

Submitted via Qualtrics

**Anonymous
Company / Organisation
Investment Firm Focusing on Private Equity / Venture Capital Investment**

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.

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with the list of Specialist Technology Industries and the respective acceptable sectors set out in paragraph 4 of the Draft Guidance Letter (Appendix V to the Consultation Paper)?

No

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

We agree with the proposed list of Specialist Technology Industry for the current market. However, the speed of development in the technology sector is very rapid and we therefore recommend the Exchange to have a mechanism to periodical review of the list to maintain its relevance to the market.

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.

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.

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.

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.

While more stringent requirement is recommended, we believe proper disclosure is equally important.

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.

Provided that a higher disclosure requirement should be applied to these companies compared to ordinary listed companies.

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.

We believe the proposed minimum expected market capitalisation of HK\$8 billion is too high. It is significantly higher than the current requirement under Chapter 18A and, based on our review of the market, there are very few, if any, companies within the leading technology hubs (e.g. HKSTP, Cyberport) that meet this HK\$8 billion requirement. Moreover, the P/S ratio of 32 times is an extremely high requirement under the current market conditions. These requirements may have been achievable based on examples in the US and Mainland Chinese market for the period between January 2019 to March 2022 which the Exchange has examined, that also happened to be a record breaking period in terms of deal size, count valuation in the venture market. We recommend to review the market capitalisation and P/S ratio requirements while also taking into consideration the market conditions over the last three quarters of 2022 as well as recent performance of those companies that were listed during the examined period.

Therefore, we believe a minimum expected market capitalization of HK\$3.75 billion (being the same at Chapter 18A) and a P/S ratio of 6-8 would be more realistic.. It is also important to point out that P/S ratio and market capitalisation varies widely depending on the particular technology sector and the geographical market the company is in.

We recommend to reference the STAR Market in providing multiple different sets of requirement for an IPO applicant to select which would better address the condition of the diverse technology market that the Chapter 18C is intended to cover.

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.

We believe that the proposed minimum expected market capitalisation of HK\$15 billion is too high. It is significantly higher than the current requirement under Chapter 18A. This requirement may have been achievable based on examples in the US and Mainland Chinese market for the period between January 2019 to March 2022 which the Exchange has examined, that also happened to be a record breaking period in terms of deal size, count valuation in the venture market. We recommend to review the market capitalisation requirement while also taking into consideration the market conditions over the last three quarters of 2022 as well as recent performance of those companies that were listed during the examined period.

Moreover, having reviewed the current tech companies in the Hong Kong Science and Technology Park which is a leading technology hubs in Hong Kong, there are only very few companies who would be eligible for Chapter 18C if the minimum expected market capitalisation is HK\$15 billion

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.

This requirement may have been achievable based on examples from the US and Mainland Chinese market for the period between January 2019 to March 2022 which the Exchange has examined, that also happened to be a record breaking period in terms of deal size, count and valuation in the venture market while a lot of companies were also achieving high revenue figures using heavily subsidised pricing strategies. We recommend to review the revenue requirement while also taking into consideration the market conditions over the last three quarters of 2022 as well as recent performance of those companies that were listed during the examined period.

We recommend that instead of setting only a revenue amount requirement, there should be an alternative to use minimum 3 year compound growth rate of say 18% as an alternative, similar to the requirement of the STAR Market.

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.

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.

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.

We believe it would be more reasonable to set 2 years of R&D engagement prior to listing as the minimum requirement, which is consistent with the Chapter 18A. While the proposal mentions that the Exchange may accept a shorter period of 2 financial years in exceptional circumstances, it is difficult for applicants to understand how to qualify for exceptional circumstances.

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 believe it would be more reasonable to set 2 years of R&D engagement prior to listing as the minimum requirement, which is consistent with the Chapter 18A. While the proposal mentions that the Exchange may accept a shorter period of 2 financial years in exceptional circumstances, it is difficult for applicants to understand how to qualify for exceptional circumstances. Not agree. Please see our response to Question 13. In general, it is suggested to exclude use a range instead of a specific number for the proportion of R&D expenses which allows discretion for the committee to decide whether the R&D commitment is sufficient by the company based on the specific industry they engage in.

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.

We believe it is extremely difficult to generalize one number that will be appropriate for all technology sectors, especially when the proposed number is so high. The STAR Market requires either 5% (or 10% if software industry) for 3 years or a cumulative amount of RMB 60 million for 3 years which are more reasonable. We believe the Chapter 18C should also offer two alternative requirements similar to the STAR Market.

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.

We do not agree with the exclusion of any initial recognition of fixed assets relating to the company's R&D activities (e.g. capital expenditures for acquiring an R&D centre). While we suspect the concern maybe around the value of real estate being counted towards R&D expenses, we believe it would not be reasonable to exclude other fixed assets (e.g. critical equipment) that may be critical for conducting the R&D activities.

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.

We believe it would be more reasonable to set 2 years of R&D engagement prior to listing as the minimum requirement, which is consistent with the Chapter 18A. Similarly, we believe a period of 2 year to be more appropriate period for the Specific Technology Company to have been in operation in its current line of business.

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.

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.

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?

Yes

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?

No

Please give reasons for your views.

We believe the proposed definition of SIIs is too stringent and the AUM and portfolio size requirements may be too high even for many publicly listed companies or sophisticated family offices.

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.

This requirement would be difficult to meet since successful technology companies do not always have 2 or even 1 investor with 5% or more in ownership.

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?

No

Please give reasons for your views.

We believe the proposed definition of SIIs is too stringent and the AUM and portfolio size requirements may be too high even for many publicly listed companies or sophisticated family offices. Moreover, successful technology companies do not always have 2 or even 1 investor with 5% or more in ownership. Given that the definition of Sophisticated Independent Investors is so narrow, we do not believe these ownership requirements are reasonable and achievable.

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.

While we agree with the concept of this requirement, we recommend that the Exchange include some kind of % range of ipo proceeds that should be used on developing the business around the Specialist Technology Product(s) or other related products to be developed by the company after the ipo.

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.

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.

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?

No

Please give reasons for your views.

We do not agree to use 125% of its group's cost as a requirement. Moreover, the period which available working capital needs to cover depend largely on the expected schedule for the company to become cash flow positive. Therefore, it would be more reasonable for a pre-commercial company to have working capital to cover the expected time it requires to reach Commercialisation Revenue Threshold and for commercial companies to have working capital to cover the expected time it requires to reach cash flow break even.

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.

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.

We believe the proposed scope of Independent Institutional Investors is too narrow and we do not agree to exclude all corporate professional investors and individual professional investors. Based on this proposed scope, entities such as the investment arm of group companies specializing in innovative technology sectors would be excluded as well. This would seem inconsistent with the definition of sophisticated investor which includes "a key participant in the relevant upstream or downstream industry with substantial market share and size, as supported by appropriate independent market or operational data" (paragraph 20 of the draft Guidance Letter providing guidance on STCs). We would therefore propose that corporate professional investors be included in the definition of "Independent Institutional Investors". Certain high profile individual professional investors should also be considered, albeit on a case by case

basis, provided that such individual is considered a sophisticated and experienced investor in technology companies, such as founders or senior executives of prominent technology companies or companies in related industries.

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 believe the proposed scope of Independent Institutional Investors is too narrow and we do not agree to exclude all corporate professional investors and individual professional investors. Based on this proposed scope, entities such as the investment arm of group companies specializing in innovative technology sectors would be excluded as well. This would seem inconsistent with the definition of sophisticated investor which includes “a key participant in the relevant upstream or downstream industry with substantial market share and size, as supported by appropriate independent market or operational data” (paragraph 20 of the draft Guidance Letter providing guidance on STCs). We would therefore propose that corporate professional investors be included in the definition of “Independent Institutional Investors”. Certain high profile individual professional investors should also be considered, albeit on a case by case basis, provided that such individual is considered a sophisticated and experienced investor in technology companies, such as founders or senior executives of prominent technology companies or companies in related industries.

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?

Yes

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?

Yes

Please give reasons for your views.

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?

Yes

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”)?

Yes

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.

We agree with the concept but would suggest that the Exchange clarify and quantify the definition of what would be considered significant.

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.

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.

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.

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.

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.

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?

Yes

Please give reasons for your views.

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?

No

Please give reasons for your views.

We believe that the remedial period to initially be set at 12 months but may be extendable by another 12 months by the Exchange if the progress falls significantly behind estimates.

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?

No

Please give reasons for your views.

Pre-commercial companies should have the flexibility to pivot or add additional product or service as market and/or technology trend changes, hence prior consent of the Exchange should not be required but should be subject to prior disclosure requirements before the original business ceases to the principal business.

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.

It would make it easier for investors to distinguish between pre-commercial and commercial companies.

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.