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In just five years we have built an Asian hub for international biotechnology listings in Hong Kong

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Since first allowing pre-revenue biotechs to list in 2018, the Hong Kong stock exchange has welcomed 59 such companies and is now a leading vehicle for allowing Chinese biopharma to access international capital. Christina Bao, HKEX's co-head of sales and marketing, discusses listing momentum picking up again after a rocky 2022, how its issuer base is diversifying, and what she sees as Hong Kong's role in spurring the development of global biotech.



Can you outline the scope of your position and the items at the top of your agenda at Hong Kong Exchanges and Clearing (HKEX) in recent years?

I am the co-head of sales and marketing at HKEX. Our team has a client-facing role, working with prospective issuers and other listed companies, many of which are in the healthcare and biotech space.

In 2018, HKEX launched the Chapter 18A listing rules that welcomed pre-revenue biotech companies to our market for the first time. This chapter has since attracted a large group of innovative biotech issuers to Hong Kong. Since the launch of Chapter 18A, the Hong Kong market has grown significantly, and the healthcare sector has become an important driver of our market development.

It has now been five years since the opening of Chapter 18A. Where does Chapter 18A stand today?

I am very pleased to note that, in just five years we have built an Asian hub for international biotechnology listings in Hong Kong, with 59 biotech companies listed under Chapter 18A (as the end of June 2023). These pre-revenue biotechs have raised around HKD 118 billion in funding, among them, 12 are already revenue generating, so we are seeing tangible results, and helping drive more interest among other issuers. Meanwhile, nearly 30 of these stocks are included in Stock Connect, the landmark mutual market access programme between Hong Kong and Mainland China that allows Mainland China investors to directly invest in stocks listed on HKEX.

Importantly, we have seen the entire listed healthcare space in Hong Kong grow significantly since the introduction of Chapter 18A. The 118 healthcare companies listed in Hong Kong have raised a combined HKD 270 billion, making Hong Kong the world’s second largest fundraising hub for biotech and healthcare companies in the world, behind only NASDAQ. We have now become a pre-eminent centre for capital formation in the biotech industry.

In addition, the market is becoming increasingly diverse in terms of the types of issuers and investor composition. We are happy to see that a diverse range of enterprises, including some industry leaders, such as digital healthcare companies, which are part of a fast-growing industry in Mainland China, are coming to list on Hong Kong, in turn generating more investor interest.

Furthermore, we have seen the financial services community – from analysts to law firms and specialist investors – quickly adapting to serve the evolving needs of healthcare and biotech-

related issuers and investors. Specialist investors are particularly important because they bring their expertise, especially in IPO price formation, and to establish trading benchmarks.

Only eight biotech companies listed on HKEX in 2022, with the biotech sector feeling the impact of the challenges facing global capital markets. Do you feel this low level of listings was a blip caused by uncontrollable global factors or a worrying trend that needs to be reversed?

We are seeing the momentum pick up again this year, as we welcomed seven biotech listings in the first half, and the recent listings have had decent post-IPO performance.

The biggest challenge in the last two years, not just for us in Hong Kong, but in markets like Europe and the US, is the rising interest rates. This has presented a lot of valuation challenges on stocks, especially in biotech stocks. Once we interest rates stabilising, the appetite for high-risk investments in areas like biotech will likely increase as a result.

Additionally, biotechs listing on HKEX currently need at least one "core product" beyond the "concept stage," limiting listings to advanced-stage companies only – last year's companies had on average ten years of development behind them prior to listing. Might this rule be relaxed to encourage a broader issuer base?

As I mentioned, at present the appetite for higher-risk investment opportunities has been impacted due to the market conditions. But as always, HKEX continuously looking at ways to further enhance its listing framework to elevate the competitiveness and attractiveness of Hong Kong as a world-leading biotech IPO hub.

We must also remember going public is not for everyone. Many of the early-stage companies still rely on private investors or specialist investors that can provide them not only with funding but expertise.

About 60 companies have been listed since the implementation of Chapter 18A was implemented, but only one is from Hong Kong with the rest from mainland China. Do you foresee more Hong Kong companies reaching sufficient levels to list on HKEX or will the exchange primarily remain a vehicle for mainland Chinese companies to raise funds

and internationalise?

HKEX welcomes qualified issuers from all jurisdictions to consider listing in our market, though the decision to go public and the market ultimately rests with the company. We continue to enhance our market attractiveness and are committed to further expanding our international representation in terms of potential issuers and investors.

Of course, Hong Kong is the main international capital raising centre for China, and therefore it is natural that the biggest group of Chapter 18A companies originate from Mainland China. However, as this ecosystem continues to grow, we will attract issuers from other jurisdictions seeking to tap our markets.

Recently, we were pleased to a Singapore company apply via Chapter 18A, and we note interest from companies elsewhere.

All in all, at the heart of Asia's premier international financial centre, HKEX's liquid markets, diverse ecosystem and unrivalled East-West connectivity offers issuers and investors access, choice and opportunities. We are excited to play a part in fuelling the international growth ambitions of Chinese and regional companies and supporting international companies to tap into China's pool of investors and opportunities. The Biotech Summit we host every year is a good way to get this message across and bring a voice to the world in what we are doing.

There is significant variation in the level of maturity of biotech companies in Asia today, but the region looks certain to be a driving force in healthcare and medicine consumption moving forward. How do you leverage this potential?

We have an office in Singapore, focusing not only on healthcare but providing on-the-ground support to our South East Asian clients – helping us deepen our relationships with investors, companies and risk managers across the region.

We are also interested in growing our footprint in the rest of Asia, such as Japan and Korea. We want to welcome more innovative companies from Asia to come to Hong Kong, where it would be easier to attract specialist investors. This will take time, but I believe we are progressing well on our journey to develop Hong Kong as Asia's leading healthcare fundraising hub.

What is your final message to our international audience?

We are delighted that we at HKEX can play a particularly important role in supporting the global development of biotech, by helping direct needed funding to companies so they can continue on their journey to create new medications, treatments or other devices that could improve the quality of human life.

Furthermore, HKEX wants to promote collaboration across Asia and the world as we connect East and West. The Biotech Summit we host every year is a prime showcase of our connectivity commitment, providing a platform for people to debate and share ideas, to help build the future of healthcare together.

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