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Submitted via Qualtrics

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

No

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

We support the Exchange's initiative to introduce more paths to listing and more flexibility for issuers who would not meet the traditional tests for listing. However, we have some reservations in relation to the proposed prescriptive definitions of "Specialist Technology", in particular such definition being limited to enumerated industries.

Our concerns are as follows:

(1) Advanced technology, by its very nature, is always changing and evolving. The cutting edge of technology is always in the future, while defining a static list of technology deemed to be "Specialist Technology" is necessarily backwards-looking. A closed list by its nature is therefore not able to encompass new advanced technologies as they emerge.

(2) The Exchange has an already-established regime for assessing an "innovative" company under Chapter 8A. Setting up an entirely new and parallel regime for "Specialist Technology" alongside that for "innovative" companies over-complicates the regulatory regime.

We note that the Exchange has also acknowledged the limited utility of a specified list by also including broader criteria to assess Specialist Technology Industry per Note 2 to proposed Listing Rule 18C.03.

Accordingly, we would prefer a broader, open definition of "Specialist Technology", rather than limiting eligibility to a closed list of specific "approved" industries.

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acceptable sectors set out in paragraph 4 of the Draft Guidance Letter (Appendix V to the Consultation Paper)?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.

As noted above, we would prefer a broad and open-ended definition rather than a list. The Exchange has based its list of acceptable Specialist Technology Industry sectors on the STAR Market equivalents, however the Consultation Paper does not provide any background or analysis as to why the STAR Market has adopted those particular industries/sectors, nor whether the Exchange gave consideration to other approaches or lists. As such, the proposal appears to be simply a mechanism to import the STAR Market regime to Hong Kong. Such "industrial policy" approach adopted in the Mainland, which is intended to foster "champions" in sectors specific to the State policy and planning rather than being a genuine market-based approach, may not be appropriate for the Hong Kong stock market. We would prefer the Exchange to take a more open-ended and principle-based approach.

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"?

No

Please give reasons for your views.

We agree with the factors set out in (a) and (c) of paragraph 107. However, it is unclear to how the factor in (b) of paragraph 107 ("whether the basis for investors' valuation…is based primarily on the company's Specialist Technology business") would be assessed. It does not seem practicable to reach a conclusive view on the "basis for investors' valuation", when there will be as many different rationales and bases as there will be investors, in what will inevitably be a qualitative assessment. We submit that a better approach is to refer only to quantitative benchmarks and/or metrics by which "primarily engaged" would be assessed, including operating expenditure, senior management resources and use of proceeds, as is currently proposed, and we would suggest also adding factors including overall staffing, intellectual property/certifications and revenue (for Commercial Companies).

Finally, we would further invite the Exchange to clarify whether a company with multiple business segments where a substantial portion of its revenue is derived from non-Specialist Technology-related business would nevertheless be considered "primarily engaged" in

Specialized Technology-related business if a substantial portion of its total operating expenditure is dedicated to Specialist Technology.

Question 4

Do you agree that the Exchange should retain the discretion to reject an application for listing from an applicant within an acceptable sector if it displays attributes inconsistent with the principles referred to in paragraph 101 of the Consultation Paper?

No

Please give reasons for your views.

We submit that if a listing applicant meets specified objective criteria for listing, regulatory predictability and certainty would suggest that it in principle is permitted to list. We also do not see the necessity for Note 2 to proposed Listing Rule 18C.03(1), given that the Exchange already has broad discretionary power under Listing Rule 8.04.

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.

This additional flexibility is welcome and opens the possibility of listing on the Exchange to a wider range of issuers.

Question 6

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

No

Please give reasons for your views.

We submit that the perceived risks of Pre-Commercial Companies can be addressed through disclosure and through the market (primarily through investor demand and valuation) without the need for extensive additional regulatory burden.

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.

We submit that it is not in the interests of an open market to create separate bifurcated regulatory regimes for professional and retail investors.

Question 8

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

Yes

Please give reasons for your views.

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 consider a market capitalization of HK$15 billion will be too high for many companies to achieve, in particular given their pre-revenue status. A Pre-Commercial Company without revenues, not to mention profits, is unlikely to attain a valuation necessary to support the higher market capitalization threshold proposed and it may not be reasonable to expect the market capitalization of a Pre-Commercial Company to be almost double that of a Commercial Company. We submit that the same market capitalization requirement should apply to both Commercial and Pre-Commercial Companies.

We would further observe that, combining the proposals in the Consultation Paper with other existing rules, there would be no less than 9 different market capitalization requirement levels in the Listing Rules:

• HK$500 million: Minimum market capitalization (LR 8.09(2))

• HK$1.5 billion: Biotech company (LR 18A.03(2))

• HK$2 billion: Market capitalization/revenue/cash flow test (LR 8.05(2))

• HK$3 billion: Overseas issuer without WVR secondary listing with 5 years track record (LR19C.05A))

• HK$4 billion: Market capitalization/revenue test (LR8.05(3))

• HK$8 billion: Specialist Technology Commercial Company (Proposed LR18C.03(3))

• HK$10 billion: WVR company market capitalization/revenue test (LR8A.06(2)) OR Overseas issuer without WVR secondary listing with 2 years track record (LR19C.05A))

• HK$15 billion: Specialist Technology Pre-Commercial Company (Proposed LR18C.03(3))

• HK$40 billion: WVR company market capitalization test (LR8A.06(1))

We would submit that this proliferation of inconsistent requirements results in a fragmented regulatory regime and excessive complexity for issuers, and without corresponding benefits in investor protection. Therefore, in considering the market capitalization requirements for Specialist Technology Companies, we submit that the Exchange have regard to the various existing tests with a view to overall regulatory harmonization. For example, the Exchange might consider one single market capitalization test for all Specialist Technology Companies (regardless of whether Commercial or Pre-Commercial) of HK$8 billion.

In addition, we note that the Consultation Paper does not provide for potential exemptions from these qualitative requirements (such as market capitalization, revenue and R&D expenditure) in exceptional cases where the companies have special or unique technologies that have been officially recognized. These exemptions are available in the A share market, and we would submit that similar exemptions should be available under Hong Kong's regime.

Question 10

Do you agree that a Commercial Company must have revenue of at least HK$250 million for the most recent audited financial year?

Yes

Please give reasons for your views.

Again we note that the Consultation Paper does not provide for potential exemptions from these qualitative requirements (such as market capitalization, revenue and R&D expenditure) in exceptional cases where the companies have special or unique technologies that have been officially recognized. These exemptions are available in the A share market, and we would submit that similar exemptions should be available under Hong Kong's regime.

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.

We invite the Exchange to clarify whether revenue from two or more Specialist Technology businesses engaged by a company can be combined to meet the applicable revenue threshold in aggregate.

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?

No

Please give reasons for your views.

As the Exchange has noted, fluctuations in year-on-year revenue may arise for numerous reasons outside the control of a company, and provided that the company is able to meet the overall revenue requirement of HK$250m in the most recent financial year, we do not see any utility in further regulating the revenue levels across the track record period.

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?

No

Please give reasons for your views.

This will in any event be a very key area of concern and focus for investors: in the event that a company did have declines in revenues during the track record period, investor demand would ensure the issuer included appropriate explanations in its disclosure documents. We therefore do not see any imperative to regulate this specifically.

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

Please give reasons for your views.

We would request the Exchange clarify how it will assess whether a company has been "engaged in R&D" for this purpose – we would submit that an issuer having recorded R&D-related expenses on its accounts for the three years of the track record period should be

sufficient evidence of having engaged in R&D.

Question 14(a)

Do you agree that, for a Commercial Company, its total amount of R&D investment must constitute at least 15% of its total operating expenditure for each of its three financial years prior to listing?

Yes

Please give reasons for your views.

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 consider the 50% requirement for Pre-Commercial Companies to be too high, and submit that few companies would be able to meet this requirement in practice. We submit that the 15% level should apply equally to Commercial Company and Pre-Commercial Company.

In addition, we note that the Consultation Paper does not provide for potential exemptions from these qualitative requirements (such as market capitalization, revenue and R&D expenditure) in exceptional cases where the companies have special or unique technologies that have been officially recognized. These exemptions are available in the A share market, and we would submit that similar exemptions should be available under Hong Kong's regime.

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 disagree that capital costs of fixed assets should be excluded from the definition of R&D. R&D in many cases will require the purchase of facilities, plant and equipment in order to conduct the R&D, which will be a significant component of expenditure by the company. Limiting

only the depreciation expenses of such items as allowable R&D expenditure underestimates the amount of R&D investment a company has made.

Question 16

Do you agree that a Specialist Technology Company listing applicant must have been in operation in its current line of business for at least three financial years prior to listing under substantially the same management?

Yes

Please give reasons for your views.

While we agree with the proposal, we submit that the exemption contemplated in the Note to proposed Listing Rule 18C.03(2) should be consistent with the exemption available in Listing Rule 8.05A(1), i.e. solely by reference to the objective criteria of management experience in the same line of business/industry, and omitting the subjective test of being "desirable in the interests of the issuer and investors".

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.

In principle we agree with this requirement which is analogous to the similar requirement for biotech companies under Chapter 18A.

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.

In particular, we note and support the provisos in paragraphs 156 and 157 of the Consultation Paper that an SII will still be considered independent if it is a substantial shareholder of the issuer, provided that it is not a controlling shareholder.

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 consider the definition is too narrow for two reasons:

(1) The AUM/portfolio size requirement of HK$15 billion is too high, and would exclude many sophisticated small and mid-tier funds from qualifying as SII's. We would suggest this be reduced, say to HK$8 billion (equivalent of US$1 billion) which is sufficiently large AUM to qualify as a sophisticated investor.

(2) The provision for "ecosystem" companies provided in paragraph 160(d) of the Consultation Paper is too narrow. We submit that the significance of an industry or ecosystem investor should not be determined solely by reference to its market share or size – in particular in highly fragmented markets or new markets as is common in the technology field, where it is impossible to assess an authoritative market share. We suggest an alternative test be included within this definition, for example if the investor is itself a company listed on the Exchange or a Recognised Stock Exchange (or a subsidiary of such a company), then it should qualify as a sophisticated investor regardless of its market share.

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.

We submit that the proposed Pathfinder SII requirements may be difficult to meet, in particular

for ecosystem companies who may have conducted few pre-IPO financing rounds and may have just one significant ecosystem Pathfinder SII. Challenges will also arise for companies that have conducted numerous pre-IPO financing rounds as a result of which pre-IPO investors have been diluted below the 5% level. As a result this narrows the scope of companies which will be eligible into a "Goldilocks zone" of having conducted neither too few nor too many pre-IPO rounds. We submit that one Pathfinder SII should be sufficient, in particular in light of the Exchange's proposals also to impose a minimum Independent Institutional Investor requirement at IPO per paragraph 200 of the Consultation Paper.

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 disagree with this proposal for the following reasons:

(1) As noted in our response to question 21 above, the minimum investment levels are too high, especially reaching as high as 25% – we submit that many companies would be unable to reach such a high level of pre-IPO investors meeting the SII requirements.

(2) The proposal to assess SIIs investment levels at the time of listing adds significant compliance burden to Overall Coordinators and Capital Markets Intermediaries during the offering process, in that their KYC procedures will have to encompass assessing whether investors in the bookbuilding process have met the SII requirements (separate from the usual "professional investor" requirements), and then ensuring sufficient allocations are made to SIIs during the allocation process such that the required minimum investment levels are met. This adds further challenges to the market and offering process as well as compliance risks.

(3) Finally we note the contention in paragraph 170 of the Consultation Paper that increasing the minimum investment for Pre-Commercial Companies "mitigate(s) the additional risks associated with these companies". However we do not agree that there is any connection between this requirement and the relevant risks, i.e. it is not clear how the specific risks identified in the Consultation Paper are mitigated by requiring a higher level of SII investment. We submit that the two matters are unrelated.

We submit that SII investment level should be assessed at pre-IPO stage only and not re-tested at the time of listing.

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?

No

Please give reasons for your views.

We disagree with the proposal that the Exchange regulate a company's "reason for listing". There are numerous reasons that a company may have for pursuing a listing, among which raising funds for R&D is just one of many. It will be difficult for any company to demonstrate its subjective "reason for listing". We submit that this matter can only be objectively regulated by reference to the company's proposed use of proceeds. We would propose that, instead of referring to "primary reasons for listing" in paragraph 8(a) of the draft guidance letter, a better approach to formulating this requirement is to set a required minimum proportion of the funds raised by the IPO be used for the required purposes (i.e. R&D and commercialization). For example, the Exchange might require that at least 30% of the proceeds raised in the IPO be deployed for such purposes, which is similar to the level required of a biotech company to use for the commercialization of its core product(s).

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?

No

Please give reasons for your views.

In principle, we note the potential risks associated with Pre-Commercial Companies identified in Chapter 2 of the Consultation Paper. However, we do not agree that all of these risks must necessarily be addressed by a regulatory response. In general, we consider that the market is best-placed to assess and address these risks, by way of investor demand and valuation. An attempt to over-regulate in response to these perceived risks otherwise becomes overly intrusive into the business decisions of both issuers and investors.

In relation to this particular requirement, we disagree for two reasons:

(1) We submit that the requirement will not result in meaningful disclosures that will be useful to investors. Many of these matters will be difficult to demonstrate and quantify. In any event, an issuer will disclose such matters as are (i) material; and (ii) necessary in order effectively to market the offering to investors, which will address these issues to the extent necessary.

(2) Notwithstanding the statement in paragraph 181 of the Consultation Paper, the Exchange conducting a substantive review of the business model of the issuer in the manner proposed will indeed indicate to the market the Exchange's endorsement of the issuer's business model – the fact the review is conducted and has been passed, i.e. the issuer has "demonstrated to the Exchange" that it has a path to commercialization, is evidence of this endorsement. It is submitted that this is not an appropriate role for a regulator to take on.

In relation to Question 25, the proposed examples, both generally and specifically in relation to the definition of "highly reputable customer", are too narrow and overly prescriptive. By imposing this requirement, the Exchange would effectively be dictating to issuers the manner in which they should pursue commercialization, regardless of whether this is appropriate to every industry or particular business.

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?

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?

No

Please give reasons for your views.

We consider this would result in generic disclosures not meaningful to investors.

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.

While we agree with the working capital requirement in general, we do not agree with the proposal that the Listing Rules restrict an issuer's expenditures. The wording in draft Listing Rule 18C.06 "[The group's] costs must substantially consist of…" et seq. appears to require that the majority of the issuer's operating costs must only be expended in the specified ways. We do not agree that an issuer's use of its own financial resources be regulated. This proposed regulation goes too far in interfering with the business judgment of management. A company should be free to raise financing, and expend that financing, in ways management consider most appropriate in the interests of the company and shareholders as a whole. We submit that the only appropriate approach is regulating the use of proceeds from the IPO, as proposed in our response to Question 23, above.

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 disagree with the proposed definition in two respects:

(1) We do not agree that existing shareholders should be excluded from the definition, as this may unnecessarily exclude de minimis existing shareholders which would otherwise qualify. We would propose only existing substantial shareholders (holding 10% or more) be excluded. This would also be consistent in principle with the proposed approach to subscriptions by existing shareholders outlined in paragraph 225 of the Consultation Paper.

(2) We do not agree the corporate professional investors as defined under the SFO PI Rules be excluded. We consider that such investors are equally capable of contributing to a robust price discovery process.

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?

Yes

Please give reasons for your views.

In principle, provided that the definition of "Independent Institutional Investors" is sufficiently open and flexible that most investors investing through the international offering tranche will qualify, this level is likely in practice to be met.

Question 31

Do you agree that in the case where a Specialist Technology Company is listed by way of a De-SPAC Transaction, at least 50% of the total number of shares issued by the Successor Company as part of the De-SPAC Transaction (excluding any shares issued to the existing shareholders of the De-SPAC Target as consideration for acquiring the De-SPAC Target) must be taken up by Independent Institutional Investors?

No

Please give reasons for your views.

In the context of a De-SPAC PIPE, the requirements already set out in Listing Rules 18B.40 and

18B.41 provide sufficient protection for investors.

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.

We are extremely supportive of this proposal. Indeed, given the frequency with which waivers are given from the clawback requirement generally, and given the concerns with this requirement identified by the Exchange in this Consultation Paper, we would submit that this Listing Rules requirement be amended across the board for all issuers (not only for Specialist Technology Companies).

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.

The proposed levels are sensible and achievable.

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.

We agree, subject to our comments on lock-ups in response to questions 42 and 44 below.

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.

Given the proposed requirements on market capitalization and minimum free-float already set out in the Consultation Paper, provided those requirements are met there should be no need for this additional layer of regulation.

Question 37

Do you agree that a Specialist Technology Company applicant's Listing Document must include the additional information set out in paragraph 32 of the Draft Guidance Letter (Appendix V of the Consultation Paper) due to it being a Specialist Technology Company?

No

Please give reasons for your views.

We disagree in principle with any proposals to mandate additional specific disclosures in listing documents. It has been observed on numerous occasions that listing documents in Hong Kong are in general too lengthy and can be simplified. Any regulatory requirements to supplement listing documents with additional specific disclosures inevitably result in issuers taking a "check the box" approach, providing generic disclosure to meet the requirements without providing any additional meaningful information to investors. In particular, we submit that pro forma "warning statements" – when the covers of Hong Kong prospectuses are already festooned with numerous such pro forma statements in tiny font – serve no investor protection purpose. We consider that a principles-based approach to disclosure based on materiality is more preferable, and that specific disclosure requirements should be minimized.

Question 38

Do you have any other suggestions for additional information that a Specialist Technology Company should include in its Listing Document in order to allow an

investor to properly assess and value the company?

No

If so, please provide your suggestion.

Please see our response to question 37 above.

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.

We note that this is consistent with the approach for biotech companies – we are generally supportive of regulation maintaining consistency for different issuers as far as possible.

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?

No

Please give reasons for your views.

We consider a 24 month lock-up to be excessively lengthy.

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?

No

Please give reasons for your views.

While we agree with a lock-up on founders, WVR beneficiaries and executive directors (as identified in the prospectus), we consider that extending the lock-up to senior management and in particular to operational and technical staff as proposed in paragraph 242(d) of the Consultation Paper is unnecessary, and will pose significant competitive challenges for issuers in recruiting and retaining talent. The prospect of lengthy lock-ups (up to a proposed 24 months) on such staff will be a significant disincentive to potential employees. Equity-based compensation is the key means by which early-stage companies such as Specialist Technology Companies are able to attract and incentivize talent, given their limited cash resources. If the attractiveness of this equity-based compensation is undercut by such broad and extensive lock-ups, this would place issuers at a severe competitive disadvantage in attracting and retaining talent in what is an extremely competitive market for such key technical personnel.

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?

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?

Please give reasons for your views.

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?

No

Please give reasons for your views.

By design (as a result of the Exchange's proposed requirements), Pathfinder SIIs will generally be private equity or venture capital funds, which need to realise their investments within a fixed timetable (dictated by the terms of the fund) and return funds to their limited partners. Lock-ups on these investors will overly constrain their investment decisions. As a result, this proposal would result in placing both issuers and the Exchange itself at a competitive disadvantage:

(1) Issuers would be at a competitive disadvantage in attracting investors, if these investors were to be subject to extensive post-IPO lockups.

(2) The Exchange would be at a competitive disadvantage, as Pathfinder SIIs who would wish to avoid being subject to such lockups may use their influence as shareholders (often with board representation) to encourage an issuer to list on a different stock exchange where such lock-ups are not imposed on them.

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?

No

Please give reasons for your views.

By design (as a result of the Exchange's proposed requirements), Pathfinder SIIs will generally be private equity or venture capital funds, which need to realise their investments within a fixed timetable (dictated by the terms of the fund) and return funds to their limited partners. Lock-ups on these investors will overly constrain their investment decisions. As a result, this proposal would result in placing both issuers and the Exchange itself at a competitive disadvantage:

(1) Issuers would be at a competitive disadvantage in attracting investors, if these investors were to be subject to extensive post-IPO lockups.

(2) The Exchange would be at a competitive disadvantage, as Pathfinder SIIs who would wish to avoid being subject to such lockups may use their influence as shareholders (often with board

representation) to encourage an issuer to list on a different stock exchange where such lock-ups are not imposed on them.

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

Please give reasons for your views.

This accommodation is essential if the Exchange proceeds with the proposed lock-ups, for the reasons outlined in our responses to questions 42 and 44 above.

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.

Again, this is an essential accommodation.

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?

No

Please give reasons for your views.

Fairness dictates that, if a company qualifies as a Commercial Company, then all restrictions including the lock-up requirements, imposed as a result of the company being a Pre-Commercial Company should fall away. This will also act as an incentive to the company's founders and management to reach Commercial Company status as soon as possible, which will be in the interests of the shareholders and company as a whole.

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?

No

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

We do not consider any additional disclosure is necessary.

Question 50

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

Yes

Please give reasons for your views.

Question 51

Do you agree that Pre-Commercial Companies should be subject to a remedial period of 12 months to re-comply with the sufficiency of operations and assets requirement before delisting, in the event that the Exchange considers that a Pre-Commercial Company has failed to meet its continuing obligation to maintain sufficient operations or assets?

Yes

Please give reasons for your views.

In particular we are supportive of regulatory consistency (in this case, consistency with the biotech company regime).

Question 52

Do you agree that Pre-Commercial Companies must not effect any transaction that would

result in a fundamental change to their principal business without the prior consent of the Exchange?

Yes

Please give reasons for your views.

See our response to question 51 above.

Question 53

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

Yes

Please give reasons for your views.

Question 54

Do you agree that the continuing obligations for Pre-Commercial Companies no longer apply once a Pre-Commercial Company has met the requirements in paragraph 270 of the Consultation Paper and ceases to be regarded as a Pre-Commercial Company?

Yes

Please give reasons for your views.

Question 55

Do you agree with the proposed requirements for Pre-Commercial Companies to demonstrate to the Exchange that they should no longer be regarded as a Pre-Commercial Company (see paragraphs 269 to 272 of the Consultation Paper)?

Yes

Please give reasons for your views.