

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@morgancreekcip.com.

Best Regards,

Mark W. Yusko

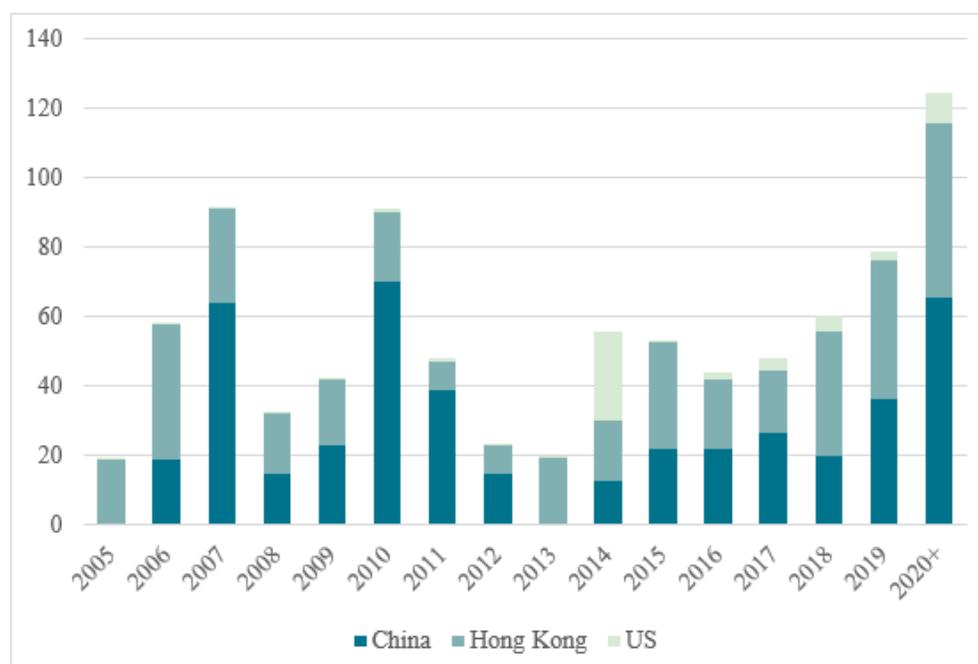
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CEO & CIO

NOTES FROM THE BUND¹

Given the headlines about the Trump administration forcing the delisting of Chinese companies listed in the US, we will give an update on Chinese IPOs and the potential impact of that policy.

The outbreak of the coronavirus and the lingering effects of the US-China trade war have led to political and economic uncertainties, which impacted investor confidence in the first half of the year. However, confidence rebounded in the second half of the year, and full-year 2020 fundraising of Chinese enterprises was estimated to have increased by more than 23% compared to 2019² globally. The growth in fundraising can be attributed to the active IPO markets in China, specifically mainland bourses and the Hong Kong Stock Exchange, where new highs in total capital raised since 2011 were reached.

Table 1: Chinese Companies IPO on Various Exchanges (\$ Bn)^{2,3}



destination, the Shanghai Stock Exchange can count itself among the world's leading exchanges in terms of capital raised and number of listings in 2020. In particular, the Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) are expected to record a total of 383 IPOs, raising a total of RMB 461 billion, an 82% increase from 2019². In terms of total capital raised, this is the most active year for the A-share market since 2011. The STAR board completed its first full year of operation in 2020 and recorded 141 IPOs, raising RMB 217.2 billion in total, accounting for 47% of the total capital raised in the A-share market¹.

In 2020, the Hong Kong IPO market was expected to complete 140 IPOs, raising a total of HK\$389.9 billion, a 24% increase over the prior year and also was its most active performance since 2011². The increase in capital raised was mainly due to the number of secondary listings of Chinese stocks in Hong Kong, which is beneficial to the overall development of Hong Kong's financial sector and capital markets. Specifically, nine US-listed Chinese companies completed secondary listings in Hong Kong, raising a total of HK\$131.3 billion, which accounted for approximately 34% of the total capital raised in the Hong Kong market².

Table 2: Number of Chinese IPOs in the United States³



Since 2019, US-China trade tensions have continued to build, resulting in many Chinese firms that might have once decided to list in the US choosing to go public on domestic bourses instead. There has also been increased pressure from the Trump administration to delist Chinese companies from major US exchanges market. Despite the adverse political headwinds, listings of Chinese companies on US exchanges have not appeared to be impacted. As of October 1, 2020, a total of 26 Chinese companies have listed in the U.S. (not considering SPAC and OTC listings), raising a total of \$8.2 billion; five on NYSE and 21 on NASDAQ⁴. There are currently an aggregate of 217 Chinese companies on the three major exchanges with a total market capitalization of \$2.2 trillion⁵.

CHINA NEWS SPOTLIGHT

ECONOMY

Employment stable despite COVID impact: The nation's job market steadily regained its momentum in 2020, with about 11.9 million urban jobs added throughout the year, outperforming the planned target of nine million, according to data released on Tuesday by the Ministry of Human Resources and Social Security. [Read more.](#)

High-standard market system planned: China unveiled on Sunday an action plan to build a high-standard market system, which industry experts said will greatly stimulate its market vitality and drive the country's dual-circulation economic development. [Read more.](#)

PRIVATE EQUITY & VENTURE CAPITAL

Short Video App Kuaishou Seeks up to \$5.4B in Hong Kong IPO: Short video startup Kuaishou Technology is aiming to raise as much as \$5.4 billion in its initial public offering, potentially becoming the largest IPO in Hong Kong since late 2019. [Read more.](#)

Chinese Ride Hailing Giant Didi Raises USD1.5 Billion For its On-Demand Trucking Arm: Ride-hailing giant Didi Chuxing Technology has raised USD1.5 billion in Series A financing round for its on-demand trucking arm, surpassing its anticipation as investors are optimistic about the future prospect of intra-city freight. [Read more.](#)

TECHNOLOGY & CONSUMER

China Accelerates 5G Deployment: China will build more than 600,000 5G base stations in 2021 to accelerate the commercialization of 5G technology, the Ministry of Industry and Information Technology said on Tuesday. [Read more.](#)

Huawei Denies Plans to Sell Mobile Phone Business: Chinese smartphone maker Huawei said it has no plans to sell its mobile phone business at all, countering a Reuters report which cited people with knowledge of the matter as saying the company is in talks to sell its premium smartphone brands P and Mate. [Read more.](#)

HEALTHCARE

Innovent and Lilly win second China OK for Tyvyt in frontline NSCLC, ramping up pressure on king Keytruda: Innovent Biologics and its partners at Eli Lilly have notched another arrow in their quiver in their bid to take down Merck's Keytruda. Chinese regulators granted a prominent new approval for the pair's Tyvyt on Wednesday, indicating the drug for first-line treatment of non-squamous, non-small cell lung cancer in combination with pemetrexed and platinum chemo. [Read more.](#)

Syapse Announces \$68 Million Strategic Investment with Ally Bridge Group and Northpond Ventures to Expand Delivery of Real-World Evidence Through Syapse's Learning Health Network: Syapse®, a leading real-world evidence company accelerating the delivery of precision medicine through the Syapse Learning Health Network™, today announced the closing of a \$68 million growth equity investment to expand Syapse's focus on providing real-world insights to partners and assist them in improving outcomes for people with cancer. The investment is led by Ally Bridge Group (ABG), with Northpond Ventures and existing investors also participating in the financing. [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] 2020 Year in Review: IPO and other capital market trends; KPMG.

[3] Why Chinese firms still flock to American stock exchanges; October 20, 2020; Economist.com.

[4] Inventory of Chinese companies IPO in the U.S. in 2020; October 9, 2020; China IPO.com.

[5] Chinese Companies Listed on Major U.S. Stock Exchanges; October 2, 2020; uscc.gov.com.

Important Disclosures

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