[redacted]

From: [redacted]
Sent: 16 December 2022 14:55
To: Grace Kan; response
Cc: [redacted]
Subject: ASIFMA Response to HKEx 2022 Consultation Paper on Listing Regime for Specialist Technology Companies
Attachments: ASIFMA Response to HKEx Consultation Specialist Tech Co.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

[redacted]

asifma
Growing Asia's Markets

Re: ASIFMA Response to HKEx 2022 Consultation Paper on Listing Regime for Specialist Technology Companies

Dear Grace,

Re: Response to the October 2022 Consultation Paper on Listing Regime for Specialist Technology Companies (the "Consultation Paper") by The Stock Exchange of Hong Kong Limited (the "Exchange" or the "HKEX")

On behalf of its members, the Asia Securities Industry and Financial Markets Association ("**ASIFMA**") welcomes the opportunity to provide comments on the Consultation Paper. We appreciate the Exchange's efforts to expand the range of companies that can access Hong Kong's capital markets, and we support the Consultation Paper's objective to strike a proper balance between upholding market quality and creating a commercially viable chapter that meets the fundraising needs of the leading companies of tomorrow.

We have set forth below our observations and comments on certain of the proposals (the "**Proposals**") included in the Consultation Paper, as well as our response to the Questionnaire accompanying the Consultation Paper, which is included as Appendix 1 to this letter. Slaughter and May has assisted us in preparing and coordinating this response.

Unless otherwise indicated, the observations and comments set forth in this letter and the responses to the Questionnaire represent the views of both ASIFMA's sell-side and buy-side members, and the terms used in this letter have the same meanings as set forth in the Consultation Paper.

- **List of Specialist Technology Industries and Acceptable Sectors**

Although paragraph 102 of the Consultation Paper makes clear that the Exchange may update the List after taking into account any pre-IPO enquiry from potential listing applicants and consultation with the SFC, it is not clear whether, without the List being first updated, the Exchange will assess the listing eligibility of new applicants that do not fall into an acceptable sector of a Specialist Technology Industry directly by way of pre-IPO consultations. We believe that the Exchange should retain the discretion to allow potential listing applicants that do not fall within the List to be assessed via pre-IPO consultations for purposes of listing under the new Chapter 18C, without the List being first updated. This would avert the need for the List to be updated each time a new applicant that does not fall within the List wishes to be considered for listing. In any event, it would be beneficial for the Exchange to clarify its proposal in respect of this issue. Please refer to our detailed response to Question 2.

- **Market Capitalisation Requirement for Commercial and Pre-Commercial Companies**

With respect to the Proposal relating to the minimum market capitalisation threshold for listing applicants, based on our market observations and concerns, generally, we believe that the minimum market capitalisation requirements under the proposed regime should be revised downwards to HK$4 billion or HK$6 billion, as the case may be, for Commercial Companies and HK$8 billion for Pre-Commercial Companies. Please refer to our detailed response to Questions 8 and 9.

- **Minimum Retail Allocation and Clawback Mechanism**

We welcome the Exchange's recognition of the inherent limitations in the current price discovery process and the proposed changes to the minimum retail allocation and the Clawback Mechanism. This is particularly important for ensuring a meaningful level of interest that institutional professional investors have in a Specialist Technology Company, which can in turn benefit from the institutional investors' research and professional assessment. However, we note that the proposed minimum retail allocation under the Clawback Mechanism remains higher than the minimum under typical clawback waivers, and accordingly, we believe that the minimum retail allocation can be further reduced to be more in line with typical clawback waivers, as follows:

		No. of times (x) of over-subscription in the public subscription tranche	
	Initial	***10x to less than 50x***	***50x or more***
Minimum retail allocation as a percentage of total offer shares	5%	7.5%	10%

Please refer to our detailed response to Question 33.

- **Minimum Investment Requirement for Pathfinder Sophisticated Independent Investors**

We note the Proposal relating to "meaningful investment" by Sophisticated Independent Investors and more specifically the proposal that at least two such investors should hold shares equivalent to 5% or more of the issued share capital of the listing applicant as at the date of the listing application and throughout the pre-application 12-month period. We are of the view that the threshold as set forth in the Proposal may disqualify certain applicants, even in cases where the failure to meet the threshold does not compromise the rationale for this requirement as detailed in paragraph 169 of the Consultation Paper (*i.e.*, for the applicant to have been subject to an extensive due diligence check by investors who have taken on significant investment risks). For example, the Sophisticated Independent Investor in question may have experienced temporary dilution in a round of investments, but nevertheless may have managed to conduct extensive due diligence on the applicant, while simultaneously demonstrating its commitment to the applicant by re-establishing the requisite percentage by participating in subsequent rounds of investment within the 12-month period. Accordingly, we would urge the Exchange to consider calculating the 5% threshold on the basis of the average monthly shareholding across the pre-application 12-month period. Please refer to our detailed response to Question 21.

A. <u>Additional suggestions</u>

In addition to the above responses to the Proposals, we would also like to take this opportunity to provide the following suggestions to the Exchange with an aim to improving the proposed Chapter 18C regime:

- **Double Dipping**

In relation to the existing double dipping restrictions on an institutional investor's ability to participate in an IPO both as a cornerstone investor and as a placee, we believe that it is important for the Exchange to recognise that investment decisions by large institutional investors or asset managers are typically made at the portfolio manager level, with a clear internal separation of investment decision making between different client mandates, which is supported by robust compliance policies and Chinese walls. The buy-side members of ASIFMA, in particular, believe it is important for different portfolio managers of the same asset manager to be able to participate in an IPO for separate client mandates that have different risk appetites and liquidity restrictions, as it not only can be helpful for the IPO price discovery process but also ensures that different client mandates of the same asset manager are each

given an opportunity to access the IPO and that the asset manager is able to fulfill its fiduciary duty of treating all its clients fairly and equally.

Accordingly, we propose that the Exchange should relax the existing restrictions on double dipping and allow participation by those institutional investors or asset managers who can represent to the Exchange that they are participating in the IPO of the Specialist Technology Companies, both as a cornerstone investor and as a placee, for different client mandates and that they have sufficient compliance policies in place to separate the decision making process for such mandates.

- **Pre-IPO Lock-up Requirement for Key Shareholders**

The buy-side members of ASIFMA believe that a disposal of shares by a controlling shareholder or key person of a Specialist Technology Company prior to or shortly after the IPO could have a negative impact on the market's confidence in the relevant company, as the investing public is expected to place considerable reliance on the commitment of the controlling shareholders and key persons when making their own investment in the shares of a Specialist Technology Company.
In addition to the current Proposals to impose a post-IPO lock-up on the controlling shareholders and key persons of a Specialist Technology Company, the buy-side members of ASIFMA would propose that the Exchange should also impose a lock-up requirement on the controlling shareholders and key persons not to dispose of any of their shareholding in a Specialist Technology Company within six months before the listing, subject to appropriate carve-outs for deemed disposals of securities as set forth in paragraph 255 of the Consultation Paper.

- **At Least One INED with Relevant Technology Background, Expertise and/or Experience**

As the Exchange has correctly pointed out in the Consultation Paper, the products and/or services of Specialist Technology Companies are not usually required to be evaluated or approved by a Competent Authority, which means investors and intermediaries do not have the benefit of an independent process against which to judge the stage of development of the Specialist Technology Products and its progress towards commercialisation. In addition to the validation by the Pathfinder SIIs, we believe that it would be useful for the independent non-executive directors ("**INEDs**") of the Specialist Technology Companies to possess the capability to exercise effective oversight for investors. We would therefore like to recommend a requirement for a Specialist Technology Company to have at least one INED with relevant Specialist Technology background, expertise and/or experience to be able to assess the technological development of the Specialist Technology Company so as to provide independent validation in the absence of a Competent Authority. However, we would stress that the requirement should not be drafted in an overly restrictive manner, and the required background, expertise and/or experience should not be limited to the specific Specialist Technology Industry and/or acceptable sector of the relevant listing applicant (*i.e.*, the requirement is intended to be broad and roughly in line with what many companies in the technology sector already do). We do not believe this additional requirement would be controversial, as having an INED with such expertise should also be in line with a technology company's existing strategic needs.

- **Relaxation of Weighted Voting Rights ("WVR") Requirements**

As the Exchange has previously noted in its research report titled "Weighted Voting Rights: Angel or Evil to Investors" published in July 2019 (the "**Research Report**"), innovative technology companies increasingly prefer to adopt dual-class share structures and are the key contributors to the recent wave of IPOs utilising WVR structures. Under the Consultation Paper, Specialist Technology Companies listing under the proposed Chapter 18C initiative are eligible to use WVR structures, provided that they also satisfy the requirements under the WVR regime. This means that if a technology company wishes to list with a WVR structure, it would have to separately satisfy the stringent requirements under Chapter 8A of either having a market capitalisation of at least HK$40 billion at the time of listing or a market capitalisation of at least HK$10 billion at the time of listing and revenue of at least HK$1 billion for the most recent audited financial year. As the Exchange has correctly pointed out in the Consultation Paper, technology companies often cannot meet the profit, revenue or cash flow requirements of the existing Main Board listing requirements. The WVR regime is, therefore, in practice, not a viable option for Specialist Technology Companies seeking to list with a WVR structure.

Further, as noted in the Appendix to the Research Report, the minimum market capitalisation thresholds for companies that wish to list with a WVR structure in Hong Kong are markedly higher than the thresholds set by other overseas listing regimes. We are concerned that these thresholds could restrict a significant number of quality candidates from listing under the new regime and may adversely impact one of the key objectives of the Chapter

18C regime – to make Hong Kong a more competitive listing venue of choice for technology companies. Accordingly, we would encourage the Exchange to consider relaxing the current WVR requirements for Specialist Technology Companies listing under the new Chapter 18C regime.

* * * * *

We commend the Exchange for its efforts to further open up and diversify the Hong Kong market, and we are in agreement with the general direction that the Exchange is taking in connection with the Consultation Paper and the Proposals.

Please do not hesitate to contact [redacted] if you wish to discuss any of the above. We have no objections to disclosing the name of ASIFMA in the version of this response published by the Exchange on its website.

Sincerely,

[redacted]
Asia Securities Industry and Financial Markets Association

[redacted]
Asia Securities Industry & Financial Markets Association

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ASIFMA's Privacy Policy

16 December 2022

Corporate Communications Department
c/o Hong Kong Exchanges and Clearing Limited
8/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Via e-mail: response@hkex.com.hk

Dear Sir/Madam,

Re: Response to the October 2022 Consultation Paper on Listing Regime for Specialist Technology Companies (the "Consultation Paper") by The Stock Exchange of Hong Kong Limited (the "Exchange" or the "HKEX")

On behalf of its members, the Asia Securities Industry and Financial Markets Association ("**ASIFMA**")[1] welcomes the opportunity to provide comments on the Consultation Paper. We appreciate the Exchange's efforts to expand the range of companies that can access Hong Kong's capital markets, and we support the Consultation Paper's objective to strike a proper balance between upholding market quality and creating a commercially viable chapter that meets the fundraising needs of the leading companies of tomorrow.

A. Responses to the Proposals

We have set forth below our observations and comments on certain of the proposals (the "**Proposals**") included in the Consultation Paper, as well as our response to the Questionnaire accompanying the Consultation Paper, which is included as Appendix 1 to this letter. Slaughter and May has assisted us in preparing and coordinating this response.

Unless otherwise indicated, the observations and comments set forth in this letter and the responses to the Questionnaire represent the views of both ASIFMA's sell-side and buy-side members, and the terms used in this letter have the same meanings as set forth in the Consultation Paper.

- **List of Specialist Technology Industries and Acceptable Sectors**

As set forth in paragraph 96 of the Consultation Paper, we understand that a new applicant seeking to list under the proposed regime must fall within the definition of a "Specialist Technology Company", which means that its products and/or services must fall within an acceptable sector of a Specialist Technology Industry. We further understand that the list of Specialist Technology Industries and acceptable sectors (the "**List**") is intended to be non-exhaustive, and the List may be updated from time to time. However, it is not

[1] ASIFMA is an independent, regional trade association with over 165 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, accounting and law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, competitive and efficient Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

sufficiently clear how this flexible approach would, in practice, apply to potential listing applicants whose products and/or services fall outside of the List.

More specifically, although paragraph 102 of the Consultation Paper makes clear that the Exchange may update the List after taking into account any pre-IPO enquiry from potential listing applicants and consultation with the SFC, it is not clear whether, without the List being first updated, the Exchange will assess the listing eligibility of new applicants that do not fall into an acceptable sector of a Specialist Technology Industry directly by way of pre-IPO consultations. We believe that the Exchange should retain the discretion to allow potential listing applicants that do not fall within the List to be assessed via pre-IPO consultations for purposes of listing under the new Chapter 18C, without the List being first updated. This would avert the need for the List to be updated each time a new applicant that does not fall within the List wishes to be considered for listing. In any event, it would be beneficial for the Exchange to clarify its proposal in respect of this issue.

Please refer to our detailed response to Question 2.

- **Market Capitalisation Requirement for Commercial and Pre-Commercial Companies**

With respect to the Proposal relating to the minimum market capitalisation threshold for listing applicants, we have the following observations and concerns:

- As noted in table 3 on page 22 of the Consultation Paper, the minimum market capitalisation thresholds for both Commercial and Pre-Commercial Companies are markedly higher than the thresholds set by other overseas listing regimes. We have concerns that these thresholds could limit a significant number of quality candidates for listing, especially at a time when valuations for such companies are at a period low due to global market conditions;

- In particular, under the Proposal, Pre-Commercial Companies are subject to a much higher minimum market capitalisation threshold (almost two-fold) than Commercial Companies. We believe that the heightened scrutiny over Pre-Commercial Companies (including greater disclosure obligations at the time of listing, the need to demonstrate a credible path to achieving the Commercialisation Revenue Threshold and the continuing obligations relating to disclosures and performance post listing) already afford sufficient safeguards to the risks inherent in such companies, and the extent of the more stringent approach in respect of market capitalisation threshold for Pre-Commercial Companies as proposed may not achieve the right balance between attracting potential applicants and ensuring the quality of listing applicants; and

- The hypothesis that a high valuation is a valid benchmark for quality Pre-Commercial Companies should be further tested by the Exchange, and any proposed threshold should be backed by supporting data. According to our preliminary screening of companies broadly falling into the Specialist Technology Industries and acceptable sectors with a revenue of less than HK$250 million at their listing which were either (i) listed on NASDAQ, LSE, HKEX, SSE or Shenzhen Stock Exchange in the past ten years, or (ii) have applied to list on the STAR Market or ChiNext in Mainland China (with the market capitalisation being implied from the target IPO proceeds and shares to be sold), most of those companies had valuation / market capitalisation of less than HK$8 billion.

Generally, we believe that the minimum market capitalisation requirements under the proposed regime should be revised downwards to HK$4 billion or HK$6 billion, as the case may be, for Commercial Companies and HK$8 billion for Pre-Commercial Companies.

Please refer to our detailed response to Questions 8 and 9.

- **Minimum Retail Allocation and Clawback Mechanism**

We welcome the Exchange's recognition of the inherent limitations in the current price discovery process and the proposed changes to the minimum retail allocation and the Clawback Mechanism. This is particularly important for ensuring a meaningful level of interest that institutional professional investors have in a Specialist Technology Company, which can in turn benefit from the institutional investors' research and professional assessment. However, we note that the proposed minimum retail allocation under the Clawback Mechanism remains higher than the minimum under typical clawback waivers, and accordingly, we believe that the minimum retail allocation can be further reduced to be more in line with typical clawback waivers, as follows:

		No. of times (x) of over-subscription in the public subscription tranche	
	Initial	***10x to less than 50x***	***50x or more***
Minimum retail allocation as a percentage of total offer shares	5%	7.5%	10%

Please refer to our detailed response to Question 33.

- **Minimum Investment Requirement for Pathfinder Sophisticated Independent Investors**

We note the Proposal relating to "meaningful investment" by Sophisticated Independent Investors and more specifically the proposal that at least two such investors should hold shares equivalent to 5% or more of the issued share capital of the listing applicant as at the date of the listing application and throughout the pre-application 12-month period. We are of the view that the threshold as set forth in the Proposal may disqualify certain applicants, even in cases where the failure to meet the threshold does not compromise the rationale for this requirement as detailed in paragraph 169 of the Consultation Paper (*i.e.*, for the applicant to have been subject to an extensive due diligence check by investors who have taken on significant investment risks). For example, the Sophisticated Independent Investor in question may have experienced temporary dilution in a round of investments, but nevertheless may have managed to conduct extensive due diligence on the applicant, while simultaneously demonstrating its commitment to the applicant by re-establishing the requisite percentage by participating in subsequent rounds of investment within the 12-month period. Accordingly, we would urge the Exchange to consider calculating the 5% threshold on the basis of the average monthly shareholding across the pre-application 12-month period.

Please refer to our detailed response to Question 21.

B. <u>Additional suggestions</u>

In addition to the above responses to the Proposals, we would also like to take this opportunity to provide the following suggestions to the Exchange with an aim to improving the proposed Chapter 18C regime:

- **Double Dipping**

In relation to the existing double dipping restrictions on an institutional investor's ability to participate in an IPO both as a cornerstone investor and as a placee, we believe that it is important for the Exchange to recognise that investment decisions by large institutional investors or asset managers are typically made at the portfolio manager level, with a clear internal separation of investment decision making between different client mandates, which is supported by robust compliance policies and Chinese walls. The buy-side members of ASIFMA, in particular, believe it is important for different portfolio managers of the same asset manager to be able to participate in an IPO for separate client mandates that have different risk appetites and liquidity restrictions, as it not only can be helpful for the IPO price discovery process but also ensures that different client mandates of the same asset manager are each given an opportunity to access the IPO and that the asset manager is able to fulfill its fiduciary duty of treating all its clients fairly and equally.

Accordingly, we propose that the Exchange should relax the existing restrictions on double dipping and allow participation by those institutional investors or asset managers who can represent to the Exchange that they are participating in the IPO of the Specialist Technology Companies, both as a cornerstone investor and as a placee, for different client mandates and that they have sufficient compliance policies in place to separate the decision making process for such mandates.

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The buy-side members of ASIFMA believe that a disposal of shares by a controlling shareholder or key person of a Specialist Technology Company prior to or shortly after the IPO could have a negative impact on the market's confidence in the relevant company, as the investing public is expected to place considerable reliance on the commitment of the controlling shareholders and key persons when making their own investment in the shares of a Specialist Technology Company.

In addition to the current Proposals to impose a post-IPO lock-up on the controlling shareholders and key persons of a Specialist Technology Company, the buy-side members of ASIFMA would propose that the Exchange should also impose a lock-up requirement on the controlling shareholders and key persons not to dispose of any of their shareholding in a Specialist Technology Company within six months before the listing, subject to appropriate carve-outs for deemed disposals of securities as set forth in paragraph 255 of the Consultation Paper.

- **At Least One INED with Relevant Technology Background, Expertise and/or Experience**

As the Exchange has correctly pointed out in the Consultation Paper, the products and/or services of Specialist Technology Companies are not usually required to be evaluated or approved by a Competent Authority, which means investors and intermediaries do not have the benefit of an independent process against which to judge the stage of development of the Specialist Technology Products and its progress towards commercialisation. In addition to the validation by the Pathfinder SIIs, we believe that it would be useful for the independent non-executive directors ("**INEDs**") of the Specialist Technology Companies to possess the capability to exercise effective oversight for investors. We would therefore like to recommend a requirement for a Specialist Technology Company to have at least one INED with relevant Specialist Technology background, expertise and/or experience to be able to assess the technological development of the Specialist Technology Company so as to provide independent validation in the absence of a Competent Authority. However, we would stress that the requirement should not be drafted in an overly restrictive manner, and the required background, expertise and/or experience should not be limited to the

specific Specialist Technology Industry and/or acceptable sector of the relevant listing applicant (*i.e.*, the requirement is intended to be broad and roughly in line with what many companies in the technology sector already do). We do not believe this additional requirement would be controversial, as having an INED with such expertise should also be in line with a technology company's existing strategic needs.

- **Relaxation of Weighted Voting Rights ("WVR") Requirements**

As the Exchange has previously noted in its research report titled "Weighted Voting Rights: Angel or Evil to Investors" published in July 2019 (the "**Research Report**"), innovative technology companies increasingly prefer to adopt dual-class share structures and are the key contributors to the recent wave of IPOs utilising WVR structures. Under the Consultation Paper, Specialist Technology Companies listing under the proposed Chapter 18C initiative are eligible to use WVR structures, provided that they also satisfy the requirements under the WVR regime. This means that if a technology company wishes to list with a WVR structure, it would have to separately satisfy the stringent requirements under Chapter 8A of either having a market capitalisation of at least HK$40 billion at the time of listing or a market capitalisation of at least HK$10 billion at the time of listing and revenue of at least HK$1 billion for the most recent audited financial year. As the Exchange has correctly pointed out in the Consultation Paper, technology companies often cannot meet the profit, revenue or cash flow requirements of the existing Main Board listing requirements. The WVR regime is, therefore, in practice, not a viable option for Specialist Technology Companies seeking to list with a WVR structure.

Further, as noted in the Appendix to the Research Report, the minimum market capitalisation thresholds for companies that wish to list with a WVR structure in Hong Kong are markedly higher than the thresholds set by other overseas listing regimes. We are concerned that these thresholds could restrict a significant number of quality candidates from listing under the new regime and may adversely impact one of the key objectives of the Chapter 18C regime – to make Hong Kong a more competitive listing venue of choice for technology companies. Accordingly, we would encourage the Exchange to consider relaxing the current WVR requirements for Specialist Technology Companies listing under the new Chapter 18C regime.

* * * * *

We commend the Exchange for its efforts to further open up and diversify the Hong Kong market, and we are in agreement with the general direction that the Exchange is taking in connection with the Consultation Paper and the Proposals.

Please do not hesitate to contact [redacted] if you wish to discuss any of the above. We have no objections to disclosing the name of ASIFMA in the version of this response published by the Exchange on its website.

Sincerely,

[redacted]

asifma
Growing Asia's Markets

[redacted]
Asia Securities Industry and Financial Markets Association

[redacted]
Asia Securities Industry & Financial Markets Association

Appendix 1

QUESTIONNAIRE

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

√ Yes
◯ No

Reasons:

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
◯ No

Reasons: While we largely agree with the proposed List of Specialist Technology Industries and the respective acceptable sectors and we understand that the proposed List is non-exhaustive as it may be updated from time-to-time, we would ask that the Exchange confirm that the following sectors will be covered under the "next-generation information technology" industry: (i) data analytics; (ii) big data technology; and (iii) fintech and block chain technology. While we note that metaverse technology is an acceptable sector under the "advanced hardware" industry, please also clarify whether companies that operate in the metaverse (*e.g.*, metaverse gaming companies) would also be included. Further, given that many of the sectors under the "advanced hardware" industry also cover corresponding software technology, we would like to suggest amending the name of the industry to "advanced hardware and software" instead.

Finally, we suggest the Exchange should consider clarifying the process of considering applicants that fall outside of the List. Paragraph 102 of the Consultation Paper makes clear that the Exchange may update the List after taking into account any pre-IPO enquiry from potential listing applicants and consultation with the SFC, but it is not clear whether, without the List being first updated, the Exchange will assess the listing eligibility of new applicants that do not fall into an acceptable sector of a Specialist Technology Industry directly by way of pre-IPO consultations. We believe that the Exchange should retain the discretion to allow potential listing applicants that do not fall within the List to be assessed via pre-IPO consultations for purposes of listing under the new Chapter 18C, without the List being first updated. This would avert the need for the List to be updated each time a new applicant that does not fall within the List wishes to be considered for listing.

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
◯ No

Reasons: We are generally in agreement with the proposed factors. However, we believe indicative quantifiable thresholds should also be provided. For example, please consider providing a percentage

threshold in order to help quantify the phrase a "substantial portion of the total operating expenditure" and the term "primarily". In this regard, we are of the view that revenue contribution should be the most relevant factor to consider. For Pre-Commercial Companies, we note that it may be difficult for such companies to separate R&D expenses, management resources, etc. for their different business lines. Intellectual property owned by the company, and whether such IP could be used in the primary business or not, is another factor that should be taken into account.

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
◯ No

Reasons: While we 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, we suggest that the Exchange should set out clear guidance on the scenarios or grounds under which the Exchange may exercise its discretion to reject such an application and clarify the mechanism for appealing such a rejection.

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

√ Yes
◯ No

Reasons:

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

√ Yes
◯ No

Reasons:

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

√ Yes
◯ No

Reasons:

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

◯ Yes
√ No

Reasons: As set out in the background section of the Consultation Paper, one of the key objectives of the Chapter 18C initiative is to fill the gap of the Hong Kong listing regime in attracting technology companies. In particular, it has been pointed out in the Consultation Paper that technology companies often cannot meet the profit, revenue or cash flow requirements of the existing Main Board listing requirements. As such, the new regime may help to bridge the gap by focusing on relaxing certain financial thresholds under Rule 8.05 (ii) and (iii) (*i.e.*, mainly revenue, as loss making companies are more likely to have negative cash flow too) while imposing alternative measures to ensure the quality of the issuer and manage the overall investment risk.

We agree that R&D investment and endorsement of SIIs are effective measures. However, raising the market capitalisation requirement from HK$4 billion under Rule 8.05(3) to HK$8 billion is quite aggressive as:

- HK$4 billion was already higher than the market cap requirement of other stock exchanges, in particular the NASDAQ and the STAR Market, and doubling the requirement to HK$8 billion will significantly undermine the competitiveness of Chapter 18C and significantly undermine the purpose of the initiative. Also, as the Consultation Paper pointed out, the implied price-to-sales ("P/S") multiple for an HK$8 billion market capitalisation is 32 times, which we believe is too high. To put this in context, only a few Hong Kong-listed tech companies would achieve such multiple even in a bull market;

- higher market capitalisation does not guarantee a higher quality of company because market capitalisation is derived from various factors, including market condition and investors' confidence in the equity capital markets; and

- the current market challenges (*i.e.*, the S&P 500 Index, the NASDAQ Composite Index, and the Hang Seng Index have dropped 16.25%, 27.40% and 21.97%, respectively, year to date) have caused potential listing applicants' valuation multiples such as P/S to decline considerably.

Accordingly, we suggest to use HK$4 billion (*i.e.*, the market capitalisation requirement under LR8.05(3)), representing a P/S ratio of 16 times, as such threshold is more comparable to that of the STAR Market.

Alternatively, should the Exchange be unwilling to accept our proposal to lower the market capitalisation requirement for Commercial Companies to HK$4 billion, then we would suggest to use HK$6 billion (*i.e.*, the mid-point between the market capitalisation requirement under LR8.05(3) and the market capitalisation requirement proposed under the Consultation Paper).

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

◯ Yes
√ No

Reasons: Given the volatile market (and the consequential impact on the valuation of companies) and the fact that there are already additional more stringent requirements for a Pre-Commercial Company as compared to a Commercial Company in terms of R&D, liquidity, disclosure, etc., we suggest lowering the proposed minimum market capitalisation requirement for a Pre-Commercial Company to a more reasonable threshold of HK$8 billion.

We have conducted a preliminary screening of companies broadly falling into the Specialist Technology Industries and acceptable sectors with a revenue of less than HK$250 million at their time of listing, which were either (i) listed on the NASDAQ, LSE, HKEX, SSE or Shenzhen Stock Exchange in the past ten years, or (ii) have applied to list on the STAR Market or ChiNext in Mainland China (with the market capitalisation being implied from the target IPO proceeds and shares to be sold). Out of a total of 370 such companies, only three can meet the proposed Pre-Commercial Companies' minimum market capitalisation requirement at their time of listing. Among the companies that failed to meet the proposed minimum market capitalisation requirement, one company had valuation or expected market capitalisation of HK$12 billion - HK$15 billion and five companies had valuation or expected market capitalisation of HK$8 billion - HK$12 billion. The remaining companies all had a valuation / market capitalisation of less than HK$8 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?

√ Yes
◯ No

Reasons:

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
◯ No

Reasons:

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
◯ No

Reasons:

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
◯ No

Reasons:

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?

◯ Yes
√ No

Reasons: We suggest lowering the requirement to two financial years, which is in line with the Chapter 18A requirement.

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
√ No

Reasons: Consistent with our response to Question 13, we suggest that the total amount of R&D investment should constitute at least 15% of a Commercial Company's total operating expenditure for each of its two financial years prior to listing.

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?

◯ Yes
√ No

Reasons: Consistent with our response to Question 13, we suggest that the total amount of R&D investment should constitute at least 50% of a Pre-Commercial Company's total operating expenditure for each of its two financial years prior to listing.

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
◯ No

Reasons:

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
√ No

Reasons: We suggest lowering the requirement to two financial years, which is in line with the Chapter 18A requirement. We believe that requiring a longer minimum operational track record for Specialist Technology Companies, which are at relatively early stage of development, would weaken the competitiveness of the new listing regime. In comparison, under Chapter 18A, the corresponding requirement is only two financial years. Further, in the United States, a company is only required to provide audited financial statements for two fiscal years in order to qualify as an "emerging growth company" as defined by the U.S. Securities and Exchange Commission.

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
◯ No

Reasons:

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
◯ No

Reasons:

Question 19: If your answer to Question 18 is "Yes", do you agree with the independence requirements for a Sophisticated Independent Investor as set out in paragraphs 155 to 157 of the Consultation Paper?

√ Yes
◯ No

Reasons:

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

√ Yes (buy-side members of ASIFMA)
√ No (sell-side members of ASIFMA)

Reasons: The buy-side members of ASIFMA 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.

While the sell-side members of ASIFMA understand that the Exchange will assess whether an investor is a "sophisticated investor" on a case-by-case basis and the examples included under paragraph 160 are for illustrative purpose only, they believe that the HK$15 billion threshold as prescribed under paragraph 160 is too high and would suggest lowering it to HK$10 billion in order to allow greater flexibility and attract more quality applicants to the new listing regime. The sell-side members of ASIFMA believe that HK$10 billion is of sufficient scale to provide meaningful safeguards, especially when compared with the HK$1 billion threshold for biotech companies under Chapter 18A and GL92-18. The sell-side members of ASIFMA further believe that asset management firms, investment funds and companies meeting this threshold should have sufficient resources to carry out extensive research and rigorous due diligence on their investment targets, and their prior investments could serve as reliable guidance with respect to valuation.

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

◯ Yes
√ No

Reasons: We understand that the Proposal is intended to ensure a listing applicant has received a reasonable amount of market acceptance and continuity prior to its listing. However, we are of the view that the threshold as set forth in the Proposal may disqualify certain applicants, even in cases where the failure to meet the threshold does not compromise the rationale for this requirement as detailed in paragraph 169 of the Consultation Paper (*i.e.*, for the applicant to have been subject to an extensive due diligence check by investors who have taken on significant investment risks). For example, Specialist Technology Companies commonly conduct multiple rounds of fund raising before filing their listing applications, which will inevitably dilute early investors in such companies who may have been maintaining their shareholdings over 5% but were temporarily diluted to less than 5% for limited times during the 12-month period prior to the date of the listing application. However, such investors may be able to demonstrate their continued commitment to the listing applicant by participating in subsequent rounds of investment within the 12-month period, whereby they re-establish their 5% minimum investment. Accordingly, we would propose the minimum investment from at least two Sophisticated Independent Investors should be 5% **of the monthly average shareholding** throughout the pre-application 12-month period.

In addition, early stage technology companies frequently engage in multiple rounds of dilutive pre-IPO fund raisings, and as a result, Specialist Technology Companies may encounter difficulty finding **two** Sophisticated Independent Investors to meet the 5% threshold set forth in the Proposal. Furthermore, the Proposal is intended to help ensure adequate due diligence checks prior to listing and independent third-party validation in the absence of a Competent Authority, which we believe can be accomplished by other means. Accordingly, we would like to further suggest that on a case-by-case basis, the Exchange allows Specialist Technology Companies to satisfy the 5% requirement by having a single sophisticated investor who satisfies the 5% threshold, together with a group of highly-reputable investors who in aggregate also satisfy the 5% threshold.

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

√ Yes
◯ No

Reasons:

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
◯ No

Reasons:

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
◯ No

Reasons: While we agree that a Pre-Commercial Company applicant should demonstrate to the Exchange and disclose in its Listing Document a credible path to the commercialisation of its Specialist Technology Products as set forth in the Proposals, a company's business plan may change from time to time. This is particularly true for Pre-Commercial Companies, which may need to test the market in order to determine the right path to commercialisation. Accordingly, we believe there is inherent difficulty for the Exchange to judge whether a path to commercialisation is credible or not and would request that the Exchange provide further guidance (*i.e.*, in addition to the examples set forth in paragraphs 176 to 179 of the Consultation Paper) on how it will determine whether a path to commercialisation is credible and maintain a flexible approach when making such a determination.

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

√ Yes
◯ No

Reasons: See also our response to Question 24 above.

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
◯ No

Reasons:

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
◯ No

Reasons:

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
◯ No

Reasons:

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
◯ No

Reasons:

Question 29: If your answer to Question 28 is "Yes", do you agree with the definition of Independent Institutional Investors as set out in paragraphs 201 to 202 of the Consultation Paper? Please give reasons for your views. Please provide any alternative definition you believe appropriate with reasons for your suggestions.

√ Yes
◯ No

Reasons:

Question 30: If your answer to Question 28 is "Yes", do you agree that a Specialist Technology Company must, in addition to meeting the existing requirements on public float, ensure that at least 50% of the total number of shares offered in the initial public offering (excluding any shares to be issued pursuant to the exercise of any over-allotment option) must be taken up by Independent Institutional Investors? Please give reasons for your views.

√ Yes (buy-side members of ASIFMA)
√ No (sell-side members of ASIFMA)

Reasons: The buy-side members of ASIFMA agree with the Exchange's proposal to require a minimum of 50% of the IPO shares to be allocated to Independent Institutional Investors, whether as cornerstone investors or otherwise. As set forth in our response to Question 34 below, the buy-side members of ASIFMA believe that the maximum allocation to retail investors should be 10%, with at least 50% going to Independent Institutional Investors and the remaining 40% going to others, such as existing shareholders, connected investors, private banking clients, etc.

The sell-side members of ASIFMA believe that 50% allocation requirement to Independent Institutional Investors leaves little room for other investors, such as existing shareholders, connected investors, individual professional investors and private bank investors from participating in the IPO (*e.g.*, in the case of the maximum retail clawback of 20%, with the 50% allocation requirement to Independent Institutional Investors, there is only 30% left for other investors). Furthermore, the definition of Independent Institutional Investors do not capture corporate professional investors, which represent a sizeable portion of IPO investors (*e.g.*, as cornerstone investors). Collectively, this may create the unwanted effect of dampening participation in an IPO. Accordingly, the majority of the sell-side members of ASIFMA propose that the Exchange consider adopting an approach whereby the allocation threshold should be set according to the offering size of the listing applicant, which is similar to the Chapter 18B SPAC rule of setting the funds required from independent third-party investors according to the negotiated value of the De-SPAC target. Under this option, such sell-side members recommend that Independent Institutional Investors should be given:

- >25% of total offer shares, if the market capitalisation at the time of listing is more than HK$4 billion or HK$6 billion (as the case may be, as set forth in our response to Question 8) but less than HK$8 billion; and

- 15-25% of total offer shares, if the market capitalisation at the time of listing is more than HK$8 billion.

In addition, certain of our sell-side members propose an alternative approach, whereby 30% of the total number of shares offered in the initial public offering should be taken up by Independent Institutional Investors.

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

√ Yes (buy-side members of ASIFMA)
√ No (sell-side members of ASIFMA)

Reasons: See the responses from the buy-side and sell-side members of ASIFMA to Question 30 above.

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

√ Yes
◯ No

Reasons:
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
◯ No

Reasons: We welcome the Exchange's recognition of the inherent limitations in the current price discovery process and the proposed changes to the minimum retail allocation and the clawback mechanism. This is particularly important for ensuring a meaningful level of interest that institutional professional investors have in a Specialist Technology Company, which can in turn benefit from the institutional investors' research and professional assessment. We believe the principles of the Proposals relating to the initial retail allocation and clawback mechanism represent a suitable adjustment to the risk appetite for Chapter 18C companies.

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

◯ Yes
√ No

Reasons: We note that the proposed minimum retail allocation under the Clawback Mechanism remains higher than the minimum under typical clawback waivers, and accordingly, we believe that the minimum retail allocation can be further reduced to be more in line with typical clawback waivers, as follows:

		No. of times (x) of over-subscription in the public subscription tranche	
	Initial	***10x to less than 50x***	***50x or more***
Minimum retail allocation as a percentage of total offer shares	5%	7.5%	10%

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 (buy-side members of ASIFMA)
√ No (sell-side members of ASIFMA)

Reasons: The buy-side members of ASIFMA agree with the Exchange that the free float of a Specialist Technology Company upon listing should be at least HK$600 million.

The sell-side members of ASIFMA believe that that the free float of a Specialist Technology Company upon listing should be lowered to HK$300 million if the Exchange agrees to adopt the reduced market capitalisation threshold of HK$4 billion or HK$450 million if the Exchange adopts the reduced market capitalisation threshold of HK$6 billion (as the case may be, as set forth in the sell-side members' response to Question 8).

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
◯ No

Reasons:

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
◯ No

Reasons:

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
√ No

Reasons:

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
◯ No

Reasons:

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

√ Yes
◯ No

Reasons:

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
◯ No

Reasons:

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
◯ No

Reasons:

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
◯ No

Reasons: We generally agree with the scope of key persons but would like the Exchange to clarify (i) if Chief Financial Officer will be counted as part of the senior management and (ii) the definition of "founders", as there are often multiple parties who could be considered as co-founders.

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

√ Yes
◯ No

Reasons:

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

√ Yes
◯ No

Reasons: While our members generally agree with the proposed lock-up period on the securities of Pathfinders SIIs of six months for a Commercial Company, certain of our sell-side members think that it is important for the Exchange to recognize the difficulties the proposed lock-up will create with respect to persuading two pre-IPO investors to be categorized as Pathfinder SIIs subject to the lock-up while other investors are not subject to such lock-up, as well as the potential impact on valuation during pre-IPO fund raising rounds. Accordingly, such sell-side members believe the Exchange should instead defer to the sponsors and underwriters to request appropriate lock-ups from pre-IPO investors (consistent with current market practice) depending on the marketing needs of the relevant IPO.

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

√ Yes
◯ No

Reasons: While our members generally agree with the proposed lock-up period on the securities of Pathfinders SIIs of 12 months for a Pre-Commercial Company, certain of our sell-side members think that it is important for the Exchange to recognize the difficulties the proposed lock-up will create as set forth in our response to Question 44(a) above.

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

√ Yes
◯ No

Reasons:

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
◯ No

Reasons:

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
√ No

Reasons: The sell-side members of ASIFMA believe that if the issuer is no longer a Pre-Commercial Company, then the need for an extended lock-up period should no longer be necessary. The Exchange's concerns with respect to the reliance public investors have placed on the lock-ups can be addressed by providing investors adequate disclosure in the listing document that the lock-up will fall away once an issuer is no longer a Pre-Commercial Company, as well as the announcement required to be published by an issuer that it will no longer be regarded as a Pre-Commercial Company and the removal of the "PC" stock marker from the stock name of the Company as set forth in paragraphs 271 and 272 of the Consultation Paper. The buy-side members of ASIFMA agree with the foregoing, as long as the Pre-Commercial Company complies with the same conditions (*e.g.*, has at least HK$250 million arising from the Company's Specialist Technology business segment(s) for the most recent audited financial year) and has adequate reporting in the public domain once the milestone is reached.

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
◯ No

Reasons:

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
◯ No

Reasons:

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

√ Yes
◯ No

Reasons:

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
◯ No

Reasons:

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
◯ No

Reasons:

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
◯ No

Reasons:

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
◯ No

Reasons:

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
◯ No

Reasons: