

16 December 2022

Hong Kong Exchanges and Clearing Limited,
8th Floor, Two Exchange Square,
8 Connaught Place,
Central,
Hong Kong

Re: Response to the Consultation Paper on the Listing Regime for Specialist Technology Companies

We are pleased to have the opportunity to provide our feedback to your Consultation Paper on the new Listing Regime for Specialist Technology Companies.

As a professional organization in Hong Kong promoting the roles and development of the independent non-executive directors (“INEDs” and each an “INED”) of listed companies in Hong Kong, we had an internal discussion among our members on the Consultation Paper and held a common view of supporting the HKEx’s objectives to develop this new market segment and enhance Hong Kong’s competitiveness as a global financial centre, while ensuring the minimum quality of the issuers for the purposes of protecting the investors and maintaining market order effectively. For the details of our feedback, please refer to the Response section of Questions 1 to 55 of the Questionnaire.

We agree in principle to all the points contained in Questions 1 to 55 of your Consultation Paper except the requirements for the minimum expected market capitalization (for both Pre-Commercial and Commercial Companies) and revenue threshold for the Commercial Companies. We suggest reducing the threshold amounts by 50%, believing that not so many Specialist Technology Companies satisfying the proposed requirements will come to Hong Kong for listing after the new Chapter 18C becoming effective. Conversely, this new market could easily be kicked off with competitive momentum if the threshold requirements are adjusted downward as suggested.

In addition, in view of the increasing popularity of and recent government policy on blockchain technology and virtual assets in the market, we would like to suggest adding blockchain technology and virtual assets as the acceptable sectors in paragraph 4 of the Draft Guidance as mentioned in Question 2.

More importantly, we would like to share with you the following comments and recommendations on corporate governance issue which is not specifically mentioned in the Consultation Paper:

(1) Board Representation by INEDs

Engaged in the business of Specialist Technology, the Specialist Technology Company itself is of high-risk nature for the investors (particularly the retail investors). We strongly believe a robust corporate governance will help Specialist Technology

Companies better identify the opportunities and risks associated with the Specialist Technology, thus providing necessary protection to the investors in this market.

Against this background, we would recommend increasing the minimum board representation of INEDs for the Specialist Technology Companies (particularly the Pre-Commercial Companies) from the current one-third (1/3) to more than one-half (1/2). Some leading international exchanges (e.g. NASDAQ) has similar requirement for to-be-listed technology companies. It is widely expected that, with more INEDs on the board, the Specialist Technology Companies will be monitored more independently and effectively.

(2) **Technology and Risk Committee at the Board**

We would recommend that a Specialist Technology Company should set up a separate **Technology and Risk Committee** at the board level to oversee the matters relating to the Specialist Technology, particularly (i) the research & development (“R & D”), and (ii) the path to commercialization of Specialist Technology Products, and such committee should be chaired by an INED.

R & D and commercialization of Specialist Technology Products are the critical factors for the survival and success of the Specialist Technology Companies and also stability of post-IPO prices. It is widely expected that, with this Technology and Risk Committee, the board will have more dedicated resources and authority to guide the management of the Specialist Technology Companies sailing through the specialist technology ocean with risks and opportunities in a more effective manner.

(3) **Competence of the INEDs**

We would recommend that INEDs joining the board of directors of the Specialist Technology Companies should have necessary qualifications, knowledge, skills, experience and other attributes relevant to Specialist Technology.

We believe that such requirement is consistent with those in other leading international exchanges (e.g. NASDAQ) and would help Specialist Technology Companies better manage the opportunities and risks associated with the Specialist Technology, while facilitating HKEx and other regulatory authorities to provide necessary protection to the investors and maintain the market orderliness.

Should you need further elaboration on the above, please feel free to contact our Mr.

[REDACTED]

Kind regards,

[REDACTED]

[REDACTED]

About HKiNEDA

The Hong Kong Independent Non-Executive Director Association (“HKiNEDA”), incorporated in Hong Kong with limited liability by guarantee under the Companies Ordinance, is a non-profit association mainly representing INEDs of Greater China. Based in Hong Kong, HKiNEDA connects INEDs of mainland China, Hong Kong and Taiwan, to make dedicated contributions in Greater China's enormous financial and capital market.

HKiNEDA aims at enhancing professional development of INEDs, promoting healthy and outstanding corporate governance of listed companies, and sustainable development of the financial and capital market in Greater China. To achieve its mission, HKiNEDA commits to helping INEDs to understand their duties in listed companies, encouraging them to realize their values, supporting them to oversee their companies and fulfill their responsibilities with independence, integrity and impartiality.

55 Questions Consultation Paper - Specialist Technology Companies

(A) Specialist Technology

I. Definition of “Specialist Technology Company”

Q1 - Do you agree with the proposed definitions of “Specialist Technology Company”, “Specialist Technology Products” and “Specialist Technology”?

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

Response: Agree in principle.

We consider the definitions logically coherent and practically appropriate.

Q2 - 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)?

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

Response: Agree in principle.

In view of the increasing popularity of and recent government policy on blockchain technology and virtual assets in the market, we would suggest adding blockchain technology and virtual assets as the acceptable sectors in paragraph 4 of the Draft Guidance Letter. More importantly, we stress that the list is non-exhaustive and shall be updated by the Exchange from time to time to reflect the dynamic nature of Specialist Technology.

Q3 - 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”?

Please give reasons for your views.

Response: Agree in principle.

We are of the view that investors should place a valuation on the primarily engaged business of the Specialist Technology Company; and if there is any non-primarily engaged businesses, it would be better for the Specialist Technology Company to spin them off before IPO.

Q4 - 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?

Please give reasons for your views.

Response: Agree in principle.

Nevertheless, some members expressed concern over the first two principles as stated by the Exchange: (a) high growth potential; and (b) differentiated technology. (Note: the third principle is significant R & D)

As for principle (a), without any revenue (for the Pre-Commercial Specialist Technology Company), how can we determine whether the company does have high growth potential? For principle (b), it will be sometimes difficult to determine whether the subject technology and application can be differentiated with uniqueness from the traditional market.

II. Categorisation of Commercial/ Pre-Commercial Companies

Q5 - Do you agree that the Specialist Technology Regime should accommodate the listings of both Commercial Companies and Pre- Commercial Companies?

Please give reasons for your views.

Response: Agree.

We note that the Exchange has been working hard to strike balance between investor protection and expansion of IPO and related businesses in Hong Kong.

Q6 - If your answer to Question 5 is “Yes”, do you agree with the proposed approach to apply more stringent requirements to Pre-Commercial Companies?

Please give reasons for your views.

Response: Agree.

We consider that stringent requirements are essential for listing Pre-Commercial Companies as Hong Kong does not have class action and INED over 50% board representation like in the US. However, it should not be excessive as it will cool down the new business (like SPAC) in Hong Kong. In practice, Specialist Technology Companies always have a choice for going public and US is normally the preferred choice.

We also suggest having a more stringent corporate governance requirement for Specialist Technology Companies (particularly the Pre-Commercial) in light of its high-risk nature. For example, more suitable INEDs with relevant specialist technology experience should be sitting on the board of such companies.

Q7 - 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?

Please give reasons for your views

Response: Agree.

We understand that, following the success of 18A for biotechnology sector, the Exchange has been working hard to strike balance between protection of retail investors and expansion of IPO businesses in Hong Kong.

(B) Qualifications of Listing

I. Minimum Expected Market Capitalisation

Q8 - Do you agree that a Commercial Company applicant must have a minimum expected market capitalisation of HK\$8 billion at listing?

Please give reasons for your views.

Response: We had a hot debate on this question.

Considering the need to be market-competitive while ensuring the minimum quality of issuer, we suggest reducing the minimum market capitalization for a Commercial Company applicant by 50% to HK\$4 billion at listing.

Q9 - Do you agree that a Pre-Commercial Company applicant must have a minimum expected market capitalisation of HK\$15 billion at listing?

Please give reasons for your views.

Response: We had a hot debate on this question.

Considering the need to be market-competitive while ensuring the minimum quality of issuer, we suggest reducing the minimum market capitalization for a Pre-Commercial Company applicant by 50% to HK\$7.5 billion at listing.

II. Revenue Requirements

Q10 - Do you agree that a Commercial Company must have revenue of at least HK\$250 million for the most recent audited financial year?

Please give reasons for your views.

Response: We had a hot debate on this question.

Considering the need to be market-competitive while ensuring the minimum issuer quality of issuer, we suggest reducing the revenue requirement for a Commercial Company applicant by 50% to HK\$125 million for the most recent audited financial year.

Q11 - 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?

Please give reasons for your views.

Response: Agree in principle.

Inter-segmental revenue from other businesses and any incidental revenue and gains should not be counted for the purpose of the Commercialization Revenue Threshold.

Q12 - Do you agree that (a) 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; and (b) 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?

Please give reasons for your views.

Response: Agree in principle.

The Exchange should have the discretion to accept or reject the allowance for temporary declines in revenue due to economic, market or industry-wide conditions.

III. **R&D Investment**

Q13 - 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 year sprior to listing?

Please give reasons for your views.

Response: Agree in principle.

R & D is critical for the sustainable growth of a Specialist Technology Company in the technology market. A period of 3 years prior to listing is appropriate.

Q14 - Do you agree that, (a) 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; and (b) 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 threefinancial years prior to listing?

Please give reasons for your views.

Response: Agree in principle.

The threshold of 15% and 50% for a Commercial Company and a Pre-Commercial Company respectively is achievable without difficulty as the percentages are based on total operating expenditure.

Q15 - 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 ConsultationPaper?

Please give reasons for your views.

Response: Agree in principle.

The qualifying R & D expenses and investments listed on paragraph 141 are common practice and acceptable.

IV. Minimum Operational Track Record

Q16 - 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?

Please give reasons for your views.

Response: Agree in principle.

This requirement is important as the survival of a Specialist Technology Company during the early stage is significantly dependent on the presence and working-together of the key persons (particularly those with proprietary technology).

Q17 - 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?

Please give reasons for your views.

Response: Agree in principle.

Change of ownership control is not common for a Specialist Technology Company in the 12 months before listing application as founders (normally with proprietary technology) are always the controlling shareholders during such period.

V. Third Party Investment Requirement

Q18 - Do you agree that an applicant applying to list under the proposed regime must have received meaningful investment from Sophisticated Independent Investors (SIIs)?

Please give reasons for your views.

Response: Agree in principle.

However, we would like to highlight that, from the investment perspective, it is sometimes difficult for a single investor to invest at least 5% of the issued share capital as at the date of listing application and in the prior 12 months period due to the high-risk nature of a Specialist Technology Company.

Q19 - 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?

Please give reasons for your views.

Response: Agree in principle.

However, we would like to highlight that, in the high-risk technology market, it has been already difficult to find a significant investor willing to take the risk of a Specialist Technology Company. If the additional "independence" requirements are added, it would be difficult if not impossible to find investors.

Q20 - 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?

Please give reasons for your views.

Response: Agree in principle.

However, we would like to highlight that the proposed definition for the asset management firm, investment company and others as the “Sophisticated Investor” may limit the availability of investors for such high-risk investment.

Q21 - 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?

Please give reasons for your views.

Response: Agree in principle.

However, we would like to add that it would be better to adjust the 12 months to 24 months period in order to make more pre-IPO investments available.

Q22 - 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?

Please give reasons for your views.

Response: Agree in principle.

However, we would like to add that it is sometimes difficult to find more investors if there is a minimum total requirement from at least 2 Sophisticated Independent Investors for Commercial Companies (10% to 20%) and Pre-Commercial Companies (15% to 25%).

VI. Additional Qualification Requirements for Pre-Commercial Companies

Q23 - 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?

Please give reasons for your views.

Response: Agree in principle.

This requirement is considered to be logical and necessary in view of the high technology risk nature of a Pre-Commercial Company.

Nevertheless, we would like to emphasize the need for having INEDs to monitor the use of the funds raised.

Q24 - 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?

Please give reasons for your views.

Response: Agree in principle.

Similar to Q23 - This requirement is considered to be logical and necessary in view of the high technology risk nature of a Pre-Commercial Company.

Nevertheless, we would like to emphasize the need for having INEDs to monitor the credible path to the commercialization of the Specialist Technology Products.

Q25 - 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?

Please give reasons for your views.

Response: Agree in principle.

The definition of “highly reputable customer” and the examples proposed are appropriate and necessary for a Pre-Commercial Company to demonstrate credible path to achieve the Commercialization Revenue Threshold (i.e. HK\$250 million).

Nevertheless, we would like to emphasize the need for having INEDs to monitor the progress of the path to achieve the Commercialization Revenue Threshold.

Q26 - Do you agree that a Pre-Commercial Company applicant must: (a) explain and disclose, in detail, the timeframe for, and impediments to, achieving the Commercialisation Revenue Threshold; and (b) 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?

Please give reasons for your views.

Response: Agree in principle.

This requirement is considered logical and necessary in view of the high technology risk nature of a Pre-Commercial Company.

Nevertheless, we would like to emphasize the need for having INEDs to monitor the timeframe and the gap management of the working capital during the commercialization path.

Q27 - 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?

Please give reasons for your views.

Response: Agree in principle.

This requirement is considered to be logical and necessary in view of the high technology risk nature of a Pre-Commercial Company.

Nevertheless, we would like to emphasize the need for having INEDs to monitor the use of the working capital.

(C) IPO Requirements

I. More Robust Price Discovery Process

Q28 - 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?

Please give reasons for your views.

Response: Agree in principle.

This requirement is considered logical and necessary in view of the high technology risk nature of a Pre-Commercial Company. Independent Institutional Investors will to a great extent help better discovering the IPO price of Specialist Technology Companies.

Q29 - 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.

Response: Agree in principle.

This definition is considered to be appropriate in view of the high technology risk nature of a Pre-Commercial Company.

Q30 - 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.

Response: Agree in principle.

This requirement is considered logical and necessary in view of the high technology risk nature of a Pre-Commercial Company. Being more research-based and rational on decision-making, Independent Institutional Investors will have longer view on investment and to a great extent help stabilize the post-IPO prices of Specialist Technology Companies.

Q31 - 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.

Response: Agree in principle.

This requirement is considered logical and necessary in view of the high technology risk nature of listing a Pre-Commercial Company by way of De-SPAC Transaction. More Independent Institutional Investors will to a great extent help better stabilize the price of Specialist Technology Companies after De-SPAC.

Q32 - 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)?

Please give reasons for your views.

Response: Agree in principle.

This practice is considered acceptable in view of the fact that the price of a Pre-Commercial Company has to a significant extent been discovered before the listing by way of introduction.

Q33 - 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?

Please give reasons for your views.

Response: Agree in principle.

This practice is considered acceptable in view of the fact that less retail investors but more Independent Institutional Investors will to a great extent help stabilize the post-IPO prices of Specialist Technology Companies.

Q34 - 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?

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

Response: Agree in principle.

The proposed mechanism is considered practicable and acceptable.

II. **Free Float and Public Float Requirements**

Q35 - 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”)?

Please give reasons for your views.

Response: Agree in principle.

The proposed free float threshold of HK\$600 million gives rise to free float ratio of 7.5% for Commercial Companies (HK\$8 billion) and 4% for Pre-Commercial Company (HK\$15 billion), which is considered manageable and practicably acceptable.

Q36 - 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?

Please give reasons for your views.

Response: Agree in principle.

The Exchange should have such right not just for Specialist Technology Companies but for other types of companies as well.

III. **IPO Disclosure Requirements**

Q37 - 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?

Please give reasons for your views.

Response: Agree in principle.

The additional information requested is reasonable and essential in view of the high risk nature of a Specialist Technology Company.

Q38 - 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?

If so, please provide your suggestion.

Response: We consider it is necessary to ask for additional information relating to the corporate governance of a Specialist Technology Company. Firstly, we suggest having a special committee at the board level to oversee the matters relating to the Specialist Technology, particularly on R & D and path to the commercialization of the Specialist Technology Products. When a licensed bank in Hong Kong has a risk committee at the board level, why doesn't a Specialist Technology Company (particularly the Pre-Commercial one) have similar committee inside its board in view of the high-risk nature of Specialist Technology?

Secondly, we would like to propose that such risk committee of a Specialist Technology Company should be chaired by an INED with sufficient knowledge and experience in the relevant Specialist Technology area.

IV. Sponsor's Due Diligence

V. Subscription of IPO Shares by Existing Shareholders

Q39 - 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)?

Please give reasons for your views.

Response: Agree in principle.

We consider such practice positive for supporting the post-IPO price as existing shareholders can demonstrate their ongoing commitment to the future development, and the confidence in the growth prospects, of a listed Specialist Technology Company.

Q40 - 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?

Please give reasons for your views.

Response: Agree in principle.

We consider that the proposed conditions (particularly 10% as the "cornerstone investor" for the existing shareholders subscribing for shares in an IPO) are reasonable and practicable.

(D) Post-IPO Requirements

I. Post-IPO Lock-ups on Existing Shareholders

Q41 - Do you agree that the controlling shareholders of a Specialist Technology Company should be subject to a lock-up period of (a) 12 months (for a Commercial Company) and (b) 24 months (for a Pre-Commercial Company)?

Please give reasons for your views.

Response: Agree in principle.

We consider that the lock-up period requirements are appropriate and practicable.

Q42 - 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?

Please give reasons for your views.

Response: Agree in principle.

We consider such restriction to be reasonable as the key persons can demonstrate their commitment and confidence in the future of a listed Specialist Technology Company.

Q43 - 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)?

Please give reasons for your views.

Response: Agree in principle.

We consider such lock-up period to be reasonable as the key persons and their close associates can demonstrate their commitment and confidence in the future of a listed Specialist Technology Company.

Q44 - Do you agree with the proposed lock-up period on the securities of Pathfinders SIIIs of (a) six months (for a Commercial Company) and (b) 12 months (for a Pre-Commercial Company)?

Please give reasons for your views.

Response: Agree in principle.

We consider such lock-up period to be reasonable for the Pathfinders SIIIs.

Q45 - Do you agree that controlling shareholders, key persons and Pathfinder SIIIs should be permitted (in accordance with current Rules and guidance) to sell their securities prior to an IPO and offer them for sale in the IPO, such that only the securities retained by them after listing would be subject to the lock-up restrictions?

Please give reasons for your views.

Response: Agree in principle.

We consider such practice reasonable and practicable.

Q46 - 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?

Please give reasons for your views.

Response: Agree in principle.

We consider such practice reasonable and practicable.

Q47 - 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?

Please give reasons for your views.

Response: Agree in principle.

We consider such practice reasonable and practicable.

Q48 - 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 lockup 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?

Please give reasons for your views.

Response: Agree in principle.

We consider such disclosure requirement reasonable, practicable and positive for the long-term sustainable development of a Specialist Technology Company.

II. **Additional Continuing Obligations for Pre-Commercial Companies**

Q49 - 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?

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

Response: Agree in principle.

We consider such disclosure requirement reasonable and practicable in view of the high-risk nature of a Specialist Technology Company.

Q50 - Do you agree that only Pre-Commercial Companies should be subject to the ongoing disclosure requirements referred to in Question 49?

Please give reasons for your views.

Response: We consider that such disclosure requirement should also apply to Commercial Companies in view of the high-risk nature of the Specialist Technology Companies.

Q51 - 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?

Please give reasons for your views.

Response: Agree in principle.

We consider such remedial period of 12 months re-complying condition reasonable and practicable for the highly risky Pre-Commercial Companies.

Q52 - 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?

Please give reasons for your views.

Response: Agree in principle.

We consider such condition reasonable and practicable for the highly risky Pre-Commercial Companies.

Q53 - Do you agree that Pre-Commercial Companies must be prominently identified through a “PC” marker at the end of their stock names?

Please give reasons for your views.

Response: Agree in principle.

We consider such requirement reasonable and necessary as the “PC” marker will provide a high-risk alert to all the investors in the market.

Q54 - 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?

Please give reasons for your views.

Response: Agree in principle.

We consider such practice reasonable and practicable as the investment risk for Pre-Commercial Companies will be reduced to a certain extent once it has met the Commercialization Revenue Threshold, or the Main Board Eligibility Tests.

III. Removal of Designation as Pre-Commercial Companies

Q55 - 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)?

Please give reasons for your views.

Response: Agree in principle.

We consider such practice reasonable and practicable because the Exchange, acting as the gate-keeper, has the discretion to accept or reject the application by a Pre-Commercial Company on a case-by-case basis.

End