

MORGAN CREEK

CAPITAL MANAGEMENT

ALTERNATIVE THINKING ABOUT INVESTMENTS

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

*Mark W. Yusko
CEO & CIO*

NOTES FROM THE BUND¹

This is the second installment of a two-week discussion on the data security laws recently passed by China, and the potential impact on global technology companies.

Market reaction towards the laws

Tech Trauma

A crackdown from regulators has hammered China's tech stocks

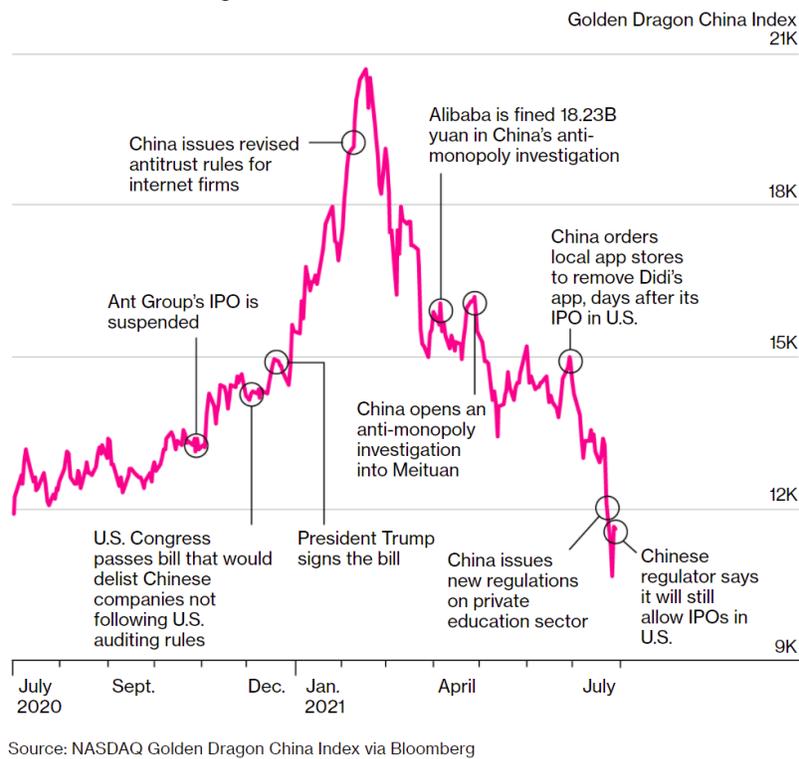


Figure 1: The Impact of the Chinese Data Security Laws on the Stock Market (Hancock & Orlick, 2021)

The immediate market reaction was largely negative to the passing of the laws. Besides investor concerns around how far-reaching these laws might become, there were also worries raised about increased compliance costs imposed on firms operating within China.

Figure 1 shows the NASDAQ Golden Dragon China Index, a modified market capitalization weighted index of Chinese firms listed in the US but operating mainly within China. The index fell from a peak of 20,000 to around 10,000 between February 2021 to July 2021. Currently, the NASDAQ Golden Dragon China Index stands at 7,024.21 as of April 7, 2022.

Implications for Chinese technology firms

While the laws seek to protect Chinese citizen's privacy and security, they can also lead to the prevention of free flow of data across borders. This has two important implications:

- It would support the rise of domestic champions potentially by shielding local firms from global competition.
- However, it may also limit the market size of domestic companies trying to sell globally as well due to clashes over data sovereignty with other countries, possibly igniting conflicts with other countries. Specifically, stringent data security measures such as DSL and PIPL makes it more likely that firms operating in China will be investigated by foreign regulators as they may be seen to be too close to the Chinese authorities.

Strict data protection laws create both compliance and enforcement costs, impacting profitability. This is especially true because the laws are not yet completely clear as to what constitutes "important data" or "critical information infrastructure".

Lastly, many Chinese technology firms raise funds by listing on the US stock markets. The current conflicting regulations in China's new DSL and US listing rules could make it more difficult for domestic Chinese firms to go public on a US stock exchange. This could lead to the development of financial markets within China as local actors fill the vacuum left by the inability of Chinese firms

to list on foreign stock exchanges.

[Click here](#) to see back issues of New China Perspectives

CHINA NEWS SPOTLIGHT

Nation embraces digital prospects with growing computing capacity: A recent industry report has highlighted China's impressive advances in computing power, ranking the country as one of the best among major economies in the field. [Read more.](#)

China's draft financial stability law takes aim at 'scattered' rules governing systemic risks: China is edging closer to enacting a financial stability law that would fix the "scattered" set of rules currently used to handle financial risks. [Read more.](#)

China's BYD ends full combustion engine cars to focus on electric, plug-in hybrids: China's largest electric vehicle (EV) maker BYD said that as of last month it stopped making combustion engine vehicles and now produces full electric and heavily electrified plug-in hybrid cars only. [Read more.](#)

Chinese E-Map Maker NavInfo Gains After Joining With Honeywell on Car Chips, Self-Driving: NavInfo's shares rose after the Chinese digital mapping services provider announced a partnership with the Chinese unit of US automation giant Honeywell on vehicle chips, self-driving technology, and intelligent networks. [Read more.](#)

Billionaire founder of JD.com steps down as tech execs in China retreat from the spotlight: JD.com's billionaire founder Richard Liu has stepped down as chief executive of the Chinese e-commerce giant, joining a slew of high-profile tech bosses who have relinquished their roles at the companies they started. [Read more.](#)

Kintor Pharma's Proxalutamide Demonstrated Reduction in Hospitalization/Mortality for Patients with Mild to Moderate COVID-19 in Phase III MRCT Study: Kintor Pharmaceutical Limited ("Kintor Pharma", HKEX: 9939), a clinical-stage biotechnology company developing innovative small molecules and biological therapeutics, today announced the top-line results of the Phase III MRCT of proxalutamide in outpatients with mild to moderate COVID-19 regardless of vaccination status and risk factors. [Read more.](#)

Innovent Biologics' Pemazyre Approved by China's NMPA for Bile Duct Cancer: Innovent Biologics, Inc. (Innovent) (HKEX: 01801), a world-class biopharmaceutical company that develops, manufactures and commercializes high-quality medicines for the treatment of cancer, metabolic, autoimmune and other major diseases announced that the National Medical Products Administration (NMPA) has approved Pemazyre® (pemigatinib) for the treatment of adults with locally advanced or metastatic cholangiocarcinoma with a fibroblast growth factor receptor 2 (FGFR2) fusion or rearrangement as confirmed by a validated diagnostic test that have progressed after at least one prior line of systemic therapy. [Read more.](#)

Harbour BioMed Announces Global Out-License Agreement with AstraZeneca for CLDN18.2xCD3 Bispecific Antibody HBM7022: Harbour BioMed ("HBM", "the Company", HKEX: 02142), a global biopharmaceutical company committed to the discovery, development, and commercialization of novel antibody therapeutics, today announced a global out-license agreement with AstraZeneca (LSE/STO/Nasdaq: AZN) for CLDN18.2xCD3 bispecific antibody (HBM7022), a novel bispecific antibody generated from HBM's HCAb Based Immune Cell Engagers (HBICE®) Platform. [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.

Important Disclosures

The above information reflects opinions of Morgan Creek Capital Management, LLC ("Morgan Creek") as of the date it is written and, as such, all such opinions are subject to change. No representation or warranty, express or implied, is given by Morgan Creek as to the accuracy of such opinions and no liability is accepted by such persons for the accuracy or completeness of any such opinions. Further, Morgan Creek does not warrant the accuracy, adequacy, completeness, timeliness or availability of any information provided by non-Morgan Creek sources.
