

**Submitted via Qualtrics**

**King & Wood Mallesons  
Company / Organisation  
Law Firm**

**Question 1**

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

Yes

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

**Question 2**

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with the list of Specialist Technology Industries and the respective acceptable sectors set out in paragraph 4 of the Draft Guidance Letter (Appendix V to the Consultation Paper)?**

Yes

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

**Question 3**

**Do you agree that the Exchange should take into account the factors set out in paragraph 107 of the Consultation Paper to determine whether a company is “primarily engaged” in the relevant business as referred to in the definition of “Specialist Technology Company”?**

Yes

**Please give reasons for your views.**

**Question 4**

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

Yes

**Please give reasons for your views.**

**Question 5**

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

Yes

**Please give reasons for your views.**

**Question 6**

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

Yes

**Please give reasons for your views.**

**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.**

**Question 8**

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

No

**Please give reasons for your views.**

We believe that the minimum expected market capitalization of HK\$8 billion for a Commercial Company is too high and would severely limit the number of Specialist Technology companies that could take advantage of this listing regime. While we agree that ensuring quality of Commercial Companies applying to list under the Specialist Technology Regime is important,

as noted in the consultation paper, the proposed market capitalization is effectively that of companies which would be considered “unicorns” within the investment industry. We believe there may not be too many companies which could meet this requirement. According to some preliminary research based on public information as at mid-2022, there were less than 70 companies in the PRC that can meet at least one of the 5 sectors in the consultation paper and also have an existing valuation (based largely on the latest round of equity financing) of over HK\$8 billion, but one cannot easily differentiate whether these companies are commercialised or not given their financial information are rarely made public. Also, many of these unicorn companies have experienced a substantial decline in valuation recently in the primary market driven by the weakened investment outlook globally, surging inflation and tighten interest rate environment and other macroeconomic factors. So it is reasonable to assume that the number of companies that meet both the HK\$8 billion expected market capitalisation and also the revenue requirement of a Commercial Company is well below 70. In effect, with the high market capitalization threshold, the new Specialist Technology Regime would seem to cater for a small pool of unicorn companies which are already capable of obtaining diversified source of capital. Certain number of Specialist Technology Companies with great potential and commercialized product will have no access to and being excluded from the new fund-raising platform. Moreover, taking reference from listing of SPAC companies which requires an initial offering size of HK\$1 billion, they are also not required to be evaluated or approved by a Competent Authority nor have any substantive operation like Specialist Technology Companies. Further, the Stock Exchange noted one reason for proposing the listing regime of Specialist Technology Companies is to bridge the gap to other markets as Hong Kong still lags behind the US and Mainland China with respect to listing of such type of companies. We note that STAR Market, which was one of the comparable exchanges which the Stock Exchange has considered, particularly for the eligibility tests and for referencing acceptable sectors falling within each Specialist Technology Industry, has a much lower market capitalization threshold, being HK\$1.8 billion. The NYSE and NASDAQ also have market capitalization requirement of HK\$1.6 billion and HK\$1.2 billion respectively. By setting the minimum threshold at HK\$8 billion may close the door for many Specialist Technology Companies with great potentials and positive investment characteristics to access the Hong Kong capital market under the proposed listing regime. In order that the listing regime of Specialist Technology Company could effectively provide a platform for the listing of Specialist Technology Company and that it could truly catch up with other markets in this regard, we propose a lower minimum expected market capitalization should be considered and we suggest the range of HK\$4-6 billion is more appropriate.

### **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 submit that the minimum expected market capitalization of HK\$15 billion for a Pre-Commercial Company is too high and would severely limit the number of Specialist Technology Companies that could take advantage of this listing regime. This would create a huge hurdle for Specialist Technology Companies to be listed. We note in the consultation paper that the Stock

Exchange is of the understanding that Specialist Technology Companies are facing difficulties to list in Hong Kong because they often cannot meet the profit, revenue or cash flow requirement despite the fact that they are able to meet the market capitalization threshold for Hong Kong listing. The Stock Exchange also noted that other stock exchanges in the US, Mainland China, the UK and Singapore generally set a lower market capitalization and revenue thresholds than the Stock Exchange's alternative test. By setting the market capitalization threshold at HK\$15 billion for innovative science and technology companies, it will be significantly higher by multiples as compared with other stock markets, such as the STAR Markets and the US Stock markets, and may render the new regime not as competitive as other comparable platforms. According to some preliminary research based on public information as at mid-2022, there were less than 20 companies that can meet this proposed requirement and some of them have plans to be listed on the STAR Market. In a nutshell, we suggest to lower the current eligibility requirement for market capitalization in order to facilitate and attract the Specialist Technology Companies with positive investment characteristics and great potential to raise funds on the Stock Exchange as the current quantitative requirement may render the new regime not as competitive as the comparable fund-raising platforms.

In addition to the reasons outlined in question 8 above, which are also applicable for Pre-Commercial Company and noting the additional risks posed by Pre-Commercial companies, without entirely replicating the financial eligibility requirement of STAR Market but by making reference to those market capitalization requirement, we propose to reduce the minimum expected market capitalization to HK\$8 billion which is still significantly higher than other stock exchanges and to align with the requirement of biotech company with similar pre-commercial nature under Chapter 18A of the Listing Rules.

#### **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.**

#### **Question 11**

**Do you agree that only the revenue arising from the applicant's Specialist Technology business segment(s) (excluding any inter-segmental revenue from other business segments of the applicant), and not items of revenue and gains that arise incidentally, or from other businesses, should be recognised for the purpose of the Commercialisation Revenue Threshold?**

Yes

**Please give reasons for your views.**

**Question 12(a)**

**Do you agree that a Commercial Company must demonstrate year-on-year growth of revenue derived from the sales of Specialist Technology Product(s) throughout the track record period, with allowance for temporary declines in revenue due to economic, market or industry-wide conditions?**

Yes

**Please give reasons for your views.**

**Question 12(b)**

**Do you agree that the reasons for, and remedial steps taken (or to be taken) to address, any downward trend in a Commercial Company's annual revenue must be explained to the Exchange's satisfaction and disclosed in the Listing Document?**

Yes

**Please give reasons for your views.**

**Question 13**

**Do you agree that a Specialist Technology Company listing applicant must have been engaged in R&D of its Specialist Technology Product(s) for a minimum of three financial years prior to listing?**

Yes

**Please give reasons for your views.**

**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?**

Yes

**Please give reasons for your views.**

**Question 15**

**Do you agree with the proposed method for determining the amount of qualifying R&D investment and the total operating expenditure as set out in paragraph 141 of the Consultation Paper?**

Yes

**Please give reasons for your views.**

**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.**

**Question 17**

**Do you agree that there must be ownership continuity and control for a Specialist Technology Company listing applicant in the 12 months prior to the date of the listing application?**

Yes

**Please give reasons for your views.**

**Question 18**

**Do you agree that an applicant applying to list under the proposed regime must have received meaningful investment from Sophisticated Independent Investors (SIIs)?**

Yes

**Please give reasons for your views.**

**Question 19**

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

Yes

**Please give reasons for your views.**

**Question 20**

**Do you agree with the proposed definition of a sophisticated investor (including the definition of investment portfolio) as set out in paragraphs 159 to 162 of the Consultation Paper?**

No

**Please give reasons for your views.**

We consider that the definition of “sophisticated investors” would be rather difficult to meet. We envisage that the current proposed criteria for ascertaining sophisticated investors would prevent many asset managers (for and on behalf of the funds and separate account mandates that manage) from participating in the pre-IPO investments or even cornerstone tranches of the listing of the Specialist Technology Companies. The investor’s AUM portfolio for a Hong Kong SPAC without operation under Chapter 18B of the Listing Rules is significantly lower. The characteristic requirement for Sophisticated Independent Third Party Investors under Chapter 18B SPAC regime is defined as below: (a) an asset management firm with assets under management of at least HK\$8,000,000,000; or (b) a fund with a fund size of at least HK\$8,000,000,000. Nevertheless, the sophisticated investors for Specialist Technology Companies with actual operation under the proposed regime would be of almost double of the asset size, namely with fund size or investment portfolio size at HK\$15 billion. We believe the more stringent requirement for sophisticated investment in the new regime would raise the threshold to a far-reaching level which in turn would affect the fund-raising plan for potential Specialist Technology Company to list in Hong Kong. In fact, as an artificial comparison example, we believe a Specialist Technology Company which has five Sophisticated Investors with fund size or investment portfolio size of HK\$3 billion shall not be considered as an inferior company as compared to those with only one Sophisticated Investor with fund size or investment portfolio size of HK\$15 billion. However, the former Specialist Technology Company

will not be eligible to apply for listing under the proposed regime notwithstanding it has attracted the same aggregated investment portfolio size from independent investors. We suggest the threshold of sophisticated investors shall be lowered with reference to (i) the aggregated investors portfolio which various categories of sophisticated investors would need to meet or (ii) the investment portfolio of HK\$8 billion in line with the SPAC regime.

**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?**

Yes

**Please give reasons for your views.**

**Question 22**

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

Yes

**Please give reasons for your views.**

**Question 23**

**Do you agree that a Pre-Commercial Company applicant must have as its primary reason for listing the raising of funds for the R&D of, and the manufacturing and/or sales and marketing of, its Specialist Technology Product(s) to bring them to commercialisation and achieving the Commercialisation Revenue Threshold?**

Yes

**Please give reasons for your views.**

**Question 24**

**Do you agree that a Pre-Commercial Company applicant must demonstrate to the**



**Exchange, and disclose in its Listing Document, a credible path to the commercialisation of its Specialist Technology Products, appropriate to the relevant Specialist Technology Industry, that will result in it achieving the Commercialisation Revenue Threshold?**

Yes

**Please give reasons for your views.**

**Question 25**

**Do you agree with the examples proposed in paragraphs 176 to 179 (including the definition of “highly reputable customer”) of the Consultation Paper that a Pre-Commercial Company applicant could use to demonstrate a credible path to achieving the Commercialisation Revenue Threshold?**

Yes

**Please give reasons for your views.**

**Question 26(a)**

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

Yes

**Please give reasons for your views.**

**Question 26(b)**

**Do you agree that a Pre-Commercial Company applicant must, if its working capital (after taking into account the listing proceeds) is insufficient to meet its needs before it achieves the Commercialisation Revenue Threshold, describe the potential funding gap and how it plans to further finance its path to achieving the Commercialisation Revenue Threshold after listing?**

Yes

**Please give reasons for your views.**

**Question 27**

**Do you agree that a Pre-Commercial Company applicant must have available working capital to cover at least 125% of its group's costs for at least the next 12 months (after taking into account the IPO proceeds of the applicant), and these costs must substantially consist of the following: (a) general, administrative and operating costs; and (b) R&D costs?**

Yes

**Please give reasons for your views.**

**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?**

Yes

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

**Question 30**

**Do you agree that a Specialist Technology Company must, in addition to meeting the existing requirements on public float, ensure that at least 50% of the total number of shares offered in the initial public offering (excluding any shares to be issued pursuant to the exercise of any over-allotment option) must be taken up by Independent Institutional Investors?**

No

**Please give reasons for your views.**

Given the already stringent definition of Independent Institutional Investor, we propose a lower 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) to be taken up by Independent Institutional Investors Taking reference with the relevant requirement of “meaningful investment” for Ch.18A companies as set out under GL92-18, and the high market capitalization requirement of Specialist Technology Companies, we suggest a percentage of 5% instead.

**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.**

It is already very challenging to find a de-SPAC target. The narrow restriction of who could qualify as Independent Institutional Investors, if coupling with the requirement that 50% of the total number of shares issued by the Successor Company which is a Specialist Technology Company must be held by Independent Institutional Investors, it would be extremely difficult to fulfill this requirement.

**Question 32**

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

Yes

**Please give reasons for your views.**

**Question 33**

**Do you agree that there should be a new initial retail allocation and clawback mechanism for Specialist Technology Companies to help ensure a robust price discovery process?**

Yes

**Please give reasons for your views.**

**Question 34**

**Do you agree with the proposed initial allocation and clawback mechanism for Specialist Technology Companies as set out in paragraph 205 of the Consultation Paper?**

Yes

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

**Question 35**

**Do you agree that a Specialist Technology Company seeking an initial listing must ensure that a portion of its issued shares with a market capitalisation of at least HK\$600 million is free from any disposal restrictions (whether under: contract; the Listing Rules; applicable laws; or otherwise) upon listing (referred to as its “free float”)?**

Yes

**Please give reasons for your views.**

**Question 36**

**Do you agree that the Exchange should reserve the right not to approve the listing of a Specialist Technology Company if it believes the company’s offer size is not significant enough to facilitate post-listing liquidity, or may otherwise give rise to orderly market concerns?**

Yes

**Please give reasons for your views.**

**Question 37**

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

Yes

**Please give reasons for your views.**

**Question 38**

**Do you have any other suggestions for additional information that a Specialist Technology Company should include in its Listing Document in order to allow an investor to properly assess and value the company?**

No

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

**Question 39**

**Do you agree that existing shareholders should be allowed to participate in the IPO of a Specialist Technology Company provided that the company complies with the existing public float requirement under Rule 8.08(1), the requirement for minimum allocation to Independent Institutional Investors (see paragraph 200 of the Consultation Paper) and the minimum free float requirement (see paragraph 207 of the Consultation Paper)?**

Yes

**Please give reasons for your views.**

**Question 40**

**Do you agree with the proposals set out in paragraph 225 of the Consultation Paper regarding the conditions for existing shareholders subscribing for shares in an IPO?**

Yes

**Please give reasons for your views.**

**Question 41(a)**

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

No

**Please give reasons for your views.**

We submit that the lock-up period is too long. Taking reference with 10.07 of the listing rules and the lock up period for SPAC Promoter under Chapter 18B, while balancing the risks posed by the listing of a Commercial Company, we suggest a six months' lock up period instead.

**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 submit that the lock-up period is too long. Taking reference with Listing Rule 10.07 and the lock up period for SPAC Promoter under Chapter 18B, while balancing the risks posed by the listing of a Pre-Commercial Company, we suggest a six (6) + six (6) months lock up period, whereby the first six month would be a complete ban, and the second six months, controlling shareholders of a Pre-Commercial Company could disposal their shareholding subject to retaining of at least 5% of the issue shares of the Pre-Commercial Company.

**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.**

We submit that the proposed scope is too wide. The proposed scope under paragraph 242(c) of the Consultation Paper covers, among others, “senior management”, which pursuant to the Listing Rules includes (i) any person occupying the position of chief executive, supervisor, company secretary, chief operating officer or chief financial officer, by whatever name called; (ii) any person who performs managerial functions under the directors’ immediate authority; or (iii) any person referred to as senior management in the listed issuer’s corporate communication or any other publications on the Exchange’s website or on the listed issuer’s website. This is excessively wide. Furthermore, unlike founders and Controlling Shareholders, many key persons (based on the proposed definition) are not principal shareholders of the Specialist Technology Companies, because some of them are professional managers or advisors whose relationship with the company are mainly backed by contractual employment relationship rather than ownership, although they may from time to time receive share award or option to as a way of incentive. The lock-up of shares as part of their work performance reward would not have a direct nexus on the rationale of imposing lock-up. We submit that the strict and absolute lock up for senior management should not be proposed in the final rules. Instead, we suggest the Stock Exchange to consider imposing lock-up a on specific role with a minimum amount of shareholding. For instance, the Stock Exchange may identify a specific post, such as Chief Research Officer, with minimum of 5% shareholding would be subject to this key person lock-up.

Further, the proposed lockup periods are too long. We submit the proposed lockup periods for key persons and their close associates a Commercial Company to be six (6) months and that of a Pre-Commercial Company, to be twelve (12) months.

We submitted that “senior management” should not be included in “key persons”. However, should the Stock Exchange decide to include this nonetheless, we submit that the lockup periods for various class of key persons should vary, with “senior management” having the shortest lock-up period or no lock-up period at all.

**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 SIIIs of six months for a Commercial Company?**

Yes

**Please give reasons for your views.**

**Question 44(b)**

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

No

**Please give reasons for your views.**

The proposed lockup periods are too long. We submit the proposed lockup periods to six (6) months plus six (6) months, with the second six months maintaining at least 5% of the shareholding.

**Question 45**

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

Yes

**Please give reasons for your views.**

**Question 46**

**Do you agree that any deemed disposal of securities by a person resulting from the allotment, grant or issue of new securities by a Specialist Technology Company during a lock-up period would not constitute a breach of the lock-up requirements?**

Yes

**Please give reasons for your views.**

**Question 47**

**Do you agree that a lock-up period in force at the time of the removal of designation as a Pre-Commercial Company should continue to apply unchanged?**

Yes

**Please give reasons for your views.**

**Question 48**

**Do you agree that a Specialist Technology Company must disclose in its Listing Document the total number of securities in the issuer held by the persons (as identified in the Listing Document) that are subject to the lock-up requirements under the Listing Rules, and that the same information must also be disclosed in the interim and annual reports of the Specialist Technology Company for so long as such persons remain as a shareholder?**



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Yes

**Please give reasons for your views.**

**Question 49**

**Do you agree with the scope of the additional disclosure in the interim and annual reports of Pre-Commercial Companies as set out in paragraphs 262 and 263 of the Consultation Paper?**

Yes

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

**Question 50**

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

Yes

**Please give reasons for your views.**

**Question 51**

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

Yes

**Please give reasons for your views.**

**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.**

**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.**