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In Association With | AllBright Law Offices | 锦天城律師事務所

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Date : 18 December 2022

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BY EMAIL ONLY (response@hkex.com.hk)

Corporate and Investor Communications Department
Hong Kong Exchanges and Clearing Limited
8th Floor
Two Exchange Square
8 Connaught Place
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Hong Kong

Dear Sirs,

Consultation Paper on Listing Regime for Specialist Technology Companies on 19 October 2022 (the "Consultation Paper")

We refer to the captioned matter. We hereby submit the comments thereto for your consideration. Unless otherwise defined herein, capitalised terms used in this submission shall have the same meanings as those defined in the Consultation Paper.

Should you have any questions on our responses or proposals or would like to discuss any of our comments, please feel free to contact our [REDACTED]

Yours faithfully,

STEVENSON, WONG & CO.

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CHAPTER 3: PROPOSED REGULATORY FRAMEWORK

A. Specialist Technology

I. Definition of “Specialist Technology Company”

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with the list of Specialist Technology Industries and the respective acceptable sectors set out in paragraph 4 of the Draft Guidance Letter (Appendix V to the Consultation Paper)?*

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

Reply

We generally agree with the list of Specialist Technology Industries and the respective acceptable sectors set out in paragraph 4 of the Draft Guidance Letter, particularly in respect of aerospace technology, metaverse technology and new energy storage and transmission technology (battery), among others.

We are aware that the list covers a wide range of industries, significantly more comprehensive than the coverage of the previous listing regimes. The list covers most of the existing advanced technology sectors.

Furthermore, we welcome the publication of a guidance letter on the list of Specialist Technology Industries and the respective acceptable sectors, thereby giving the Exchange flexibility to update the guidance letter as Specialist Technology Industries evolve over time. We also agree that the addition of new industries or sectors to the list of Specialist Technology Industries and acceptable sectors should not be exercised lightly and should be done after consultation with the SFC.

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?*

Please give reasons for your views.

Reply

We agree that the Exchange should retain the discretion to reject an application for listing from an applicant within an acceptable sector if it displays attributes inconsistent with the principles referred to in paragraph 101 of the Consultation Paper. However, we consider that discretion should not be exercised lightly as it will introduce uncertainty. The Exchange’s practice in publishing guidance letters and listing decisions would help alleviate the issue.

B. Qualifications for Listing

I. Minimum Expected Market Capitalisation

Question 8: *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.

Question 9: *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.

II. Revenue Requirements

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?*

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?*

Please give reasons for your views.

Question 12: *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.

Reply

We hereby respond to Questions 8 to 12.

It appears to us that the minimum expected market capitalisation and revenue requirement would be too high.

Chapter 18C raises the threshold for expected market capitalisation at listing HK\$8 billion, approximately the size of one "unicorn". For Pre-Commercial Companies, Chapter 18C sets an even higher threshold for the expected market capitalisation at the listing of HK\$15 billion, approximately the size of two "unicorns", in contrast to HK\$1.5 billion required for biotech companies under Chapter 18A.

We see that the proposed market cap thresholds are too high, significantly higher than those set by other major exchanges worldwide. We respectfully submit that, for Shanghai (STAR Board), the minimum expected market capitalisation ranges from RMB1 billion to RMB4 billion, depending on

which financial eligibility test would be used. The high market capitalisation will likely exclude many well-established specialist technology companies. We would respectfully request the Exchange to reduce the market capitalisation thresholds to strike a balance between the quality of the specialist technology companies and the accessibility of listing under Chapter 18C. Otherwise, it would deter potential applicants and compromise the overall competitiveness of Chapter 18C.

On the other hand, we note that the proposed revenue threshold is similar to the revenue thresholds of RMB200 million to RMB300 million imposed by the STAR Market. To that extent, we agree to Questions 11 and 12.

III. R&D Investment

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?*

Please give reasons for your views.

Reply

We disagree 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.

We respectfully request the Exchange consider lowering the threshold to two (2) financial years prior to listing, consistent with Chapter 18A. We refer to the STAR Market, in which the minimum period of 3 years of engagement in R&D of its specialist technology product(s) is only a requirement in one of their tests.

IV. Minimum Operational Track Record

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?*

Please give reasons for your views.

Reply

We disagree that a Specialist Technology Company listing applicant must have been in operation in its current line of business for at least three (3) financial years prior to listing under substantially the same management.

We respectfully request the Exchange to consider lowering the threshold to two (2) financial years prior to listing, consistent with Chapter 18A and the requirement of the STAR Market.

I. IPO Disclosure Requirements

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?

Please give reasons for your views.

Reply

We agree with the general view that additional disclosure is required in relation to Special Technology Companies. However, due consideration must be given to the reality and circumstances for such Special Technology Companies, such that the compulsory disclosures will not be overly prescriptive.

I. Additional Continuing Obligations for Pre-Commercial Companies

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?*

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?*

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?*

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?*

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?*

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?*

Please give reasons for your views.

II. Removal of Designation as Pre-Commercial Companies

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)?*

Please give reasons for your views.

Reply

We generally agree with Questions 49 to 55.

In particular, we agree that the additional disclosures for Pre-Commercial Companies in its listing document and its post-listing interim and annual reports would allow the investors to make more informed decisions and increase transparency. This is necessary, considering that Pre-Commercial Companies are subject to more risks than Commercial Companies and is analogous to the Exchange's requirements under Chapter 18 and Chapter 18A.