

Q&A - Introduction to FINI Webinars (16 and 18 December 2020)

A. General Workflows and Enquiries

1. Question: The party that unlocks FINI with the unique key password provided by the Listing Division in the positive Listing Committee's post hearing letter is responsible for completing the information required on FINI. Will other professional parties also be able to access FINI to perform their tasks, such as to submit placee lists?

Answer: The party that unlocks FINI will initiate the IPO settlement process on FINI by completing the IPO initiation e-Form. This party will "on-board" the other professional parties in the "advisers" section of the IPO initiation e-Form. This enables all downstream tasks assigned to the relevant parties to access and perform their tasks on FINI. For example, the completion and submission of placee lists with all required documents will be undertaken by the distributors while the final size of the institutional offer size will be confirmed by the Principal Lead Broker.

The screenshot displays the 'IPO Reference Data' e-Form for Biotexa Limited. The form is divided into several sections:

- Company Information:** Includes fields for 'Company Name (English Full)' (Biotexa Limited), 'Company Name (English Short)', 'No Chinese Company Name' (checkbox), 'Company Name (Chinese Full)', 'Company Name (Chinese Short)', 'Stock Code', 'ISIN (Optional)', 'Place of Incorporation', and 'Principal Place of Business in Hong Kong'.
- Business Address:** Includes fields for 'Company's Full Name', 'Business Address Line 1', 'Business Address Line 2', and 'Business Address Line 3'.
- Company Logo (Optional):** A field for uploading a logo, with a note: 'JPEG / PNG only. File size limit: 10mb. Image aspect ratio of 3:2 for best results.'

A callout box with a dashed purple border and an arrow points to the 'Advisers' section in the 'Contents' menu on the right side of the form. The callout text reads: 'Fill in Advisers in this section of the IPO initiation e-Form'. The 'Contents' menu includes: Initial Information, Company Information, Listing, Offering, Advisers, Timetable, Preferential Offers, Documents, and Transaction Costs. The 'Advisers' section is highlighted with a dashed purple box.

At the bottom of the form, there are 'Save' and 'Submit' buttons. The footer text reads: '©2017-20 Hong Kong Exchanges and Clearing Limited. All rights reserved.'

2. Question: Will there be maker-checker workflows on FINI?

Answer: No, with the exception of payment-related workflows for the public offer tranche, there is no maker-checker workflows envisaged on FINI.

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3. Question: Does FINI have a Chinese wall and only show IPOs that are applicable to relevant users in their own homepage? Will sponsors and their counsel be able to access the placee lists submitted by the distributors? If not, how will they be able to conduct due diligence on the independence of the placees?

Answer: Except for the regulators, certain IPO-related information will only be accessible by the relevant teams (managed by that particular firm), for example placees' details, while publicly available IPO-related information, such as the offer price range, will be accessible by all FINI users.

The regulators will have access to all placee lists. Based on our discussions with the FINI study group, we understand that, currently, sponsors and their counsel do not always have access to all placee lists. Therefore, FINI does not impose any change in the due diligence procedures conducted by sponsors and their counsel.

4. Question: Will there be a hotline for sponsors, legal counsels and distributors if they encounter difficulties, for example, in submitting placee lists due to data validation or reconciliation?

Answer: FINI will prompt messages which will provide the reasons for blocking the submission of placee lists. Based on FINI's prompt messages, users can correct the information and re-submit the placee list. Only when the distributors continue to encounter difficulties, they may contact the relevant IPO vetting team for assistance, details of which would have been provided to them by the principal sponsor.

5. Question: The FINI Concept Paper mentioned that the Exchange is considering rolling out secondary and debt offerings on FINI. What is the expected timeframe for that?

Answer: HKEX will consult market participants and assess the technical feasibility and demand for rolling out secondary placings and debt offering on FINI, subject to the initial roll-out of FINI.

B. Retail Subscription and Settlement

6. Question: Currently, the public offer tranche applicants will place large IPO subscription orders to their retail brokers to increase the chance of allotment. How would FINI affect this in the future? Will retail investors need a larger credit line from retail brokers to back up their orders?

Answer: From the retail investors' perspective, FINI will not change the IPO subscription process. Investors subscribing under the public offer tranche will continue to subscribe for IPOs through the share registrar or retail brokers, and the funding requirement will depend on the retail investors' arrangement with the share registrar or retail brokers, which will remain the same as the current practice. FINI will only affect the methodology of funding validation for retail brokers subscribing for IPO securities, which is expected to be a combination of cash and credit facilities

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under FINI, as opposed to full cash payment to the receiving bank by the retail brokers currently.

7. Question: If retail investors are only required to pay for shares after the allotment, what happens if they default on settlement?

Answer: Retail investors subscribing under the public offer tranche who fail to pay for their allotted shares will be regarded to have reneged on the terms and conditions of the application under the IPO of which the issuer legally has the right to take action against them. Under FINI, such “defaulted” shares will be reallocated to the institutional offer tranche or taken up by the underwriters.

C. Workflows on Institutional Offer Tranche

8. Question: For the submission of placee lists, how do distributors enter the information, and will FINI save this information for future use?

Answer: There will be two methods for distributors to submit their placee lists: a) entry by entry on FINI after accessing the platform; and b) batch upload using an excel file. All information related to the IPO, including the e-Form and placee lists, will be accessible for three months by the relevant parties (see Question 3) after listing and will be removed from FINI thereafter.

9. Question: How will FINI handle multiple applications within the institutional offer tranche across different distributors and between the public offer tranche of an IPO?

Answer: For a placee which subscribes for securities in the institutional offer tranche in an IPO through various distributors, FINI will automatically aggregate the subscriptions under one placee.

For multiple applications across the public offer tranche and institutional offer tranche, as the balloting and settlement of the public offer tranche will take place before finalisation of the placing under the institutional offer tranche, the public offer tranche subscription will take precedence over the institutional offer tranche subscription. Therefore, if the public offer tranche allocation settlement is successful, then the investor’s application in the institutional offer tranche will be invalidated. However, if there is a default of that investor’s application in the public offer tranche, the investor’s institutional offer tranche application will be valid.

The relevant retail brokers/distributors will be notified when FINI identifies multiple applications and the reasons for invalidating the applications.

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10. Question: Given the tight IPO settlement timetable under T+1, will there be sufficient time for listing applicants and sponsors to apply for waivers / consents for connected distributors placing securities to their connected clients? In particular, for those mega IPOs which may involve a lot of distributors with complicated relationships.

Answer: The listing applicant and its advisers will decide on the appropriate listing timetable for the IPO based on specific circumstances of the listing applicant. To enable the listing applicant to achieve an optimal timetable, the Listing Division will issue guidance to allow any proposed placing of securities to connected clients in an IPO to be pre-vetted by the regulators. The objective of this guidance letter is to expedite the process and avoid potential delay of the listing applicants' IPO settlement timetable under FINI. The existing Listing Rules requirement in respect of obtaining consent for placing of securities to existing shareholders or their close associates will not change.

11. Question: Given that placee lists cannot be confirmed until the IPO is priced, does that mean distributors will only have four hours to prepare and submit their placee lists to regulators?

Answer: No, distributors can start creating placee entries onto FINI as early as when the public offer opens (the book open date, T-4), which provides them with at least 3 business days to prepare the placee lists. During this time, changes to the placee list can be made. As soon as the IPO is priced, distributors can then submit their final placee lists on FINI. Therefore, the earlier an IPO price is determined, the more time the distributors would have to finalise and submit their placee lists.

12. Question: Given the short timeframe for submitting placee lists to the regulators and the principal lead broker will not have access to the placee lists of other distributors, how will the principal lead broker prepare the placee concentration analysis?

Answer: FINI will help compile the placee concentration analysis based on the pre-filled data submitted into FINI by the distributors. The concentration analysis for placees will be available on FINI real-time as and when distributors submit their placee lists.

13. Question: Will FINI be able to cater for deferred settlement of shares under specific circumstances e.g. stock borrowing arrangements?

Answer: FINI does not change the practices and procedures related to the over-allocations of shares or stabilization actions. Underwriters may continue to elect for delayed delivery of securities and determine how such delivery of securities will be covered after listing, so long the settlement arrangements adhere to the terms and conditions set out in the issuer's prospectus and do not act in contravention to the Section 170 of the Securities and Futures Ordinance. For the avoidance of doubt, deferred payment of shares is not allowed in any circumstances.

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D. Regulatory Submissions

14. Question: When will the allotment results be made available?

Answer: The current practice will not change and the allotment results will be available after the regulators clear the placee lists. However, FINI will generate the allotment result announcement based on pre-filled data and provide the concentration analysis real-time as and when distributors submit their placee lists (see Question 12).

15. Question: As FINI does not communicate with the e-Submission System (ESS), does this mean that listing applicants have to submit certain documents twice?

Answer: Only the allotment results announcement is required to be submitted to the Listing Division and SFC on FINI and separately uploaded onto ESS after obtaining clearance. Other than the allotment results announcement, no other documents that are required to be uploaded onto ESS will be processed on FINI.

16. Question: Has the Exchange considered the recently updated Guidance Letter HKEX-GL55-13 (administrative matters in relation to using HKEX-ESS to submit Listing e-Forms and other documents) when designing the workflows of FINI?

Answer: The Listing Division is currently looking into the potential changes required under the Listing Rules and guidance materials (including HKEX-GL55-13) regarding the implementation of FINI. We will consult the market for any proposed Listing Rules amendments and the Listing Division will update the related guidance materials prior to the roll-out of FINI, allowing the market practitioners to familiarise themselves with any changes.

E. Feasibility of T+1 Settlement Timetable

17. Question: Will FINI be able to accommodate a listing timetable longer than T+1?

Answer: Yes, although the use of the FINI platform to collate and digitalise data is mandatory, FINI will accommodate other IPO settlement timetables of listing applicants based on specific circumstances (see Question 10). The T+1 IPO settlement timetable is the shortest timeframe and enables key benefits to a listing applicant and its investors.

18. Question: Have the share registrars confirmed that the timeframe for moving shares between jurisdictions under FINI's T+1 IPO settlement timetable is workable?

Answer: HKEX has consulted the Federation of Share Registrars Limited (FSR) throughout the various stages of the FINI proposal, and continues to solicit feedback from the FSR on refining the timeframe for moving shares between jurisdictions under FINI's T+1 IPO settlement timetable.

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F. Technological Arrangements

19. Question: Where will the server hosting the inputted data be located?

Answer: All servers and information retained by FINI (inclusive of backups) are hosted within Hong Kong.

20. Question: What are the operating hours of FINI and is there a contingent plan if the system is down?

Answer: The operating hours of FINI are proposed to be 24 hours a day, seven days a week. FINI is designed to achieve high availability, except for maintenance period which will be communicated to users in advance.

FINI will be hosted on multiple cloud data centres across availability zones, each capable of supporting all FINI functions independently. Further details on disaster recovery arrangements will be published after the feedback period of the Concept Paper.

21. Question: What languages will FINI support?

Answer: The display of FINI's primary user functions will only be available in English. FINI will support the inputting of all UTF-8 characters, such as Chinese for the names of public offer tranche applicants and placees in the institutional offer tranche.

22. Question: Will FINI only be accessible from computers?

Answer: FINI is a web-based application, accessible from any web browser on a computer, tablet or mobile device. As different devices have different display resolution, we are currently designing the web interface to suit different devices.