

**Submitted via Qualtrics**

**China International Capital Corporation Hong Kong Securities Limited  
Company / Organisation  
Corporate Finance Firm / Bank**

**Question 1**

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

Yes

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

Agree.

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with the list of Specialist Technology Industries and the respective acceptable sectors set out in paragraph 4 of the Draft Guidance Letter (Appendix V to the Consultation Paper)?**

Yes

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

Agree.

**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”?**

Yes

**Please give reasons for your views.**

Agree.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**Question 5**

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

Yes

**Please give reasons for your views.**

As shown in the STAR Market and NASDAQ Global Select Market, there is sufficient demand from public investors for low-income companies and Pre-Commercial Companies, and interest is not limited to companies with large market capitalization. As such, we agree with the proposal.

**Question 6**

**Do you agree with the proposed approach to apply more stringent requirements to Pre-Commercial Companies?**

Yes

**Please give reasons for your views.**

Considering that Commercial Companies and Pre-Commercial Companies are at different stages of growth, we agree with the Exchange's proposal to set differentiated requirements for the two types of companies.

**Question 7**

**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?**

Yes

**Please give reasons for your views.**

As in STAR Market and NASDAQ, all investors can subscribe and trade securities of Pre-Commercial Companies. As such, we agree with the proposal.

**Question 8**

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

No

**Please give reasons for your views.**

With a Commercial Company at a market capitalization of HK\$8 billion and revenue of HK\$250 million in the most recent audited financial year, assuming its revenue growth rate is 50%-100% for the first year after listing, the implied forward 1 year P/S ratio would be 16-21 times. This is significantly higher than that of recent well-known companies in the market (for example, the forward 1 year P/S ratio of SenseTime Group Inc. at the time of listing was 7.4 times). It is also significantly higher than the implied P/S ratio of the STAR Market (which in comparison requires a market capitalization of at least RMB1.5 billion and income of at least RMB200 million in the most recent financial year).

Given the above, with reference to the Hong Kong market's overall valuation level, we suggest reducing the minimum market capitalization requirement for a Commercial Company to HK\$4-6 billion (based on HK\$250 million revenue and assuming revenue growth rate of 50%-100% for the first year after listing, the implied forward 1 year P/S ratio would correspondingly be reduced to 8-16 times).

**Question 9**

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

No

**Please give reasons for your views.**

Given that:

- (i) the market capitalization requirements for pre-revenue companies of the STAR Market and NASDAQ are notably lower, being a minimum of RMB4 billion (equivalent to approximately HK\$4.35 billion) and US\$850 million (equivalent to approximately HK\$6.67 billion);
- (ii) as of 30 November 2022, there are 381 non-biotech small and medium sized listed companies on the STAR Market that have an average market capitalization of HK\$11.8 billion; there are 382 small and medium sized technology companies on NASDAQ that have an average market capitalization of HK\$12 billion. Since majority of such companies are Commercial Companies and do not meet the HK\$15 billion market capitalization requirement, a Pre-Commercial Company would be expected to encounter even more difficulty to meet such requirement;
- (iii) as of 30 November 2022, the average "market capitalization to R&D expenses" ratio for non-biotech small and medium sized companies on the STAR Market is 131 times. Given that the R&D expenses of most pre-revenue companies in the STAR Market do not exceed HK\$100 million, majority of such companies would be unable to meet the currently proposed market capitalization requirement for a Pre-Commercial Company of HK\$15 billion.

We suggest lowering the minimum market capitalization requirement for Pre-Commercial Companies to HK\$10 billion, i.e. close to the market capitalization of small and medium sized technology companies listed on NASDAQ.

**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?**

Yes

**Please give reasons for your views.**

Considering (1) the proposed revenue requirement is roughly consistent with that of the STAR Market (RMB200 million); and (2) the current exchange rate, we agree that setting a minimum revenue at HK\$250 million for a Commercial Company is appropriate. We agree with the proposal.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**Question 12(a)**

**Do you agree that 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?**

Yes

**Please give reasons for your views.**

Agree.

**Question 12(b)**

**Do you agree that 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?**

Yes

**Please give reasons for your views.**

Agree.

**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?**

No

**Please give reasons for your views.**

With reference to Chapter 18A of the Listing Rules, biotech companies are only required to demonstrate that they have been in operation in their current line of business for at least two financial years prior to listing under substantially the same management.

Considering that a Specialist Technology Company (in particular, a Pre-Commercial Company) needs to continuously raise capital in order to support their R&D activities, we suggest lowering the minimum required R&D period of three financial years to two financial years, which is in line with the current requirements of Chapter 18A of the Listing Rules.

**Question 14(a)**

**Do you agree that, 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?**

Yes

**Please give reasons for your views.**

Agree

**Question 14(b)**

**Do you agree that, 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?**

No

**Please give reasons for your views.**

As of 30 November 2022, there are 381 non-biotech companies on the STAR Market. The average ratio of R&D expenditure to total operating expenses (including R&D expenses, management expenses and sales expenses) in the year of listing for such companies is 42%, with a median of 40%.

As such, we propose to lower the required R&D expenditure to total operating expenditure ratio for a Pre-Commercial Company to 40%.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**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?**

No

**Please give reasons for your views.**

Under Chapter 18A of the Listing Rules, a biotech company is only required to have operated its existing business for at least two financial years under substantially the same management before listing. Considering that a Specialist Technology Company (especially a Pre-Commercial Company) needs to continuously raise capital to support its scientific research activities, we propose to reduce the required minimum period from three financial years to two financial years.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**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)?**

Yes

**Please give reasons for your views.**

Obtaining a significant amount of investment from a Sophisticated Independent Investor helps a listing applicant to demonstrate that its core products and/or services have a certain degree of market acceptance. As such, we agree with the proposal.

**Question 19**

**Do you agree with the independence requirements for a Sophisticated Independent Investor as set out in paragraphs 155 to 157 of the Consultation Paper?**

No

**Please give reasons for your views.**

Regarding the independence of Sophisticated Independent Investors, please refer to our response to Question 21.

**Question 20**

**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?**

Yes

**Please give reasons for your views.**

Agree.

**Question 21**

**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?**

No

**Please give reasons for your views.**

A Specialist Technology Company often requires multiple rounds of large-scale financing to support R&D activities prior to listing. Investors' shareholding in the early rounds of investment may experience significant dilution, while investors in the later rounds of investment may experience difficulties attaining a large proportion of shares (such shareholding positions may well be less than 12 months). In our previous experience, a well-known investor, with a very significant investment amount, had already obtained more than 80% of the shares in a potential listing applicant. However, after several rounds of financing, the investor's shareholding was significantly diluted. While the largest investor's holding far more than 5%, the second to fourth largest investors' holding only reached less than 4%, which is close to but fails to meet the currently proposed requirements. As such, we suggest that (1) if a Sophisticated Independent Investor holds a significant amount (or a substantial majority) of the shares of a Specialist Technology applicant, the Exchange may permit the applicant to rely on a single Sophisticated Independent Investor, instead of having two Sophisticated Independent Investors; or (2) permit a Specialist Technology applicant to consult the Exchange based on its investor's shareholding circumstances, and the Exchange may grant waivers on a case-by-case basis.

Due to the relatively large shareholdings of Pathfinder SIIIs, it is common for them to hold board seats at a Specialist Technology Company's board of directors. This may result in the Pathfinder SIIIs becoming core connected persons under the Listing Rules. We suggest allowing Pathfinder SIIIs to be "sophisticated" investors, but not necessarily meet the "independent" criteria, or to provide relevant waivers for such investors to continue holding board seats at the Specialist Technology Company's board of directors (similar to being defined as a core connected person merely because of a high shareholding ratio).

A Specialist Technology Company raises capital frequently. Therefore, from the perspective of pre-IPO investors, we suggest the Exchange to allow investors to meet the investment threshold by way of (i) an absolute investment amount; or (ii) as a percentage of the applicant's total issued share capital (whichever is lower).

Since a Specialist Technology Company may grow rapidly and raise capital frequently (in particular, a company that has not yet achieved commercialization or is in the early stages of commercialization), it may not be appropriate to set a long shareholding time frame for sophisticated investors (being at least a year before listing). We suggest that the investment time frame could be lowered from at least one year to at least six months prior to the listing application date.

**Question 22**

**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?**

Yes

**Please give reasons for your views.**

Agree.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**Question 25**

**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?**

No

**Please give reasons for your views.**

In Appendix V of the consultation paper, the draft guidance letter proposes requiring the disclosure of expected market shares and details of binding contracts or non-binding framework agreements in the listing document. While such disclosure requirements will help investors

understand the applicant better, it may be the case that some trade secrets are commercially confidential, and are important elements contributing to the success of the company. Disclosing detail terms of the contracts/framework agreements may well lead to the risk of the trade secrets being made known to the company's competitors. This may be harmful and would cause loss to the listing applicant and its investors.

At the same time, given that some technology companies may have government authorities as customers, disclosing relevant contract terms to the public may be prohibitive because of confidentiality obligations imposing on the companies.

Further, Specialist Technology Industry usually changes quickly, and there are many factors to consider when estimating the expected market share. Estimation of a market share may be very difficult.

In summary, we suggest that (1) the requirement to disclose trade secrets may be waived based on the facts and circumstances of each case (such as considering the confidential nature and potential impacts on the company and its investors); and (2) the requirement to disclose the expected market share in the listing document be removed.

**Question 26(a)**

**Do you agree that a Pre-Commercial Company applicant must explain and disclose, in detail, the timeframe for, and impediments to, achieving the Commercialisation Revenue Threshold?**

Yes

**Please give reasons for your views.**

Agree.

**Question 26(b)**

**Do you agree that a Pre-Commercial Company applicant must, 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?**

Yes

**Please give reasons for your views.**

Agree.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**Question 29**

**Do you agree with the definition of Independent Institutional Investors as set out in paragraphs 201 to 202 of the Consultation Paper?**

No

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

Regarding independence of investors, please refer to our response to question 21.

**Question 30**

**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?**

No

**Please give reasons for your views.**

We note that the Exchange formulates the current proposed requirements after considering the relevant requirements of the Shanghai Star Market and NASDAQ on the proportion of shares of institutional investors in the IPO.

However, the consultation paper did not provide a specific basis for why the requirement was set at 50% (as opposed to a lower percentage). In addition, based on recent market experience, we find it practically difficult to achieve this level after excluding existing shareholders and connected investors.

Therefore, we suggest lowering the amount that Independent Institutional Investors must take up, e.g. at least 40% of the total number of shares offered in the initial public offering.

### **Question 31**

**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?**

No

**Please give reasons for your views.**

Please refer to our response to Question 30.

### **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

**Please give reasons for your views.**

Agree.

### **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?**

No

**Please give reasons for your views.**

Specialist Technology Companies with large offer size may wish to have less retail investors participating in the offering in order to increase stability of share prices.

If the offer size of a Specialist Technology Company reaches HK\$10 billion (i.e. the benchmark under the Listing Decision HKEX-LD60-1 in relation to Practice Note 18 of the Listing Rules ("PN18 Waiver")), we suggest that an option should be allowed, either such company may apply for a PN18 Waiver, or comply with the retail allocation and clawback mechanism under the Specialist Technology regime.

**Question 34**

**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.**

**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")?**

No

**Please give reasons for your views.**

Considering that the Listing Rules usually require a lock-up period (usually 6 months) on the shares held by the company's management, controlling shareholders and cornerstone investors, the free float requirement of HK\$600 million is too high and may lead to a greater fluctuation on the stock price after listing.

In addition, the financing need of start-up technology companies may vary and their offer size may be limited.

Based on the experience of recent public offer (TMT and Chapter 18A biotech companies), the free float at the time of listing is generally less than HK\$600 million, with an average of HK\$300 million. Therefore, we suggest reducing the free float requirement to HK\$300 million (corresponding to approximately US\$38 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?**

Yes

**Please give reasons for your views.**

Agree.

**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?**

No

**Please give reasons for your views.**

Agree with most of the disclosure requirements, except for the disclosure of (1) expected market share; and (2) the details of contracts and letters of intent. Please refer to our response to question 25 for further details.

**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?**

Yes

**If so, please provide your suggestion.**

No comments.

**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)?**

Yes

**Please give reasons for your views.**

Agree in principle with the proposals of the consultation paper. Regarding the requirement of independence of investors, please refer to our response to question 21. Regarding the minimum free float requirement, please refer to our response to question 35.

**Question 40**

**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?**

Yes

**Please give reasons for your views.**

Agree.

**Question 41(a)**

**Do you agree that the controlling shareholders of a Commercial Company should be subject to a lock-up period of 12 months?**

Yes

**Please give reasons for your views.**

Agree.

**Question 41(b)**

**Do you agree that the controlling shareholders of a Pre-Commercial Company should be subject to a lock-up period of 24 months?**

Yes

**Please give reasons for your views.**

Agree.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**Question 43(a)**

**Do you agree with the proposed lock-up periods on the securities of such key persons and their close associates of 12 months for a Commercial Company?**

Yes

**Please give reasons for your views.**

Agree.

**Question 43(b)**

**Do you agree with the proposed lock-up periods on the securities of such key persons and their close associates of 24 months for a Pre-Commercial Company?**

Yes

**Please give reasons for your views.**

Agree.

**Question 44(a)**

**Do you agree with the proposed lock-up period on the securities of Pathfinders SIIIs of six months for a Commercial Company?**

Yes

**Please give reasons for your views.**

Agree.

**Question 44(b)**

**Do you agree with the proposed lock-up period on the securities of Pathfinders SIIIs of 12 months for a Pre-Commercial Company?**

Yes

**Please give reasons for your views.**



Agree.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**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 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?**

Yes

**Please give reasons for your views.**

Agree.

**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?**

Yes

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

Agree.

**Question 50**

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

Yes

**Please give reasons for your views.**

Agree.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**Question 53**

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

Yes

**Please give reasons for your views.**

Agree.

**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?**

Yes

**Please give reasons for your views.**

Agree.

**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)?**

Yes

**Please give reasons for your views.**

Agree.



**From:** [Redacted]  
**Sent:** 12 December 2022 18:45  
**To:** response  
**Cc:** [Redacted]  
**Subject:** Consultation Paper on Listing Regime for Specialist Technology Companies

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged



Warning: This is an external email. Please be cautious of attachments, links and requests to input information.

Dear Sir/Madam,

We, China International Capital Corporation Hong Kong Securities Limited (“CICC”), refer to your Consultation Paper on Listing Regime for Specialist Technology Companies dated October 2022. The following are our supplementary comments and suggestions on to the Consultation Paper, in addition to our full response which has been uploaded to your system today.

Capitalized terms used and not otherwise defined in this letter shall have the meanings given to them in the Consultation Paper.

<b>CICC’s supplementary comments and suggestions</b>		
<b>No.</b>	<b>Topic</b>	<b>Response</b>
<b>Specialist Technology Companies with a WVR structure</b>		
1.	“Our Rule requirements on WVR were the outcome of a robust consultation process as part of the 2018 Listing Reforms and apply equally to all issuers (including Biotech Companies) applying for a primary listing on the Exchange. We do not see any new or exceptional circumstances arising from	Specialist Technology Companies (in particular, outstanding start-ups) would generally have received several rounds of investments before going public, resulting in the founder's shareholdings being diluted to a level below 30%. Consequently, such companies would usually adopt a WVR structure to ensure that the founders can still maintain control of the company after the company goes public. At the same time, some Specialist Technology start-ups with a

the proposed Specialist Technology regime that warrant the removal of or addition to our existing WVR Listing Rule requirements.

This means that a Specialist Technology Company applicant must meet a minimum market capitalisation threshold of either HK\$40 billion or HK\$10 billion (if it has at least HK\$1 billion revenue in its last audited financial year) to list with a WVR structure. Given applicants will be either Pre-Commercial Companies with less than HK\$250 million in annual revenue or Commercial Companies that cannot meet the HK\$500 million annual revenue requirement of the Alternative Tests, it is likely they will need to meet the HK\$40 billion market capitalisation threshold to list with WVR."

WVR structure are generally unable to meet the revenue threshold under the current regulatory requirements (being minimum market capitalization of HK\$10 billion and at least HK\$1 billion revenue in its last audited financial year (the "**Dual Requirements**")).

WVR structure is critically important to the daily governance and operations of issuers, in particular Specialist Technology Companies. Some Specialist Technology Companies prefer to adopt a WVR structure, but due to the scale of Specialist Technology Companies at the start-up stage, they are generally unable to meet the Dual Requirements.

The purpose of developing the proposed Specialist Technology regime is to facilitate these enterprises to seek for a listing in Hong Kong. The imposition of the Dual Requirements would be contrary to this objective and may prove to be unnecessarily prohibitive to start-up Specialist Technology Companies with WVR structure. In addition, high quality start-ups will generally, at an early stage, require significant amount of capital to fund its operations, and will attract investments from numerous institutional investors. As a result, it is common for management shares to be significantly diluted. Such companies will generally adopt WVR structures (such as those top new economy companies listed in Hong Kong in the past two years). If the Dual Requirements as currently proposed are subsequently adopted in the Specialist Technology regime, large numbers of outstanding Specialist Technology Companies with WVR structure will be unable to seek a listing in Hong Kong.

Given the above, we suggest that the threshold requirements for Specialist Technology Companies with WVR structure should be appropriately lowered.

For the Exchange's consideration, based on an implied P/S ratio of 15x (which is in line with leading technology companies in other international markets), the threshold requirements could be reduced to a minimum market capitalization of

		HK\$10 billion and minimum revenue HK\$650 million.
2.	<p>“We propose that a Biotech Company relying on a Regulated Product (as defined in Chapter 18A of the Listing Rules) as the basis of its listing application must submit an application under Chapter 18A of the Listing Rules and not this proposed regime. A Biotech Company relying on a Regulated Product as the basis of its listing application that fails to satisfy the requirements under Chapter 18A (and relevant guidance) is not permitted to submit an application under this proposed regime.”</p>	<p>Some biotech companies are able to meet the requirements under Chapter 18A of the Listing Rules, but due to commercial considerations or other reasons (e.g. valuation), they prefer not to apply for a listing under Chapter 18A. On the other hand, they may be able to meet the requirements of the Specialist Technology regime, and their core products or underlying technologies allowing them to be regarded as Specialist Technology Companies.</p> <p>As such, we suggest that the Exchange could consider relaxing the restriction to allow biotech companies to have the flexibility to choose either to apply for a listing under Chapter 18A of the Listing Rules or under the Specialist Technology regime.</p>
3.	<p>The consultation paper did not mention the earliest time for when a sponsor assisting a Specialist Technology Company to apply for listing can be appointed.</p> <p>However, with reference to the Exchange’s consultation conclusions on special purpose acquisition companies (“<b>SPAC</b>”), a SPAC seeking a listing in Hong Kong may submit a formal listing application after the new regime becomes effective, and the sponsor that assists in the SPAC’s listing application shall only be formally appointed after the publication of the consultation conclusions as the terms of such engagement should reflect the applicable rule requirements.</p>	<p>We note that many Specialist Technology Companies and their sponsors have already started preparatory work for listing. Considering the recent challenging Hong Kong stock market, we suggest the Exchange to consider allowing relevant sponsors to be formally engaged before the new Specialist Technology regime becomes effective, and may file the listing application right after satisfying the two-month notification requirement under Rule 3A.02B of the Listing Rules.</p>

Should you have any queries, please do not hesitate to contact [REDACTED]

[REDACTED]

Thank you.

Best regards,

[REDACTED]

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