

The logo for Skadden, consisting of the word "Skadden" in white text on a red rectangular background.

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Flom LLP and Affiliates

# Report on Hong Kong-Listed Biotech Companies

June 2024

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## We are delighted to share our fourth annual report on biotech companies listed on The Stock Exchange of Hong Kong Limited (HKEX).

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Since introducing the listing regime for pre-revenue biotech companies in 2018, HKEX has become a leading capital market for biotech companies. As of December 31, 2023, 63 companies had listed under the biotech regime regulated under Chapter 18A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (Listing Rules).

This report covers the year ended December 31, 2023, a year in which capital markets continued to face challenging conditions globally, including in Hong Kong.

In the face of these conditions, only seven biotech companies listed on HKEX during 2023, raising an aggregate of US\$510 million. However, these numbers were steady compared to the previous year (which featured eight biotech IPOs raising US\$473 million). This consistency in biotech listings contrasted with the overall market, which saw a year-on-year decrease of 56% in funds raised and a 19% decrease in the number of IPOs. This suggests that the biotech sector has attracted relatively more interest compared to the market as a whole, and the data bodes well for the future of Hong Kong's biotech ecosystem.

As in previous years, we hope that our report will help biotech companies contemplating a listing on the HKEX to benchmark themselves against companies that have already listed, enable listed companies to benchmark their corporate governance practices and give other stakeholders an overview of the landscape for listed biotech companies in Hong Kong.

### Our report covers:

- Key features of the biotech companies completing IPOs on HKEX during 2023.
- Corporate governance aspects of biotech companies, including board composition and demographics. The corporate governance data included in this year's report represents all 63 companies that listed under HKEX's biotech listing regime as of December 31, 2023, giving readers a comprehensive overview of the market in its current state.

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## Overview of HKEX-Listed Biotech Companies

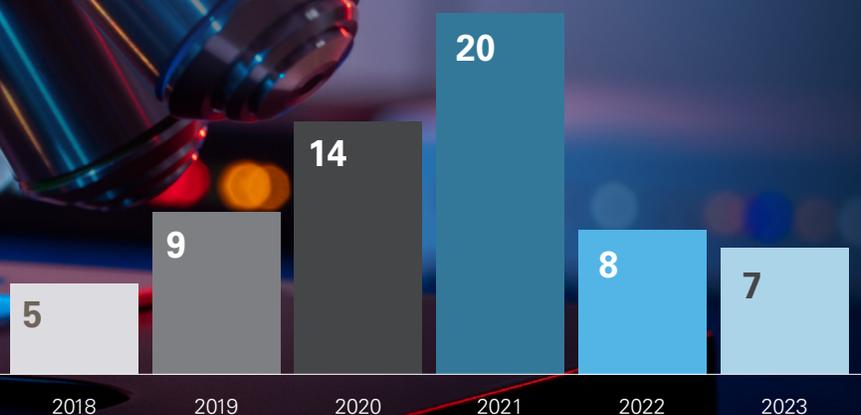
Seven biotech companies listed on HKEX during 2023, compared to eight listings in 2022, which is a drop from the peak of 20 biotech listings in 2021, and the lowest number since 2018, the first year the exchange's new biotech rules were introduced.

Of those seven companies, three were incorporated in the Cayman Islands and four were incorporated in the People's Republic of China (PRC). PRC-incorporated issuers now represent one-third of all listed biotech companies on HKEX.

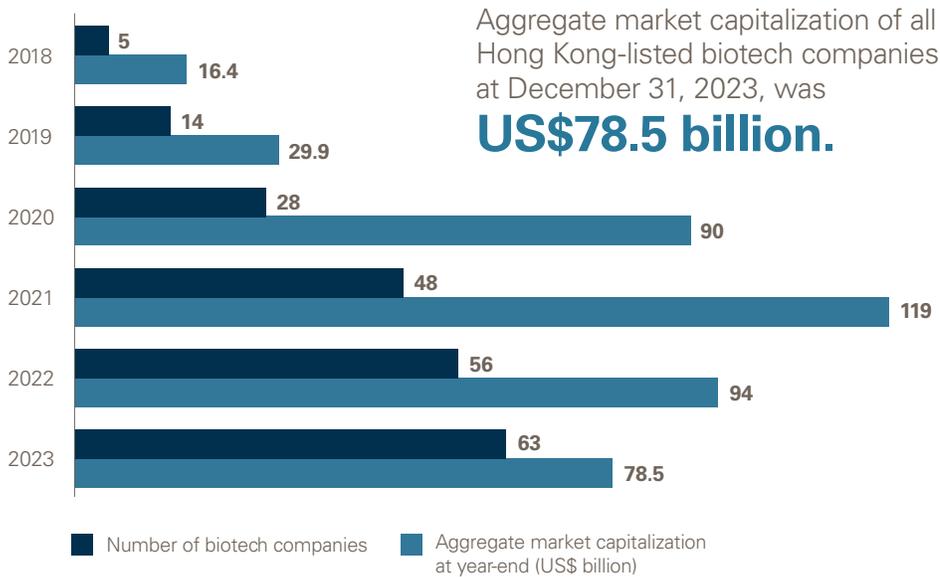
Total market capitalization of all Hong Kong-listed biotech companies at December 31, 2023, was US\$78.5 billion.

Shanghai continues to be the leading hub for China's biotech industry, and more than half of HKEX-listed biotech companies are headquartered either there or in the nearby cities of Suzhou and Hangzhou.

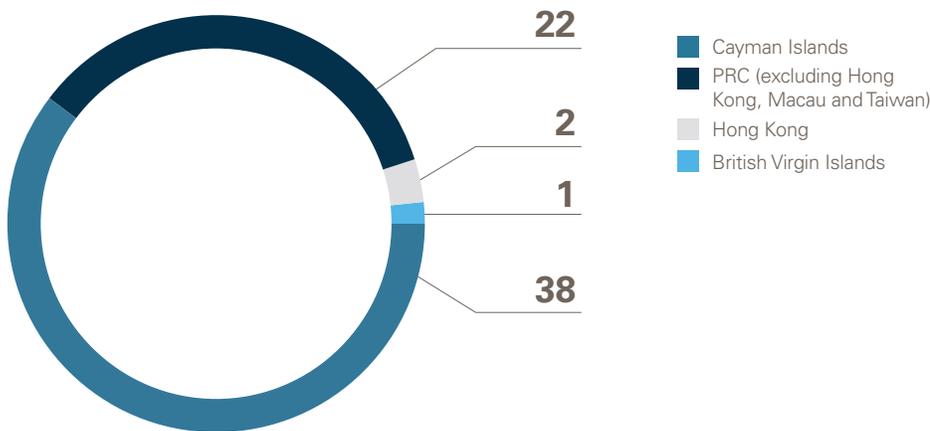
### Number of Companies Listed by Year



## Total Number of Listed Companies and Market Capitalization



## Jurisdiction of Incorporation



Data represents all 63 biotech companies listed on HKEX as of December 31, 2023.

## HQ Locations

Data represents all 63 biotech companies listed on HKEX as of December 31, 2023.



# Preparing for IPO

## Status and Maturity of the Business at the Time of IPO

Consistent with HKEX listings in previous years, biotech companies listing in 2023 were at a relatively mature stage of development. Biotech companies going public on HKEX in 2023:

- Listed on average **11 years after founding** (compared to an average of 10 years after founding in 2022 and 9.1 years after founding in 2021).
- Conducted an average of **five rounds of pre-IPO investment** (compared to 4.25 rounds in 2022 and 4.7 rounds in 2021).
- Raised an average of **US\$192 million in aggregate pre-IPO funding** (compared to US\$230 million in 2022 and US\$216 million in 2021).
- Spent an average of approximately **US\$75.2 million on R&D** during the two full fiscal years prior to IPO (compared to US\$93.1 million in 2022 and US\$91 million in 2020, with 2021 being somewhat of an outlier with an average of US\$44 million).

This is by design: The HKEX biotech regulatory regime is intended to ensure that only pre-revenue biotech companies at a relatively advanced stage of development are able to list. A company must have at least one “Core Product” that is “beyond concept stage” (see below), been engaged in business for at least two full financial years and conducted R&D of its Core Product(s) for a minimum of 12 months prior to listing.

### Years From Founding to IPO (inclusive of both year of founding and IPO)

**11**

Average years  
from founding  
to IPO

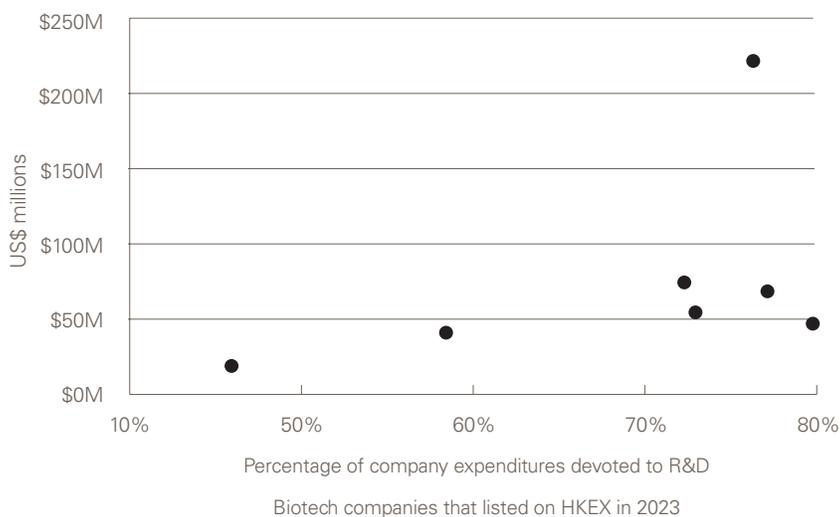
A “Core Product” is a biotech product that is required by applicable laws to be evaluated and approved by the U.S. Food and Drug Administration, the China Food and Drug Administration, the European Medicines Agency or an equivalent authority approved by HKEX (a Competent Authority) based on data derived from clinical trials (*i.e.*, on human subjects) before the product can be marketed and sold in the market regulated by that Competent Authority.

“Beyond the concept stage” means that Phase I clinical trials have been completed and the relevant Competent Authority has no objection to the commencement of Phase II clinical trials.

Data in this section represents the seven biotech companies listed in calendar year 2023 only.



## R&D Spend Across Track Record Period

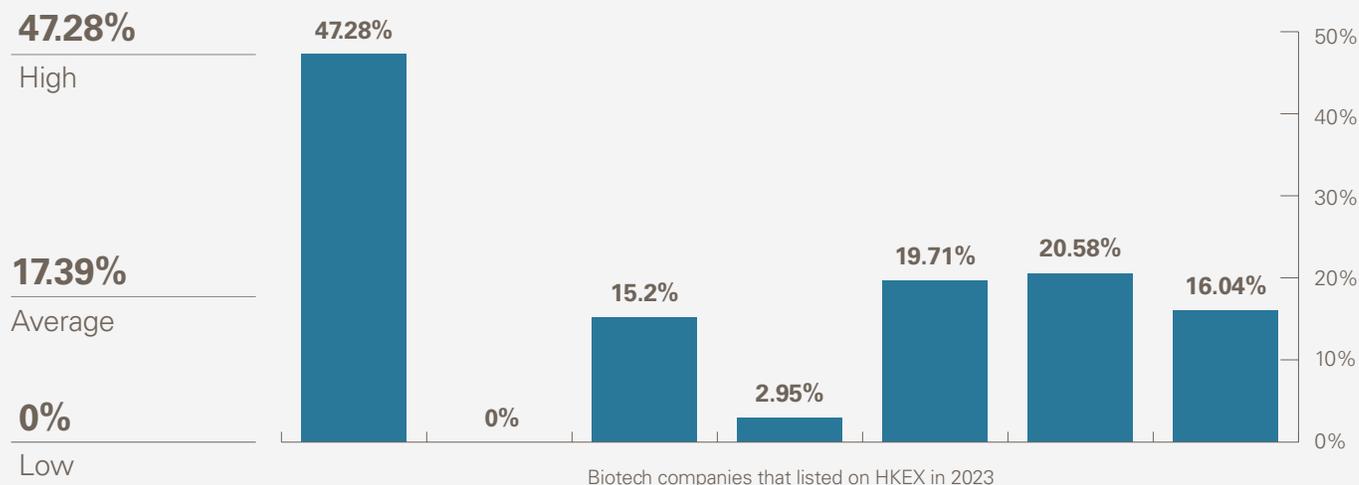


**US\$75.2 million**

Average R&D spend during track record period

The Listing Rules require a biotech company to include two full fiscal years of financial information in its prospectus, together with a stub period if the prospectus is issued more than six months after the end of the most recent fiscal year. Due to this requirement, the R&D expenditures shown in this chart may not be directly comparable with one another — for example, for some companies, the amounts cover only two fiscal years, while for others they cover two fiscal years and a six-month stub period. R&D amounts may also not be directly comparable to one another due to differences in accounting practices and the judgments made by management when categorizing expenses.

## Percentage of Board/Management Ownership Immediately Prior to IPO



Figures reflect the percentage of issued share capital held by founders and other individuals named in the prospectus, excluding employee share plan holding vehicles. Given that many of the companies listed in 2023 were incorporated in the PRC, due to regulatory considerations there, management shareholding may occur through such vehicles rather than through direct holdings.

Actual percentage of interests held by these individuals may be higher in some cases due to their receiving grants of restricted stock units, options or other equity-based awards that have not yet vested or been exercised.

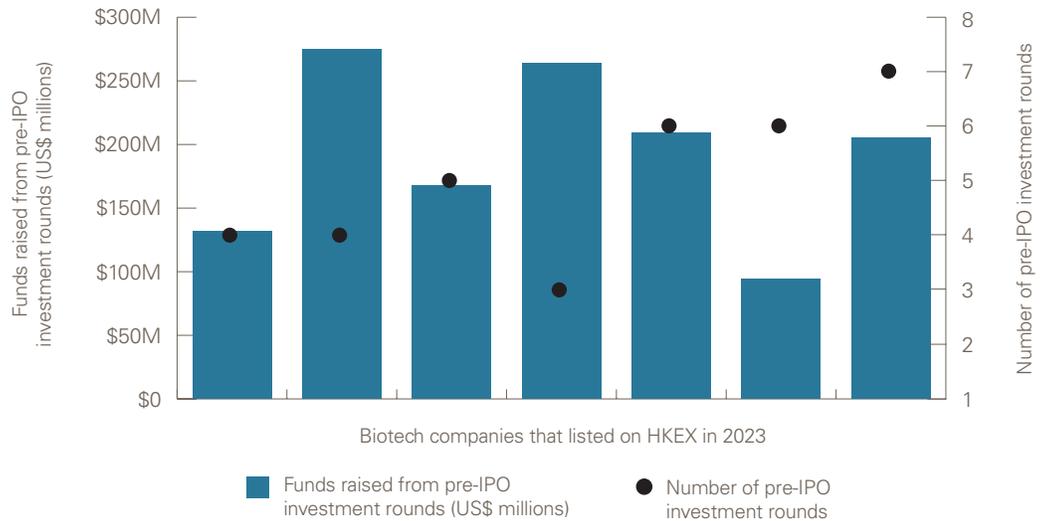
## Pre-IPO Funding Rounds

**5**

Average number of pre-IPO investment rounds

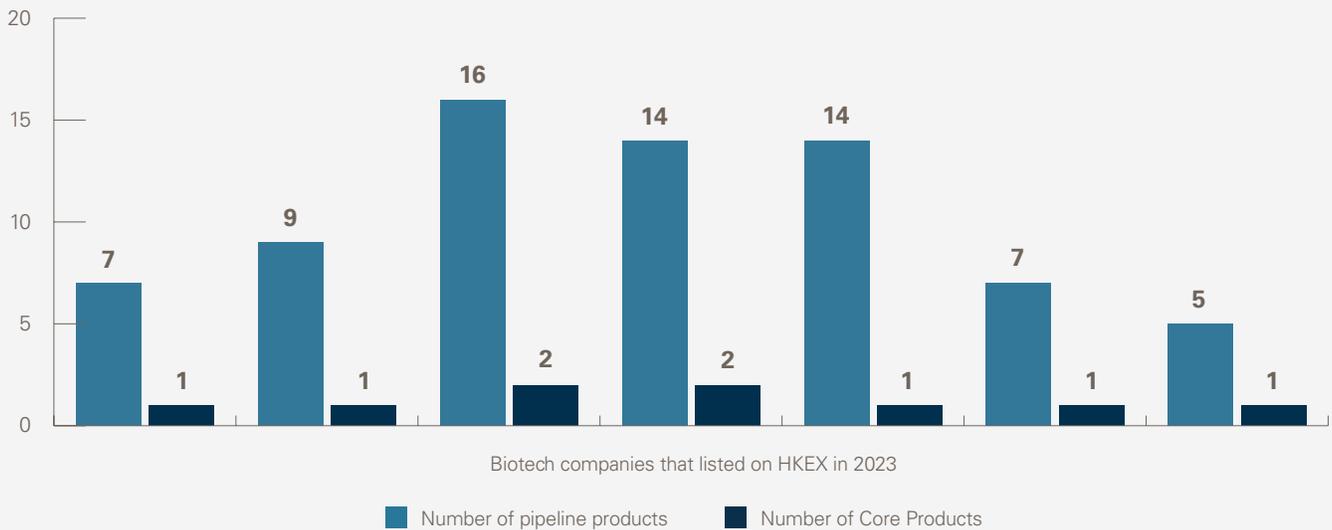
**US\$192 million**

Average funds raised from pre-IPO investment rounds



## Product Development Status at IPO

At the time of their IPOs, biotech companies listing in 2023 had an average of 10 product candidates in their pipelines. Five of those companies had one product meeting the HKEX definition of “Core Product” in their product portfolios, while two companies had two Core Products at the time of listing.

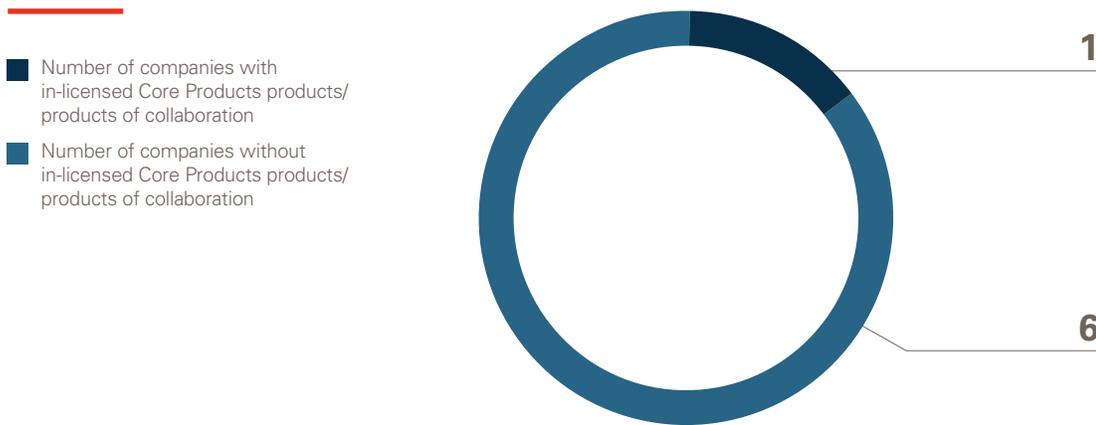


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## In-Licensing and Collaboration

HKEX permits companies to rely on an in-licensed product to meet the Core Product requirement, provided that a company has conducted 12 months of further R&D on the product. However, only one of the seven companies listed in 2023 had a Core Product that was in-licensed or the product of collaboration. Only one additional company listing in 2023 engaged in some form of in-licensing or collaboration for their other products, a change from previous years when around half the companies listing had products in-licensed or the product of collaboration.

### Companies With In-Licensed Core Products/Products of Collaboration



Biotech companies that listed on HKEX in 2023

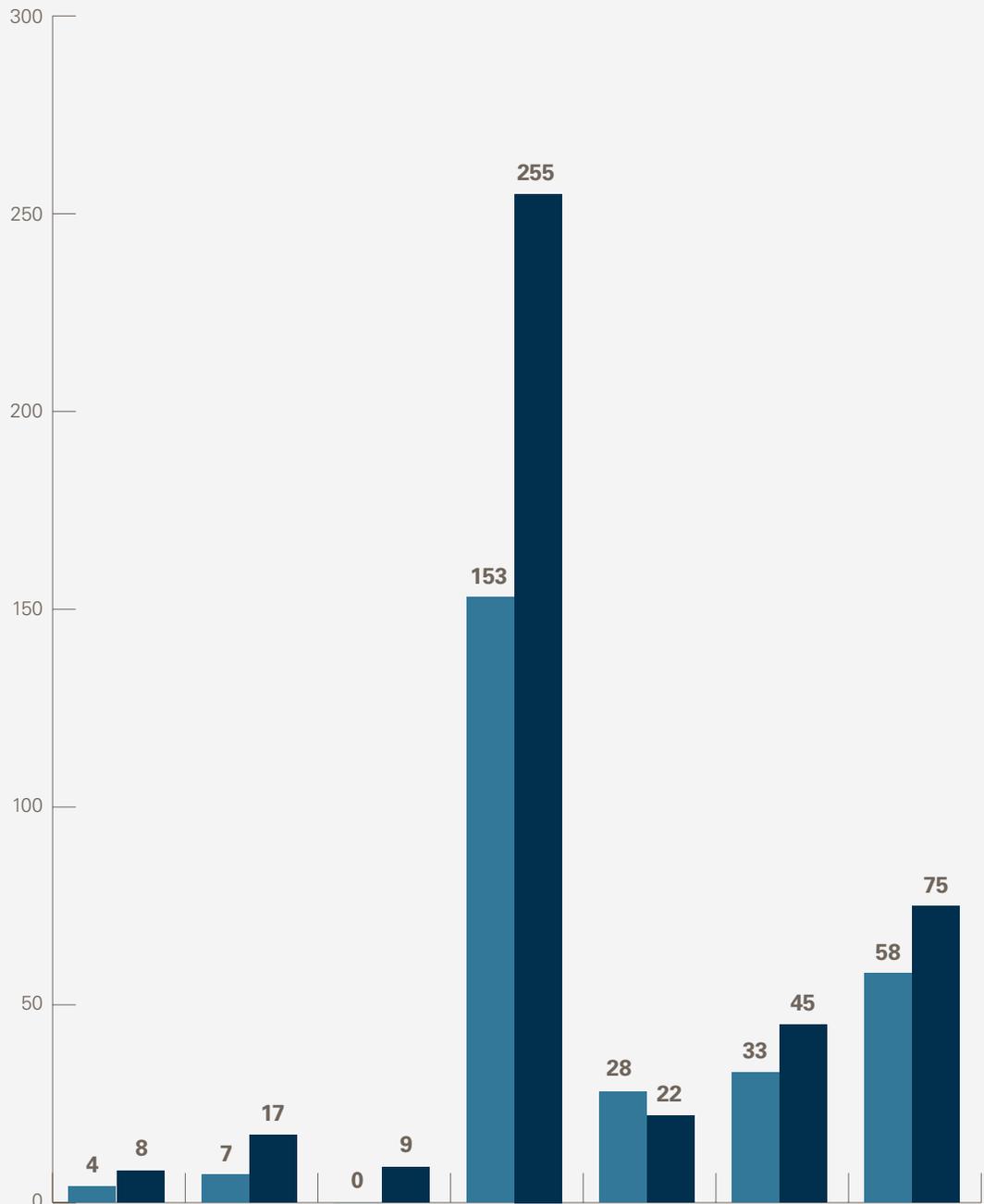
### Companies With Other In-Licensed Products/Products of Collaboration



Biotech companies that listed on HKEX in 2023

## Intellectual Property Ownership at IPO

■ Number of registered patents  
■ Number of patents under application



**61.6**  
Average patent applications

**40.4**  
Average patent registrations

Biotech companies that listed on HKEX in 2023

## IPO Information

Biotech companies undertaking IPOs in Hong Kong during 2023 raised an average of US\$73 million in gross proceeds. While this was an increase over the average of US\$59 million gross proceeds in 2022, proceeds in both years remain significantly lower than prior years: Average gross proceeds were US\$345 million in 2020 and US\$243 million in 2021.

Companies listing in 2023 issued shares representing between 4.7% and as high as 16% of their overall total issued share capital. This is a slight increase compared to 2022 (when all companies raised less than 10%, and some as little as 2%, of their total issued share capital), but remains lower than previous years when markets were more robust.

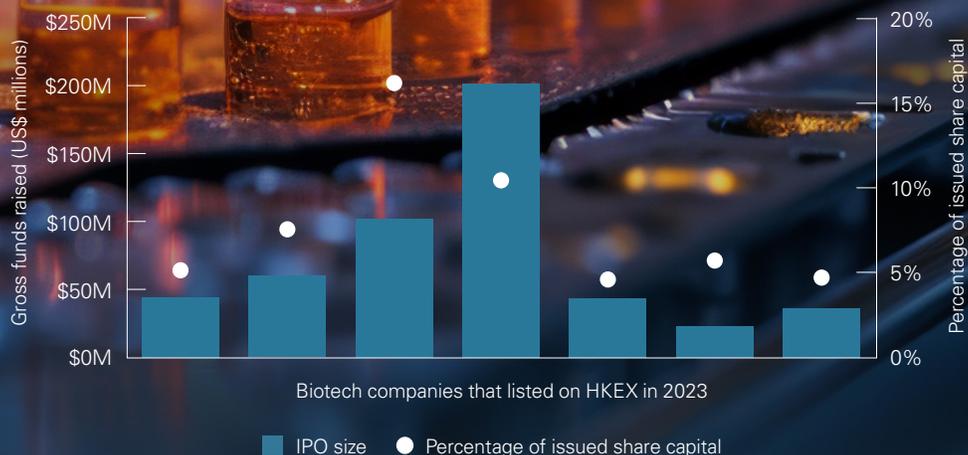
The latest numbers continue to reflect challenging market conditions and may also suggest that these companies may have pursued an IPO for reasons other than immediate fundraising needs, for example to offer liquidity to existing shareholders or to provide a platform for future fundraising. PRC issuers may also be contemplating future A-share listings on domestic stock exchanges and therefore be reducing Hong Kong IPO deal sizes to accommodate those plans.

Market capitalization at IPO remained comparable to levels seen in previous years, with an average of US\$1.25 billion market capitalization for companies listed in 2023, compared to US\$1.2 billion in 2022 and US\$1.6 billion in 2021.

## IPO Size and Percentage of Share Capital Issued

**US\$72.8 million**

Average gross funds raised



## Market Capitalization at IPO

**\$3.1 billion**

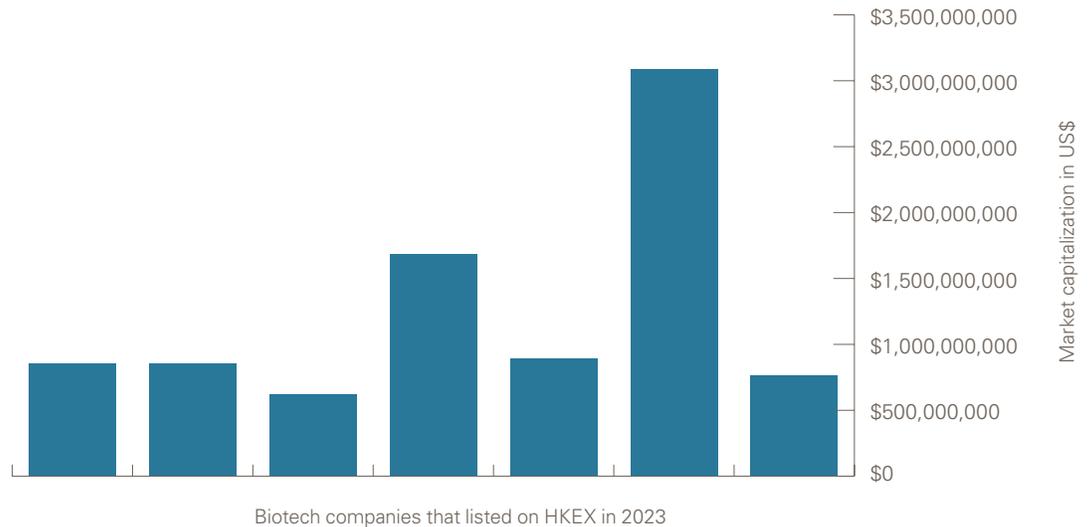
High

**\$1.25 billion**

Average

**\$625 million**

Low



## Number of Cornerstone Investors and Percentage of Deal Subscribed

Cornerstone investors remain an important feature of Hong Kong IPOs, including in the biotech space. All seven of the biotech companies listing in 2023 included at least one cornerstone investor, with cornerstone investors representing significant portions of the deals: between 35% and as high as 86% in aggregate.

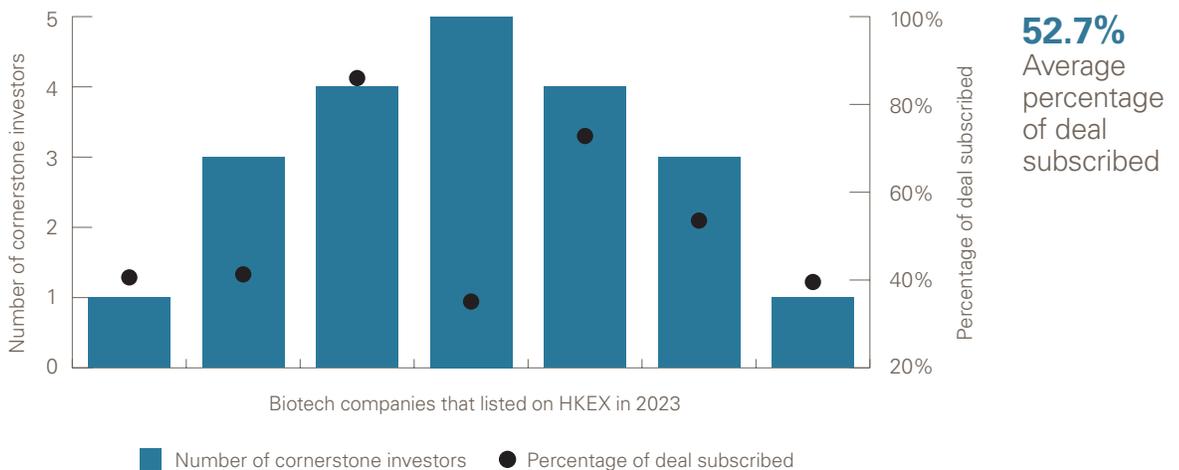
In three out of the seven cases, cornerstone investors included existing shareholders of the company. (HKEX will grant waivers to biotech companies to permit their existing shareholders to subscribe as cornerstone investors in the IPO, a special concession not normally available to other companies listing on HKEX.)

**7 out of 7**

IPOs featured  
cornerstone  
investors

**3**

Average number  
of cornerstone  
investors



**52.7%**  
Average  
percentage  
of deal  
subscribed



## Employee Equity Compensation Schemes

Employee equity schemes play a key role for biotech companies in attracting, retaining and incentivizing employees. Equity compensation schemes not only allow biotech companies at a pre-revenue stage to conserve cash for R&D spending, but also align the interests of management and employees with those of shareholders. If a company is successful post-IPO, such equity awards can accrue significant value for grantees.

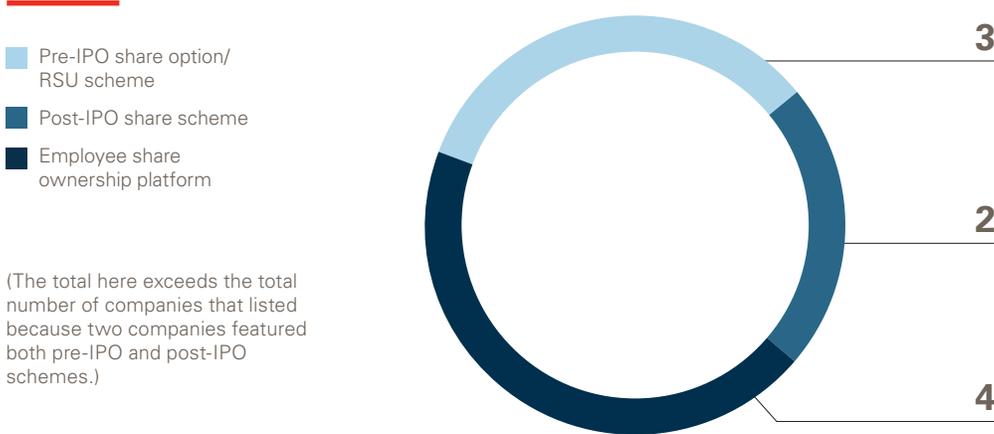
Biotech companies listing in Hong Kong have historically made extensive use of equity incentive schemes, including share award or restricted stock unit (RSU) schemes and share option schemes. Under reforms to the Listing Rules introduced during 2023, post-IPO share award and option schemes are regulated together. Going forward such post-IPO equity schemes are referred to as “share schemes” and may include both options and share awards.

As observed elsewhere in this report, increasing numbers of biotech companies listing on HKEX are incorporated in the PRC, where legal and regulatory restrictions constrain their ability to offer equity incentives to PRC-based employees. As a result, the use of traditional share schemes has decreased in favor of other forms of “employee share ownership platform,” pursuant to which the company or its founders establish a special purpose vehicle to hold shares in the listed company for the benefit of employees.

Reflecting these trends, of the seven biotech companies listing on HKEX in 2023:

- Only two companies (both incorporated in the Cayman Islands) adopted a post-IPO share scheme. These two companies also adopted a pre-IPO share option and/or RSU scheme.
- One company (also incorporated in the Cayman Islands) offered pre-IPO option and RSU schemes but no post-IPO share scheme.
- Four companies (all incorporated in the PRC) have adopted an employee share ownership platform that does not involve the grant of options or award shares.

## Types of Employee Incentive Schemes Adopted



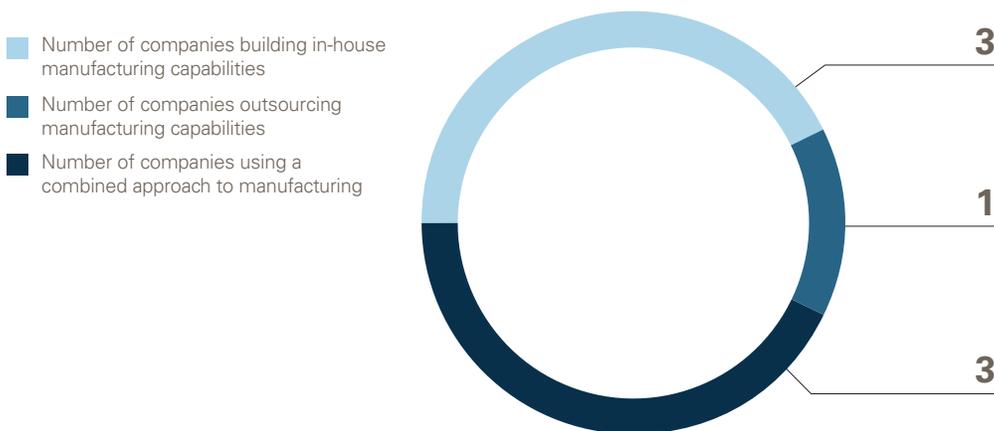
Biotech companies that listed on HKEX in 2023

## Commercialization Plans

The Listing Rules do not mandate that biotech companies need to manufacture drugs themselves once the products have been approved for sale: Companies can choose to build their own manufacturing capabilities, outsource to contract manufacturing organizations (CMOs) or use a combination of both approaches.

We found that three out of the seven companies listed in 2023 stated intentions to build their own manufacturing capabilities, three proposed adopting a combination of both internal capabilities and outsourced manufacturing, and one proposed relying entirely on outsourcing to a CMO.

## Manufacturing Approaches



Biotech companies that listed on HKEX in 2023

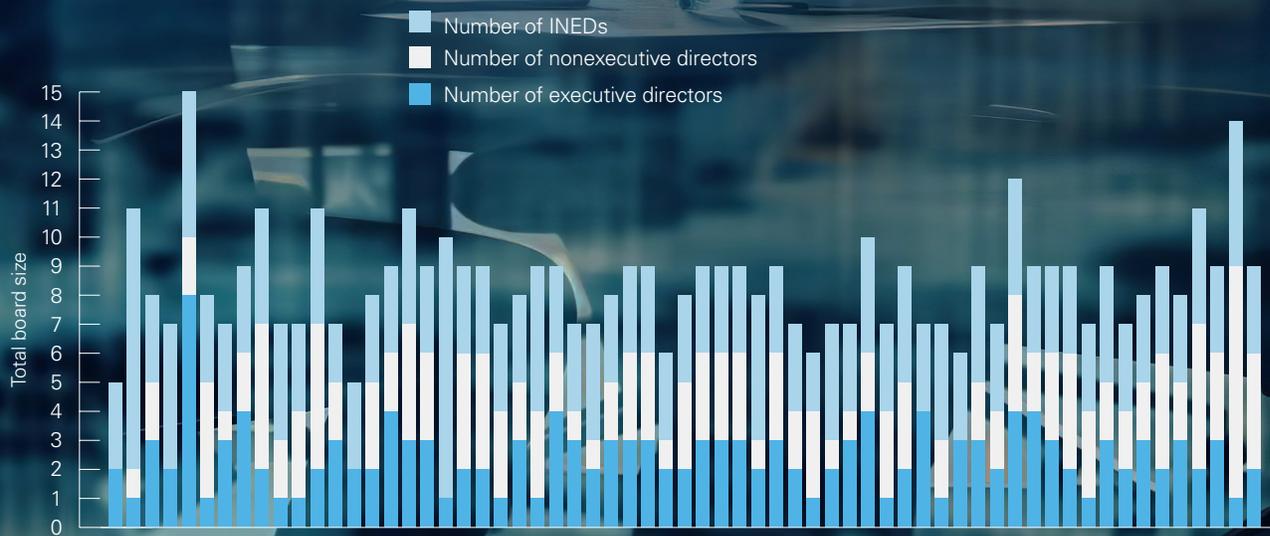
## Corporate Governance

When investing in pre-revenue biotech companies, investors rely on the ability of the senior management team and the board of directors overseeing the activities of senior management to identify promising drugs and make appropriate decisions about research and development and commercialization. Corporate governance therefore plays a crucial role in determining the success of biotech companies, and the loss of investor faith in the board or senior management team could have a serious adverse impact on a company and its share price.

This corporate governance review in our fourth annual report reflects data from all 63 biotech companies listed on HKEX as of December 31, 2023, unless otherwise noted. (This includes companies that were first listed under the biotech regime but have subsequently met the financial tests that enable them to have the related restrictions and their “B” stock marker removed — see “IV. Post-IPO – ‘B’ Marker Status” below for further information.)

## Board Size and Composition

The Listing Rules require that independent nonexecutive directors (INEDs) comprise no less than one-third of a company’s board, subject to a minimum of three INEDs. **Of the 63 companies reviewed, 13 have more than the minimum necessary number of INEDs.**



Biotech companies listed on HKEX in 2018-2023

## Board Diversity

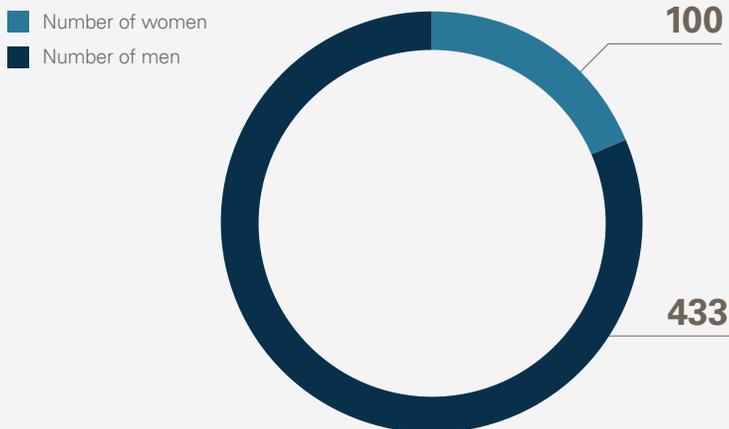
Diversity is a key focus for regulators, investors, listed companies and their stakeholders.

Since mid-2022, the HKEX Listing Rules require all new listing applicants to have at least one female director at the time of listing, and already listed companies to have at least one female director as soon as practicable and not later than December 31, 2024. As a result:

- Of the seven companies listed in 2023, all had at least one female director.
- Of the 63 reviewed companies, there remain four companies (6%) that do not have a female director on their boards at the time of this report. This compares to 11% of companies without a female director in our previous report, and 21% of companies without a female director in our 2021 report. Those companies will be required to appoint a female director before the end of 2024.

Despite this improvement in female representation, women still make up a low proportion of overall director numbers: Of 533 total directors across the 63 companies covered in this year's report, 100 were women (19%), which marks steady but only modest increases on the 17% and 16% female representation on boards, respectively, in our previous two reports. Companies thus have significant room to make improvements in this area.

### Gender Representation on Surveyed Boards



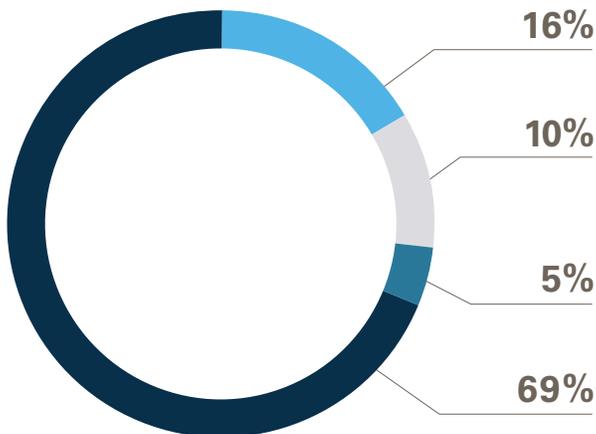
Data represents biotech companies listed on HKEX in 2018-2023

### Number of Women on Surveyed Boards



Number of companies

## Board Nationality

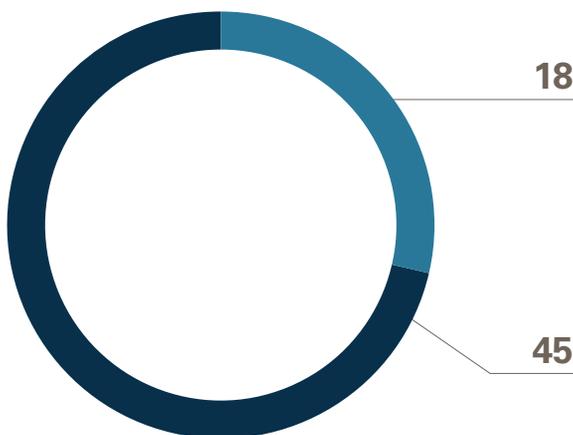


Biotech companies that listed on HKEX in 2023 only

■ PRC (excluding Hong Kong, Macau and Taiwan)
 ■ America
 ■ Hong Kong
 ■ Canada

## Combined CEO/Chair

The Listing Rules recommend that the roles of chairperson and CEO be performed by separate individuals, but permit companies to combine the roles provided that firms articulate the rationale for doing so. Perhaps owing to the critical role played by a key founder in a biotech company, the same individual served as both chairman and CEO at 45 of the 63 biotech companies listed on HKEX.

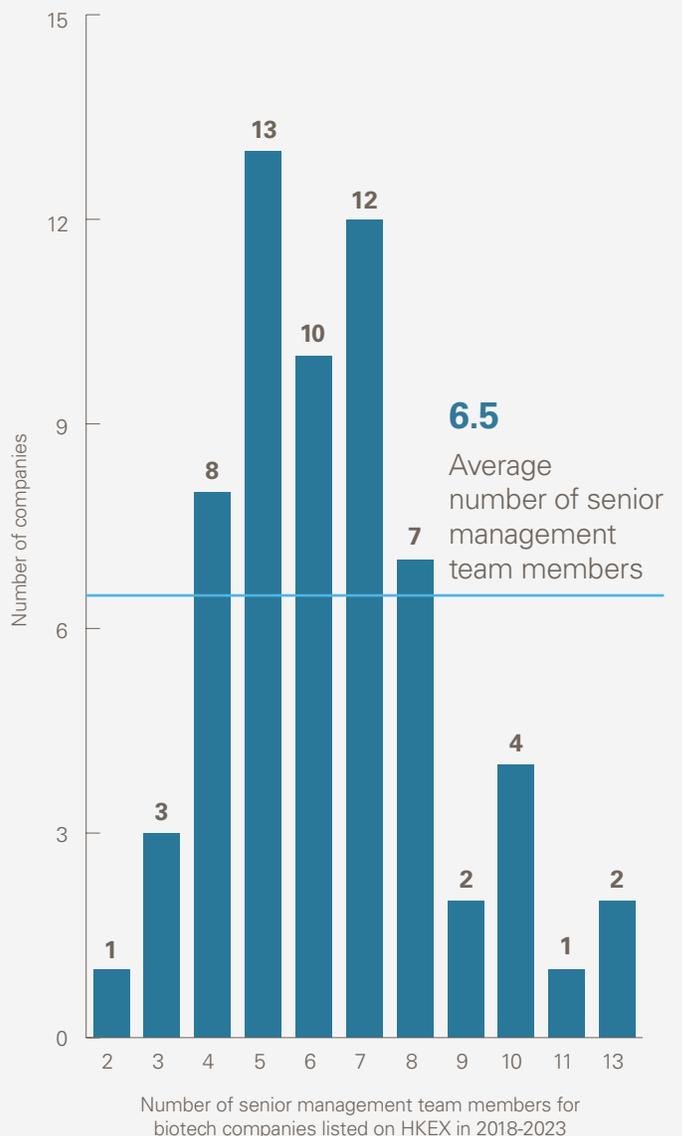


Data represents biotech companies listed on HKEX in 2018-2023

■ Number of companies combining the roles
 ■ Number of companies separating the roles

## Number of Senior Management Team Members Named in Prospectus

HKEX does not prescribe a minimum number of senior management members or define who constitutes "senior management." Each company has discretion to determine which individuals to list as senior management in its prospectus. This results in significant variation in the number of senior management team members reported from company to company, ranging from as low as one member to as many as 13.



## Post-IPO Performance

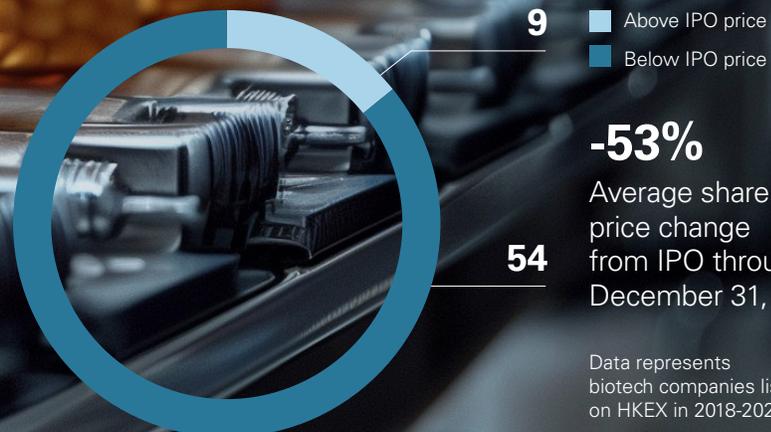
### Post-IPO Share Price Performance

Of the 63 biotech companies listed between 2018 and 2023, only nine were trading above their IPO prices as of December 31, 2023. Notably, four of those were companies listed during 2023, which perhaps suggests less demanding IPO pricing in recent market conditions.

Average share price change from IPO through December 31, 2023, across all companies represented a **loss of 53%**.

However, among the group, a few companies have outperformed, showing gains of up to 205% since IPO, as certain market participants began to see their R&D and commercialization efforts yield success.

### Number of Companies With a Share Price Above IPO Price



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## Follow-On Fundraising

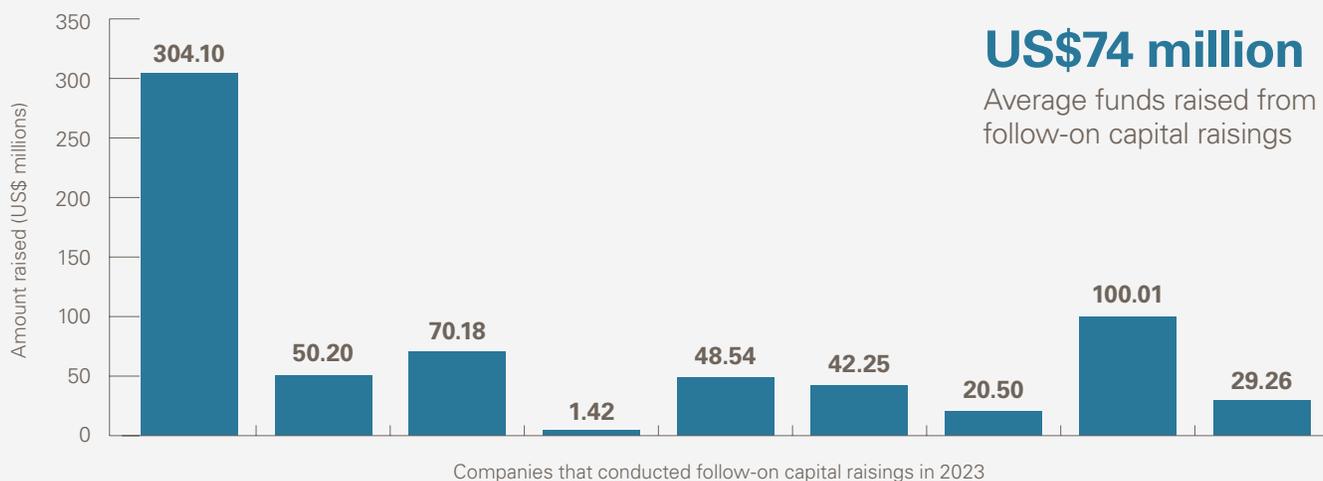
A key reason for conducting an IPO and becoming a public company is to create a platform for future fundraising activities. This is particularly important for companies in the biotech space, which have an ongoing need for capital to fund R&D activities prior to commercializing drug candidates. However, the Listing Rules restrict new share issuances by newly listed companies for a period of six months after listing in order to avoid undue dilution to IPO investors.

In our previous reports, we noted that:

- As of December 31, 2021, 33 biotech companies had been listed on HKEX for more than six months, of which 14 had conducted one or more equity capital raisings subsequent to IPO.
- For the year ended December 31, 2022, of the 50 biotech companies listed for six months or more, nine had conducting follow-on equity capital raisings during the year.

This trend has continued. During the year ended December 31, 2023, nine companies (of the 59 listed for six months or more) conducted follow on equity-raisings.

### Follow-On Fundraising Levels



## “B” Marker Status

Companies listing pursuant to Chapter 18A of the Listing Rules must include a “B” marker next to their stock names to signify their status to investors as pre-revenue biotech companies.

Under Listing Rule 18A.11, after a company begins to generate revenues such that it meets one of the three financial tests in Listing Rule 8.05, the company can apply to HKEX to remove the “B” marker. Removal of the “B” marker also eliminates certain restrictions imposed under Chapter 18A of the Listing Rules, such as the requirement to consult HKEX if a fundamental change occurs to the principal business activities of the company.

In prior years, a total of six companies have successfully applied to have the “B” marker removed as a result of meeting one or more of the financial tests. No new companies joined their ranks during the year ended December 31, 2023.

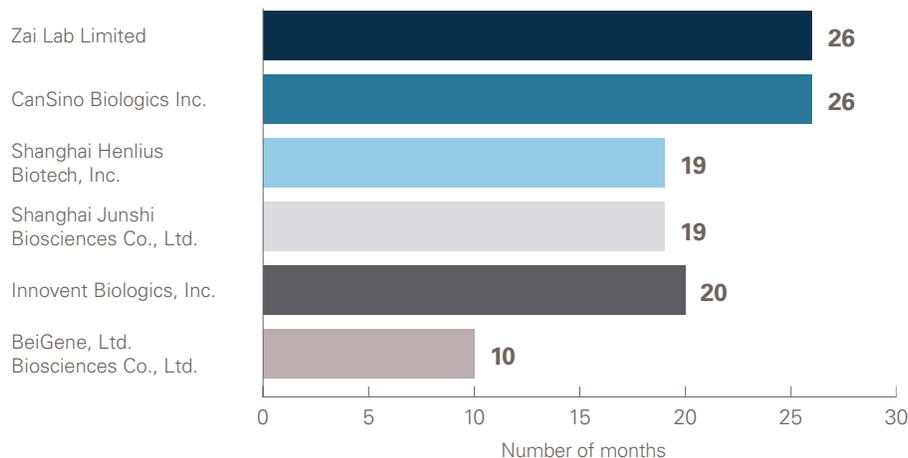
### The three financial tests are as follows:

**1 Profits test:** A company must report a profit of no less than HK\$35 million in the most recent financial year and an aggregate profit of no less than HK\$45 million in the two years prior to that.

**2 Market cap/revenue/cash flow test:** A company must report a market capitalization of no less than HK\$2 billion, revenues of at least HK\$500 million in the most recent fiscal year and positive cash flow from operating activities of no less than an aggregate of HK\$100 million over the three preceding fiscal years.

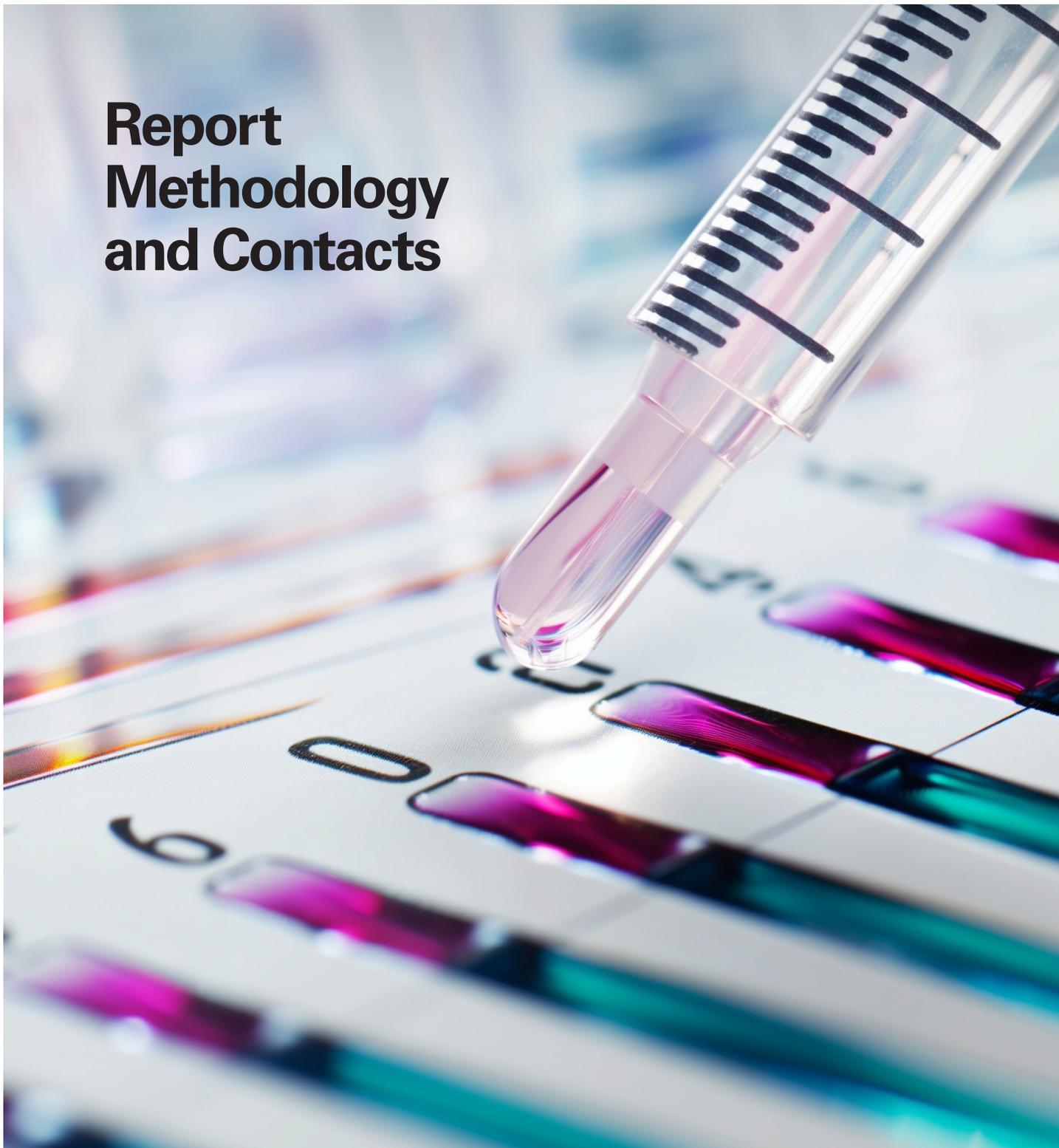
**3 Market cap/revenue test:** A company must report a market capitalization of no less than HK\$4 billion, and revenues of at least HK\$500 million in the most recent fiscal year.

### Time From IPO to Removal of B-marker



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# Report Methodology and Contacts



## Report Methodology

This report includes data on the following seven biotech companies that listed on HKEX during the year ended December 31, 2023:

Beijing Luzhu Biotechnology Co., Ltd.

Cutia Therapeutics

HighTide Therapeutics, Inc.

ImmuneOnco Biopharmaceuticals (Shanghai) Inc.

Laekna, Inc.

Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.

Wuhan YZY Biopharma Co., Ltd.

In addition, where noted in the text, this report includes data on the following 56 biotech companies that listed on HKEX prior to January 1, 2023:

3D Medicines Inc.

Abbisko Cayman Ltd.

Acotec Scientific Holdings Limited

Akeso, Inc.

Alphamab Oncology

Antengene Corporation Limited

Ascentage Pharma Group International

Asclepis Pharma Inc.

BeiGene, Ltd.

Beijing Airdoc Technology Co., Ltd.

Biocytogen Pharmaceuticals (Beijing) Co., Ltd.

Brii Biosciences Limited

Broncus Holding Corporation

CANbridge Pharmaceuticals Inc.

CanSino Biologics Inc.

CARsgen Therapeutics Holdings Limited

Clover Biopharmaceuticals, Ltd.

Cryofocus Medtech (Shanghai) Co., Ltd.

CStone Pharmaceuticals

Everest Medicines Limited

Genor Biopharma  
(formerly JHBP (CY) Holdings Limited)

HBM Holdings Limited

Hua Medicine (Shanghai) Ltd.

Immunotech Biopharm Ltd

InnoCare Pharma Limited

Innovent Biologics, Inc.

Jacobio Pharmaceuticals Group Co., Ltd.

Jenscare Scientific Co., Ltd.

Jiangsu Recbio Technology Co., Ltd.

JW (Cayman) Therapeutics Co. Ltd

Keymed Biosciences Inc.

Kintor Pharmaceutical Limited

Lepu Biopharma Co., Ltd.

Mabpharm Limited

MicroPort CardioFlow Medtech Corporation

MicroTech Medical (Hangzhou) Co., Ltd.

New Horizon Health Limited

Ocumension Therapeutics

Peijia Medical Limited

Rainmed Medical Limited

RemeGen Co., Ltd.

Shandong Boan Biotechnology Co., Ltd.

Shanghai Bio-Heart Biological Technology Co., Ltd.

Shanghai HeartCare Medical Technology  
Corporation Limited

Shanghai Henlius Biotech, Inc.

Shanghai Junshi Biosciences Co., Ltd.

Shanghai MicroPort MedBot (Group) Co., Ltd.

SinoMab BioScience Limited

Sirnaomics Ltd.

Suzhou Basecare Medical Corporation Limited

TOT BIOPHARM International Company Limited

Transcenta Holding Ltd.

Venus Medtech (Hangzhou) Inc.

Zai Lab Limited

Zhaoke Ophthalmology Limited

Zylox-Tonbridge Medical Technology Co., Ltd.

### Sources

All data in this report was obtained from publicly available sources.

### Exchange Rates

The exchange rates used in this report are US\$1 = HK\$7.75 and US\$1 = RMB7.1.

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## Contacts



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The background of the page is a close-up photograph of a petri dish. Inside the dish is a DNA microarray, which consists of a grid of small, colorful spots (red, green, blue, yellow) on a dark surface. A pipette tip is positioned above the array, with a small droplet of liquid hanging from it. The lighting is dramatic, with strong highlights and deep shadows, creating a sense of depth and focus on the scientific instrument.

**The Americas**

Boston  
Chicago  
Houston  
Los Angeles  
New York  
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