit this threshold if there are signs of it being too high to be competitive.

Question 9 Do you agree that a Pre-Commercial Company applicant must have a minimum expected market capitalisation of HK\$15 billion at listing?

HKIoD Response:

- AGREE
 - The \$15 billion requirement is substantially higher than that for Commercial Companies (almost two-folds). This reflects the more stringent requirements on Pre-Commercial Companies. Seems reasonable, but the Exchange may want to revisit this threshold if there are signs of it being too high to be competitive.

Revenue Requirements

Question 10 Do you agree that a Commercial Company must have revenue of at least HK\$250 million for the most recent audited financial year?

HKIoD Response:

- AGREE
 - The proposal seems reasonable, but the Exchange may want to revisit this threshold if there are signs of it being too high to be competitive.

Question 11 Do you agree that only the revenue arising from the applicant's Specialist Technology business segment(s) (excluding any inter-segmental revenue from other business segments of the applicant), and not items of revenue and gains that arise incidentally, or from other businesses, should be recognised for the purpose of the Commercialisation Revenue Threshold?

HKIoD Response:

- AGREE
 - The proposal to look only at the revenue arising from the applicant's Specialist Technology business segment(s) seems reasonable.

Question 12 Do you agree (a) a Commercial Company must demonstrate year-on-year growth of revenue derived from the sales of Specialist Technology Product(s) throughout the track record period, with allowance for temporary declines in revenue due to economic, market or industry-wide conditions; and (b) the reasons for, and remedial steps taken (or to be taken) to address, any downward trend in a Commercial Company's annual revenue must be explained to the Exchange's satisfaction and disclosed in the Listing Document?

HKIoD Response:

- As to (a), AGREE
 - The proposal seems reasonable.
- As to (b), AGREE
 - The proposal seems reasonable. To explain the downward trend and describe remedial steps is to provide pertinent information to inform investment decision making.

R&D INVESTMENT

Question 13 Do you agree that a Specialist Technology Company listing applicant must have been engaged in R&D of its Specialist Technology Product(s) for a minimum of three financial years prior to listing?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

Question 14 Do you agree that, (a) for a Commercial Company, its total amount of R&D investment must constitute at least 15% of its total operating expenditure for each of its three financial years prior to listing; and (b) for a Pre-Commercial Company, its total amount of R&D investment must constitute at least 50% of its total operating expenditure for each of its three financial years prior to listing?

HKIoD Response:

- As to (a), AGREE
 - The proposal seems reasonable.
- As to (b), AGREE
 - The requirement for Pre-Commercial Companies is higher at 50%. Seems reasonable.

Question 15 Do you agree with the proposed method for determining the amount of qualifying R&D investment and the total operating expenditure as set out in paragraph 141 of the Consultation Paper?

HKIoD Response:

- AGREE
 - The proposal seems reasonable. Given that accounting treatments can affect what is counted as R&D expenditure, clear explanation via disclosure will be an important aspect to provide pertinent information to inform investment decision making. Consultation Paper para 136; 142-143.

Disclosure requirements

We note that there is also the proposal to require a Specialist Technology Company to disclose in its Listing Document details of its R&D investment and experience. Consultation Paper para 142; 217(c).

MINIMUM OPERATIONAL TRACK RECORD

Question 16 Do you agree that a Specialist Technology Company listing applicant must have been in operation in its current line of business for at least three financial years prior to listing under substantially the same management?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

Question 17 Do you agree that there must be ownership continuity and control for a Specialist Technology Company listing applicant in the 12 months prior to the date of the listing application?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

THIRD PARTY INVESTMENT REQUIREMENT

Question 18 Do you agree that an applicant applying to list under the proposed regime must have received meaningful investment from Sophisticated Independent Investors (SIIs)?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

Question 19 If your answer to Question 19 is “Yes”, do you agree with the independence requirements for a Sophisticated Independent Investor as set out in paragraphs 155 to 157 of the Consultation Paper?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

Question 20 If you answer to Question 18 is “Yes”, do you agree with the proposed definition of a sophisticated investor (including the definition of investment portfolio) as set out in paragraphs 159 to 162 of the Consultation Paper?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

Question 21 If your answer to Question 18 is “Yes”, do you agree that as an indicative benchmark for meaningful investment, an applicant should have received third party investment from at least two Sophisticated Independent Investors who have invested at least 12 months before the date of the listing application, each holding such amount of shares or securities convertible into shares equivalent to 5% or more of the issued share capital of the listing applicant as at the date of listing application and throughout the pre-application 12-month period?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

Question 22 If your answer to Question 18 is “Yes”, do you agree that as an indicative benchmark for meaningful investment, the aggregate investment from all Sophisticated Independent Investors should result in them holding such amount of share or securities convertible into shares equivalent to at least such percentage of the issued share capital of the applicant at the time of listing as set out in Table 4 and paragraph 168 of the Consultation Paper?

HKIoD Response:

- AGREE
 - The proposal calls for a reducing scale of holding from 20% to 15% to 10% for Commercial Companies and from 25% to 20% to 15% for Pre-Commercial Companies as the expected market capitalisation increases, from below \$20 billion, to below \$40 billion, to \$40 billion and over. Seems reasonable.

ADDITIONAL REQUIREMENTS FOR PRE-COMMERCIAL COMPANIES

Path to commercialisation

Question 23 Do you agree that a Pre-Commercial Company applicant must have as its primary reason for listing the raising of funds for the R&D of, and the manufacturing and/or sales and marketing of, its Specialist Technology Product(s) to bring them to commercialisation and achieving the Commercialisation Revenue Threshold?

HKIoD Response:

- AGREE
 - The proposal seems reasonable. It justifies the listing regime now in consultation.

Question 24 Do you agree that a Pre-Commercial Company applicant must demonstrate to the Exchange, and disclose in its Listing Document, a credible path to the commercialisation of its Specialist Technology Products, appropriate to the relevant Specialist Technology Industry, that will result in it achieving the Commercialisation Revenue Threshold?

HKIoD Response:

- AGREE
 - The proposal seems reasonable. To require disclosure of a credible path to commercialisation is to provide pertinent information to inform investment decision making.

Question 25 If you answer to Question 24 is “Yes”, do you agree with the examples proposed in paragraphs 176 to 179 (including the definition of “highly reputable customer”) of the Consultation Paper that a Pre-Commercial Company applicant could use to demonstrate a credible path to achieving the Commercialisation Revenue Threshold?

HKIoD Response

- AGREE
 - The proposal seems reasonable.

Question 26 Do you agree that a Pre-Commercial Company applicant must: (a) explain and disclose, in detail, the timeframe for, and impediments to, achieving the Commercialisation Revenue Threshold; and (b) if its working capital (after taking into account the listing proceeds) is insufficient to meet its needs before it achieves the Commercialisation Revenue Threshold, describe the potential funding gap and how it plans to further finance its path to achieving the Commercialisation Revenue Threshold after listing?

HKIoD Response:

- As to (a), AGREE
 - The timeframe for and impediments to achieving Commercialisation Revenue Threshold should be important information to inform investment decision making.
- As to (b), AGREE
 - Working capital should be an important factor and to require a description of potential funding gap is to provide needed information to inform investment decision making.

Enhanced working capital requirement

Question 27 Do you agree that a Pre-Commercial Company applicant must have available working capital to cover at least 125% of its group's costs for at least the next 12 months (after taking into account the IPO proceeds of the applicant), and these costs must substantially consist of the following: (a) general, administrative and operating costs; and (b) R&D costs?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

SPECIALIST TECHNOLOGY COMPANIES WITH A WVR STRUCTURE

The Exchange does not see any new or exceptional circumstances arising from the regime now in consultation that warrant the removal or addition to the existing WVR Listing Rules requirements. We would AGREE.

IPO REQUIREMENTS – PRICE DISCOVERY PROCESS

Larger allocation to Independent Institutional Investors

Question 28 Do you agree that independent institutional investors should be given a minimum allocation of offer shares in the IPO of Specialist Technology Companies to help ensure a robust price discovery process?

HKIoD Response:

- AGREE
 - There would be a real need for and benefit from utilizing professional experience and industry expertise among independent investors to facilitate the price discovery of Specialist Technology Companies. To ensure a minimum allocation of offer shares should better incentivise independent institutional investors to devote time and resources to research and track the progress of listing applicants. Consultation Paper para 189-192.

Question 29 If your answer to Question 28 is “Yes”, do you agree with the definition of independent institutional investors as set out in paragraphs 201 to 202 of the Consultation Paper?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

Question 30 If your answer to Question 28 is “Yes”, do you agree that a Specialist Technology Company must, in addition to meeting the existing requirements on public float, ensure that at least 50% of the total number of shares offered in the initial public offering (excluding any shares to be issued pursuant to the exercise of any over-allotment option) must be taken up by independent institutional investors?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

Question 31 If you answer to Question 28 is “Yes”, do you agree that in the case where a Specialist Technology Company is listed by way of a De-SPAC Transaction, at least 50% of the total number of shares issued by the Successor Company as part of the De-SPAC Transaction (excluding any shares issued to the existing shareholders of the De-SPAC Target as consideration for acquiring the De-SPAC Target) must be taken up by Independent Institutional Investors?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

Question 32 Do you agree that in the case of a Specialist Technology Company seeking to list by introduction, the Exchange will consider granting waivers, on a case-by-case basis, from the requirement for the minimum allocation of offer shares to Independent Institutional Investors, if the applicant is able to demonstrate that it is expected to meet the applicable minimum market capitalization at the time of listing (see paragraph 120 of the Consultation Paper), having regard to its historical trading price (for at least a six-month period) on a Recognised Stock Exchange with sufficient liquidity and a large investor base (a substantial portion of which are independent Institutional Professional Investors)?

HKIoD Response:

- AGREE
 - In a listing by introduction situation the Exchange would have better track record information at hand to make the assessment and grant waivers in appropriate circumstances.

Initial retail allocation and clawback mechanisms

Question 33 Do you agree that there should be a new initial retail allocation and clawback mechanism for Specialist Technology Companies to help ensure a robust price discovery process?

HKIoD Response:

- AGREE
 - There are ways to enable retail investors to participate in technology companies with a diversified portfolio rather than betting the house on one hot technology issuer. See also our response to Question 5 and Question 7.

Question 34 If you answer to Question 33 is “Yes”, do you agree with the proposed initial allocation and clawback mechanism for Specialist Technology Companies as set out in paragraph 205 of the Consultation Paper?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

FREE FLOAT AND PUBLIC FLOAT REQUIRMENTS

Question 35 Do you agree that a Specialist Technology Company seeking an initial listing must ensure that a portion of its issued shares with a market capitalization of at least HK\$600 million is free from any disposal restrictions (whether under: contract; the Listing Rules; applicable laws; or otherwise) upon listing (referred to as its “free float”)?

HKIoD Response:

- AGREE
 - There is a real need to ensure sufficient post-listing liquidity.

Question 36 Do you agree that the Exchange should reserve the right not to approve the listing of a Specialist Technology Company if it believes the company’s offer size is not significant enough to facilitate post-listing liquidity, or may otherwise give rise to orderly market concerns?

HKIoD Response:

- AGREE
 - There is a real need to ensure sufficient post-listing liquidity.

IPO DISCLOSURE REQUIRMENTS

Specific disclosure to facilitate determination of valuation

Question 37 Do you agree that a Specialist Technology Company applicant’s Listing Document must include the additional information set out in paragraph 32 of the Draft Guidance Letter (Appendix V of the Consultation Paper) due to it being a Specialist Technology Company?

HKIoD Response:

- AGREE
 - The proposal seem reasonable. The additional information being called for would relate to:
 - Pre-IPO investments, cash flow-related disclosures
 - Products and commercialisation status and prospects
 - R&D
 - Industry specific information
 - Intellectual property
 - Warning statements

Question 38 Do you have any other suggestions for additional information that a Specialist Technology Company should include in its Listing Document in order to allow an investor to properly assess and value the company?

HKIoD Response:

- Issuers should be encouraged to give information to inform investment decision making.

Additional disclosures for Pre-Commercial Companies

Pre-Commercial Companies will be required to make additional disclosures along the lines of those required for Biotech Companies. The proposal seems reasonable. The requirement to make additional disclosures will cease when a Pre-Commercial Company has met the requirement to not be regarded as such. See also our response to Question 54.

Profit forecast

The Exchange does not propose to require a Specialist Technology Company to include a profit forecast in its Listing Document, but if one is included it must comply with existing requirements. All reasonable.

SPONSOR'S DUE DILIGENCE

We note that the Exchange is not proposing any change to the scope of sponsors' duties in the context of the Specialist Technology Companies listing regime.

SUBSCRIPTION OF IPO SHARES BY EXISTING SHAREHOLDERS

Question 39 Do you agree that existing shareholders should be allowed to participate in the IPO of a Specialist Technology Company provided that the company complies with the existing public float requirement under rule 8.08(1), the requirement for minimum allocation to Independent Institutional Investors (see paragraph 200 of the Consultation Paper) and the minimum free float requirement (see paragraph 207 of the Consultation Paper)?

HKIoD Response:

- AGREE
 - The proposal seems reasonable. The treatment is consistent with the existing regime for Biotech Companies. Consultation Paper para 224.

Question 40 If you answer to Question 39 is "Yes", do you agree with the proposals set out in paragraph 225 of the Consultation Paper regarding conditions for existing shareholders subscribing for shares in an IPO?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

POST-IPO REQUIREMENTS

- POST-IPO LOCK-UPS ON EXISTING SHAREHOLDERS

Question 41 Do you agree that the controlling shareholders of a Specialist Technology Company should be subject to a lock-up period of (a) 12 months (for a Commercial Company) and (b) 24 months (for a Pre-Commercial Company)?

HKIoD Response:

➤ NO STRONG VIEW

- This is a longer lock-up period than that currently imposed on controlling shareholders. Consultation Paper para 241.
- We note the concerns with imposing additional lock-up requirements in Consultation Paper para 231:
 - reduce free float;
 - sudden drop in share price on expiry;
 - underwriters may impose voluntary lock-up undertakings more reflective of market forces;
 - lock-ups not necessarily effective as shareholder can sell down as shareholder in an IPO anyway
- If a longer lock-up is deemed desirable perhaps there may be room to allow for disposal subject to volume limitations once a basic lock-up period (e.g., 6 months) has been reached, especially when certain price thresholds have been met.

Question 42 Do you agree with the scope of key persons (as described in paragraph 242 of the Consultation Paper) that should be subject to a restriction on the disposal of their holdings after listing?

HKIoD Response:

➤ AGREE

- The proposal seems reasonable.

Question 43 If your answer to Question 42 is “Yes”, do you agree with the proposed lock-up periods on the securities of such key persons and their close associates of (a) 12 months (for a Commercial Company) and (b) 24 months (for a Pre-Commercial Company)?

HKIoD Response:

➤ NO STRONG VIEW

- See our response to Question 41.

Question 44 Do you agree with the proposed lock-up period on the securities of Pathfinders SIIs of (a) six months (for a Commercial Company) and (b) 12 months (for a Pre-Commercial Company)?

HKIoD Response:

➤ NO STRONG VIEW

- There may be room to allow for disposal subject to volume limitations once a basic lock-up period (e.g., 6 months) has been reached, especially when certain price thresholds have been met.

Question 45 Do you agree that controlling shareholders, key persons and Pathfinder SIIs should be permitted (in accordance with current Rules and guidance) to sell their securities prior to an IPO and offer them for sale in the IPO, such that only the securities retained by them after listing would be subject to the lock-up restrictions?

HKIoD Response:

➤ AGREE

- The proposal seems reasonable. See also our response to Question 41.

Question 46 Do you agree that any deemed disposal of securities by a person resulting from the allotment, grant of issue of new securities by a Specialist Technology Company during a lock-up period would not constitute a breach of the lock-up requirements?

HKIoD Response:

➤ AGREE

- The proposal seems reasonable.

Question 47 Do you agree that a lock-up period in force at the time of the removal of designation as a Pre-Commercial Company should continue to apply unchanged?

HKIoD Response:

➤ NO STRONG VIEW

- The proposal seems reasonable, to validate the reliance public investors have placed upon the lock-up. There may be room to allow for disposal subject to volume limitations, especially when certain price thresholds have been met.

Question 48 Do you agree a Specialist Technology Company must disclose in its Listing Document the total number of securities in the issuer held by the persons (as identified in the Listing Document) that are subject to the lock-up requirements under the Listing Rules, and that the same information must also be disclosed in the interim and annual reports of the Specialist Technology Company for so long as such persons remain as a shareholder?

HKIoD Response:

➤ AGREE

- The proposal seems reasonable.

POST-IPO REQUIREMENTS

- ADDITIONAL CONTINUING OBLIGATIONS FOR PRE-COMMERCIAL COMPANIES

Question 49 Do you agree with the scope of the additional disclosure in the interim and annual reports of Pre-Commercial Companies as set out in paragraphs 262 and 263 of the Consultation Paper?

HKIoD Response:

- AGREE
 - The proposal seems reasonable, to provide pertinent information to inform investment decision making.

Question 50 Do you agree that only Pre-Commercial Companies should be subject to the ongoing disclosure requirements referred to in Question 49?

HKIoD Response:

- AGREE
 - See our response to Question 49.

Question 51 Do you agree that Pre-Commercial Companies should be subject to a remedial period of 12 months to re-comply with the sufficiency of operations and assets requirement before delisting, in the event that the Exchange considers that a Pre- Commercial Company has failed to meet its continuing obligation to maintain sufficient operations or assets?

HKIoD Response:

- RESERVATIONS
 - 12 months may be too short a time.

Question 52 Do you agree that Pre-Commercial Companies must not effect any transaction that would result in a fundamental change to their principal business without the prior consent of the Exchange?

HKIoD Response:

- AGREE
 - The proposal seems reasonable.

Question 53 Do you agree that Pre-Commercial Companies must be prominently identified through a “PC” marker at the end of their stock names?

HKIoD Response:

- AGREE
 - The proposal seems reasonable. We note that this is a same or similar treatment applicable to Biotech Companies and WVR issuers.

Cessation of application of additional continuing obligations

Question 54 Do you agree that the continuing obligations for Pre-Commercial Companies no longer apply once a Pre-Commercial Company has met the requirements in paragraph 270 of the Consultation Paper and ceases to be regarded as a Pre-Commercial Company?

HKIoD Response:

- AGREE
 - Once a Pre-Commercial Company has met the threshold to not be regarded as such the additional continuing obligations should not need to strictly apply. Achieving the status of Commercial Companies should be a good indication to the market of progress and prospect. Such issuers should of course be encouraged to continue to disclose pertinent information on its R&D activities and commercialisation progress or otherwise, to inform investment decision making.

REMOVAL OF DESIGNATION AS PRE-COMMERCIAL COMPANIES

Question 55 Do you agree with the proposed requirements for Pre-Commercial Companies to demonstrate to the Exchange that they should no longer be regarded as Pre-Commercial Company (see paragraphs 269 to 272 of the Consultation Paper)?

HKIoD Response:

- AGREE
 - This involves an application process to demonstrate that the Commercialisation Revenue Threshold and that at least one of the Main Board Eligibility Tests has been met. Seems reasonable.

ENDS