

Corporate and Investor Communications Department
Hong Kong Exchanges and Clearing Limited
12/F, One International Finance Centre
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Central, Hong Kong

BY POST AND EMAIL (response@hkex.com.hk)

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Dear Sirs

Re: Consultation Paper on a Listing Regime for Companies from Emerging and Innovative Sectors (the "Paper") published by The Stock Exchange of Hong Kong Limited ("HKSE")

The HeungKong Financial Group welcomes the opportunity to respond to the HKSE's request for comments on the Paper issued in February 2018. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Paper.

As market practitioners, we support the introduction of the new chapters and modifications to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Rules") to address some of the shortcomings of the current market regime and are in general agreement with the proposals raised in the Paper. Set out below are our more specific comments on the details of the proposals. We express no particular views on matters which are not addressed below.

1. Biotech Companies

Target companies

- 1.1 We are supportive of enabling pre-profit Biotech Companies to list on the HKSE and believe that the implementation of the Biotech Chapter will not only diversify the types of issuers listed on HKSE but also potentially benefit the greater good by facilitating the fundraising by companies dedicated to the development of science.
- 1.2 We therefore agree broadly with the proposed modifications to the existing listing requirements to cater for pre-profit Biotech Companies engaged in the R&D, application and commercialisation of Regulated Products. However, we would recommend that the definition of "Regulated Products" be broadened to include biotech products with applications on animal, plants and other organisms, in addition to human medicine which is currently covered by the Paper.
- 1.3 Biotech products and processes targeted at non-human subjects may have considerable prospects for commercialisation and profitability, particularly if the biotech products impact on agriculture, livestock farming or maintenance of efficient ecosystems. For applicants engaged in the R&D of biotech

products which are regulated by Competent Authorities but for which human trials may not be required, we suggest that HKSE and the Securities and Futures Commission formulate specific alternative rules in the Biotech chapter or at least provide specific guidance in the form of guidance letters to enable such applicants to ascertain with greater clarity and certainty their eligibility for listing under the Biotech Chapter.

Ongoing listing requirements

- 1.4 “Shell” manufacturing has been a prevalent and unhealthy practice in the industry in recent years. Whilst eligibility requirements (such as minimum market capitalisation) and an accelerated de-listing process are useful means of discouraging this activity, we are of the view that enhanced ongoing listing requirements applicable to biotech issuers would also be desirable and should be discussed in the new chapter. Continuing obligations should also take into account the ability of the issuer to achieve the expected development progress for Core Products, allowing investors to assess and properly value the prospects of the pre-profit biotech companies after listing.

2. Issuers with WVR structures

High growth trajectory of potential issuers with WVR structures

- 2.1 As a market practitioner, we strongly support the HKSE’s efforts to attract high quality, high growth and innovative companies to list in Hong Kong and agree that there should be flexibility in allowing companies with WVR structures to list. However, “high growth trajectory” may, in the absence of quantification, be an elusive concept and we believe that specific guidance on how “high growth” is measured would (i) enable investors to better assess the prospects of the issuer; and (ii) ensure that only profitable and truly high growth companies which justify a departure from the “one share one vote” principle are listed.

We welcome the HKSE’s initiatives to develop the listing regime for companies from emerging and innovative sectors to enhance Hong Kong’s competitiveness as a leading international financial centre. The HeungKong Financial Group firmly believes that a regime which attracts a more diverse range of companies while preserving high regulatory standards will support the healthy development of the market which will, in turn, benefit both investors and market practitioners.

Yours faithfully

For and on behalf of the HeungKong Financial Group



Tony You
Chief Executive Officer