

Date: July 17, 2017

To: Stock Exchange of Hong Kong Limited

From: Johnson Yiu-Nam Lau

Re: New Board Concept Paper

I am writing this commentary in my own capacity as a Hong Kong citizen who has considerable experience in the capital market in the United States.

First of all, I would like to comment that the attached concept paper is well-prepared, and provides a good balance with regard to the challenges facing the Hong Kong capital market, including the positive side for Hong Kong's capital market and the potential risk for the retail investors. The document presents a thoughtful approach to stimulating the next stage of growth in Hong Kong. The mastermind behind the paper and the team that prepared it should be congratulated.

After giving this a great deal of thought, I am in favor of moving forward with this plan. As in any business, if you do not advance on time, you will fall behind. There is also the right time to make the next move and I believe this is a well-framed plan ready to help Hong Kong now. Most of the Hong Kong investors are sophisticated and with public education, Hong Kong is ready for this New Board.

I do have a few suggestions that may be helpful to the team and please allow me to share my opinions here:

- (1) It may be worth it to consider implementing this plan in stages. The first stage should include companies that are more like a "sure win". This may help foster a positive sentiment. The next stage may include companies with a little bit more risk and even the final stage should include companies that have a reasonable success/risk profile. This will help build up and keep the reputation of the New Board.
- (2) One of the challenges for an institution is to have enough flexibility for the institution and offer sufficient flexibility to the managing board to ensure a good and quick adaptation. In this regard, it may be a good idea to have a more malleable set of criteria and at the same time allow the managing board enough room for them to adjust accordingly to different situations and challenges. Hong Kong has a lot of experienced people and this will allow the New Board to maximally tap into the experience of these people.
- (3) It may also be important to set up an advisory Board that consists of capital market experts and successful company executives from Hong Kong, United States and European Union and they should meet two to three times per year. This way, the New Board can tap into the experience of the other regions and can also have the right channels to enquire the experience and practices of the other main exchanges globally.
- (4) It may also be a good idea to manage the ratio of companies from Hong Kong, Mainland, and other developed countries so that this represents a more balanced global New Board.

All my suggestions are minor execution strategies for the New Board to consider. Overall, I would like to provide my strong support for this concept/initiative to go forward.