

### Question 1

**Do you agree with the proposed definitions of “Specialist Technology Company”, “Specialist Technology Products” and “Specialist Technology”? Please give reasons for your views. If your answer is “No”, please provide alternative suggestions.**

- Yes.

### 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with the list of Specialist Technology Industries and the respective acceptable sectors set out in paragraph 4 of the Draft Guidance Letter (Appendix V to the Consultation Paper)? Please give reasons for your views. If your answer is “No”, please provide alternative suggestions.**

- Yes.

### 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”? Please give reasons for your views.**

- *Yes. We would however suggest that a numerical definition be adopted for determining the “substantial portion” referred to in the paragraph 107(a) of the Consultation Paper (such as two-third). In addition, such requirement should be calculated on an average basis over the track record period rather than requiring the applicant to satisfy such requirement for each of the financial years during the track record period.*

### 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? Please give reasons for your views.**

- Yes.

### Question 5

**Do you agree that the Specialist Technology Regime should accommodate the listings of both Commercial Companies and Pre-Commercial Companies? Please give reasons for your views.**

- Yes.

### Question 6

**If your answer to Question 5 is “Yes”, do you agree with the proposed approach to apply more stringent requirements to Pre-Commercial Companies? Please give reasons for your views.**

- *Agree.*

### Question 7

**If your 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? Please give reasons for your views.**

- *Agree. We believe that the Hong Kong stock market should be an open market and should not restrict any particular type of investors from trading in any shares or securities, provided that there will be sufficient disclosures in the prospectus and on-going financial reports on the risks associated with investment in listing applicants under Chapter 18C and their business and operations.*

### Question 8

**Do you agree that a Commercial Company applicant must have a minimum expected market capitalisation of HK\$8 billion at listing? Please give reasons for your views.**

- *No. After consulting with private equity firms and potential Chapter 18C applicants, there is an overwhelming view that a market capitalization of HK\$8 billion is too high. We come to a collective view that a HK\$5 billion market capitalization is more attainable, and this is based on a revenue of HK\$250 million for a Commercial Company and a HK\$5 billion market capitalization would imply a 20x price to sale valuation. This should be correspondingly reduced if the Stock Exchange adopts the comment in Question 10 below in lowering the minimum revenue requirement for a Commercial Company. We believe that setting the minimum market capitalization too high would unnecessarily shut out many companies with high potentials and who meet all the other listing requirements under Chapter 18C. Lowering the market capitalization would make the Hong Kong Stock Exchange more accessible and attractive to sell-side firms and potential issuers.*

### Question 9

**Do you agree that a Pre-Commercial Company applicant must have a minimum expected market capitalisation of HK\$15 billion at listing? Please give reasons for your view.**

- *No. After consulting with private equity firms and potential Chapter 18C applicants, there is an overwhelming view that a market capitalization of HK\$15 billion is too high. We come to a collective view that a HK\$10 billion market capitalization is more attainable. We believe that setting the minimum market capitalization too high would unnecessarily shut out many companies with high potentials and who meet all the other listing requirements under Chapter 18C. Lowering the market capitalization would make the Hong Kong Stock Exchange more accessible and attractive to sell-side firms and potential issuers.*

### 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? Please give reasons for your views.**

- *No. After consulting with private equity firms and potential Chapter 18C applicants, we come to a collective view of the revenue requirement should be ranging from HK\$100 million to HK\$150 million. This is based on the view that a revenue of HK\$100 million to HK\$150 million should be sufficient to demonstrate the commercialized nature of the products/services of the applicant and acceptance of such products/services by the relevant market.*

### Question 11

**Do you agree that only the revenue arising from the applicant's Specialist Technology business segment(s) (excluding any intersegmental 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? Please give reasons for your views.**

- *No. We believe they should be included if the majority of such products/services are also consumed by third parties on fair commercial terms.*

### Question 12

**Do you agree that (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? Please give reasons for your views.**

- *Yes. We believe this is consistent with the current practice.*

### 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? Please give reasons for your views.**

- *Yes.*

### 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? Please give reasons for your views.**

- *No. A Pre-Commercial Company (i.e. revenue of below HKD250 million) might have started to commercialise its "Specialist Technology Products". The company at this early stage of commercialisation would have incurred substantial amounts of sales and marketing expenses as compared to R&D expenses as a percentage of total operating expenditure. We therefore suggest that sales and marketing expenses of the key product of the company should be excluded (from the denominator) when calculating the R&D investment as percentage to its total operating expenditure. We believe that this would avoid the unintended consequence of companies delaying their commercialisation initiatives shortly prior to IPO in order to satisfy this threshold requirement.*

### 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? Please give reasons for your views.**

- *No. We do not agree with the proposed method in determining the amount of qualifying R&D investment and the total operating expenditure as set out in paragraph 141 of the Consultation Paper. Please refer to our reply in "Question 14" above.*

#### 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? Please give reasons for your views.**

- Yes.

#### 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? Please give reasons for your views.**

- Yes.

#### 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)? Please give reasons for your views.**

- *Yes, as this is one of the parameters to demonstrate the applicant's "Specialist Technology Products" or "Specialist Technology" which have been recognized or endorsed by Sophisticated Independent Investors.*

#### Question 19

**If your answer to Question 18 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? Please give reasons for your views.**

- Yes.

#### Question 20

**If your 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? Please give reasons for your views.**

- *No. We do not consider that investment funds with AUM of at least HK\$15 billion is a reasonable benchmark in determining sophisticated investors. Funds with a substantial AUM are not necessarily a proof of their knowledge or expertise in making investments in certain specialized technology. Accordingly, we suggest lowering the benchmark to HK\$8 billion AUM to broaden the chapter by capturing issuers with SIIs of such size with wider expertise to participate in the Chapter 18C listing.*

## 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? Please give reasons for your views.

- *No. We do not agree with the indicative benchmark for meaningful investment that each sophisticated independent investor should hold at least 5% or more as at the date of listing application and throughout the pre-application 12-month period, mainly due to the following reasons:*
  1. sophisticated independent investors’ initial holdings may have been above 5% but subsequently diluted to below 5% after several subsequent rounds of financing;
  2. subsequent funding rounds are an indication of the companies’ product marketability and are a third-party validation of the valuation;
  3. broader representation from more sophisticated independent investors is a stronger indicator of the companies’ value.
- *Considering the above, we suggest widening the benchmark to not more than five sophisticated independent investors holding in aggregate 10% or more shareholding.*

## 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 shares 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? Please give reasons for your views.

- *No. We do not agree with Table 4 and paragraph 168 of the Consultation Paper and propose the following table:*

Expected market cap at listing (HK\$)	Expected minimum total investment (including any subscription at IPO) from all Sophisticated Independent Investors (% of total issued share capital at the time of listing, taking into account shares to be issued at listing)	
	Commercial Companies	Commercial Companies
Between 8 billion (for Commercial Companies) or 15 billion (for Pre-Commercial Companies) and 20 billion	15%	20%
Between 20 billion and 40 billion	10%	15%
40bn or more	5%	10%

- We believe that this level of commitments from SIIIs is sufficiently meaningful to demonstrate their *endorsement* of the potentiality and commerciality of the products/services of the applicant.

### 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? Please give reasons for your views.

- Yes.

### 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? Please give reasons for your views.

- Yes.

### Question 25

If your 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? Please give reasons for your views.

- Yes.

### 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? Please give reasons for your views.

- Yes.

### 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? Please give reasons for your views.

- Yes.

### 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? Please give reasons for your views.

- Yes, *please* refer to the response in “Question 30” below for the details.

### 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? Please give reasons for your views. Please provide any alternative definition you believe appropriate with reasons for your suggestions.

- Yes.

### 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? Please give reasons for your views.

- *No. Increasing the minimum allocation to independent institutional investors would unnecessarily deprive other investors (e.g. upstream/downstream industry players, corporate investors, etc.) from participating in the initial public offering. We suggest a minimum allocation of 15% to 20% to independent institutional investors.*

### Question 31

If your 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? Please give reasons for your views.

- *No. Please refer to our response in Question 30 above.*

### 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 capitalisation 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)?

- *Yes. We believe the proposal is consistent with the existing practice of the Stock Exchange.*

### 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? Please give reasons for your views.

- *No.*

#### Question 34

If your 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? Please give reasons for your views. If your answer is “No”, please provide alternative suggestions and provide reasons for your suggestions.

- *No, suggest adopting the current practice of the Stock Exchange according to the existing Listing Rules.*

#### 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 capitalisation 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”)? Please give reasons for your views.

- *No, suggest Stock Exchange lowering the free float requirement upon listing to HK\$400 million.*

#### 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? Please give reasons for your views.

- *No. We believe that as long as an applicant fulfills the free float requirement as set out in Chapter 18C, it should be permitted to attain the listing. We believe the post-listing liquidity of any company, listed by way of Chapter 18 or Chapter 8, is a function of many factors among which market conditions which is highly unpredictable. We therefore consider factoring in post-listing liquidity as a listing approval basis is not appropriate*

#### 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? Please give reasons for your views.

- Yes.

#### 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? If so, please provide your suggestion.

- No.



### 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)? Please give reasons for your views.**

- Yes.

### Question 40

**If your answer to Question 39 is “Yes”, do you agree with the proposals set out in paragraph 225 of the Consultation Paper regarding the conditions for existing shareholders subscribing for shares in an IPO? Please give reasons for your views.**

- Yes.

### 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)? Please give reasons for your views.**

- Yes.

### 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? Please give reasons for your views.**

- Yes.

### Question 43

**If your answer to Question 42 is “Yes”, do you agree with the proposed lockup 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)? Please give reasons for your views**

- Yes.

### Question 44

**Do you agree with the proposed lock-up period on the securities of Pathfinders Slls of (a) six months (for a Commercial Company) and (b) 12 months (for a Pre-Commercial Company)? Please give reasons for your views.**

- Yes.

#### Question 45

Do you agree that controlling shareholders, key persons and Pathfinder SIIIs 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? Please give reasons for your views.

- Yes.

#### Question 46

Do you agree that any deemed disposal of securities by a person resulting from the allotment, grant or issue of new securities by a Specialist Technology Company during a lock-up period would not constitute a breach of the lock-up requirements? Please give reasons for your views.

- Yes.

#### 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? Please give reasons for your views.

- Yes.

#### Question 48

Do you agree that 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 lockup 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? Please give reasons for your views.

- Yes.

#### 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? Please give reasons for your views. If your answer is “No”, please provide alternative suggestions and provide reasons for your suggestions.

- Yes.

#### Question 50

Do you agree that only Pre-Commercial Companies should be subject to the ongoing disclosure requirements referred to in Question 49? Please give reasons for your views.

- Yes.

#### 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? Please give reasons for your views.**

- Yes.

#### 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? Please give reasons for your views.**

- Yes.

#### Question 53

**Do you agree that Pre-Commercial Companies must be prominently identified through a “PC” marker at the end of their stock names? Please give reasons for your views.**

- Yes.

#### 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? Please give reasons for your views.**

- Yes.

#### 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 a Pre-Commercial Company (see paragraphs 269 to 272 of the Consultation Paper)? Please give reasons for your views.**

- *No. This should exclude market capitalization as a benchmark for Listing Rules 8.05(2) and 8.05(3) as it is out of the control of the Company and is subject to volatilities.*