

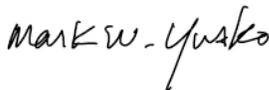
New China Perspectives



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 BUND¹

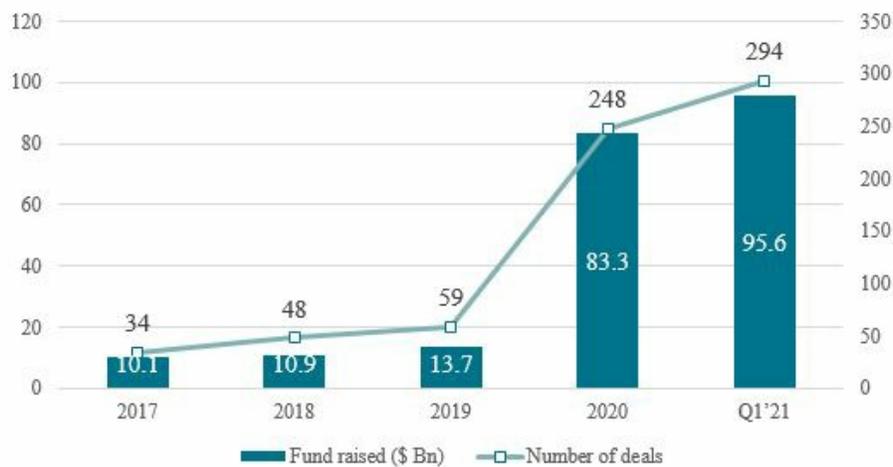
In this newsletter, we will discuss the overall IPO environment in Q1 2021, both globally and specifically in China.

Table 1: Top 5 Exchanges by IPO Proceeds in Q1 2021²



Despite market uncertainty due to the COVID-19 pandemic, investor enthusiasm in the IPO markets remains robust. Globally, the US (via NASDAQ and NYSE) and China (via HKSE and SHSE) continue to be strong venues for fundraising, with the exchanges in both markets raising over \$60 billion, more than 60% of global IPO proceeds in Q1 2021².

Table 2: SPAC Formation (2017-Q1'21)³



Another recent phenomenon, illustrated in Table 2 above, is the growing popularity of the special purpose acquisition company (SPAC), whose momentum shows no signs of slowing down in 2021. So far, Q1 2021 saw a record breaking \$95.6 billion raised, surpassing the total amount raised in 2020 of \$83.3 billion². A SPAC, also known as a blank check company, has no operations and is formed strictly to raise capital for acquiring an existing business identified subsequent to the SPAC formation. The funds raised through SPAC listings are not considered in the global or US IPO tally for the purposes of this newsletter.

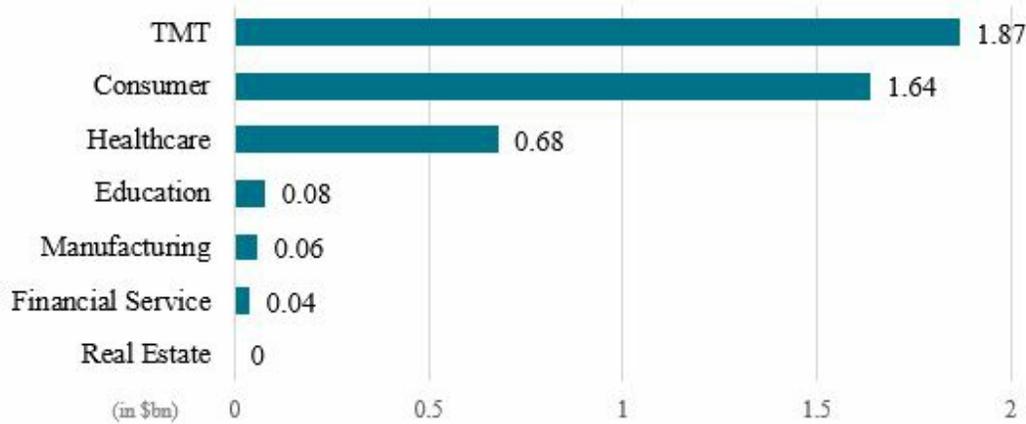
Chinese companies listed on the NASDAQ

In March 2021, the Securities and Exchange Commission updated its submission and disclosure requirements by passing the Holding Foreign Companies Accountable Act (HFCA Act)⁴, requiring certain SEC-reporting companies, mainly those based in China, to make specific disclosures regarding Chinese government control and influence over these companies.

Despite this more stringent regulation on Chinese listings, Chinese companies continue to apply for US listings in droves, with the number of Chinese company listings on the NASDAQ quadrupling in Q1 2021 compared to the prior year, accounting for 23.0% of the total IPOs². By dollars raised, Q1 2021 saw a record 11x growth over the same period of the prior year, or 17.4% of total funds raised on the NASDAQ.

The Chinese companies raising capital were mainly in the TMT, consumer and healthcare sector².

Table 3: Chinese companies' capital raising by sector, Q1 2021²



Chinese companies listed on the HKSE

The number of Chinese firms listing on the HKSE have nearly tripled, and raised over 30x the amount of the prior year². Three sizeable Chinese technology company listings were completed in Q1, allowing the bourse to record a historic high watermark in terms of total proceeds raised. The top three listings in the quarter amounted to a total of \$11.9 billion and also represented 3 of the top 10 IPOs globally. (Table 4) The three companies are described below:

Kuaishou is a short video app which monetizes users who buy virtual gifts (i.e. tips) to compensate their favorite video streamers. The company jumped 161% after its \$5.4 billion Hong Kong IPO debut.⁵ Ten cornerstone investors including Capital Group, BlackRock and Fidelity invested in the IPO. The shares closed at HK\$300 after rising to as high as HK\$345, compared with the IPO price of HK\$115.

China's largest search engine Baidu did its secondary listing on the HKSE, where it raised \$3.1 billion. The shares rose a modest 0.8% to HK\$254 from its listing price of HK\$252⁶.

Bilibili, one of China's largest video platforms, did its secondary listing on the HKSE and raised approximately \$2.6 billion. The shares closed at HK\$800, falling around 1% on its first day of trading at HK\$808⁷.

Table 4: Top 10 IPOs Globally in Q1 2021²

Rank	Company	Stock Exchange	Proceeds (\$bn)
1	<u>Kuaishou Technology</u>	HKSE	5.4
2	<u>Coupang</u>	NYSE	4.5
3	<u>InPost SA</u>	ASE	3.9
4	<u>Baidu</u>	HKSE	3.1
5	Vantage Towers	FSE	2.8
6	<u>Bilibili</u>	HKSE	2.6
7	Bumble	NASDAQ	2.5
8	Auto1 Group SE	FSE	2.2
9	Shoals Technologies Group	NASDAQ	2.2
10	<u>Playtika Holding</u>	NASDAQ	2.1
	Total		31.3

Chinese companies listed on A-share

China's A share markets remain robust on the back of the strong recovery of China's local economy and the implementation of registration-based listing reforms. The A-share IPO market continued to be active during the first quarter of the year with a total of 100 deals being completed during the quarter raising RMB 76.1 billion. The total number of listings have nearly doubled compared with Q1 2020. However, the amount raised decreased 3% year-on-year due to the lack of sizeable listings.

Table 5 illustrates the trend towards increasing applications for STAR and ChiNext market listings, which mainly target innovative technologies and start-up enterprises. In particular, companies in the advanced industrials, TMT and life sciences dominated the market, representing 88% of the STAR and ChiNext pipeline. Six out of the top ten A-share IPOs in terms of funds raised were in the STAR market³.

Table 5: Number of A-share IPO applications in Q1'21²



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CHINA NEWS SPOTLIGHT

ECONOMY

China's Economic Recovery Slowed in April: China's economic activity grew at a slower pace in April as retail sales missed expectations, complicating the picture of a steady and balanced recovery in the world's second-largest economy. [Read more.](#)

China Is Losing Its Power to Rein In Commodity-Price Surges: China's efforts to rein in surging commodities prices are likely to be in vain as it's lost the ability to boss the market around, according to two of Wall Street's biggest firms. [Read more.](#)

PRIVATE EQUITY & VENTURE CAPITAL

Sequoia invests in XISOFT Series A+ round financing: Chinese chipmaker SigmaStar and fresh produce marketplace Meicai are targeting initial public offerings while Shanghai XISOFT Technology Limited has raised a Series A+ round. [Read more.](#)

IntoCare nets \$15m in Series D: IntoCare Medical Technology (Suzhou) Co., Ltd has

raked in nearly 100 million yuan (\$15 million) in a Series D round of financing led by Qiming Venture Partners. [Read more.](#)

TECHNOLOGY & CONSUMER

Chinese AI startup MegaRobo raises \$65m from Matrix Partners, Sinovation, others: MegaRobo, a high-tech startup that applies AI and robotics in life sciences and other sectors, has raised \$65 million in a funding round led by Hong Kong-listed pharma giant WuXi AppTec, as per a company statement. [Read more.](#)

Tencent-backed data management firm Xuncetech bags \$110m from Goldman, others: Shenzhen Xunce Technology Limited (Xuncetech), a specialist in asset data management and risk control systems, announced on Wednesday that it has completed a 700 million yuan (\$110 million) Series C round of financing. [Read more.](#)

HEALTHCARE

China's medical equipment provider Jenscare secures funding co-led by GL Ventures: Chinese cardiovascular instruments supplier Jenscare Scientific, formally known as Ningbo Jenscare Biotechnology Co., Ltd, has raised a new round of financing co-led by Asia-focused private firm Hillhouse Capital's venture unit GL Ventures. [Read more.](#)

China's Duality Biologics secures \$90m in Series B led by Lilly Asia Ventures: Chinese innovative biopharmaceutical firm Duality Biologics (DualityBio) on Thursday announced that it has raked \$90 million in a Series B round of financing led by Shanghai-based global biomedical venture capital firm Lilly Asia Ventures (LAV). [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 Deloitte; IPO Market Q'21 review in Mainland China and Hong Kong; ⁷ Apr, 2021.

³ KPMG; Mainland China and Hong Kong IPO markets 2021 Q1 review; ²⁴ Mar, 2021.

⁴ sec.gov.com; SEC Issues Amendments, Seeks Public Comment on Holding Foreign Companies Accountable Act; ²⁴ Mar, 2021.

⁵ [bloomberg.com](https://www.bloomberg.com); Kuaishou Surges 161% In Biggest Technology IPO Since Uber; ⁵ Feb, 2021.

⁶ cnbc.com; Baidu has rallied 200% in the past year. Analysts bet it can keep going as it lists in Hong Kong; ²³ Mar, 2021.

⁷ cnbc.com; Bilibili closes lower on first day of trade in Hong Kong as Chinese tech stocks face pressure; ²⁸ Mar, 2021.

Important Disclosures

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