Trends Shaping the Biotech Industry

The life sciences industry is working tirelessly to develop new vaccines and therapeutics against Covid-19. The pandemic has weakened global economic growth and policymakers around the globe are responding to the downside risks, with the monetary easing cycle expected to continue in the coming months. The outbreak puts healthcare and biotech players under the spotlight, and HKEX, as the world’s biggest IPO market, is committed to providing financing opportunities to nurture research breakthroughs that can benefit people worldwide.

Image source: World Health Organization

2nd Anniversary of HKEX Biotech Listing

We are delighted that 28 biotech companies were listed on our Main Board in the two years since the introduction of Chapter 18A of Listing Rules to as of 30 April 2020, raising HK$82.5 billion in total. Amongst these, 16 pre-revenue biotech firms were listed through Chapter 18A, raising HK$39.7 billion and accounting for 6.7 per cent of IPO funds raised in Hong Kong during the period. The HKEX biotech sector has enjoyed strong growth with an increasingly diversified community of issuers. The group of 18A-listed companies includes biopharmaceuticals and medtech issuers, and are expected more emerging biotech subsectors in the future.
Several listed biotech companies have also successfully raised funds post-IPO. Innovent Biologics raised HK$4.8 billion in two rounds of share placement. BeiGene was granted approval to transit from Chapter 18A to a general listing on 28 June 2019, after it satisfied the revenue and market capitalisation test for listing under Chapter 8 of Listing Rules. Three H-share listed 18A companies also have announced subsequent STAR market dual listing plans.

As the world’s second largest biotech fundraising hub, the Exchange has seen heightened interest from global institutions and the retail market toward Chapter 18A over the past two years. To further develop this chapter and the biotech ecosystem in Hong Kong, on 30 April 2020 the HKEX published new and updated guidance letters for pre-revenue biotech companies, providing prospective issuers and the market with more clarity on the requirements for listing and required disclosures.

Highlights of the new and updated guidance materials include:

- One new Guidance Letter – HKEX-GL107-20 (Guidance on disclosure in listing documents for Biotech Companies)
- One updated Guidance Letter – HKEX-GL92-18 (Guidance on suitability for listing of Biotech Companies)
Covid-19 Impact on Biotech & Healthcare in HK

While the global economy and capital markets have been fiercely hit by the outbreak of Covid-19, the healthcare and biotech sector in Hong Kong has shown high resilience. In Q1 2020, the Hang Seng Healthcare Index outperformed Hang Seng Index and various HSCI Industry Indices.

Ten out of 16 listed companies’ shares have risen in value since late January 2020. InnoCare and Akeso, the two 18A IPOs launched in March and April 2020 during the pandemic, have received 298 and 692 times retail oversubscription respectively, and their share prices increased by 60% and 62% from IPO to 30 April 2020, respectively.

Source: Bloomberg, Refinitiv, data as at 30 April 2020

Since IPO From 20/1/2020
- CanSino +648% +159%
- Innovent +175% +17%
- Junshi +93% +45%
- Alphamab +67% +16%
- Venus Medtech +62% +18%
- Akeso +62% +63%*
- InnoCare +60% +60%*
- Ascentage -4% +5%
- Henlius -8% +9%
- Beigene -10% -9%
- Mabpharm -31% +3%
- CSTone -33% +26%
- TOT Biopharm -36% -5%
- SinoMab -58% -26%
- HuaMab -64% -38%
- Asclepis -80% -9%

*: InnoCare and Akeso listed on 23 March 2020 and 24 April 2020 respectively.
The pandemic rather strengthened the biotech companies’ appeal for fund raising, so the pipeline of healthcare and biotech IPOs in Hong Kong remains robust. As of 30 April 2020, 12 healthcare and biotech companies had submitted listing applications, including four pre-revenue biotech companies pursuing Chapter 18A listing.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>18A</th>
<th>Status</th>
<th>Domicile</th>
<th>Business</th>
<th>Product Stage</th>
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<tbody>
<tr>
<td>1 Kintor Pharma</td>
<td>✓</td>
<td>Filed on 31 Dec 2019</td>
<td>Suzhou</td>
<td>Pharmaceutical</td>
<td>Phase III</td>
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<tr>
<td>2 Raily Aesthetic Medicine</td>
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<td>Hangzhou</td>
<td>Aesthetic Medical</td>
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<tr>
<td>3 Hepalink Pharmaceutical</td>
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<td>Filed on 23 Jan 2020</td>
<td>Shenzhen</td>
<td>Pharmaceutical</td>
<td>Commercialised</td>
</tr>
<tr>
<td>4 Peijia Medical</td>
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<td>Suzhou</td>
<td>Medical Device</td>
<td>Confirmatory clinical trial</td>
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<tr>
<td>5 China Dental Medical</td>
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<td>Filed on 10 Feb 2020</td>
<td>Wenzhou</td>
<td>Dental Clinic</td>
<td>N/A</td>
</tr>
<tr>
<td>6 Hygeia Healthcare</td>
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<td>Filed on 17 Feb 2020</td>
<td>Shanghai</td>
<td>Hospital</td>
<td>N/A</td>
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<tr>
<td>7 Modern Chinese Medicine</td>
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<td>Filed on 20 Feb 2020</td>
<td>Chengde</td>
<td>Chinese Medicine</td>
<td>Commercialised</td>
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<td>Filed on 6 Mar 2020</td>
<td>Beijing</td>
<td>Biologics</td>
<td>Phase II</td>
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<td>9 Kangji Medical</td>
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<td>Filed on 27 Mar 2020</td>
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<td>Medical Device</td>
<td>Commercialised</td>
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<td>10 Guodan Healthcare</td>
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<td>Filed on 6 Apr 2020</td>
<td>Shenzhen</td>
<td>Hospital</td>
<td>N/A</td>
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<tr>
<td>11 Hangzhou Tigermed Consulting</td>
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<td>Filed on 23 Apr 2020</td>
<td>Hangzhou</td>
<td>CRO</td>
<td>Commercialised</td>
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<tr>
<td>12 Ocumension Therapeutics</td>
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<td>Filed on 29 Apr 2020</td>
<td>Shanghai</td>
<td>Pharmaceutical</td>
<td>Phase III</td>
</tr>
</tbody>
</table>

Source: Bloomberg, HKEX, data as at 30 April 2020. Note: 1) Clinical stage of the Core products is based on the time when the company filed A1 submission with SEHK.
Why choose Hong Kong for an IPO?
Three key reasons:
1) To connect with international shareholders including many healthcare specialist investors, in a market that is convenient for US funds to exit;
2) To leverage Hong Kong’s unique position and advantage as a global capital market for the company’s globalisation strategy, which is strategically important for large institutional investors and long-only investors;
3) To benefit from Hong Kong as the gateway for mainland China investors’ investment in high-growth medtech companies.

Can you share more insights into your success as the first 18A medtech IPO?
Positioning ourselves competitively to prosper and implement our globalisation strategy is essential. Investor education before and after the IPO is important for 18A companies and especially medtech as the new subsector. Venus Medtech devoted enormous time and efforts to investor education. We held 300 to 400 non-deal roadshow meetings with investors globally and have conducted investor days quarterly post IPO, as well as a number of webinars during the Covid-19 outbreak to communicate with investors and update them on the company’s development. These efforts help establish the mutual trust and long term commitment between the company and investors.

Any recommendations for other medtech companies interested in a Hong Kong IPO?
Be transparent and open to communication with all stakeholders, including regulators and investors. Secondly, carry out continuous and proactive investor education and communication. The IPO is not the finish line but a second start, thus the company should keep providing the market with updated information after IPO.

How has the IPO helped the company grow its business?
The IPO helps facilitate our globalisation strategy by attracting international talent, enriching global pipelines, and penetrating into overseas markets such as Europe and the Americas. We are committed to our mission to become a globally leading medtech player in the future.
The safety and well-being of our clients, partners and colleagues is our top priority. In light of the uncertainties surrounding the Covid-19 situation, we have decided to postpone the event to later 2020. We will announce new conference dates and arrangements as soon as possible.

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. Please do contact us to see how we can help you access expertise, business support and expand your reach amongst global investors.

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