

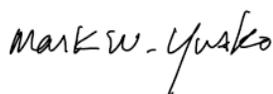
New China Perspectives



Welcome to the weekly issue of Morgan Creek's *New China Perspectives*. It is comprised of research from Morgan Creek's China-based investment team together with curated articles of interest. In addition to timely political and economic news covering greater China, Morgan Creek's China team seeks to provide in-depth perspectives on investing in the technology, consumer and healthcare sectors in the region. Our research leverages the "on the ground"

insights of our team together with Morgan Creek's decades-long experience in covering the region. Our team are focused, thematic investors primarily covering the technology, consumer, and healthcare sectors and investing in private companies and early-stage managers with deep local expertise. To learn more about our team and investment offerings, please email chinateam@morgancreekap.com.

Best Regards,



Mark W. Yusko
CEO & CIO

NOTES FROM THE BUND^[1]

Ant Financial, a spin-off from Alibaba Group, was planning to raise \$34.5 billion in what was to be a record-setting IPO valuing the company at \$313 billion.^[2] This would have made it the most valuable fintech company in the world. It was initially scheduled to dual list on the Shanghai and Hong Kong stock exchanges on November 5, 2020, but suspension orders were issued by Chinese regulators two days prior to this. Shortly thereafter, the regulators announced updates to anti-monopoly rules, which we will discuss in future newsletters.

On October 25, 2020, at the Bund Financial Summit, Chinese Vice President Wang Qishan shared his views on China's financial system. He stated that fintech has been integrated into people's daily lives in recent years and, while bringing convenience to many, there is also be the potential for it to cause systemic financial risks. Jack Ma took to the stage after him and presented an alternative view, saying China's financial system will not encounter systemic risks "because there is no system." Public perception is that this episode prompted Chinese regulators to begin a review to modernize and update their regulations.

Specific to the fintech sector, on November 2, 2020, the China Banking and Insurance Regulatory Commission ("CBIRC") and the People's Bank of China ("PBOC") announced a draft "Interim Measures for the Administration of Online Micro-lending Business" (《网络小额贷款业务管理暂行办法(征求意见稿)》). These measures aim to prevent risks in the online micro-lending business, with a focus on businesses operated by the technology giants. These "Interim Measures" restrict online micro-lending enterprises that use big data, cloud computing, mobile internet, and other technological means to analyze and assess the credit risk of debtors, determine loan models and amounts, and complete loan-related processes online; subjecting them to supervision and containing their operations within geographic boundaries^[3].

More broadly, this has also kickstarted an overall review of monopolies related to technology platforms. On November 10, 2020, the State Administration of Market Supervision ("SAMR") of China announced the "Guidelines for Anti-monopoly in the Field of Platform Economy (Draft for Solicitation of Comments)" (《平台经济领域反垄断指南(征求意见稿)》). The purpose of these guidelines are to limit the monopoly power of internet platforms. Twenty-seven internet giants (including Alibaba, Tencent, JD, Meituan, 58.com, Baidu, Qihoo 360, Sogou, ByteDance, Kuaishou, Didi, Weidian, Sina Weibo, Duodian, Beike, Pinduoduo, Sina, Eleme, Red, Ctrip, Suning, Tongcheng, Beibei.com, Yunji.com, Mogujie, Xinsheng Youxuan, and Vipshop) were

CHINA NEWS SPOTLIGHT

ECONOMY

Measures to usher in new stage of growth: Beijing will roll out a number of proactive measures next year to further upgrade supply and boost demand, ushering China's economy into a brand-new paradigm of high-quality growth, officials and experts said following a policy-setting meeting. [Read more.](#)

China's central bank injects 110 bln yuan into market: China's central bank on Monday conducted 110 billion yuan (about 16.79 billion U.S. dollars) of reverse repos to maintain stable liquidity in the banking system. [Read more.](#)

PRIVATE EQUITY & VENTURE CAPITAL

AbbVie's Covid-19 antibody partner wraps \$221M Hong Kong IPO: Just a few days after AbbVie went all in on a Covid-19 antibody, its partner has officially wrapped its IPO. Listing on the Hong Kong Stock Exchange, Harbour BioMed has raised \$221 million with help from nine cornerstone investors. [Read more.](#)

China Regulator Proposed to Impose Digital Data Tax on Technology Companies: Chinese government should consider imposing a digital tax on technology companies that hold large amount of user data, said Yao Qian, the director of technology supervision at China Securities Regulatory Commission. [Read more.](#)

TECHNOLOGY & CONSUMER

Luckin Coffee Agrees to Pay \$180 Million Penalty to Settle Accounting Fraud Charges: Luckin Coffee will pay a \$180 million penalty because it was caught to have fabricated more than \$300 million worth of transactions in 2019, the Securities and Exchange Commission (SEC) announced. [Read more.](#)

Chinese Electric Vehicle Makers Bounced Back From the Edge of Collapse: The recent month saw an unforeseen soar in the Chinese EV startups' stock prices, representing a strong comeback of domestic carmakers like Nio and Xpeng. [Read more.](#)

HEALTHCARE

Going to China? ADC Therapeutics spotlights a new way to do it with Hillhouse-backed Overland: Chris Martin and his crew at ADC Therapeutics went into the JP Morgan Healthcare conference this January armed with positive pivotal data for its lead antibody-drug conjugate, loncastuximab tesirine. Having focused its development program exclusively in the US and Europe, it was time to find a Chinese partner. [Read more.](#)

A booming market propels China CRO to a \$100M raise. Is an IPO next? China's cost advantage and position as the world's second-largest prescription drug market has fueled its red-hot CRO industry over the last few years. [Read more.](#)

[1] The Bund is a historic waterfront area in central Shanghai, where Morgan Creek's office is located. From the 1860s to the 1930s, it was the rich and powerful center of the foreign establishment in Shanghai, operating as a legally protected treaty port. The picture above is part of the historical waterfront.

[2] BEN WINCK, "Ant's record-breaking IPO attracts \$3 trillion in retail-investor bids", *Businessinsider*, Web, 30 Oct 2020.

[3] *The China Banking and Insurance Regulatory Commission (CBIRC) and the People's Bank of China (PBOC)*, Web, 2 Nov 2020.

[4] Xiaosheng Bai, "27 giants were interviewed! Postpone Ant Financial's listing is really just the beginning..." *Hulianwang Top*, Web, 15 Nov 2020.

Important Disclosures

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