



# Mainland China and Hong Kong

2019 Q3 review:  
IPOs and other  
market trends



# Overview of IPO landscape

The US, Hong Kong and mainland China continued to be the key driving forces of the global IPO market, snapping up the top five positions. But amid global economic uncertainties, some mega-sized companies this year have had difficulties listing, faced with a lower offering price, a reduced offer size or a need to postpone. As a result, funds raised by the global top 10 companies dipped from USD 60.4 billion in 2018 to USD 29.1 billion in 2019 Q3 YTD.

Mainland China was a distinct bright spot, however, as encouraging efforts to liberalise the A-share market held steady. The first batch of STAR Market applicants listed in July, totalling 33 companies for the first three quarters. The share prices for these firms have surged, averaging an increase of 216 percent on their offering price 10 days after listing. On the back of the STAR Market's success, the State Council plans to reform Shenzhen's ChiNext Board with a registration-based IPO system. This will enhance the diversity and competitiveness of Chinese capital markets.

In Hong Kong, IPO applicants have generally adopted a cautious, wait-and-see approach that resulted in a dip in funds raised during 2019 Q3 compared with the same period last year. Yet Hong Kong remains a top destination for IPOs owing to strong fundamentals. In fact, the number of Main Board deals in the first three quarters is comparable to that of last year, and the number of new Main Board applications in July and August increased by about 30 percent compared to last year. Based on the strong pipeline, IPO activities in the Hong Kong market will pick up in the fourth quarter, placing Hong Kong in a good position to remain in the top three markets globally by year-end. In addition, ESR Cayman recently announced it plans to revive its IPO in Hong Kong, and Budweiser Brewing Company is expected to list by the end of Q3. Both developments indicate an uptick in investor sentiment.

“ The slowdown in the global IPO market is related to a number of uncertainties weighing on sentiment, including US-China trade tensions, Brexit and an inverted yield curve potentially signifying a recession. ”



**Paul Lau**

Partner  
Head of Capital Markets  
KPMG China

Note: All analysis is based on data as at 13 Sep 2019 and KPMG analysis, unless otherwise stated.

# Top-performing global stock exchanges

## Funds raised by top five exchanges



2018 Q3 YTD:  
**USD 95.9 billion**

62% of total proceeds



2019 Q3 YTD:  
**USD 74.1 billion**

73% of total proceeds

### 2019 Q3 YTD

Rank	Stock exchange	IPO proceeds (USD billion) <sup>1</sup>
1	NYSE	23.6
2	NASDAQ	18.7
3	Shanghai Stock Exchange	12.9
4	HKEX <sup>(2)</sup>	11.4
5	Shenzhen Stock Exchange	7.5

### 2018 full year

Rank	Stock exchange	IPO proceeds (USD billion)
1	HKEX	36.9
2	NYSE	27.6
3	Tokyo Stock Exchange	26.7
4	NASDAQ	25.5
5	Frankfurt Stock Exchange	13.8

### 2018 Q3 YTD

Rank	Stock exchange	IPO proceeds (USD billion)
1	HKEX	31.2
2	NYSE	23.9
3	NASDAQ	20.8
4	Shanghai Stock Exchange	11.2
5	Frankfurt Stock Exchange	8.8

(1) Analysis based on data as at 13 Sep 2019

(2) HKEX is expected to rank third globally following the listing of Budweiser Brewing Company scheduled on 30 Sep 2019, which is expected to raise USD 4.6B based on the offer mid-price and without taking into account the offer size adjustment option and over-allotment option.

Sources: Bloomberg and KPMG analysis

# Top 10 largest global IPOs

2019 Q3 YTD	Company	Exchange	Proceeds (USD billion)	Sector
1	Uber Technologies Inc	NYSE	8.1	TMT
2	Budweiser Brewing Company APAC Ltd#	HKEX	4.6	Consumer Markets
3	Avantor Inc	NYSE	3.4	Healthcare/Life Sciences
4	Nexi SpA	Brsaltaliana	2.3	Financial Services
5	Lyft Inc	NASDAQ	2.3	TMT
6	CGN Power Co Ltd	SZSE	1.9	ENR
7	Huatai Securities Co Ltd	LSE	1.7	Financial Services
8	Pinterest Inc	NYSE	1.6	TMT
9	Network International Holdings	LSE	1.6	Financial Services
10	China Railway Signal & Communication Corporation Ltd	SSE - STAR	1.6	TMT



Funds raised by top 10 IPOs

2018 full year:  
**USD 60.4 billion**



2019 Q3 YTD:  
**USD 29.1 billion**

Sources: Bloomberg and KPMG analysis, excludes direct listings, blank check and trust companies  
# Expected to list by the end of 2019 Q3. Proceeds are estimated using the offer mid-price and without taking into account the offer size adjustment option and over allotment option.



**Mega-sized technology companies continue to be a key driver of the IPO market**

2018 Full year	Company	Exchange	Proceeds (USD billion)	Sector
1	Softbank Corp	Tokyo	21.2	TMT
2	China Tower Corporation Ltd	HKEX	7.5	TMT
3	Xiaomi Corporation	HKEX	5.5	TMT
4	Siemens Healthineers AG	Xetra	5.0	Healthcare/Life Sciences
5	Knorr-Bremse AG	Xetra	4.5	Industrials
6	Foxconn Industrial Internet Co	SSE	4.3	TMT
7	Meituan Dianping	HKEX	4.2	TMT
8	AXA Equitable Holdings Inc	NYSE	3.2	Financial Services
9	Pagseguro Digital Ltd	NYSE	2.6	TMT
10	iQIYI Inc	NASDAQ	2.4	TMT

Sources: Bloomberg and KPMG analysis, excludes direct listings, blank check and trust companies

# Mainland China IPO market



# A-share IPOs: 2019 Q3 highlights

The Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) recorded 127 new listings for a combined RMB 140.3 billion in the first three quarters of 2019. Industrials and TMT continued to dominate the A-share IPO market, accounting for over 60 percent of funds raised.

The STAR Market's first batch of applicants listed on 22 July, and they total 33 companies for the first three quarters of 2019. Companies' share prices had surged in the first 10 trading days, averaging an increase of 216 percent<sup>(1)</sup> compared to their offering price. Information disclosure and quality of issuers are among regulators' top considerations. Quality is a high priority for the new tech board, and as of 13 September, nine companies withdrew their applications following the regulators' review.

The steady increase despite global uncertainties indicated strong investor confidence in the new technology-focused board. The registration-based STAR Market is next expected to reform key elements of the capital market, such as valuation, the process for disclosure of information and its trading mechanism.

**“ We see an encouraging continuation of efforts to liberalise the A-share market, illustrated by Shenzhen's ChiNext board preparing to adopt a registration-based IPO system similar to that of the STAR Market in Shanghai. ”**



**Louis Lau**

Partner  
Capital Markets Advisory Group  
KPMG China

All analysis is based on a combination of data as at 13 Sep 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

Note<sup>(1)</sup>: This is calculated based on the stock price performance of 28 companies listed on the STAR Market which have recorded 10 trading days as at 13 Sep 2019.

# A-share IPOs: overview

- The A-share IPO market recorded 127 new listings for a combined RMB140.3 billion in 2019 Q3 YTD.
- Industrial IPOs continued to lead the A-share IPO market, ranking first in terms of number of new listings and second in terms of funds raised compared with the other sectors in 2019 Q3 YTD. The **Industrials and TMT sectors are expected to continue driving** the A-share IPO market for the rest of 2019, accounting for **approximately 60 percent** of the existing pipeline.
- The STAR Market debuted on 22 July and there will be 33 companies listed on the STAR Market in total for the first three quarters of 2019.

	SSE			SSE – STAR			SZSE			Total A-share market	
	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)	Total funds raised (RMB billion)	No. of IPOs	Average deal size (RMB billion)	Total funds raised (RMB billion)	Total no. of IPOs
<b>2019 Q3 YTD</b>	41.4	41	1.01	47.5	33	1.44	51.4	53	0.97	140.3	127
<b>2018 Q3 YTD</b>	76.7	51	1.50	-	-	-	38.7	36	1.08	115.4	87
<b>2018 full year</b>	86.5	57	1.52	-	-	-	51.3	48	1.07	137.8	105
<b>2017 Q3 YTD</b>	104.9	173	0.61	-	-	-	70.9	177	0.40	175.8	350
<b>2016 Q3 YTD</b>	49.0	54	0.91	-	-	-	27.8	72	0.39	76.8	126
<b>2015 Q3 YTD</b>	108.7	79	1.38	-	-	-	48.9	113	0.43	157.6	192

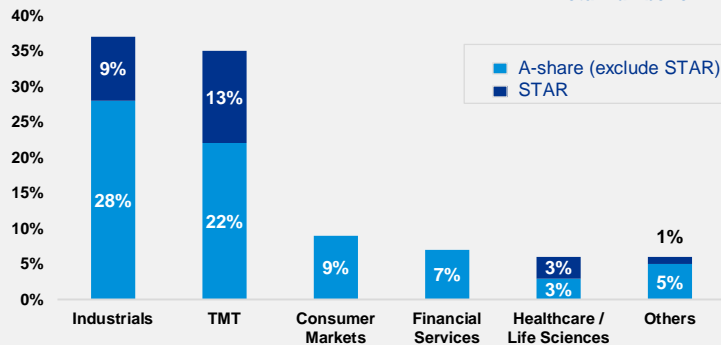
Note: All figures are based on a combination of data as at 13 Sep 2019 and KPMG estimates, unless otherwise stated.  
Excludes listing by introduction.

Sources: Wind and KPMG analysis

# A-share IPOs: sector analysis

## 2019 Q3 YTD: Top sectors – by number of IPOs

Total number of IPOs = 127



Sources: Wind and KPMG analysis

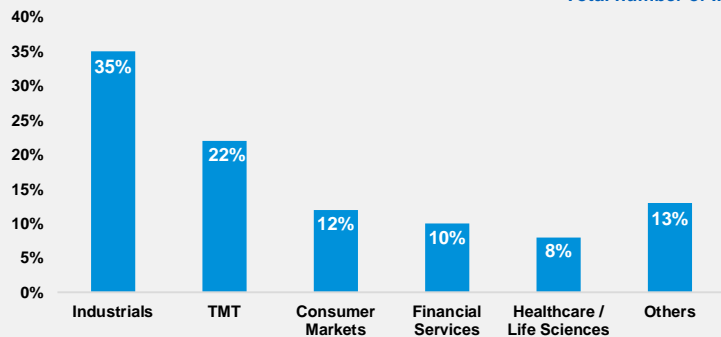


## Industrials

- The Industrials sector led the market in number of new listings and placed second in total funds raised. Backed by a **strong pipeline of 178 companies currently seeking a listing**, the sector is on course to remain a major contributor to the total number of new listings throughout the year.
- The 23 companies actively applying for a listing on the STAR Market accounts for 32 percent of the board's existing pipeline. Such companies deal in advanced equipment, electrical machinery and advanced material production firms.

## 2018: Top sectors – by number of IPOs

Total number of IPOs = 105



Sources: Wind and KPMG analysis



## Technology, Media & Telecoms

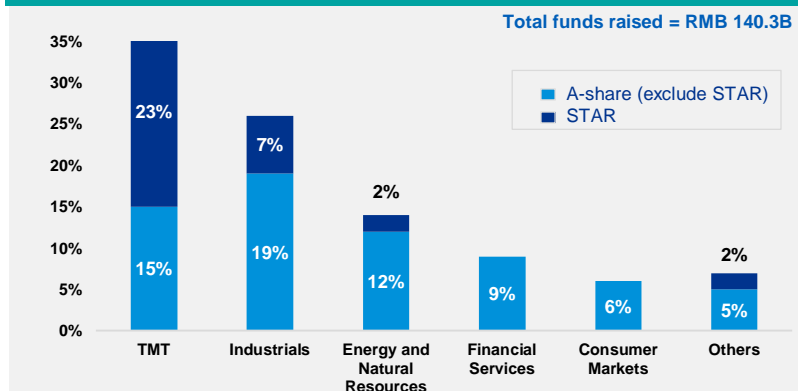
- The TMT sector continued to be a key driver of the A-share IPO market, placing second in terms of number of new listings and first in terms of total funds raised.
- Aside from the 28 active TMT applicants for the STAR Market, 97 such firms are seeking to list on the traditional boards, signifying keen interest across all stock exchanges for technology IPOs. **TMT is expected to continue as one of the top sectors driving the A-share IPO market.**

Note: All analysis is based on a combination of data as at 13 Sep 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.



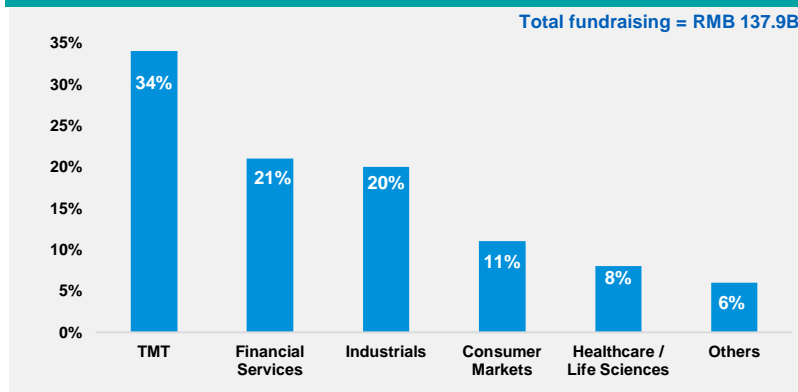
# A-share IPOs: sector analysis (cont'd)

## 2019 Q3 YTD: Top sectors – by total funds raised



Sources: Wind and KPMG analysis

## 2018: Top sectors – by total funds raised



Sources: Wind and KPMG analysis

Note: All analysis is based on a combination of data as at 13 Sep 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.



## Energy and Natural Resources

- The sector came third in terms of total funds raised for 2019 Q3 YTD.
- Its performance was driven by a nuclear power company listed in the SSE raising a total of RMB 12.6B and two companies producing advanced materials listed in the STAR Market raising a total of RMB 2.3B.



## Financial Services

- Financial services **came fourth** in both number of listings and total funds raised. This is due to multiple regional commercial banks listing during the year. **Three out of eight listings ranked among the top 10 largest A-share IPOs for 2019 Q3 YTD.**
- Of the 22 financial services companies awaiting listing approval, 19 are regional commercial banks; the remainder comprise securities and futures brokers.

# Top 10 largest A-share IPOs

2019 Q3 YTD	Company	Exchange	Proceeds (RMB billion)	Sector
1	CGN Power Co Ltd	SZSE	12.6	Energy and Natural Resources
2	China Railway Signal & Communication Corporation Ltd	SSE – STAR	10.5	TMT
3	Ningxia Baofeng Energy Group Co Ltd	SSE	8.2	Industrials
4	Cnooc Energy Technology & Services Ltd	SSE	3.8	Energy and Natural Resources
5	Shenzhen Transsion Holdings Co., Ltd <sup>#</sup>	SSE – STAR	3.2	TMT
6	Montage Technology Co Ltd	SSE – STAR	2.8	TMT
7	Bank of Suzhou Co Ltd	SZSE	2.6	Financial Services
8	Qingdao Rural Commercial Bank Corporation	SZSE	2.2	Financial Services
9	Qingdao Port International Co Ltd	SSE	2.1	Infrastructure / Real Estate
10	Bank of Xi'an Co Ltd	SSE	2.1	Financial Services



## Funds raised by top 10 IPOs

2018 Q3 (YTD):  
**RMB 59.9 billion**  
52% of total proceeds



2019 Q3 (YTD):  
**RMB 50.1 billion**  
36% of total proceeds

<sup>#</sup> Expected to list by the end of 2019 Q3. Funds raised is based on the amount disclosed in the company's prospectus.

Sources: Wind and KPMG analysis



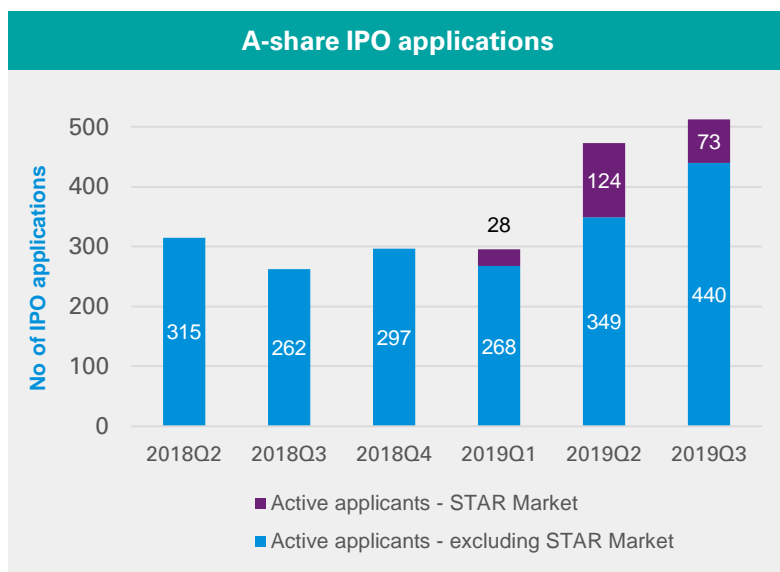
**TMT** continued to be a major contributor to the top 10 largest A-share IPOs

2018 Q3 YTD	Company	Exchange	Proceeds (RMB billion)	Sector
1	Foxconn Industrial Internet Co Ltd	SSE	27.1	TMT
2	Contemporary Amperex Technology Co Ltd	SZSE	5.5	Industrials
3	Huaxi Securities Co Ltd	SZSE	5.0	Financial Services
4	Jiangsu Financial Leasing Corp Ltd	SSE	4.0	Financial Services
5	Avary Holding (Shenzhen) Co Ltd	SZSE	3.7	TMT
6	Hebei Yangyuanzhihui Beverages Co Ltd	SSE	3.4	Consumer Markets
7	Red Star Macalline Group Corp Ltd	SSE	3.2	Consumer Markets
8	Bank of Zhengzhou Co Ltd	SZSE	2.8	Financial Services
9	Bank of Changsha Co Ltd	SSE	2.7	Financial Services
10	Bank of Chengdu Co Ltd	SSE	2.5	Financial Services

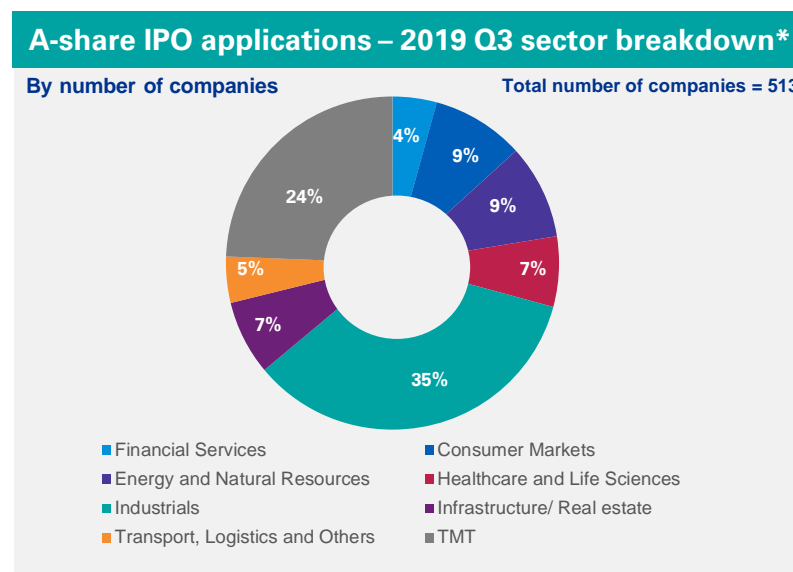
Sources: Wind and KPMG analysis

# A-share IPO pipeline

- The number of active applications in the traditional market has increased from 2019 Q1 onwards, which shows rising enthusiasm for the A-share market.
- The STAR Market's pipeline remains strong, indicating robust market sentiment for innovation and technology IPOs. The number of active applicants has decreased due to 37 companies' status lapsing as of 13 Sep 2019 on the expiry of the financial information they initially submitted. This technical point is not expected to deter those applicants from renewing their applications.
- The **Industrials and TMT sectors are expected to continue to be the key drivers** for the A-share market, as they comprise **approximately 60 percent** of the existing pipeline.



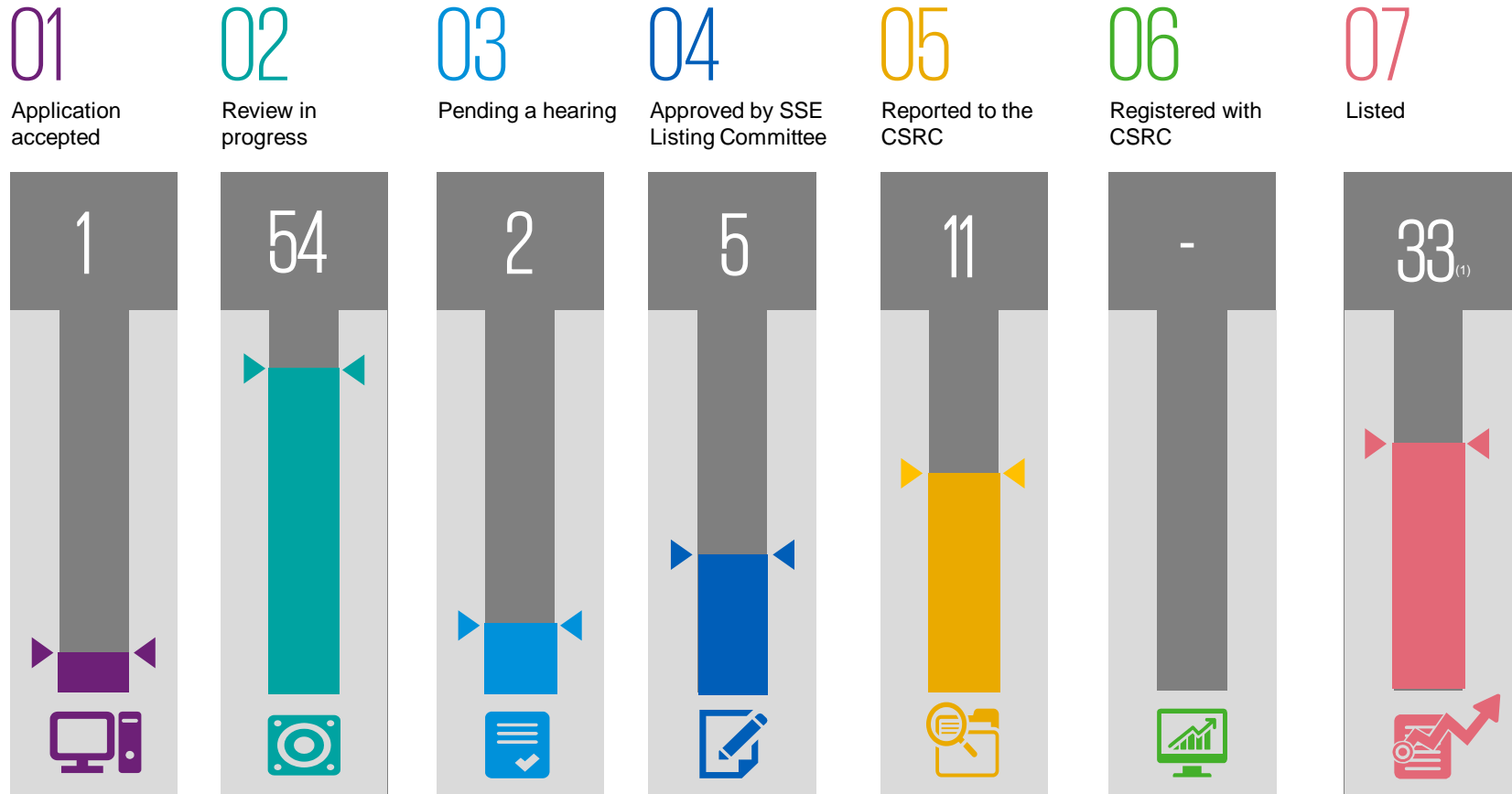
Note: \* Data as at 13 Sep 2019



Sources: Wind and KPMG analysis

# STAR Market pipeline process

As of 13 Sep 2019, there were 73<sup>(1)</sup> active applicants in the pipeline.



Sources: Wind, SSE and KPMG analysis

Note (1): Assuming four companies which are in the process of issuing shares will successfully list in the STAR Market in late Q3.

# STAR Market pipeline in detail



- Most of the applicants and listed issuers in the STAR Markets use listing criteria 'I'

## STAR Market applicants by listing criteria

Listing criteria*	No. of Active Applicants	No. of Listed Companies
I Market Cap & Profit	61	27
II Market Cap, Revenue & R&D	6	-
III Market Cap, Revenue & Operating Cash Flow	-	1
IV Market Cap & Revenue	2	5
V Market Cap & Advanced Technology	4	-

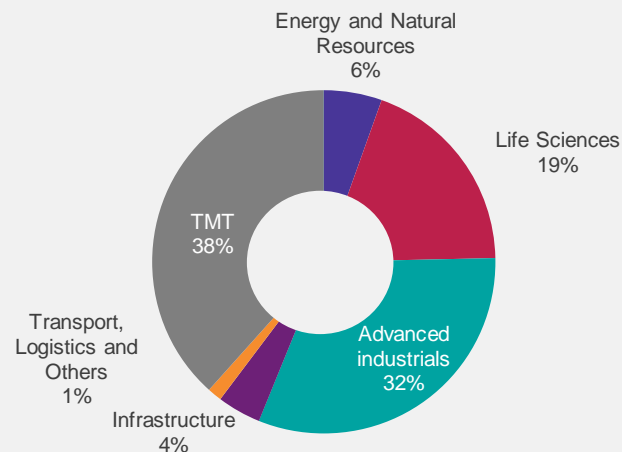
Note: \*Data as at 13 Sep 2019; for details about listing criteria, please refer to Sci-Tech Innovation Board rules by SSE and CSRC (available only in Chinese). Assuming four companies which are in the process of issuing shares will successfully list in the STAR Market in late Q3.

Sources: SSE and KPMG analysis

## STAR Market applications – sector breakdown\*

By number of companies

Total number of companies = 73



Note: \*Data as at 13 Sep 2019

Source: Wind and KPMG analysis



- The registration-based STAR Market is expected to reform key elements of the capital market, such as valuation, disclosure of information and trading mechanism

# A-share IPOs: 2019 outlook

The application pipeline remains strong for both the traditional A-share market and the STAR Market, indicating confidence in IPO applicants. TMT and Industrials, together comprising approximately 60 percent of the pipeline, are expected to remain the key driving force in the market. With information disclosure and the quality of issuers being among regulators' top considerations, it is clear the aim is to broaden internationalisation and achieve a higher representation of institutional investors in the market. We expect eventually to see greater integration of the STAR Market with other capital initiatives in China's A-share market.

The China State Council in 2019 Q3 rolled out a plan for broader reforms in the city, studying and creating conditions to push forward the reform of a registration-based IPO system for the Shenzhen's ChiNext board. This would enhance the diversity and competitiveness of China's capital markets and further help innovation and technology firms growing their business and raising funds.

“

*The application pipeline remains strong for the STAR Market, which is helping innovation and technology firms lead the drive towards a more market-oriented system.* ”



**Louis Lau**

Partner  
Capital Markets Advisory Group  
KPMG China

# Hong Kong IPO market



# Hong Kong IPOs : 2019 Q3 YTD highlights

Hong Kong remains a major market for IPOs. Following the anticipated listing of a mega-sized beer company on 30 September, the bourse is expected to rank third globally in terms of total funds raised by the end of the third quarter. With only one mega-sized IPO in the first three quarters, funds raised decreased from HKD 242.7 billion last year to HKD 124.8 billion this year. But in terms of the number of listings, the Main Board performance remained stable, with 88 new listings – identical to the total number as of the end of 2018 Q3.

Due to the anticipated mega-sized listing, Consumer Markets came first among sectors in terms of funds raised. Healthcare/Life Sciences claimed the second position, with HKD 25.5 billion building on the positive sentiment from last year. The sector remained a market high point as eight more companies applied to list using the new listing regime, Chapter 18A, in the current year.

In light of current market uncertainties, IPO applicants generally have adopted a cautious, wait-and-see approach leading to a drop in fundraising during 2019 Q3 compared with the same period last year. However, the Hong Kong market remains active in small to medium-sized deals, and appears undeterred. The number of Main Board applicants in July and August has actually increased by approximately 30 percent compared to last year.

Note:

- (1) Data are based on information as at 13 Sep 2019.
- (2) Mega sized deals refers to IPOs with fund raised of over HKD 10B. Medium sized deals refers to IPOs with fund raised between HKD 2B to HKD 10B. Small sized deals refer to IPOs with fund raised of less than HKD 2B.



# Hong Kong IPOs: overview

- The Main Board recorded **88 new listings** for a combined **HKD 124.3 billion** for 2019 Q3 YTD, representing a significant decrease compared with the same period last year. The dip in funds raised is attributable to the decrease in mega-sized<sup>(2)</sup> IPOs so far this year.
- The Hong Kong market remains active in small to medium-sized<sup>(2)</sup> deals. For 2019 YTD, there have been 11 medium-sized IPOs being listed on the Main Board, with more than 10 medium-sized potential deals in the pipeline. We expect the number of medium-sized deals for the year could surpass last year's total with 21 such deals.
- The pipeline has been at an historically high level, exceeding **200 active applicants** as at 13 September 2019.

	Main Board			GEM			Hong Kong IPO market	
	Total funds raised (HKD billion)	No. of IPOs	Average deal size (HKD billion)	Total funds raised (HKD billion)	No. of IPOs	Average deal size (HKD billion)	Total funds raised (HKD billion)	No. of IPOs
2019 Q3 YTD	124.3	88	1.41	0.5	8	0.06	124.8	96
2018 Q3 YTD	238.1	88	2.71	4.6	67	0.07	242.7	155
2018 full year	281.3	130	2.16	5.1	75	0.07	286.4	205
2017 Q3 YTD	83.2	51	1.63	4.3	55	0.08	87.5	106
2016 Q3 YTD	134.0	43	3.12	1.9	25	0.08	135.9	68
2015 Q3 YTD	154.6	49	3.16	1.8	21	0.09	156.4	70

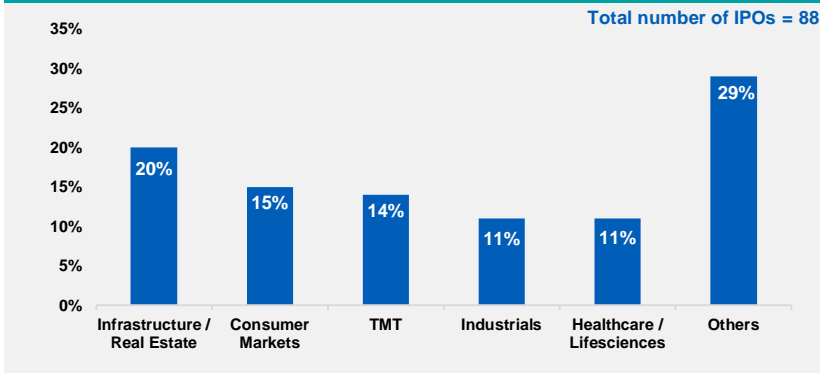
Sources: HKEx and KPMG analysis

(1) Note: All analysis is based on a combination of data as at 13 Sep 2019 and KPMG estimates, unless otherwise stated. Excludes listing by introduction.

(2) Mega sized deals refers to IPOs with fund raised of over HKD 10B. Medium sized deals refers to IPOs with fund raised between HKD 2B to HKD 10B. Small sized deals refer to IPOs with fund raised of less than HKD 2B.

# Hong Kong IPOs: Main Board - sector analysis

## 2019 Q3 YTD: Top sectors – by number of IPOs



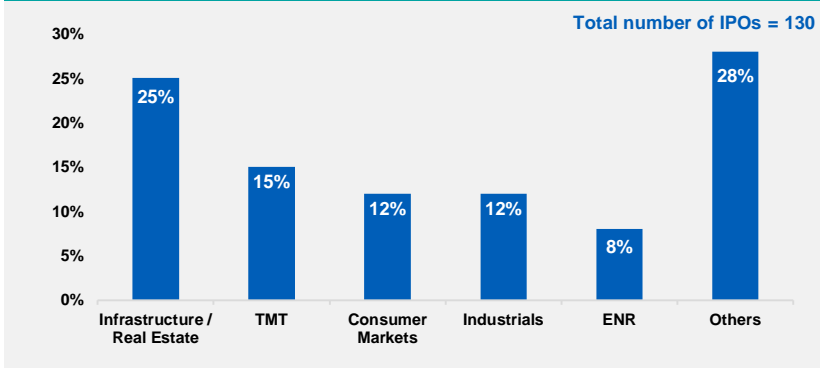
Sources: HKEx and KPMG analysis



## Infrastructure / Real Estate

- Ranking first in terms of number of listings, the infrastructure/real estate sector continued to be a key driving force of the market. As of 13 September, over a quarter of the pipeline is from this sector.
- Firms that listed during the year are engaged in property development, property management and fitting-out services. With infrastructure needs continuing to be a priority, the sector's pipeline is expected again to remain steady.

## 2018: Top sectors – by number of IPOs



Sources: HKEx and KPMG analysis

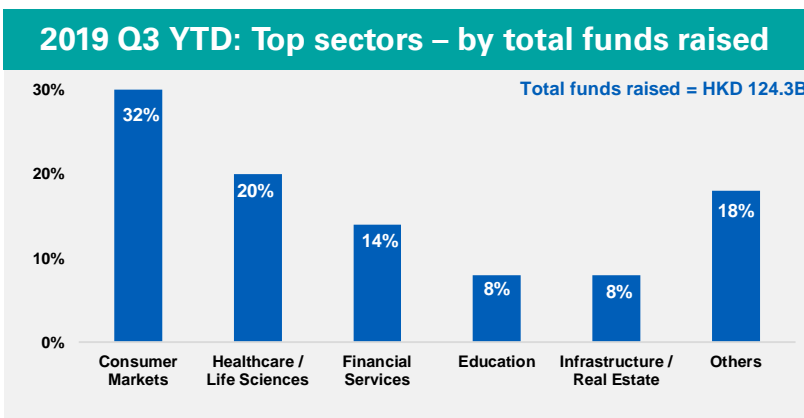


## Technology, Media & Telecoms

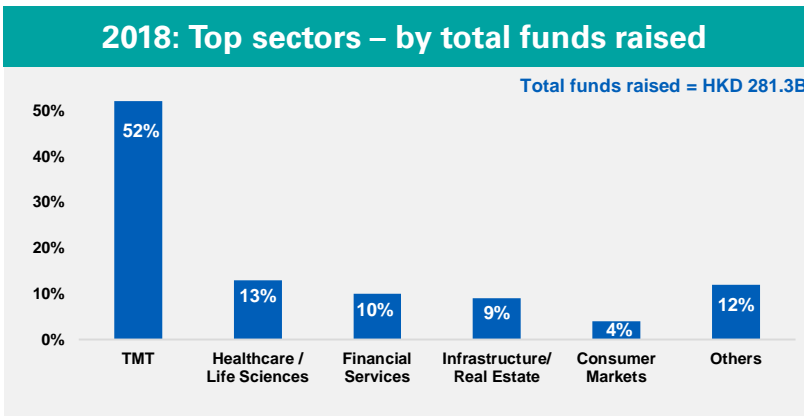
- The sector was **third in number of listings**. Of the **12 TMT companies listed during 2019 Q3 YTD, eight are New Economy companies**.
- Among 27 New Economy companies in the pipeline, **16 are from the TMT sector**. These include companies engaged in cloud services, online gaming, online marketing, online music, the video platform business, big data and AI solutions.
- The TMT sector is expected to **maintain its momentum**, supported by government efforts to promote **AI, smart city development and technologies**.

Note: All analysis is based on a combination of data as at 13 Sep 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

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



Sources: HKEx and KPMG analysis



Sources: HKEx and KPMG analysis

Note: All analysis is based on a combination of data as at 13 Sep 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.



## Consumer Markets

- Following the anticipated listing of Budweiser Brewing Company in late September and expected to raise a total of HKD 36 billion, the sector came first in terms of funds raised.



## Healthcare / Life Sciences

- Following biotech companies' robust momentum earlier this year, the sector came **second in terms of total funds raised** due to the listing of **multiple biotech firms. Four companies were listed under the new listing regime for 2019 Q3 YTD.**
- An ageing population and longer lifespans will continue generating significant demand for healthcare services, supported by Hong Kong's 10-year hospital development plan. We expect the sector to continue to **drive the Hong Kong IPO market.**



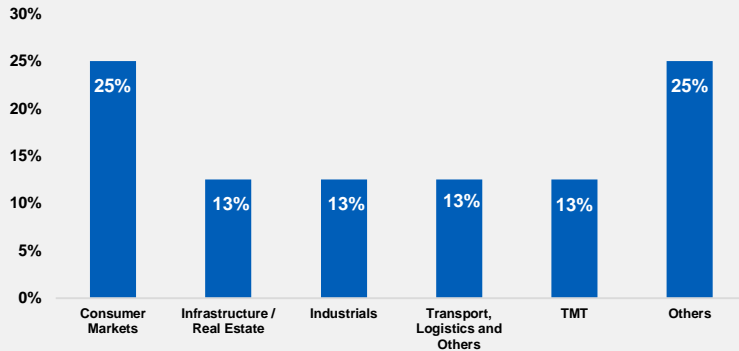
## Financial Services

- Financial Services ranked **third in terms of funds raised.** Of the six Financial Services companies listed during the year, **two are ranked among the top 10 IPOs.** Based on the pipeline, we expect additional medium-sized IPO deals from this sector in 2019 Q4.

# Hong Kong IPOs: GEM - sector distribution

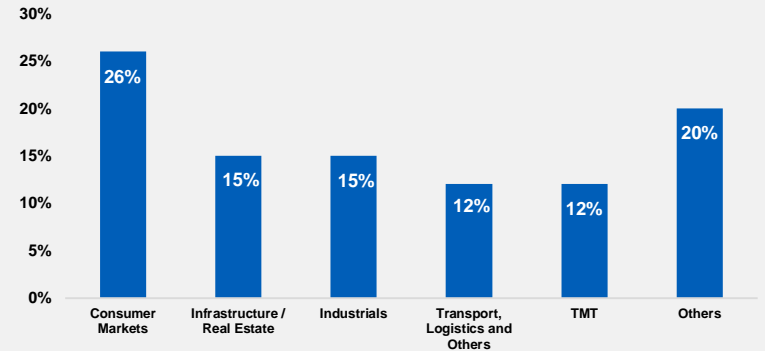
2019 Q3: Top sectors – by number of IPOs

Total number of IPOs = 8



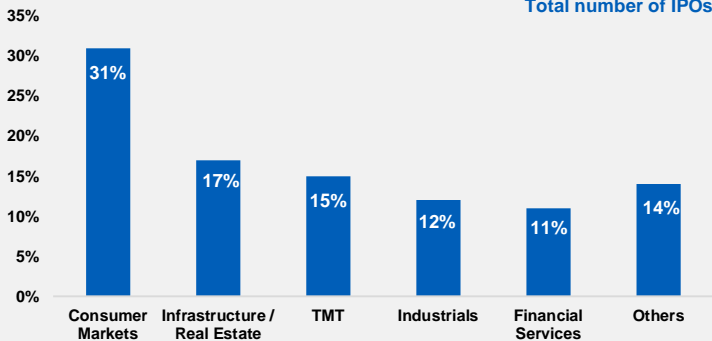
2019 Q3: Top sectors – by total funds raised

Total fundraising = HKD 0.5B



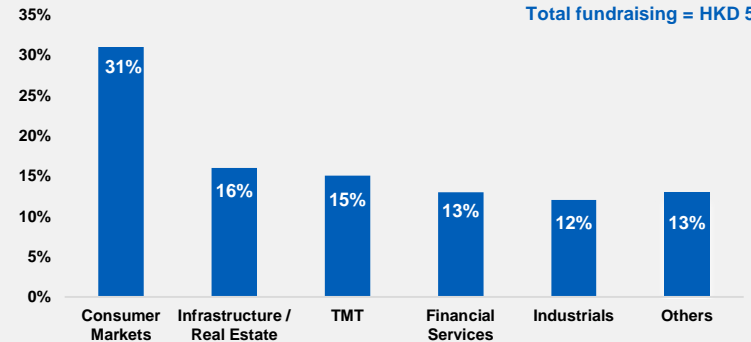
2018: Top sectors – by number of IPOs

Total number of IPOs = 75



2018: Top sectors – by total funds raised

Total fundraising = HKD 5.1B



Note: All analysis is based on a combination of data as at 13 Sep 2019 and KPMG estimates, unless otherwise stated.

Sources: HKEEx and KPMG analysis

Excludes listings by introduction.

# Top 10 largest Hong Kong IPOs

2019 Q3 YTD	Company	Proceeds (HKD billion)	Sector
1	Budweiser Brewing Company APAC Ltd#	36.0	Consumer Markets
2	Shenwan Hongyuan Group Co Ltd	9.1	Financial Services
3	Hansoh Pharmaceutical Group Company Ltd	9.0	Healthcare / Life Sciences
4	China East Education Holdings Ltd	5.0	Education
5	Xinyi Energy Holdings Ltd	3.9	Energy and Natural Resources
6	Jinshang Bank Co Ltd	3.7	Financial Services
7	Jinxin Fertility Group Ltd	3.5	Healthcare / Life Sciences
8	Shanghai Henlius Biotech, Inc. – B#	3.5	Healthcare / Life Sciences
9	Zhongliang Holdings Group Company Ltd	3.2	Infrastructure / Real Estate
10	Cstone Pharmaceuticals - B	2.6	Healthcare / Life Sciences

Sources: HKEx and KPMG analysis

# Expected to list by the end of 2019 Q3. Funds raised is on mid-offer price and without taking into account the offer size adjustment option (if any).



## Funds raised by top 10 IPOs

2018 Q3 YTD:

**HKD 182.8 billion**  
75% of total proceeds



2019 Q3 YTD:

**HKD 79.5 billion**  
64% of total proceeds



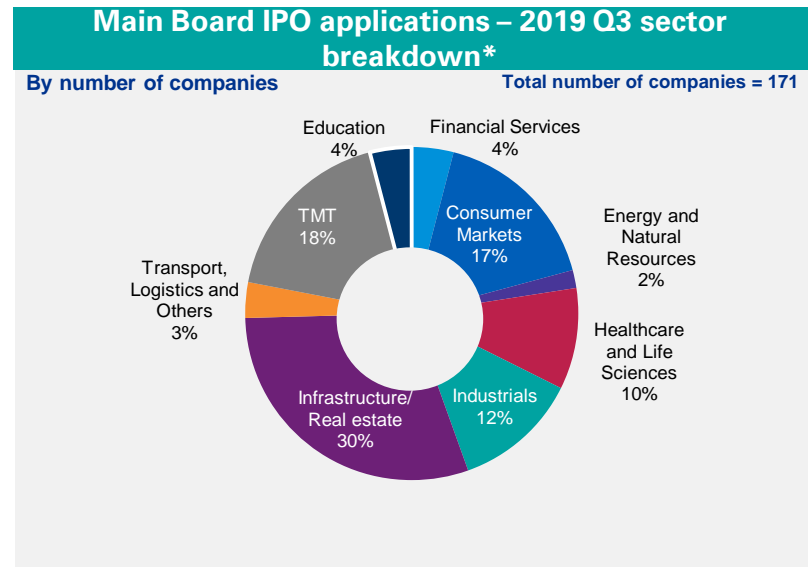
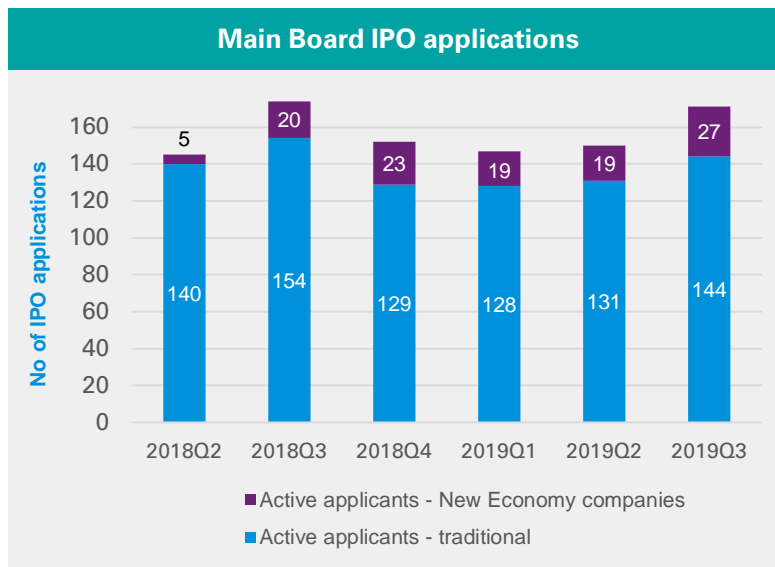
The Healthcare/Life Sciences sector continued to generate investor interest, comprising four of the 10 largest IPOs

2018 Q3 YTD	Company	Proceeds (HKD billion)	Sector
1	China Tower Corporation Ltd	58.8	TMT
2	Xiaomi Corporation	42.6	TMT
3	Meituan Dianping	33.1	TMT
4	Ping An Healthcare and Technology Co Ltd	8.8	Healthcare / Life Sciences
5	Jiangxi Bank Co Ltd	8.6	Financial Services
6	BeiGene Ltd	7.1	Healthcare / Life Sciences
7	Haidilao International Holdings Ltd	6.9	Consumer Markets
8	Bank of Gansu Co Ltd	6.8	Financial Services
9	Shandong Gold Mining Co Ltd	5.4	Energy and Natural Resources
10	E-House (China) Enterprise Holdings Ltd	4.7	Infrastructure / Real Estate

Sources: HKEx and KPMG analysis

# Main Board IPO pipeline

- The number of active Main Board applicants has steadily increased since 2019 Q1, indicating that the Hong Kong market remains a top destination for IPOs. In fact, the number of Main Board applicants in July and August increased year on year from 46 in 2018 to 62 in the current year, representing an increase of more than 30 percent.
- The new listing regime has created strong market sentiment for biotech companies, and continued to generate significant interest. Eight more companies have applied under the new regime, Chapter 18A, in the current year.
- New Economy companies in the Main Board pipeline are a key market driver. Their representation increased from 11 per cent as of the end of Q3 last year to 16 per cent in the current year, reflecting their funding needs and interest in the Hong Kong market. Among the pipeline's 27 New Economy firms, 16 are from the TMT sector. These include companies engaged in cloud services, online gaming, online marketing and big data.



Note: \* Data as at 13 Sep 2019

Sources: Wind and KPMG analysis

# Hong Kong IPOs: Outlook for the rest of 2019

Hong Kong remains a major destination for IPOs. Amid market uncertainties, Hong Kong's strong fundamentals are intact, as reflected in two clearly positive signs: the number of Main Board deals in the first three quarters is comparable to that of last year, and the number of Main Board applicants in July and August increased by about 30 percent compared to last year.

IPO activities in the Hong Kong market will pick up in the fourth quarter in light of the strong pipeline, placing the bourse in a good position to remain in the top three markets globally by the end of the year. In addition, ESR Cayman has recently announced plans to revive IPOs in Hong Kong, indicating improved investor sentiment.

“The TMT sector in Hong Kong has a healthy pipeline, and key government policies and initiatives such as the Belt and Road Initiative and the Greater Bay Area continue to create opportunities for New Economy companies to grow. That said, investors continue to be cautious given the market uncertainties, which make pricing an IPO a major challenge. Technology companies with a strong team, healthy cash flows and clear growth strategies will find more success attracting investors.”



**Irene Chu**

Partner  
Head of New Economy & Life  
Sciences  
KPMG China

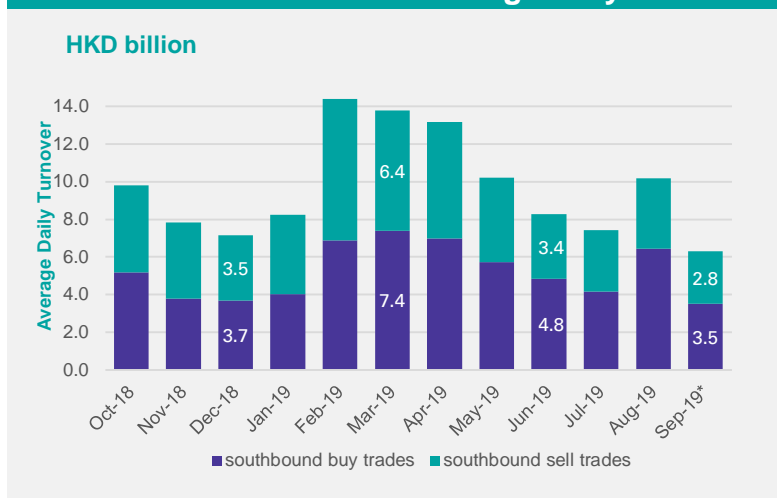
# Stock Connect



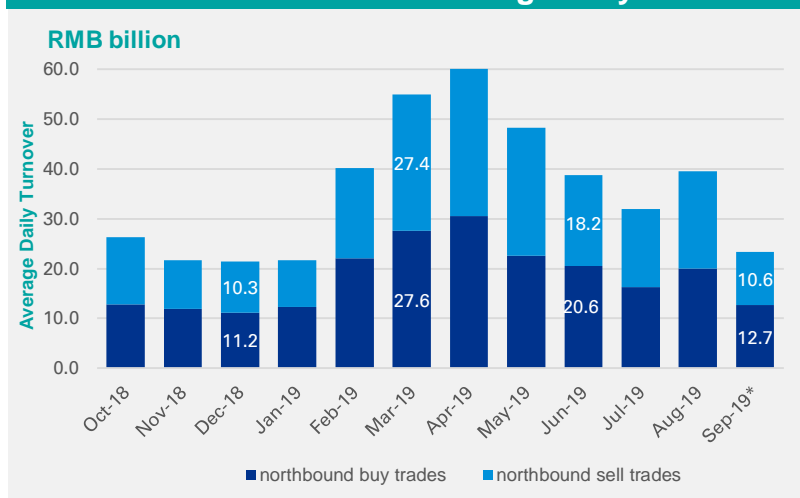
# Stock Connect

- **Northbound investments have remained active**, underscoring a heightened interest in Chinese securities, as well as confidence in the resilience of the Chinese capital markets amid global uncertainties. In addition, **FTSE Russell** began including A-shares in its index in three stages from June 24 and ending in March next year; **MSCI** has initiated a three-step process to increase the representation of A-shares from 5 percent to 20 percent by the end of November 2019. These moves are expected to further stimulate northbound trading.
- Consensus has been reached between HKEX, SSE and SZSE regarding the inclusion of WVR companies in southbound trading Stock Connect. The three bourses are making changes to their business rules and seeking market comments, with final implementation expected by the end of 2019.
- Arrangements for A+H STAR market companies northbound connect have been agreed by HKEX, SSE and SZSE. A+H companies that are listed on the STAR Market will have their A-shares eligible for northbound trading after relevant business and technical preparations are completed. A date for inclusion will be announced in due course.

## Southbound investment: average daily turnover



## Northbound investment: average daily turnover

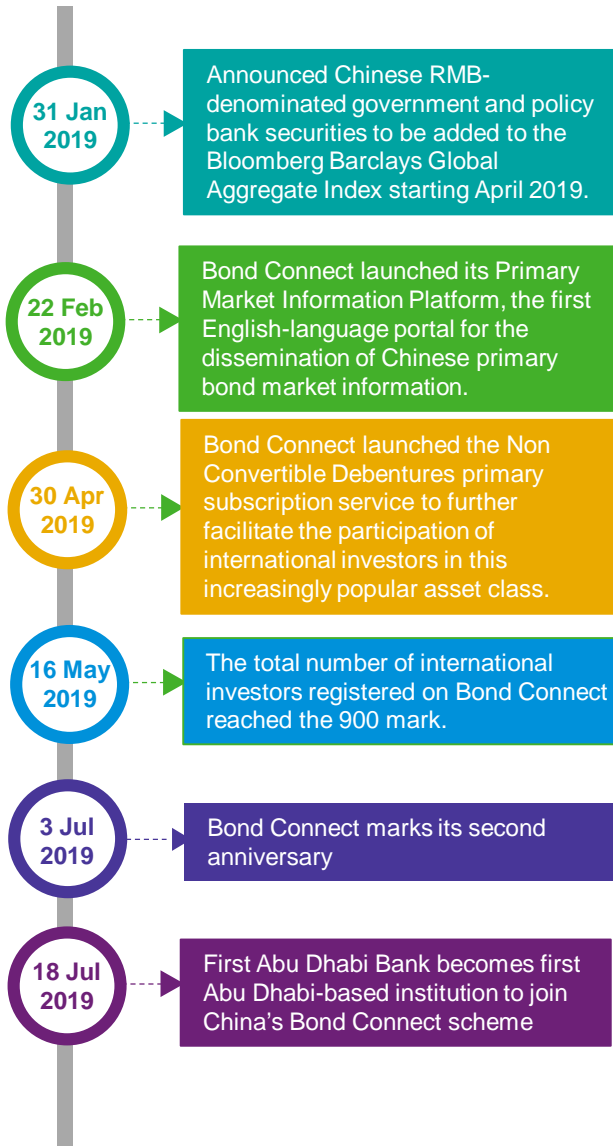


\* Analysis is based on data as at 13 Sep 2019.



# Bond Connect

# 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 1,244 in August 2019.
- PBOC will continue to promote the **mutual connectivity of financial infrastructures**, reshape repurchase agreement mechanisms, and push forward the inclusion of Chinese bonds into the global flagship indexes.
- 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.**

Sources: Wind, Bond Connect Company Limited

# Contact us



**Paul Lau**

Partner, Head of Capital Markets  
KPMG China  
+852 2826 8010  
paul.k.lau@kpmg.com



**Irene Chu**

Partner, Head of New Economy & Life Sciences  
KPMG China  
+852 2978 8151  
irene.chu@kpmg.com



**Louis Lau**

Partner, Capital Markets Advisory Group  
KPMG China  
+852 2143 8876  
louis.lau@kpmg.com



**Dennis Chan**

Partner, Capital Markets Advisory Group  
KPMG China  
+852 2143 8601  
dennis.chan@kpmg.com



**Terence Man**

Director, Capital Markets Advisory Group  
KPMG China  
+86 (10) 8508 5548  
terence.man@kpmg.com



**Mike Tang**

Director, Capital Markets Advisory Group  
KPMG China  
+852 2833 1636  
mike.tang@kpmg.com



[kpmg.com/socialmedia](https://kpmg.com/socialmedia)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2019 KPMG, a Hong Kong partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. Printed in Hong Kong, China.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.