HKEX in Biotech
Connecting the Healthcare Industry

A warm welcome to our fourth issue of HKEX’s Biotech newsletter. In this edition, we relive some of the most memorable moments from our 2020 Biotech Summit, and reflect on the significant number of healthcare companies that have listed in Hong Kong over the past two years.

Starting with this issue, we are inviting healthcare stakeholders to share their thoughts on the market, their experience, and their views. To kick this off, Vanessa Huang, a member of the HKEX Biotech Advisory Panel, shares her views on Charles Li’s vision for HKEX to become the world’s number one biotech IPO venue.

We hope you enjoy this issue and we welcome your feedback and your thoughts on the content and themes that you would like to see in the future.

HKEX Biotech Summit 2020 Highlights

A big thank you to those who joined our flagship event, HKEX Biotech Summit 2020. Healthcare companies’ leaders and investors joined us online to discuss the changing global biotech landscape, opportunities and challenges emerging from the COVID-19 pandemic, and Hong Kong’s potential to be the global biotech IPO fundraising hub. The event was rebroadcast via Bloomberg’s Facebook and Twitter channels with first-day views topping 115,000.

Since HKEX launched Chapter 18A in 2018, which allowed the listing of pre-revenue biotech companies in Hong Kong, Hong Kong has become the largest biotech fundraising venue in Asia.

Laura M Cha
Chairman of HKEX

Hong Kong is now the world’s second-largest biotech IPO fundraising centre and it may even become the world’s largest in the next five to ten years.

Charles Li
Chief Executive of HKEX
The current stage of life science and biotech development is akin to Cambrian stage of the geological period, whereby there is a great explosion of various kinds of companies, driven by sound regulatory system and market economy.

In the field of health and life sciences, it is not a zero sum game, it is a “positive sum game”.

**Zhang Lei**
Founder and Chief Executive of Hillhouse Capital Management

Biotech stocks in Hong Kong have formed an ‘Agglomeration Effect’.

As we gather more experience and sophistication in the Biotech Chapter, we will look into providing more guidance on different aspects of interpretation.

**Bonnie Y Chan**
Head of Listing of HKEX

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**Key event statistics**

- 115,000+ First-day Views
- 26+ Countries & Regions Represented
- 33 Company Roadshows
- 60+ Media Coverage

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**Views from our participants**

- 40% believe China will be the first country to have COVID-19 vaccines ready for general use
- 2/3 believe a COVID-19 vaccine will only become available to the general public after Q2 2021.

Source: Polling results from Biotech Summit 2020

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**Healthcare musings: can HKEX be No.1 in biotech? - A macro view**

Ms. **Vanessa Huang** is currently a General Partner at BVCF Management. Prior to joining BVCF, she was Head of Emerging Asia Healthcare Investment Banking at J.P. Morgan. Ms. Huang gained biotech industry experience at Amgen. Ms. Huang is a member of the HKEX Biotech Advisory Panel and an independent non-executive director of Alibaba Health Information Technology Limited (Stock code: 00241).

Charles Li’s vision that HKEX can be the largest biotech IPO venue in the next five to ten years may sound ambitious, but when we look at the numbers and the context it is in fact quite achievable! My view is that two macro forces – continuous new company creation and global asset allocation demand – will serve as the main propellant to this quest.

The U.S. market is currently the largest biotech IPO venue with an average of ~45 biotech IPOs each year over the past five years and ~US$5 billion in IPO capital raised annually. Translating to HKEX terms – US$5 billion raise equates to ~US$20 billion in market cap at IPO (assuming an average of 25% float.) Can HKEX achieve such amount of biotech value creation?
Broadly speaking, market cap reflects the underlying sales/net income potential of a company. For healthcare companies that ultimately means the health needs of individuals. Most investors understand healthcare is defensive, i.e. human health is independent of economic situation. However, healthcare sector in emerging markets (“EM”) has an additional growth dimension – as countries build/modernize their hospital and treatment infrastructure, it leads to increased consumption of health services and products across all ages. There is often a fundamental under diagnosis and treatment in many EM countries. The shortage in services and products will continuously drive company creation. EM healthcare sector presents a unique and highly attractive investment profile of defensive growth that differentiates it from its developed market peers.

One can debate whether China still falls under EM but its healthcare sector exhibits very much a defensive growth profile as the government undertakes to improve health outcome for its citizens. The total U.S. healthcare market cap is ~US$5.5 trillion (i.e. all biotech, major pharma, specialty pharma, medtech, and services) while the total China healthcare market cap is ~US$1.5 trillion (~US$450 billion of HKEX listings plus ~US$1 trillion of China domestic listings.) While market cap is not the perfect reflection of sector value and part of the U.S. healthcare market cap represents global consumption, it is not hard to imagine we are still relatively early in the growth process given China has over 4x the U.S.’s population.

Indeed, HKEX healthcare market cap was only ~US$5 billion in 2009 when the first large scale healthcare IPO took place – over US$400 billion of healthcare market cap has been created since then with most companies from China.

Separately, there is a shortage of investible defensive growth market cap for global investors. Technically only the HKEX listings and Stock Connect names are freely available to international investors. This translates to ~US$500 billion in investible market cap for China healthcare sector, which is less than Johnson & Johnson + GSK. The rest of Emerging Asia, LatAm, and CEEMEA healthcare companies have ~US$600 billion in total market cap but many are listed on less liquid exchanges with currency risks.

Global asset allocation need has and will continue to drive strong investor demand for high quality China healthcare names. Unlike tech companies, most China healthcare companies do not list in the U.S., hence this is not a competition between the U.S. and HKEX. HKEX has created a new avenue that effectively serves the funding needs of China healthcare companies. It is a platform for global investors to capture the attractive investment profile China healthcare sector presents. This dedicated healthcare capital pool will in turn engender more China (or even global) healthcare companies to list on HKEX. And Charles may indeed realize his vision!

* Numbers in the article are rounded for ease of discussion. HKEX’s 18A listing pathway is open to all R&D focused pre-revenue companies within all subsectors of healthcare (i.e. drug, medtech and services.) While in the U.S. “biotech” refers to R&D focused high-growth drug companies, which historically is the most active IPO issuer group. Special thanks to J.P. Morgan capital markets team who always helps with data requests enthusiastically.
Congratulations to BeiGene and Innovent on their inclusion in Stock Connect

BeiGene and Innovent have become the first two Chapter 18A biotech companies to be added to Stock Connect, marking a great milestone in their development, and that of HKEX biotech ecosystem.

BeiGene and Innovent were listed under Chapter 18A in August and October 2018, and were granted approval to general listings in June 2019 and June 2020, respectively. Both companies were included in the Hang Seng Composite Index (HSCI), and subsequently Stock Connect, on 7 September 2020.

New Listing Regime

<table>
<thead>
<tr>
<th>Listing</th>
<th>August 2018</th>
<th>October 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>BeiGene</td>
<td>Listing</td>
<td></td>
</tr>
<tr>
<td>Innovent</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

BeiGene and Innovent were added to Stock Connect in August 2020.

Source: HKEX public disclosure, data as of 30 September 2020

Healthcare ecosystem update

While the global economy and capital markets have experienced significant volatility due to the COVID-19 pandemic, healthcare listing on HKEX has continued to show great resilience. The 21 healthcare companies listed under Chapter 18A have seen, on average, a 61% gain in their stock prices since IPO. On a year-to-date basis, they have risen by an average of 36% in 2020. Their combined average daily turnover has surged to HK$1.6 billion so far this year, compared to HK$270 million in the early days after the launch of Chapter 18A.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of 18A Listed Companies</th>
<th>Total IPO Fund Raise (HK$bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>2018</td>
<td>5</td>
<td>18.5</td>
</tr>
<tr>
<td>2019</td>
<td>14</td>
<td>34.5</td>
</tr>
<tr>
<td>2020</td>
<td>21</td>
<td>53.6</td>
</tr>
</tbody>
</table>

Note: 3 of the 21 18A companies transferred to general listing.
Source: HKEX data as of 30 September 2020

Since the introduction of the Biotech Chapter, 21 healthcare companies have been listed raising a total of HK$53.6 billion through IPO. Some of them have conducted follow-on offerings, which have raised an aggregate additional HK$46 billion. With the outbreak of the COVID-19 pandemic, eight of the listed biotech issuers have joined the global race to develop treatments and vaccines and have allocated substantial R&D resources for the effort.

HKEX has seen heightened interest in Chapter 18A from institutional investors and the retail market over the past two years. Seven Chapter 18A IPOs launched in 2020 amidst the COVID-19 pandemic, and all of them were oversubscribed. Ocumen Therapeutics and Peijia Medical Ltd. received 1,896 and 1,184 times retail oversubscription, respectively.

HKEX’s healthcare ecosystem has also taken shape since the launch of Chapter 18A. Issuers are more diversified in terms of healthcare subsector. Our pipeline of healthcare IPOs remains robust and there is a growing number of benchmarks that track and reflect the developments of the healthcare sector.
Healthcare companies listed on HKEX include biotechnology, pharmaceuticals, medical devices, medical services (hospital/clinic), and CRO/CDMO/CMO.

In terms of therapeutic focus, cancer is the most common, followed by other therapeutic areas including autoimmune, and cardiovascular diseases.

As of 30 September 2020, 21 healthcare companies had submitted listing applications, including nine healthcare companies pursuing a Chapter 18A listing. Our pipeline has been driven by an increasing number of new biotech innovations, including cell therapies and in-vitro diagnostics, as well as in-licensing business models.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>18A Status</th>
<th>Business</th>
<th>Core Product Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raily Aesthetic Medicine</td>
<td>Filed on 22 January 2020 (re-filed on 24 August 2020)</td>
<td>Aesthetic Medical</td>
<td>N/A</td>
</tr>
<tr>
<td>China Dental Medical</td>
<td>Filed on 10 February 2020 (re-filed on 24 August 2020)</td>
<td>Dental Clinic</td>
<td>N/A</td>
</tr>
<tr>
<td>Modern Chinese Medicine</td>
<td>Filed on 20 February 2020 (re-filed on 28 August 2020)</td>
<td>Chinese Medicine</td>
<td>Commercialised</td>
</tr>
<tr>
<td>Guodian Healthcare</td>
<td>Filed on 6 April 2020</td>
<td>Hospital</td>
<td>N/A</td>
</tr>
<tr>
<td>Mediwelcome Healthcare Service and Technology</td>
<td>Filed on 8 May 2020</td>
<td>Healthcare Marketing Solutions</td>
<td>N/A</td>
</tr>
<tr>
<td>Simcere Pharmaceutical</td>
<td>Filed on 10 June 2020</td>
<td>Pharmaceutical</td>
<td>Commercialised</td>
</tr>
<tr>
<td>Ascent ENT</td>
<td>Filed on 19 June 2020</td>
<td>ENT Services ²</td>
<td>N/A</td>
</tr>
<tr>
<td>RemeGen</td>
<td>Filed on 29 June 2020</td>
<td>Biotechnology</td>
<td>Phase III</td>
</tr>
<tr>
<td>Genor Biopharma</td>
<td>Filed on 30 June 2020 (re-filed on 13 September 2020)</td>
<td>Biotechnology</td>
<td>Phase III</td>
</tr>
<tr>
<td>Everest Medicines</td>
<td>Filed on 19 July 2020</td>
<td>Biotechnology</td>
<td>Phase III</td>
</tr>
<tr>
<td>JW Therapeutics</td>
<td>Filed on 14 August 2020</td>
<td>Biotechnology</td>
<td>Phase III</td>
</tr>
<tr>
<td>Harbour Biomed</td>
<td>Filed on 18 August 2020</td>
<td>Biotechnology</td>
<td>Phase II/III</td>
</tr>
<tr>
<td>Guangzhou Bio-Thera</td>
<td>Filed on 24 August 2020</td>
<td>Biotechnology</td>
<td>Approved to Market</td>
</tr>
<tr>
<td>Yidu Tech</td>
<td>Filed on 24 August 2020</td>
<td>Digital Healthcare</td>
<td>N/A</td>
</tr>
<tr>
<td>Antengene</td>
<td>Filed on 26 August 2020</td>
<td>Biotechnology</td>
<td>Phase II</td>
</tr>
<tr>
<td>SciClone</td>
<td>Filed on 8 September 2020</td>
<td>Biotechnology</td>
<td>Commercialised</td>
</tr>
<tr>
<td>Suzhou Basecare Medical</td>
<td>Filed on 17 September 2020</td>
<td>Medical Device</td>
<td>Registration Certification</td>
</tr>
<tr>
<td>Edding Group</td>
<td>Filed on 23 September 2020</td>
<td>Pharmaceutical</td>
<td>Commercialised</td>
</tr>
<tr>
<td>JBM Healthcare</td>
<td>Filed on 24 September 2020</td>
<td>Healthcare Products</td>
<td>Commercialised</td>
</tr>
<tr>
<td>JD Health</td>
<td>Filed on 27 September 2020</td>
<td>Health Management Platform</td>
<td>Commercialised</td>
</tr>
<tr>
<td>Jacobio Pharmaceutical</td>
<td>Filed on 30 September 2020</td>
<td>Biotechnology</td>
<td>Phase II</td>
</tr>
</tbody>
</table>

1. Clinical stage of the drugs is based on the time when the company filed A1 submission with SEHK.
2. Ear, Nose, And Throat

Source: HKEX Market data as of 30 September 2020
Chapter 18A companies inclusion in index products

**Hang Seng Hong Kong-Listed Biotech Index**

The Hang Seng Hong Kong-Listed Biotech Index launched in December 2019, reflects the overall performance of the healthcare companies listed in Hong Kong, including stocks listed through Chapter 18A. During this period of COVID-19 pandemic and volatile global markets, the Hang Seng Hong Kong-Listed Biotech Index outperformed (31.3%) the Heng Seng Index (-17.8%) and the other sectors indexes.

**Hang Seng Composite Index (HSCI)**

In August 2020, healthcare companies listed under Chapter 18A became eligible for inclusion in the HSCI. As a result of that, nine Chapter 18A companies were added to the HSCI. The eligibility of Chapter 18A listings for inclusion in the HSCI is a significant development for biotech companies seeking listing on HKEX.

Listing applicants and issuers now also benefit from a strengthened ecosystem with more biotech-trained investment bankers, lawyers, research analysts, and financial and commercial advisers. Investor education and communication continue to improve across the sector, which will support future growth.

**Meet the HKEX Global Issuer Services team**

Our talented team of professionals are dedicated to delivering on HKEX’s vision to be the global markets leader in the Asian time zone: Connecting China. Connecting the World. We are here to help you access expertise, business support and expand your reach amongst global investors. We look forward to hearing from you!

**2020 YTD performance**

<table>
<thead>
<tr>
<th>Index</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hang Seng Hong Kong-Listed Biotech Index</td>
<td>31.3%</td>
</tr>
<tr>
<td>Hang Seng Index</td>
<td>-17.8%</td>
</tr>
</tbody>
</table>

Source: Hang Seng Indexes, data as of 30 September 2020

**18A companies added into HSCI**

- Innoven Biologies, Inc
- Venus Medtech (Hangzhou) Inc.
- BeiGene, Ltd
- CanSino Biologies Inc.
- Ascentage Pharma Group International
- Akeso, Inc.
- Alphamab Oncology
- InnoCare Pharma Ltd.
- Peijia Medical Ltd.

1. Including Innoven and BeiGene which had transferred to general listing from Chapter 18A.

Source: Hang Seng Indexes press release on 14 August 2020

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