



Mainland China and Hong Kong

2019 Q1 review:
IPOs and other
market trends



Foreword

- The global IPO markets continued to be led by the US, mainland China and Hong Kong in 2019 Q1. We saw a continuation of new economy companies going public, and we foresee the sector remaining a key driver of the IPO markets
- China's pilot Science and Technology Innovation Board ("new tech board") is an unprecedented reform of the A-share market and a crucial part of China's strategic plan
- Hong Kong has continued to gain recognition as a hub for new economy companies, having recorded two more biotech IPOs in Q1 under the new listing regime introduced in 2018
- The A-share and Hong Kong markets' continued complementary growth is crucial as the new tech board helps develop up-and-coming companies

“ *Hong Kong is evolving to become more inclusive to attract listing applicants from overseas and non-traditional industries. We are seeing an increasing level of interest from established international firms listing their shares or looking into spin-offs in Hong Kong. This will further strengthen the bourse's position as an international financial centre.* **”**



Paul Lau

Partner
Head of Capital Markets
KPMG China

Top-performing global stock exchanges

2019 Q1	Rank	Stock exchange	IPO proceeds (USD billion) ¹	IPO proceeds (HKD billion) ^{1,2}
	1	NASDAQ ³	4.10	32
	2	The Stock Exchange of Hong Kong	2.05	16
	3	Shenzhen Stock Exchange	1.67	13
	4	Shanghai Stock Exchange	1.41	11
	5	New York Stock Exchange	0.77	6

2018 (Full year)	Rank	Stock exchange	IPO proceeds (USD billion)	IPO proceeds (HKD billion) ²
	1	The Stock Exchange of Hong Kong	36.7	286
	2	New York Stock Exchange	27.5	215
	3	Tokyo Stock Exchange	26.6	208
	4	NASDAQ	25.5	199
	5	Frankfurt Stock Exchange	13.9	108

(1) Analysis based on data as at 22 March 2019.

(2) The exchange rate for USD/HKD is 7.8.

(3) IPO proceeds adjusted for a sizeable technology IPO expected to be launched by the end of March

Source: Bloomberg and KPMG analysis

Mainland China IPO market
Hong Kong IPO market
Stock Connect
Bond Connect



Mainland China IPO market



A-share IPOs: 2019 Q1 highlights

The Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) recorded 32 new listings for a combined RMB 27.4 billion in 2019 Q1.

IPOs in the Industrials sector continued to lead the A-share market, being the largest contributor in terms of the number of new listings in 2019 Q1. With a promising pipeline of 85 applicants currently seeking a listing, we expect the sector to continue its strong performance for the rest of the year.

The final rules for the new tech board were published on 1 March 2019, designed to help new economy companies list on the Shanghai Stock Exchange. The new tech board, which pilots a registration-based IPO system, has generated significant interest from market participants, and will be a strong catalyst for the overall A-share IPO market in the long run.

Note:

(1) All analysis is based on a combination of data as at 15 March 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

A-share IPOs: overview

- The A-share IPO market recorded **32 new listings** for a combined **RMB 27.4 billion** in 2019 Q1, representing a year-on-year decrease of 31 percent. Both the SSE and SZSE recorded a reduction in the number of new listings and total funds raised due to global economic uncertainties and slowing approval rates.
- We expect both the **Industrials and TMT sectors to remain key drivers** for the A-share IPO market in 2019. The two sectors account for **approximately 60 percent** of the existing pipeline.
- The **new tech board** has generated significant interest from market participants, with its focus on supporting **new generation information technology, high-end manufacturing, new materials, new energy, environmental protection and biotech sectors**. We expect the new tech board to gradually stimulate the overall A-share IPO market in the long run.

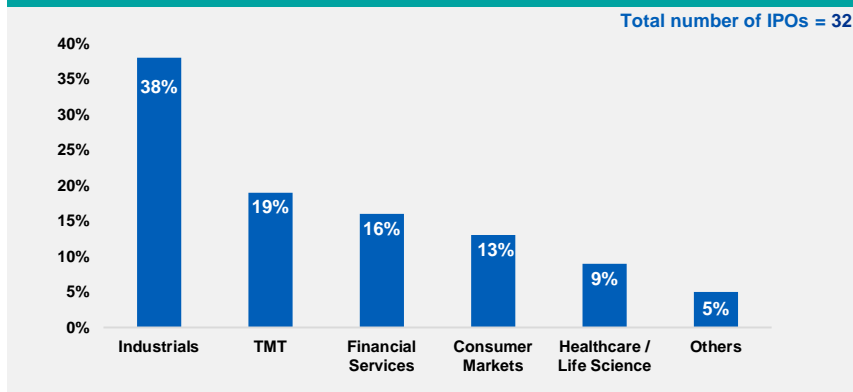
	SSE			SZSE			A-share Market (SSE & SZSE)			
	Total funds raised (RMB billion)	No. of IPOs	Average deal size (RMB billion)	Total funds raised (RMB billion)	No. of IPOs	Average deal size (RMB billion)	No. of IPOs			Total
							< RMB 1 billion	RMB 1-5 billion	> RMB 5 billion	
2019 Q1	12.3	13	0.9	15.1	19	0.8	23	9	-	32
2018 Q1	20.7	18	1.15	19.1	19	1.01	27	10	-	37
2018 full year	86.5	57	1.52	51.3	48	1.07	76	25	4	105
2017 Q1	41.8	65	0.64	27.8	69	0.40	118	16	-	134
2016 Q1	5.1	9	0.57	6.2	15	0.41	23	1	-	24
2015 Q1	33.4	35	0.95	14.7	35	0.42	61	8	1	70

Note: All figures are based on a combination of data as at 15 March 2019 and KPMG estimates, unless otherwise stated.
Excludes listing by introduction.

Source: Wind and KPMG analysis

A-share IPOs: sector analysis

2019 Q1: Top 5 sectors – by number of IPOs



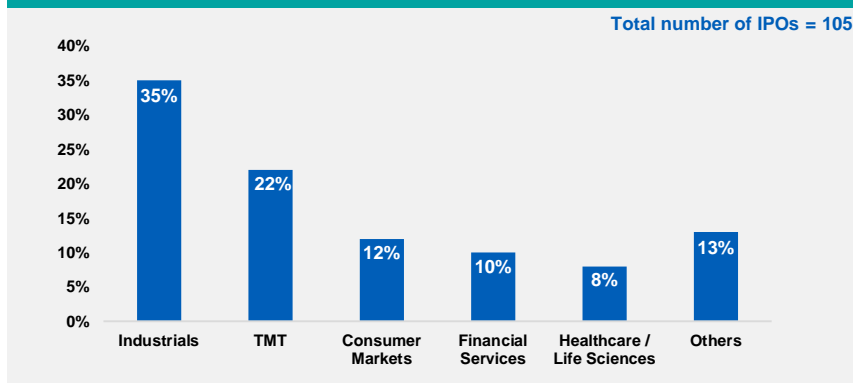
Source: Wind and KPMG analysis



Industrials

- Industrials continued to be the **largest contributor in terms of number of new listings**, representing 38 percent of IPOs in 2019 Q1. Backed by a **strong pipeline of 85 companies currently seeking a listing** (as at 15 March 2019), we expect the sector to remain a major contributor to total number of new listings throughout the year.
- '**Industrial internet**' remains a point of emphasis, as China keeps striving for **high-quality economic development** in the long run. This can be best achieved through the integration of physical equipment with big data, artificial intelligence, and the Internet of Things (IoT).

2018: Top 5 sectors – by number of IPOs



Source: Wind and KPMG analysis



Consumer Markets

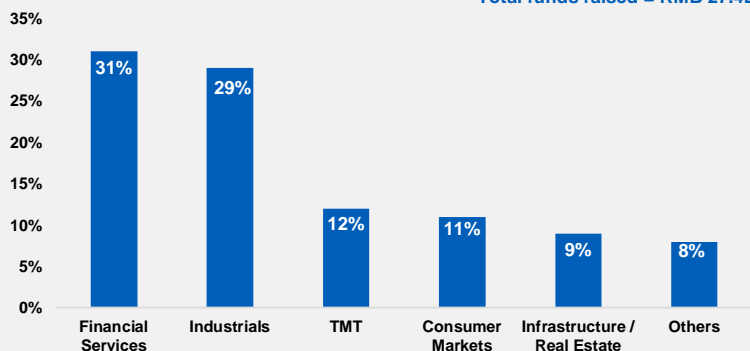
- Consumer markets continued to be a leading sector in the A-share IPO market. It placed **fourth in terms of both the number of new listings and total funds raised**. The sector is expected to maintain its momentum, bolstered by a stable IPO pipeline.
- The Chinese New Year holiday **generated RMB 100.5 billion in sales, up 8.5 percent** compared to last year, as figures showed optimism over growth in consumption, especially on e-commerce platforms. China is expected to uphold its status as the world's **largest e-commerce market**.

Note: All analysis is based on a combination of data as at 15 March 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

A-share IPOs: sector analysis (cont'd)

2019 Q1: Top 5 sectors – by total funds raised

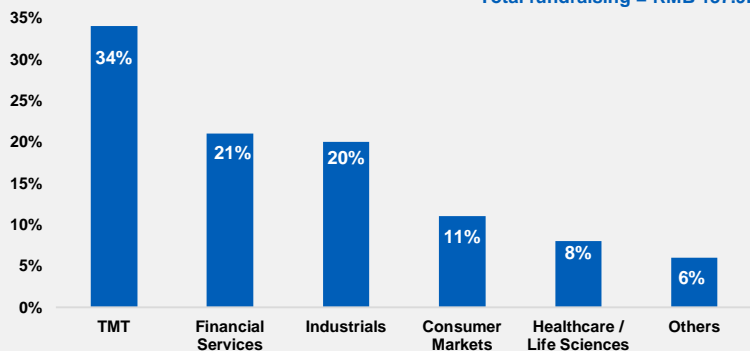
Total funds raised = RMB 27.4B



Source: Wind and KPMG analysis

2018: Top 5 sectors – by total funds raised

Total fundraising = RMB 137.9B



Source: Wind and KPMG analysis

Note: All analysis is based on a combination of data as at 15 March 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.



Financial Services

- Financial services **came first in terms of total funds raised** due to several large regional commercial banks listing during the quarter, **all ranking among the top 10 largest A-share IPOs during the quarter.**
- Of the 18 financial services companies awaiting listing approval, 12 are regional commercial banks, while the rest are securities and futures brokers.



Technology, Media & Telecoms

- The momentum from 2018 has carried over to the first quarter of 2019, with the TMT sector placing **third in terms of both the number of new listings and total funds raised.** We expect 2019 to be another strong year for the sector, driven by the **government's unwavering support** for science and technology companies and **a robust pipeline of 73 companies** seeking listing on the A-share market.
- The final rules for the new tech board were published on 1 March 2019,** and the first batch of companies to list under the board could happen as soon as mid-2019. With the tech board's strong support for new economy companies, we predict TMT to **continue as one of the top sectors and spur the A-share IPO market for years to come.**

Top 10 largest A-share IPOs

2019 Q1	Company	Exchange	Proceeds (RMB billion)	Sector
1	Qingdao Rural Commercial Bank Corporation [#]	SZSE	2.2	Financial Services
2	Qingdao Port International Co., Ltd.	SSE	2.1	Infrastructure / Real Estate
3	Bank of Xi'an Co., Ltd.	SSE	2.1	Financial Services
4	Bank of Qingdao Co., Ltd.	SZSE	2.0	Financial Services
5	Zhejiang Sanmei Chemical Industry Co., Ltd.	SSE	1.9	Industrials
6	Ming Yang Smart Energy Group Limited	SSE	1.3	Industrials
7	CSPC Innovation Pharmaceutical Co., Ltd.	SZSE	1.2	Healthcare / Life Sciences
8	Jiangsu Lihua Animal Husbandry Stock Co., Ltd.	SZSE	1.2	Consumer Markets
9	Jiangsu Zijin Rural Commercial Bank Co., Ltd.	SSE	1.2	Financial Services
10	Chinalin Securities Co., Ltd.	SZSE	1.0	Financial Services

[#] Expected to list by the end of 2019 Q1. Fund raised is based on the amount disclosed in the company's prospectus.

Source: Wind and KPMG analysis



Funds raised by top 10 IPOs

2018 Q1:
RMB 26.4 billion
~ 66% of total proceeds



2019 Q1:
RMB 16.2 billion
~ 59% of total proceeds



Top 10 Highlights

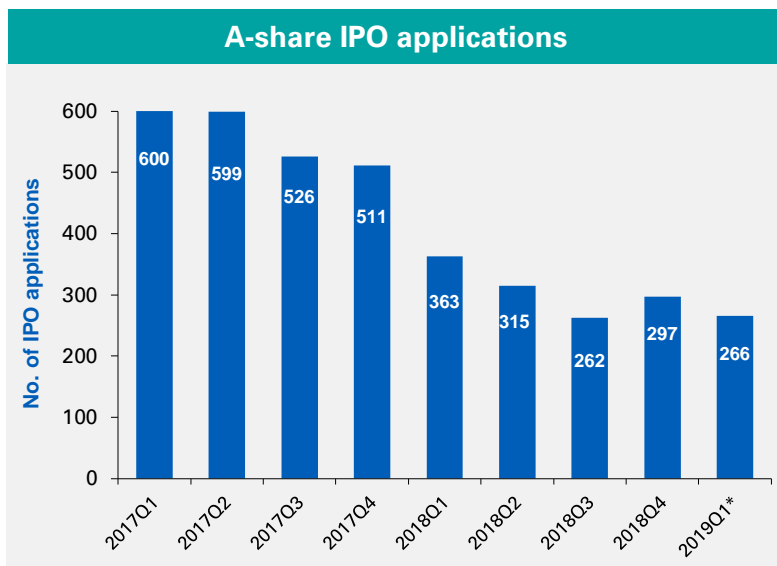
- **Financial Services** continue to be a key contributor to the top 10 largest A-share IPOs.

2018 Q1	Company	Exchange	Proceeds (RMB billion)	Sector
1	Huaxi Securities Co., Ltd	SZSE	5.0	Financial Services
2	Jiangsu Financial Leasing Corp. Ltd	SSE	4.0	Financial Services
3	Hebei Yangyuanzhui Beverages Co., Ltd	SSE	3.4	Consumer Markets
4	Red Star Macalline Group Corp. Ltd.	SSE	3.2	Consumer Markets
5	Bank of Chengdu Co., Ltd	SSE	2.5	Financial Services
6	Huabao Flavours & Fragrances Co., Ltd	SZSE	2.4	Consumer Markets
7	Xiamen Intretech Inc.	SZSE	1.7	TMT
8	Keshun Waterproof Technologies Co., Ltd	SZSE	1.5	Industrials
9	Ktk Group Co., Ltd	SSE	1.4	Industrials
10	Runjian Communication Co., Ltd	SZSE	1.3	TMT

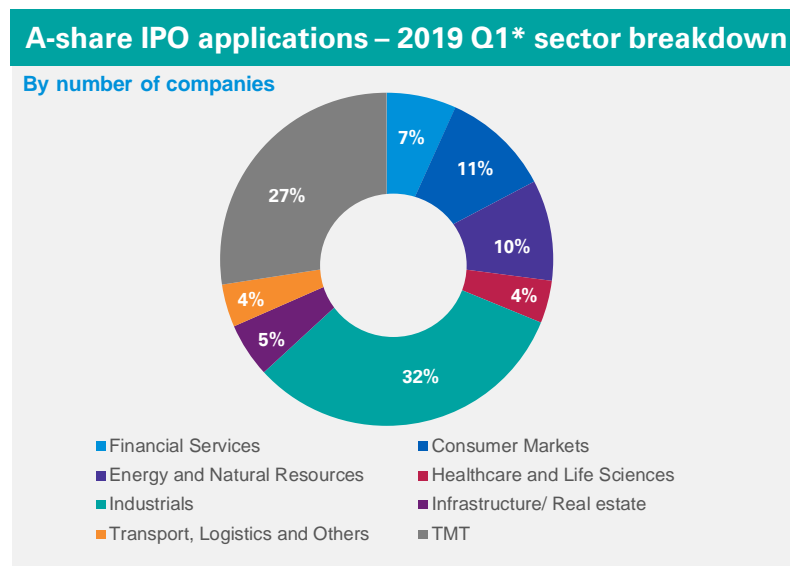
Source: Wind and KPMG analysis

A-share IPO pipeline

- The number of active IPO applications has gradually fallen since 2017 Q4 as new listing applicants dropped off during the quarter, in light of global economic uncertainties.
- With the commencement of the new tech board, we foresee a number of listing applicants coming from a wide spectrum of sectors, with priority given to companies with high market recognition and breakthroughs in core technologies.
- We expect the TMT and Industrials sectors to continue to be key drivers for the A-share market, as nearly 60 percent of the existing pipeline belongs to these sectors.



Note: * Data as at 15 March 2019



Source: Wind and KPMG analysis

A-share IPOs: 2019 outlook

- The new tech board is an unprecedented reform of the A-share market and a crucial part of China's strategic plan to push for innovation-driven growth and enhance the capital market's capacity to serve the real economy
- The new tech board will serve as one of the engines for fostering the development of strategically emerging sectors
- As a pilot registration-based IPO system with flexible financial requirements, the new tech board serves as a risk-contained subsection of the market for experimentation and further refinement
- Over the long term, we will likely see more integration of the new tech board to other capital initiatives, as it becomes an increasingly integral part of the ecosystem

“

The new tech board has generated significant market interest, and priority will be given to listing applicants with high market recognition and breakthroughs in core technologies. With its focus on quality, we believe in its potential to serve as a pillar for the development of new economy companies for years to come.

”



Louis Lau

Partner
Capital Markets
KPMG China

Hong Kong IPO market



Hong Kong IPOs : 2019 Q1 highlights

Hong Kong was second globally in terms of total funds raised in 2019 Q1. Its Main Board recorded 31 new listings for a combined HKD 19.5 billion during the quarter.

The Infrastructure/Real Estate sector led the Main Board in both the number of listings and total funds raised, with the listing of several property development and management as well as construction service companies. The TMT sector maintained its momentum from 2018, placing second in both the number of listings and total funds raised, largely due to the listing of several new economy companies related to online services.

HKEX has stated its vision of being the global markets leader in Asia, by further increasing its international relevance both into and out of China and the rest of Asia. Three key initiatives – ‘China Anchored’, ‘Globally Connected’, and ‘Technology Empowered’ – will be pivotal in achieving the bourse’s vision. As part of the Globally Connected initiative, we foresee an increase in the number of international conglomerates listing in Hong Kong.

Note:

- (1) Rankings and data are based on information as at 15 March 2019.
- (2) All analysis is based on a combination of data as at 31 March 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

Hong Kong IPOs: overview

- The Main Board recorded **31 new listings** for a combined **HKD 19.5 billion** during the quarter. Two companies engaged in biotechnology appeared under the new listing regime during the quarter, one of which claimed first place in terms of funds raised for 2019 Q1.
- The increase in the number of IPOs marks the beginning of another optimistic year. As of 15 March 2019, there were **148 active applicants, compared to 81** as at 31 March 2018, which could lead to a **further increase in the number of listings and funds raised in the upcoming quarters**.
- GEM recorded **five new listings**, raising HKD 0.4 billion. The lower number of listings and funds raised were due to a gradual decrease of companies in the GEM pipeline since the second half of 2018.

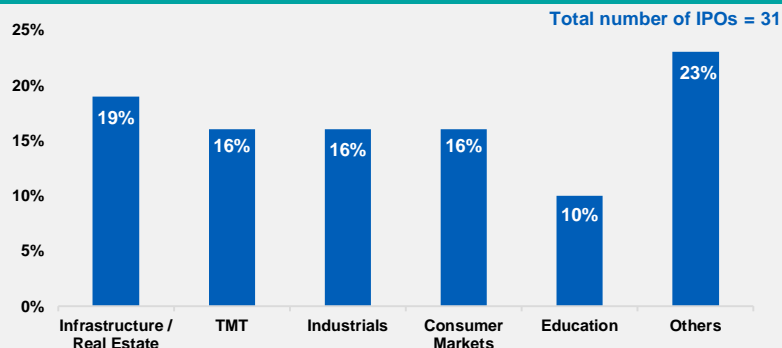
	Main Board						GEM		
	Total funds raised (HKD billion)	No. of IPOs	Average deal size (HKD billion)	No. of IPOs			Total funds raised (HKD billion)	No. of IPOs	Average deal size (HKD billion)
				< HKD 1 billion	HKD 1-5 billion	> HKD 5 billion			
2019 Q1	19.5	31	0.63	23	8	-	0.4	5	0.08
2018 Q1	22.2	29	0.77	25	3	1	2.2	33	0.07
2018 full year	281.3	130	2.16	90	30	10	5.1	75	0.07
2017 Q1	12.1	20	0.61	17	3	-	1.3	19	0.07
2016 Q1	29.9	13	2.30	8	3	2	0.3	6	0.05
2015 Q1	19.7	16	1.23	13	1	2	0.6	9	0.07

Note: All analysis is based on a combination of data as at 15 March 2019 and KPMG estimates, unless otherwise stated.
Excludes listings by introduction.

Source: HKEx and KPMG analysis

Hong Kong IPOs: Main Board - sector analysis

2019 Q1: Top 5 sectors – by number of IPOs



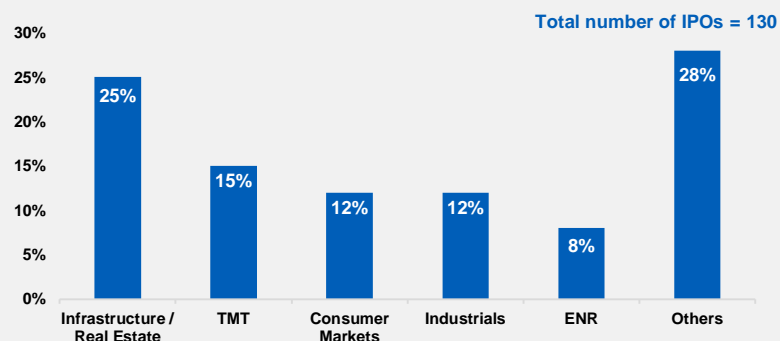
Source: HKEx and KPMG analysis



Infrastructure / Real Estate

- The sector continued to **lead the market in the number of listings**, while also **placing first in total funds raised** to start off the year.
- As of 15 March 2019, **over a quarter of the pipeline belongs to this sector**. We expect Infrastructure/Real Estate to continue as one of the top sectors in 2019.
- Construction and infrastructure companies are expected to remain strong in the coming years, driven by **increased infrastructural needs for the Greater Bay Area**, including development of Hong Kong International Airport's three-runway plan and the city's Cyberport and Science Park.

2018: Top 5 sectors – by number of IPOs



Source: HKEx and KPMG analysis



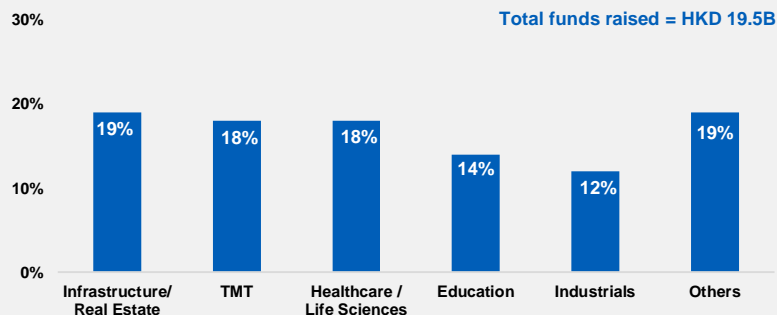
Technology, Media & Telecoms

- The sector was **second in terms of total funds raised and tied second for number of new listings**. Of the **five TMT companies listed in 2019 Q1**, four are new economy companies.
- Among 26 new economy companies in the pipeline as at 15 March 2019, **12 are TMT companies**. These include companies engaged in online gaming, online marketing, online music and video platform business.
- We expect the TMT sector to **maintain its momentum** in the coming years, supported by the Greater Bay Area's outline plan and the government's efforts to promote the development of **AI, smart city and technologies**.

Note: All analysis is based on a combination of data as at 15 March 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

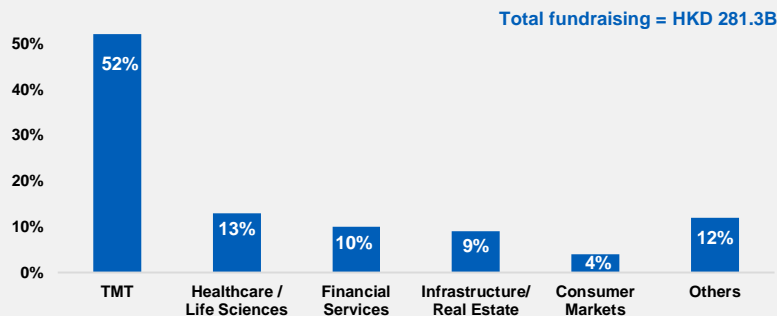
Hong Kong IPOs: Main Board - sector analysis (Cont'd)

2019 Q1: Top 5 sectors – by total funds raised



Source: HKEx and KPMG analysis

2018: Top 5 sectors – by total funds raised



Source: HKEx and KPMG analysis

Note: All analysis is based on a combination of data as at 15 March 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.



Education

- The Education sector had a **resurgence in the first quarter** of 2019, ranking amongst the top 5 sectors in both the number of listings and total funds raised.
- All three listed companies are institutes engaged in private education, one of which is a **new economy company specializing in online education**.



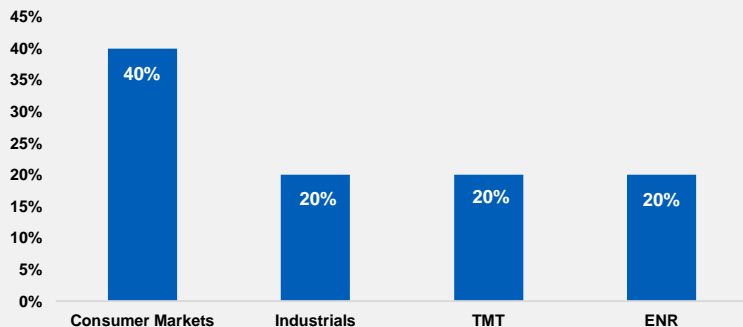
Healthcare / Life Sciences

- Building on biotech companies' strong showing in 2018, the sector came **second in terms of total funds raised** due to the listing of two **biotech companies under the new listing regime during Q1**.
- The Greater Bay Area outline plan provides **support for medical institutions in Hong Kong**, leveraging on the strength of the Government Chinese Medicines Testing Institute for promoting standardisation and internationalisation of Chinese medicine.
- In addition to the government's support of the healthcare sector in its Hong Kong budget for 2019-2020, the anticipated rise in **the proportion of elderly residents** will continue to generate significant demand for healthcare services. We expect the sector to continue **being a crucial driver of the Hong Kong IPO market in the long run**.

Hong Kong IPOs: GEM - sector distribution

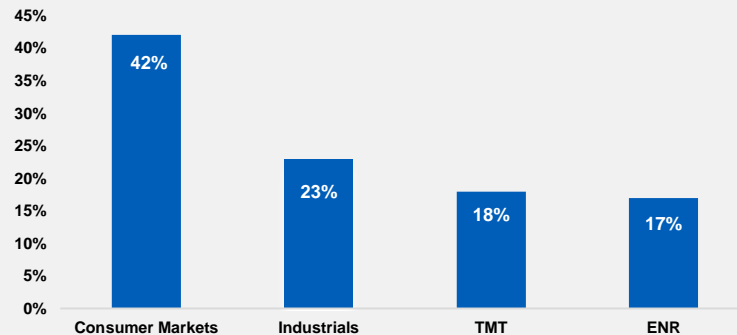
2019 Q1: Top sectors – by number of IPOs

Total number of IPOs = 5



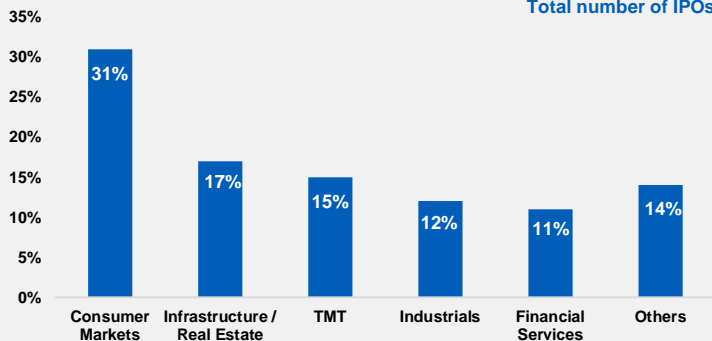
2019 Q1: Top sectors – by total funds raised

Total funds raised = HKD 0.4B



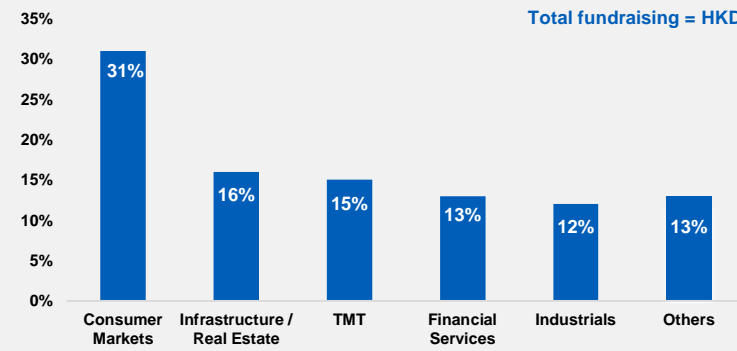
2018: Top 5 sectors – by number of IPOs

Total number of IPOs = 75



2018: Top 5 sectors – by total funds raised

Total fundraising = HKD 5.1B



Note: All analysis is based on a combination of data as at 15 March 2019 and KPMG estimates, unless otherwise stated.
Excludes listings by introduction.

Source: HKEx and KPMG analysis

Top 10 largest Hong Kong IPOs

2019 Q1	Company	Proceeds (HKD billion)	Sector
1	Cstone Pharmaceuticals - B	2.2	Healthcare / Life Sciences
2	Maoyan Entertainment	2.0	TMT
3	China Risun Group Ltd.	1.7	Industrial Markets
4	Koolearn Technology#	1.7	Education
5	Dexin China Holdings Co., Ltd.	1.5	Infrastructure / Real Estate
6	CanSino Biologics Inc – B#	1.2	Healthcare / Life Sciences
7	Zhejiang New Century Hotel Management Co., Ltd	1.2	Transport, Logistics and Others
8	Chengdu Expressway Co., Ltd.	1.0	Transport, Logistics and Others
9	China Kepei Education Group Ltd.	0.9	Education
10	Weimob Inc	0.8	TMT

Expected to list by the end of 2019 Q1. Fund raised is estimated based on mid price.

Source: HKEx and KPMG analysis



Funds raised by top 10 IPOs

2018 Q1:

HKD 19.6 billion
~ 80% of total proceeds



2019 Q1:

HKD 14.2 billion
~ 73% of total proceeds



Top 10 highlights

- **New economy companies continue to greatly influence the IPO landscape, with five out of the 10 largest IPOs belonging to these companies**

2018 Q1	Company	Proceeds (HKD billion)	Sector
1	Bank of Gansu Co., Ltd.	6.8	Financial Services
2	Zhenro Properties Group Ltd.	4.5	Infrastructure / Real Estate
3	A-Living Services Co., Ltd	4.1	Infrastructure / Real Estate
4	China Xinhua Education Group Ltd.	1.3	Education
5	C-MER Eye Care Holdings Ltd.	0.7	Healthcare / Life Sciences
6	China Boqi Environmental (Holding) Co., Ltd.	0.6	Energy and natural resources
7	CSMall Group Ltd	0.5	Consumer Markets
8	MECOM Power and Construction Ltd.	0.4	Infrastructure / Real Estate
9	Pentamaster International Ltd.	0.4	TMT
10	Ruifeng Power Group Co., Ltd.	0.3	Industrial

Source: HKEx and KPMG analysis

Hong Kong IPOs: 2019 outlook

- With the introduction of the new listing regime in 2018, a strong wave of new economy companies propelled the Hong Kong IPO market to new heights. Welcoming the new economy has expanded the market, with increased representation from the TMT and Life Sciences sectors
- Two biotech IPOs were recorded in the first quarter of 2019 and it is anticipated that Hong Kong will continue to trend towards being a global hub for new economy companies
- The new listing regime has solidified Hong Kong's position as an international financial centre. With a robust legal and financial system, unrestricted access to global investors, coupled with convenient access to mainland China, Hong Kong is poised to attract overseas companies to list in the city
- The broadening of both sectors and regional participation will create a vibrant and diversified financial market with sustainable growth for the future

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The pipeline continues to be strong with a number of new economy companies from the pharmaceutical sector and businesses in traditional sectors leveraging technological breakthroughs. We expect to see an acceleration of momentum for IPO activities the rest of the year.

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Irene Chu

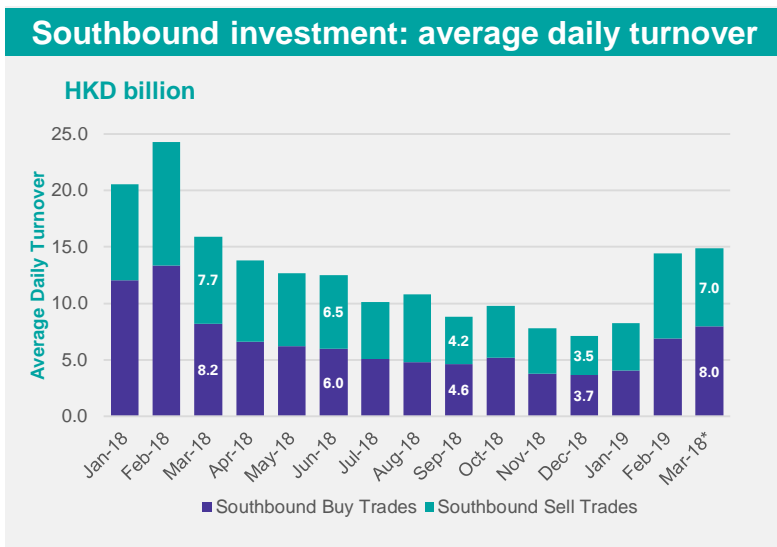
Partner
New Economy and Life Sciences
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Stock Connect

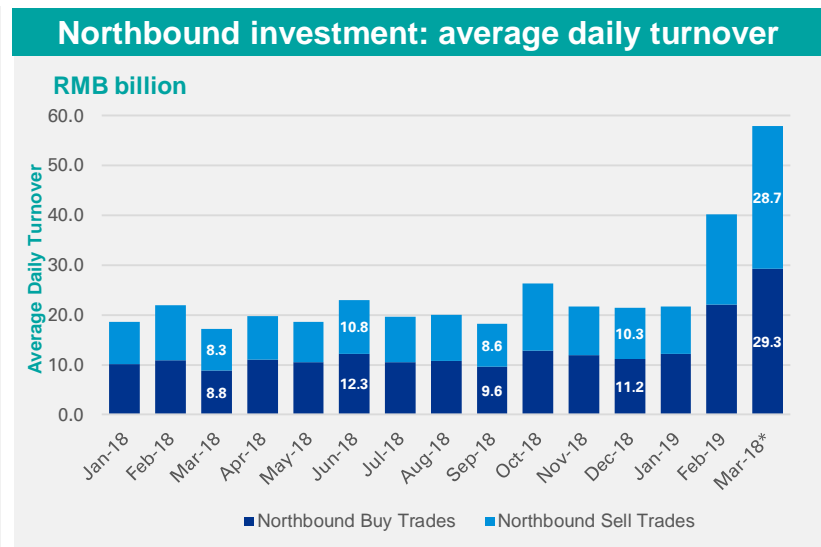


Stock Connect

- Average daily turnovers of northbound investments have jumped as a result of Morgan Stanley Capital International Index's expected increase in its weighting of China-listed shares. This signifies not only heightened interest, but also unwavering confidence in the resilience of Chinese capital markets amid global uncertainties, which will lead to an increasing amount of inflows to the A-share markets.
- As one of the three key themes of the HKEX's strategic plan for 2019-2021, 'China Anchored' will continue facilitating China's internationalisation and investment diversification. Key strategies include expanding northbound capital inflows by broadening availability of onshore products, delivering more risk management tools offshore, and expanding southbound capital allocation to facilitate mainland investors' investment diversification.



* Analysis is based on data as at 15 March 2019



Source: HKEX

Bond Connect



BTC / U

\$11,904.00

01/14 6:20pm

01/15 3:50am

01/15 1:20pm

01/15 10:50pm

01/16 8:20pm

Bond Connect



Foreign participation in China's bond market

- **The number of registered overseas investors surged** from 503 at the start of the year to 617 in February 2019.
- **Bloomberg became the second trading platform for Bond Connect**, with the first trade executed on 22 February 2019.
- Average daily turnover increased to RMB 6.48 billion, **up 82% compared to December 2018**.
- Bond Connect provides a simplified and streamlined mechanism for international investors to participate in China's onshore bond market. One of the key initiatives of **HKEX's strategic plan for 2019-2021** is to enhance Bond Connect through **structural improvements, adding a wider range of access platforms, and preparing to launch southbound trading**.

Source: Wind, Bond Connect Company Limited

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