

Hello

I enjoyed Charles Li's talk about the new board and he and various others pressed for us to respond with our feedback.

Although I attended in my capacity as the founder of a HK Fintech company which is on course I hope for listing in the future and probably in HK, I do nevertheless have extensive experience from my time at Goldman Sachs as a senior head trader, NASDAQ wholesale market maker and latterly quant hedge fund manager so I do believe I come from a well informed background to make comments on this proposal.

Although I commend The HKEX for being creative, I am **against** this new Board concept. I think its not the place of an exchange to perform the function of providing access to start ups looking for funding. This may surprise you considering I am own a start up. The reputational risks for HKEX are too high.

Now let me explain with various bullet points:

The GEMS market concept was a sound one. Unfortunately it became a conduit for questionable companies, accounting and eventually back door listings for mainland Chinese companies. If your focus is the latter you are going to attempt to list companies of little intrinsic value via shells. The new proposals for the GEMS are an improvement to rectifying the current situation. It is a pity as I reiterate the concept is sound but it was implemented poorly and did not react in time.

I basically don't believe companies will be truthful, intentional or unintentional.

It the the function of the the private sector e.g. VC's, Angels, PE or even crowd funding to fund start ups looking for funding.

As they mature they can then list in time

The HKEX must not become a conduit for companies spinning their stories as they wish, by misinforming potential investors without any real financials backing them up. It is the fiduciary responsibility of the exchange to make sure their reputation remains sound and protect investors from founders, companies etc. spinning/ hyping their stories. Rest assured the hype and spin be it intentional or not will make this board a conduit for a lot of rubbish being listed. There is no way of qualifying anything the company will say. Of course some great companies will come through but they would anyway through the private sector.

Medical research is a classic example of a company needing funding NOT being suited for listing but by through the private sector through grants etc to fund such research. Monetising medical research can take a longtime. In addition the amount of medical fraud, intentional/ unintentional curve fitted medical simulations etc. and related research fraud is enormous in the world. just google it.

The new board seems an example of a combination of the Cyberport, HK Invest, Science Park pushing their related mandates without thinking agnostically about what the downside for HK and the exchange could be. Saying these type of companies are

high risk anyway is missing the point. Its the return vs the risk and i don't believe the risk will be realistically conveyed and that is the fundamental problem.

One of my bosses once told me, figure out how someone is paid and it will tell you how he/ she will act. One needs to step back from your independent motivations and see how it will help HK overall and the associated downside for the exchange and our reputation.

Whether unprofitable companies should be allowed to list is another discussion.

On the market micro structure, an order driven market is a sound one versus a quote driven one as HKEX has, but for liquid stocks. For illiquid stocks it is inappropriate. It creates volatility and is an easy conduit for market manipulation. Pink sheets in the USA are quote driven for example.

Am surprised the VC/ PE community thinks this is a good idea. It effectively negates their function to a certain extent. It is their function to find, review and conduct due diligence on private companies and make investment decisions as such. Taking a look at a companies self prepared prospectus doesn't do this for a start up.

I have no defined opinion yet on dual class listings. My instinct tells me its inappropriate due to my sense of equality and as such I presently only have one share class in my company for example. However I do understand why they exist. If it is something we want to entertain then perhaps the GEMS market could consider it. I do think it can be 'saved'.

The new board will effectively become another version of the GEMS market but with little financials at all backing companies up and will effectively become a casino.

Pls excuse the lack of structure and grammar as I just quickly jotted down my thoughts.

Thanks

Riccardo Capelvenere