

From: Bin Li [mailto:]
Sent: Thursday, March 22, 2018 10:45 PM
To: Grace Kan
Subject: 回复 : 回复 : Query

James and Grace, thanks for putting together a great summit today.

I was trying to provide our feedbacks related to the follow-on placement issues we have discussed. However, I could not find the reply link online. So please allow me to provide the text as follow to meet the deadline:

Regarding the listing rules for Biotech Companies, we would suggest to remove the restrictions of substantial shareholders from participation in follow-on placement.

According to Chapter 14 of the incumbent listing rule, issuance of new securities by a listed issuer to a substantial shareholder (defined as shareholder with over 10% of voting power) will trigger connected person transaction and would be subject to shareholder approvals over general meeting.

We would argue that this restriction is not fitful for the biotech industry.

Biotech companies by nature demand long-term and intense capital investment. Follow-on issuance is of high probability and frequency. Many pre-IPO investors tend to hold long and gradually increase their shareholding as the company' s pipelines progress. 10% share of ownership can be easily surpassed.

Meanwhile, pre-IPO investors, given their knowledge of the Company, are most willingly and likely to support the company during the follow-on issuance. The 10% restriction will deter the real long term investors from providing capital resources to the biotech companies in need, hence impact the efficiency of the capital market.

Unlike the other sectors, biotech investment has significantly high knowledge barriers thus sophisticated investors are numbered. The 10% restriction may effectively reduce the number of quality investors participating in follow-on offerings.

We believe new listing rules for Biotech sector shall encourage risk taking of sophisticated investors. Removing hurdles of follow-on participation contributes to the efficiency of fund raising for Biotech companies and best address their capital needs at all stages of their development, including post-IPO stage.

Regards

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