

**From:** David Chen <[REDACTED]>  
**Sent:** 23 March 2018 07:38  
**To:** response  
**Cc:** Rachel Gong  
**Subject:** Feedback to HKEX proposed biotech listing rules and guidelines

Dear Madam/Sir,

My name is David Chen. I am the co-founder of BFC Group, a Shanghai based biotech investment banking firm. I first want to thank the exchange for taking the initiative to open the door for the biotech company to be listed HKEX. While I am happy to see the overwhelming enthusiasm of the Chinese biotech companies to HKEX listing, I am quite concerned about the quality of some of the biotech to be listed at HKEX.

I want to make some comments regarding the market acceptance of those biotech companies to be listed in HKEX. I would strong encourage HKEX to adopt the successful out-licensing/partnership deal to an established global player as one of the key market acceptance measures for HKEX listing. Let me try to explain this in details as below:

- “successful out-licensing to an established global player” means a license deal/partnership deal is signed between a biotech company to be listed in HKEX to global biopharma companies
- A typical licensing deal/partnership deal will have an upfront payment, milestone payment (including regulatory milestone payment and sales milestone payment, and royalties. A meaningful out-licensing deal/partnership deal for a novel therapeutic product will have 5 million USD or more upfront payment.
- The out-licensing/partnership deal has to be signed between a Chinese biotech and an established global player. The established global payer could be in two category:
  - 1<sup>st</sup> category: **global** big pharma with market cap more than 10 billion USD
  - 2<sup>nd</sup> category: emerging **global** biotech company with market cap between 1 billion to 10 billion USD
  - I want to emphasize “**global**” to make sure the deal has been signed between a biotech company to be listed in HKEX and a biopharma companies publicly listed in US/Europe/Japan/Israel

We think the out-licensing/partnership deal is the best validation of the competitiveness of the biotech companies to be listed in HKEX. As you may agree, if a sophisticated global payer is willing to pay a meaningful upfront for the product or technology from a company to be listed in HKEX, it means the followings:

- Integrity of science
- Global competitive technology or product
- Strong IP position

The requirement I propose is quite high for most of the Chinese biotech companies, but is quite commonly adopted by many of the biotech companies to be listed in Nasdaq. The adoption of such requirement by HKEX will also encourage many of Chinese biotech companies to work hard to meet such requirement, which will be quite beneficial to the biotech companies themselves.

In the end, I want to ask HKEX not to value too much of in-licensing deal between a Chinese biotech company and a western pharma company. While some of the in-licensing deals are quite valuable, many of western biotech companies are looking to sell their de-prioritized asset to Chinese biotech companies. Such in-licensing deal can be easily done with some cash and will not provide any of the market validation needed for HKEX listing.

Please do not hesitate to let me know if I can be of any further any assistance to this matter. Thanks again for all the hard work the HKEX has put together. I can be reached by email [REDACTED]

With kind regards.

-----

David Chen

BFC Group

[REDACTED]

[REDACTED]

[REDACTED]

Web: [www.bfcgroup.biz](http://www.bfcgroup.biz)

WeChat: bfcgroup