

HKEX in Biotech

Covid-19 fuels the rise of healthcare tech

Welcome to HKEX in Biotech

A warm welcome to the first 2021 issue of HKEX in Biotech!

The global Covid-19 pandemic has put healthcare and biotech players into the spotlight. Scientists across the globe have been working tirelessly to develop both preventive and therapeutic strategies to address and respond to the virus. The world has also seen unprecedented financial investment and scientific collaboration, establishing a new framework for how vaccines are developed, with 61 vaccines in clinical development and 172 in pre-clinical development¹.

The Stock Exchange of Hong Kong, as the world's leading IPO market, is committed to providing support to biotechnology and life sciences businesses which focus on research and development that will benefit people around the world. The pandemic further reinforced the significance of the exchange as a global biotech and healthcare capital hub.

The past twelve months also saw Asian societies in general accelerate their adoption of digital health services such as internet-based healthcare, again setting the benchmark for healthcare of the future.

In this issue, we celebrate some of the biotech milestones of our listed issuers in 2020. We are also delighted to welcome Dong Cao, CFO of JD Health, to share his thoughts on the ascent of digital healthcare in China, his takeaways from the Hong Kong IPO journey, and the growth drivers for JD Health in the next few years.



¹ Source: World Health Organization, as of 31 December 2020

2020 healthcare listing achievements

The growth of healthcare listings

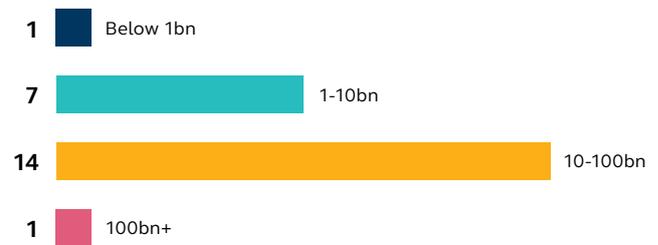
The global economy was fragile in 2020, and capital markets experienced significant volatility but healthcare listings in Hong Kong showed strong growth momentum and received significant market interest. The Hang Seng Hong Kong-Listed Biotech Index (+49.5%) notably outperformed the Hang Seng Index (-3.7%) in 2020.

In 2020, 23 healthcare companies completed their IPOs in Hong Kong, raising a total of HK\$98 billion, including 14 pre-revenue companies listed under Chapter 18A which together raised a total of HK\$40 billion. Healthcare companies listed in Hong Kong came from a wide range of sectors including biotechnology, pharmaceuticals, medical devices, medical services (hospital/clinic), CRO/CDMO/CMO² and digital health.

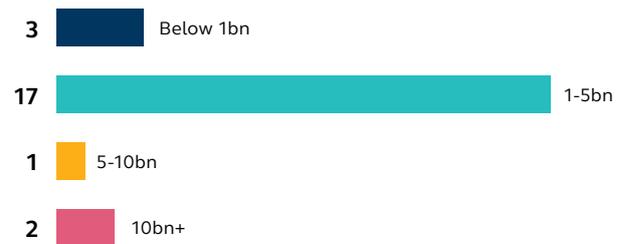
The healthcare companies listed in Hong Kong since the listing reforms of 2018 for emerging and innovative companies have seen, on average, a 63% gain in their stock prices since their respective IPOs. In 2020, their share prices rose by an average of 25%. Twenty-three healthcare issuers conducted follow-on offerings in 2020, raising an aggregate of HK\$105 billion.

² CRO: contract research organisations; CDMO: contract development and manufacturing organisation; CMO: contract manufacturing organisation

No. of healthcare companies listed in 2020 by market cap (HK\$)



No. of healthcare companies listed in 2020 by size of IPO fund raise (HK\$)



Source: HKEX Market data

HSCI/Stock Connect inclusion 2020

HSCI, SSE, SZSE Inclusion



- **Innovent**
- **BeiGene**

- **Peijia**
- **Innocare**
- **Akesobio**

HSCI, SZSE Inclusion



- **Alphamab Oncology**
- **Venus Medtech**
- **Ascentage Pharma**

Note: BeiGene and Innovent were transferred to general listing from Chapter 18A.

Healthcare companies listed under Chapter 18A became eligible for inclusion in the HSCI from August 2020, and eligible for inclusion in Southbound Stock Connect from November 2020. The eligibility of Chapter 18A listings for inclusion in the HSCI and Stock Connect is a significant development for biotech companies.



The emergence of China's digital health sub-sector



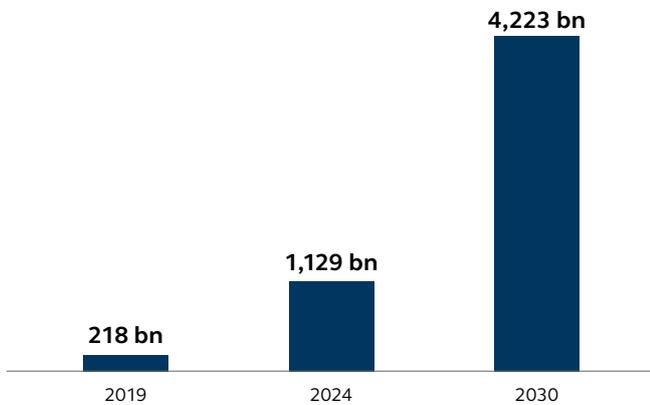
The digital health and wellness market consists of a wide range of services and participants, including online retail pharmacy, online consultation, online consumer healthcare, and digital healthcare infrastructure.

Traditional participants in the health and wellness market are increasingly focused on their digitalisation strategies, driven by “Internet + healthcare” related policies and the continued advancements in technology facilitating this evolving landscape. All of these factors have been accelerated by the Covid-19 outbreak.

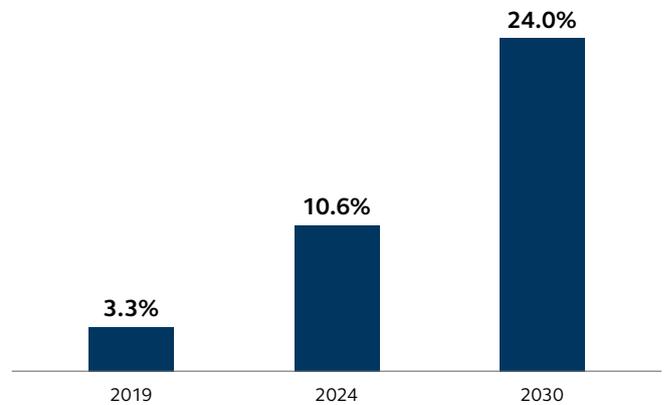
The digital market for healthcare is set to expand substantially in China given the labour-intensive nature

of the industry, the size of the market, and the benefits of using technology to optimise research, diagnosis, treatment, and distribution. This has led to a surge of growth for listed issuers in the digital healthcare subsector, including key Chinese players such as Ali Health, Ping An Healthcare, and JD Health. As of 31 December 2020, their combined market capitalisation was almost HK\$894 billion, and their share prices had increased an average of 111% in 2020.

China digital health market growth forecast (RMB bn)



China health market digitalisation forecast (%)



Source: Frost & Sullivan Report



JD Health and the rise of digital healthcare in China

Dong Cao is the Chief Financial Officer of JD Health. He joined JD.com in January 2012 and is in charge of finance and investment and financing at JD.com and its various subsidiaries. Before joining JD.com, he held senior finance and audit related positions at Beijing Ruiwodi International Education Technology Development Co., New Oriental Education & Technology Group, and KPMG. He is currently enrolled in the Executive MBA programme at China Europe International Business School.



Dong Cao
Chief Financial Officer
JD Health

Digital healthcare saw significant growth in China against the backdrop of Covid-19 in 2020. What are the prospects for the sub-sector going forward?

Dong: It was difficult to fulfil users' basic medical needs, especially for minor and chronic diseases through physical channels during the pandemic due to lockdowns and fear of cross-infection. People instead turned to online solutions for healthcare products and services. This enhanced the recognition of internet healthcare exponentially, cultivated users' behaviour, and drove the long-term growth opportunities for internet healthcare. In the long term, the theme of "internet + healthcare" will be centred on users. It will continuously enhance the accessibility and affordability of healthcare products and services and improve the efficiency and transparency of the industry in areas such as product distribution and healthcare services. Digital healthcare improves overall supply chain efficiency and the optimisation of medical resources. It allows users to benefit from obtaining high-quality, low-price healthcare products and services and thus better manage their health. It also enables all industry stakeholders, including pharmaceutical companies, hospitals, and doctors, to improve their operational efficiency.

What are your observations of the Hong Kong IPO journey? Describe your interaction with international investors.

Dong: Hong Kong's capital market provides a diversified and open platform for JD Health. Listing on the Main

Board of the Exchange offered us a good opportunity to interact with and learn from leading international investors, especially those with expertise in the healthcare sector. They were able to provide valuable advice and industry insights on our long-term strategy. We are committed to a long-term relationship with the Hong Kong capital markets and we are dedicated to increasing long-term shareholder value.

What are the key growth drivers for JD Health in the next three years? How can your access to international capital markets provide support?

Dong: JD Health will continue to strengthen our supply chain capabilities in healthcare products. We will also spare no effort in expanding our online healthcare services business. Our supply chain and online healthcare services create a dual engine, closed-loop business model which provides superior user experiences and thus will drive expansion of our user base and enhance user stickiness. Our mission is to become the trustworthy go-to health management platform for everyone in China.

Our close interaction with the capital markets helps us further build our brand awareness and attract top talent. In addition, supervision from international capital markets will enhance our corporate governance and transparency. The complementary supervision systems of both internal and external parties will incentivise our management to make prompt and efficient decisions for the business and focus on governance matters.

On behalf of the HKEX Global Issuer Services Team and our guest, JD Health, we hope that you enjoyed this edition of HKEX in Biotech. We are excited about the growth in the regional biotech community and we warmly welcome your feedback on this issue and your thoughts for content and themes that you would like us to cover in future editions.

Meet the HKEX Global Issuer Services team

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

If you would like to contact us, please email biosummit@hkex.com.hk

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