

From: [Redacted]
Sent: 23 March 2018 02:34
To: response
Subject: Re: Emerging and Innovative Companies CP

Dear Sir/Madam,

I am writing to express my view on the abovementioned Consultation.

1. In general I'm supportive towards the Consultation but would like to comment on the following few sections:

Restriction on Cornerstones for Biotech Company

2. Limiting the shares subscribed by cornerstone investors in the IPO as non-public float may makes the entire aim to promote listing of Biotech Company futile.

3. Given the high risk nature of Biotech Company, investment by publicly well-known investors is a key message send to public investors that the Biotech Company is a good investment. I believe the Exchange also recognize this and thus introducing the requirement of Sophisticated Investor.

4. With the restriction on cornerstones investors imposed, professional investors who may be potential cornerstone investors might simply ask such investors to invest as Pre-IPO round investors, and reducing the public access to potentially high growth Biotech Company.

5. Considering that there is already at least one Sophisticated Investor with meaningful investment in the Biotech Company, without clearly defined what a meaningful investment is, here I assume Exchange would expect such Sophisticated Investor would remain as a substantial shareholder of the Biotech Company after the IPO i.e. not counted towards public float. The restriction on cornerstone investors therefore means that if the Biotech Company introduce a cornerstone investor to the IPO, they may need to offer more than 25% of their shares for sale during IPO. This will further reduce the controlling shareholders' stake in the Biotech Company, possibly below 50% after IPO. (e.g. 70% pre-IPO x (1 - 30% offer shares assuming the cornerstone investor takes 5% post-IPO shareholding) = 49%)

6. The falling of shareholding to below 50% will definitely discourage the controlling shareholders of such Biotech Company to take their company to Hong Kong

Protecting Non-WVR Shareholders Rights to Vote

7. It is stated in paragraph 114 of the Consultation that it is allowed to reduce the WVR power

8. Given that the Exchange mandates non-WVR shareholders power to convene a general meeting and mandate a one-share-one-vote basis for changing the company's constitutional documents and resolutions to amend the rights attached to any class of shares, it is very easy for the non-WVR shareholders to abolish the WVR structure, or appoint external directors into the board to take over the company, or any other hostile action against the controlling shareholder or WVR shareholders anytime after the IPO. This greatly impaired the original purpose of allowing WVR structure companies to come to Hong Kong

Restriction on Transfer of Shares with Weighted Voting Rights

9. I would like to ask if the WVR shareholder is allowed to participate in a top-up placing without affecting the WVR structure. According to the currently proposed R8A.20, it seems not as the WVR shares cannot be used for a top-up

placement without losing the WVR attached thereto. Would this significantly limit the high efficiency needed by the New Economy companies in a placement?

Compliance Adviser (R8A.34)

10. Why a compliance adviser is mandated for WVR structure issuer permanently? Ain't such issuer has a qualified company secretary that, supposedly, should understand the requirement under Listing Rules?

Conditions for Listing of Biotech Companies (R18A.03)

11. Given the importance of Sophisticated Investor in a potential Biotech Company listing candidate, I would expect such requirement be codified in the Listing Rules but not briefly and vaguely described by way of issuing a Guidance Letter to bury such requirement in R18A.03(1) after the new rules become effective.

12. I would also expect some disclosure on how "sophisticated" is the Sophisticated Investor including but not limited to the factors Exchange considered such as net assets or assets under management, relevant investment experience, and the investor's knowledge and expertise in the relevant field required under Rule 18A.04.

Thank you for your attention.

Best Regards,

C.Y. Wong

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