

Hong Kong Venture Capital and Private Equity Association
香港創業及私募投資協會



23rd March, 2018

Re: Emerging and Innovative Companies CP

By email to: response@hkex.com.hk

Dear Sir/Madam,

Comments on HKEx's Consultation Paper:

A Listing Regime for Companies from Emerging and Innovative Sectors

HKVCA is highly supportive of HKEx's initiative to review and possibly amend listing rules to maintain Stock Exchange of Hong Kong as a relevant and up-to-date listing venue.

The proposals outlined in the February 2018 Consultation Paper 'A Listing Regime for Companies from Emerging and Innovative Sectors' is effective in outlining reforms for listings in biotech businesses, companies with Weighted Voting Rights (WVR) and Secondary offerings. We feel that the Consultation Paper appears to balance the need for change with protecting shareholder rights and the integrity of HKEx as a high quality listing venue.

HKVCA is supportive of the overall message in the consultation document and has a few additional comments for your consideration:

Biotech companies

- We recognise that biotech businesses can be attractive high growth investment opportunities – and many may have some characteristics which qualify them as superior businesses which are suitable for public listings;
- Without wishing to diminish the importance of this particular sector – might it be worth including wording that states that HKEx will seek to identify, in the future, other such sectors (such as Fintech) which may merit similar treatment;
- Given that under the current listing process, HKEx uses special subcommittees to deal with a concentration of listings within a certain industrial sector. Would HKEx consider having a Listing Sub-Committee for the biotech companies? This could be made up of industry experts who are able to vet the applications for listing under the "B" category for biotech as a suggestion.



Weighted Voting Rights

- To further emphasise the importance of 'enhanced corporate governance' in firms are granted WVR, could you spell out the key corporate governance factors that the HKEx will take into account when assessing the applicant's request;
- There is merit in encouraging applicants who wish to be granted WVR as a listed company to consider voluntarily building in a timetable for these rights to expire. In order to incentivise companies to choose this option, it could be spelled out that this would increase their chances of being awarded these rights;
- In order to enhance the enforcement of highest standards for corporate governance, perhaps the HKEx should consider a penalty system that would discourage behavior without reaching it. Further, it might make sense that one such penalty could be the loss of WVR if a party is found to be below some objective standards;
- In Para 128, which lists voting matters where WVR will not apply, the inclusion of votes on transactions with connected parties and executive remuneration should be added.

Secondary Listings

- HKVCA is currently looking at ways in which 'listed private equity' firms or vehicles might obtain a listing in HK as a way to broaden the product offering in the HK stock market and further HK as the leading private equity centre in Asia. One possible intermediate route for this goal might be the secondary listing of existing listed private equity companies or funds listed elsewhere, such as London. Although listed private equity may not be considered emerging or innovative industries, it will offer Asian investors a worthwhile investment product that is currently difficult for them to access and create substantial spillover benefits to the HK financial industry.

About HKVCA

HKVCA is a member-based trade association which was established in Hong Kong in 1987 currently with 401 members of whom 240 are Hong Kong based private equity managers across the full spectrum of the industry from venture capital, through growth capital and growth buyouts to institutional fund investors, fund of funds and secondary investors. HKVCA represents small teams investing in start-ups as well as 9 of the 10 largest global private equity firms.