

Submitted via Qualtrics

**Gallant
Company / Organisation
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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.

We do not have any particular objections to the proposed definitions. However, are these supposed to be limited to only companies that fall within the definition or is supposed to be simply sampling of acceptable sectors?

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with the list of Specialist Technology Industries and the respective acceptable sectors set out in paragraph 4 of the Draft Guidance Letter (Appendix V to the Consultation Paper)?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

No particular comment on the list. However, is this supposed to be a limited list or simply a sampling?

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.

We think that the matters to be taken into consideration by the Stock Exchange in deciding whether a company is suitable for Specialist Technology Industry should have a broader scope. Not sure why this should be limited to having minimum of 3 financial years.

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?

No

Please give reasons for your views.

The retention by the Stock Exchange to have subjective discretion to reject an application is the primarily root of the problem relating to IPO applications. It would be better to set out in factor is considered as "high growth potential" since it is highly likely that a high burden is required to meet this requirement.

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.

If the Stock Exchange is to accommodate specialist technologies which are in industries which have not matured, it is highly likely that these companies are both pre-revenue and pre-commercial companies.

Question 6

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

No

Please give reasons for your views.

The purpose of the specialist technology industry is to allow for early stage companies in these sector to raise capital for continued growth or commercialisation of product being developed. Addition of higher requirements just simply makes companies that need funding hard to list unless it is the thinking of the HKEx that so long as you raise enough which benefits the HKEx then only will these types of companies be allowed to list. if that is the case then we fail to see how minority investors are in fact protected with companies being simply listed at inflated valuations.

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.

The ability to invest in companies should not be limited to simply institutional clients and any risks involved in the investment in these companies applying for IPO should be simply on risk disclosure basis.

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.

If the Stock Exchange is simply thinking that the higher the company is valued at it will be a safe bench mark for shareholder protection this kind of thinking is wrong. Companies in these new technology sectors will typically have a greater need to raise capital at more stages of its development and maturity. The higher the valuation does not necessarily translate to a better company but only becomes companies valued at extremely high valuations.

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.

Prior to the consultation paper being released, there was high anticipation on smaller companies with good technologies having a platform to raise funding. With the proposed HK\$8B / HK\$15B it seems that the majority of candidates that meet the requirements set out in paragraph 101 will unlikely meet the second capitalisation hurdle.

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?

No

Please give reasons for your views.

The current proposed HK\$250M revenue requirement seems to be set at a level below the 8.05(2) and 8.05(3) requirements but requires these companies to raise funding substantially more than had they qualified under 8.05(2) and 8.05(3). If compared to other International Capital Markets platforms, it does not seem to be attractive enough to attract international companies.

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.

It would seem that any Specialist Technology company would be carrying out any business segments unrelated to its main core business.

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.

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.

This has always been a minimum disclosure requirement as required for all IPOs.

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.

For these types of companies it is likely that some sort of R&D is conducted but not necessarily

in the last 3 financial years prior to listing.

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?

No

Please give reasons for your views.

We think that at some point in time after the company's establishment there would be some sort of R&D expenses incurred however we do not see the relevance of having to incur R&D expenses over each of the 3 years prior to IPO. Does this mean that if a company has incurred substantial R&D costs in the first and second year during the 3 year track record and has changed focus incurring costs for distribution and marketing that this company should not meet the listing requirements?

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.

The level of R&D costs incurred annually should not be a benchmark on considering whether a company is suitable for listing. Whilst it is likely that a substantial amount of R&D is expected, we not see why this should be set at 50%.

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?

No

Please give reasons for your views.

The amount of R&D incurred annually is for the most part the amount of available cash and the expected timing to commercialise its product. If simply considering a benchmark of 50% burn rate without any timeline for commercialisation then are these companies considered too high risk?

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?

Yes

Please give reasons for your views.

This has always been a minimum listing requirement for companies to show that the company's performance during the Track Record Period under the relevant management team is an indication of the on-going management style and potential performance. If these basic requirements are not applicable to higher risk Specialist Technology companies then all other measures proposed to be put in place seem irrelevant.

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.

It is likely that shareholders that are invested in High Growth Potential projects will unlikely be disposing of their interest prior to and IPO so compliance with this requirement does not appear to hard to comply with.

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)?

No

Please give reasons for your views.

For companies that are in high growth industries with good product technology it is likely that a SII would have already invested, however, not having a SII doesn't necessarily reflect on the quality or potential of the specialist technology product.

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?

Please give reasons for your views.

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?

Please give reasons for your views.

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?

Please give reasons for your views.

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?

Please give reasons for your views.

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.

Similar to most companies' reasons for listing, its main use of funds raised is to bring the company's product into commercialisation if not already achieved or to achieve market roll out.

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.

Given that the risk profile of these type of companies are similar to those mining companies listing under Chapter 18, it would only be reasonable to have some sort of proposed commercialisation timeline within a reasonable period otherwise it would be no different to a mining exploration company which is not listable on the Stock Exchange of Hong Kong

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?

Yes

Please give reasons for your views.

It has always been acceptable to the Stock Exchange that binding or non-binding framework agreements to support the potential of an applicant's business. However, these examples of having clear path to commercialisation should be non-exhaustive and should not be the only acceptable supporting that can be provided for these specialist technology companies. The level of risk associated with these types of companies should be sufficiently disclosed in the prospectus and left to investors to decide whether the proposed technology. Another supporting would be for an independent expert to give an opinion on whether the technology can in fact be commercialised and corresponding risks involved. An expert being from someone maybe in the academic field rather than so called industry experts which simply rely on third party data.

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.

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.

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.

The clear path to commercialisation as well as the capital required to achieve commercialisation should be available and if not then to disclose clearly state the shortfall of funding required.

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?

No

Please give reasons for your views.

The ability to raise capital from the market (institutional or retail) should be left to market dynamics. Requiring minimum allocation to institutional investors does not necessarily mean the IPO pricing is reasonable and not artificially manipulated.

Question 29

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.

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?

Please give reasons for your views.

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?

Please give reasons for your views.

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.

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.

The current clawback mechanism applicable to all IPOs is sufficient.

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.

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?

No

Please give reasons for your views.

The company's liquidity primarily only benefits short term traders. Given that specialist technology companies may be 12 or more months away from commercialisation, the lack of liquidity should not be factor to be considered unless the Stock Exchange is simply considering the potential lack of revenues coming from liquidity. There are already sufficient rules and regulations in place to govern market manipulations.

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?

Yes

Please give reasons for your views.

The disclose of the information set out in paragraph 32 would be useful to allow investors to gain additional information however, the level of disclosure should be left to the company to decide as to whether the disclosure is sufficient or not and not for the Stock Exchange to arbitrarily simply state "insufficient information", many of times simply used as a delay tactic to delay an applicant's IPO process. This should be kept as a checklist item for disclosure.

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?

No

If so, please provide your suggestion.

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.

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.

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.

Should consider extending the lock up period to a longer period.

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.

Controlling shareholders should be aligned with the timeline of commercialisation of its product and maybe not just 24 months.

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.

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.

Should consider a longer lock up period of more than 12 months.

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.

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.

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.

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?

No

Please give reasons for your views.

The ability for these early stage investors to exit at an IPO without having the need to achieve profitability would not align their interests with the company.

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.

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.

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.

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.

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.

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.

The period allowed for should not necessarily be set at 12 months but be flexible to accommodate various situations whether remedial actions need longer than 12 months.

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.

These specialist technology companies would likely be focused on developing one main line of products for commercialisation. The ability to change principal business nature would defeat the purposes of having the specialised listing criteria.

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.

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.

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.