



霍金路偉律師行

Hogan Lovells
11th Floor, One Pacific Place
88 Queensway
Hong Kong

霍金路偉律師行
香港金鐘道88號
太古廣場一座11樓

T 電話 +852 2219 0888
F 傳真 +852 2219 0222
DX No 225017 Wanchai 1
www.hogantovells.com

13 March 2018

By email (response@hkex.com.hk)

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

Sammy Li
Partner

Nelson Tang
Partner

Our ref LISAMMY/TANGNELS/1880617

Dear Sirs

RE: EMERGING AND INNOVATIVE COMPANIES CP

We refer to The Stock Exchange of Hong Kong Limited's ("HKEx") Consultation Paper titled "A Listing Regime For Companies From Emerging and Innovative Sectors" (the "Consultation Paper") issued on 23 February 2018. Terms used in our comments below have the same meanings as those defined in the Consultation Paper.

Restrictions on Cornerstones

In respect of the Restrictions on Cornerstones set out at paragraphs 84-86 of the Consultation Paper and Rule 18A.06 of the proposed new Chapter 18A, we have the following comments:

1. We are of the view that the proposal regarding the restriction that cornerstone investors' investments do not count towards the public float at the time of listing is unnecessary.
2. We appreciate that the pricing process for IPOs of Biotech Companies should be as market-driven as possible. However, we fail to see how the proposed restriction will help in that respect.
3. Cornerstone investors typically comprise institutional investors, state-linked investment vehicles, sovereign wealth funds, asset managers, hedge funds, and/or high-net-worth individuals. Cornerstone investors are given "confirmed" allocation prior to the launch of an offering relating to an IPO, and in return they are required to be locked up for a period of time after the listing. These investors tend to be highly sophisticated investors, very often with specific industry sector expertise. They are also generally the most savvy and

Partners
P P Shrimpton
A C Y Leung
T A Fletcher
T C Hill
M Lin
O Chan
D Y C So
C J Dobby
A Wanjop-Sastry
M D R Parsons
S Tran
B May
N W O Tang
E I Low
J P Kwan
S K S Li

Counsel
A D E Cobden
S C Bessik
K K S Wong
K G W Lee
L H S Leung
E Seto
S C H Lum

Foreign Legal
Consultants
S Peapels
(Pennsylvania, USA)
M Woo
(New South Wales,
Australia)

Hogan Lovells is an affiliated business of Hogan Lovells International LLP, a limited liability partnership registered in England and Wales

Hogan Lovells is part of an international legal practice that includes Hogan Lovells International LLP, Hogan Lovells US LLP and their affiliated businesses, with offices in: Alicante Amsterdam Baltimore Beijing Birmingham Boston Brussels Colorado Springs Denver Dubai Dusseldorf Frankfurt Hamburg Hanoi Ho Chi Minh City Hong Kong Houston Johannesburg London Los Angeles Luxembourg Madrid Mexico City Miami Milan Minneapolis Monterrey Moscow Munich New York Northern Virginia Paris Perth Philadelphia Rio de Janeiro Rome San Francisco São Paulo Shanghai Silicon Valley Singapore Sydney Tokyo Warsaw Washington, D.C. Associated Offices: Budapest Jakarta Shanghai FTZ Ulaanbaatar Zagreb. Business Service Centers: Johannesburg Louisville.

The word "partner" is used to describe a partner or member of Hogan Lovells International LLP, Hogan Lovells US LLP or any of their affiliated entities or any employee or consultant with equivalent standing. Certain individuals, who are designated as partners, but who are not members of Hogan Lovells International LLP, do not hold qualifications equivalent to members. For more information about Hogan Lovells, the partners and their qualifications, see www.hogantovells.com.

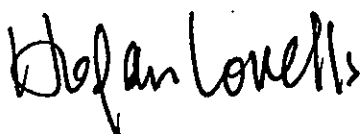
Hogan Lovells is a member of the Sino Global Legal Alliance with offices in: Beijing Changsha Chengdu Chongqing Dalian Guangzhou Hangzhou Hong Kong Jinan Kunming Lanzhou Shanghai Shenyang Shenzhen Tianjin Wuhan Xiamen Xian and of the Pacific Rim Advisory Council with member offices in: Argentina Australia Brazil Canada Chile China (Mainland) Colombia France Hong Kong India Indonesia Japan Korea Malaysia Mexico Netherlands New Zealand Peru Philippines Singapore Taiwan Thailand USA Venezuela.

experienced in the pricing of equity deals. Their agreement to a price or price range is usually a good endorsement of the reasonableness of the pricing of the shares of an issuer.

4. Investment by these sophisticated investors also provides useful guidance to the general investment public regarding the credibility of the listing applicant. This is especially important in the biotech sector, a highly technical sector where significant expertise is needed to decipher the extent of possible use, and potential, of the underlying technology of these biotech companies. However, some of these investors may only agree to participate in an investment opportunity if they are guaranteed a sufficiently sizeable allocation. If they are discouraged to participate as "cornerstones" (and thus lose a guaranteed allocation), they may not participate at all. We do not support any mechanism that might negatively impact the participation by this group of cornerstone investors.
5. We believe that, if the proposed restriction becomes effective, some sponsors / bookrunners may become less motivated to reach out to cornerstone investors or include them in their book-building process, as it would increase the difficulty for them to fill their books yet – at the same time - ensuring the mandatory healthy public float upon listing, thereby negatively impacting the participation of this group of investors.
6. We understand that the HKEx would want to reduce the influence of pre-arranged deals on the book-building process. We suspect that the HKEx is particularly concerned with participation by the "friends and family" participants. We agree that participation by "friends and family" can sometimes skew the pricing mechanism thereby preventing the pricing mechanism to be as market-driven as possible, given a lot of these investors participate with a view to "covering the book", rather than treating it as a bona fide investment opportunity. If that is indeed what the HKEx is keen to prevent, it should consider limiting the participation of only this category of investors and not bona fide sophisticated investors who may only agree to participate as cornerstone investors.

If you have any questions on the enclosed, please do not hesitate to contact Sammy Li or Nelson Tang through the contact details set out above.

Yours faithfully



Hogan Lovells