



Mainland China and Hong Kong

2019 review:

IPOs and other
market trends



Overview of global IPO landscape

The US, Hong Kong and mainland China IPO bourses remain key drivers of the global IPO market, securing the top positions in terms of total funds raised. Though market sentiment and investor confidence this year have been affected by US-China trade tensions, Brexit, and the economic slowdown in major economies, global IPO markets still ended strong with the record-shattering listing of Saudi Aramco in its local bourse, raising USD 25.6 billion, and the secondary listing of Alibaba in Hong Kong raising a total of USD 12.9 billion.

Meanwhile, New Economy companies in the IPO market continued to make their presence felt. The A-share IPO market saw a breakthrough with the launch in July of the STAR Market, allowing for greater inclusion and support of high-tech and innovative companies in China. During the year, 70 companies successfully listed on the STAR Market, raising a total of US\$ 11.6B, or 32% of the total funds raised in the A-share IPO market. Shenzhen's ChiNext board is expected to apply a registration-based reform following the STAR Market's success, enhancing the diversity, transparency and competitiveness of the Chinese capital market.

For its part, Hong Kong has remained a leading international IPO centre, again placing first in terms of total funds raised among global exchanges. Over the past five years, Hong Kong landed in the top spot four out of five times. Its total funds raised in 2019 were largely driven by a strong performance in the latter half of the year as Alibaba completed its secondary listing, becoming the third-largest IPO in the bourse's history. Hong Kong's market has continued to attract up-and-coming companies from around the world, with a number of overseas firms listing during the year, including Budweiser's mega-sized share offering.



Global IPO markets remain resilient and ended strong in 2019, buoyed by the US, Hong Kong and mainland China bourses and driven by New Economy companies. With Alibaba 'coming home', Hong Kong remains a top global IPO fundraising centre.



Paul Lau

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Note: All analysis is based on data as at 8 Dec 2019 and KPMG estimates, unless otherwise stated. Adjusted for the expected listing of Saudi Aramco on Dec 11 for USD 25.6B (before over-allotment).

Top-performing global stock exchanges

Funds raised by top five exchanges



2019:
USD 143.7 billion

73% of total proceeds



2018:
USD 130.4 billion

61% of total proceeds

2019

Rank	Stock exchange	IPO proceeds (USD billion) ¹
1	HKEX	37.2
2	NASDAQ	27.5
3	NYSE	27.1
4	Saudi Stock Exchange ²	26.6
5	Shanghai Stock Exchange	25.3

2018

Rank	Stock exchange	IPO proceeds (USD billion)
1	HKEX	36.9
2	NYSE	27.5
3	Tokyo Stock Exchange	26.7
4	NASDAQ	25.5
5	Frankfurt Stock Exchange	13.8

(1) Note: All analysis is based on data as at 8 Dec 2019, adjusted to numbers of confirmed listings up to 13 Dec 2019, unless otherwise stated. Sources: Bloomberg and KPMG analysis
 (2) Adjusted for the expected listing of Saudi Aramco on Dec 11 for USD 25.6B (before over-allotment).

Top 10 largest global IPOs

2019	Company	Exchange	Proceeds (USD billion)	Sector
1	Saudi Aramco [#]	Saudi	25.6	ENR
2	Alibaba Group Holding Limited	HKEX	12.9	TMT
3	Uber Technologies Inc	NYSE	8.1	TMT
4	Budweiser Brewing Co APAC Ltd	HKEX	5.8	Consumer Markets
5	Postal Savings Bank of China	SSE	4.6	Financial Services
6	Avantor Inc	NYSE	3.3	Healthcare/Life Sciences
7	Nexi SpA	Brsaltaliana	2.3	Financial Services
8	Lyft Inc	NASDAQ	2.3	TMT
9	TeamViewer AG	Xetra	2.2	TMT
10	XP INC	NASDAQ	2.1	Financial Services



Funds raised by top 10 IPOs

2019:
USD 69.2 billion



2018:
USD 60.4 billion

Sources: Bloomberg and KPMG analysis, excludes direct listings, blank check and trust companies
[#] All analysis is based on data as at 8 Dec 2019, adjusted to numbers of confirmed listings up to 13 Dec 2019, including the expected listing of Saudi Aramco on Dec 11 for USD 25.6B (before over-allotment)



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 highlights

The Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) recorded 200 listings for a combined RMB 251.9 billion during the year. Fundraising this year have increased by over 80 percent comparing with 2018 and achieved the highest level in the A-share market since 2011.

Launched in July this year, the STAR market supports fundraising for high-tech and innovative companies. With 70 companies completing RMB 81.7 billion in IPO fundraising: approximately one third of the year's A-share total. The implementation of a registration-based system demonstrated a willingness to experiment and improve upon existing systems, and a continuation of efforts to liberalise the A-share market. Despite global uncertainties, the rising number of new listings and applicants indicates high investor confidence.

There has also been a trend of more H-share issuers returning to the A-shares market since 2015. This indicates the attractiveness of the A-shares market for listed companies with locally based businesses. The largest A-share IPO by funds raised in 2019 was the Postal Savings Bank of China. It raised a total of RMB 32.7 billion, and made its return to the Shanghai Stock Exchange, having listing on the HKEX in 2016.

All analysis is based on a combination of data as at 8 Dec 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

A-share IPOs: overview

- The A-share IPO market recorded 200 **new listings** for a combined **RMB251.9 billion** funds raised during the year, an **increase of over 80 percent** when compared to the prior year. The significant increase is due to the **STAR Market which was launched in July**, which led to the **listing of 70 additional companies**.
- The **TMT sector continued to lead the A-share IPO market**, ranking first among all sectors in terms of funds raised, and second in terms of number of new listings. **Industrials held strong**, once again posting the largest number of IPOs across all sectors in the A-share IPO market. These two sectors account for **60 percent of the existing overall pipeline** and over **75% of the STAR Market pipeline**, and are expected to remain **key drivers for the A-share IPO market in 2020**.

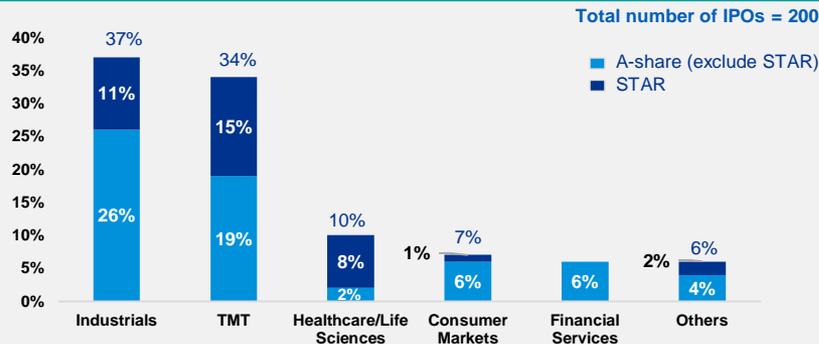
	SSE			SSE – STAR			SZSE			Total A-share market	
	Total funds raised (RMB billion)	No. of IPOs	Average deal size (RMB billion)	Total funds raised (RMB billion)	No. of IPOs	Average deal size (RMB billion)	Total funds raised (RMB billion)	No. of IPOs	Average deal size (RMB billion)	Total funds raised (RMB billion)	Total no. of IPOs
2019	106.1	53	2.00	81.7	70	1.17	64.1	77	0.83	251.9	200
2018	86.5	57	1.52	-	-	-	51.3	48	1.07	137.8	105
2017	137.7	214	0.64	-	-	-	92.5	222	0.42	230.2	436
2016	101.7	103	0.99	-	-	-	47.9	124	0.39	149.6	227
2015	108.7	89	1.22	-	-	-	48.9	130	0.38	157.6	219

Note: All figures are based on a combination of data as at 8 Dec 2019 and KPMG estimates, unless otherwise stated.
Excludes listing by introduction.

Sources: Wind and KPMG analysis

A-share IPOs: sector analysis

2019: Top sectors – by number of IPOs



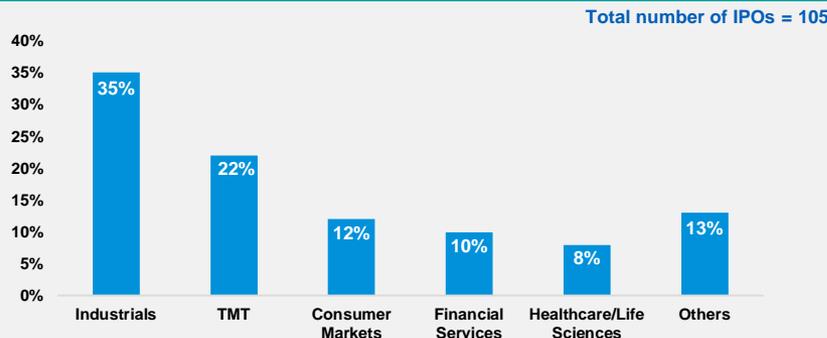
Sources: Wind and KPMG analysis



Industrials

- The industrials sector continued to be the **largest contributor to the number of new listings**, and this trend is expected to continue into 2020, with a **strong pipeline of 171 companies** (including 29 from the STAR Market) currently seeking a listing.
- **Advanced manufacturing companies account for approximately one third of IPOs on the STAR Market.** These companies mainly deal with industrial robotics, new and advanced materials, as well as high-tech machinery and equipment.

2018: Top sectors – by number of IPOs



Sources: Wind and KPMG analysis

Note: All analysis is based on a combination of data as at 8 Dec 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

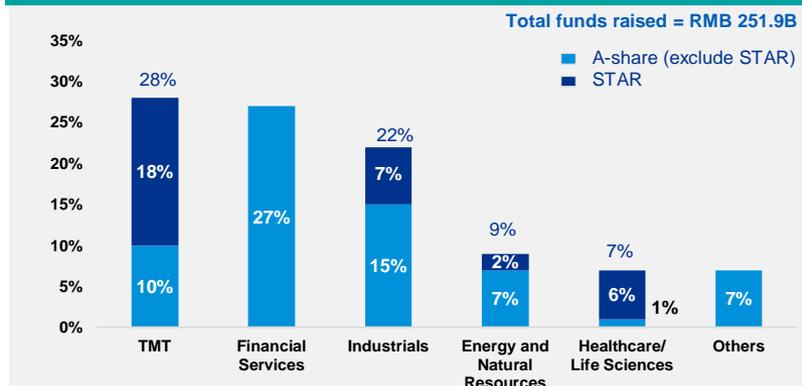


Healthcare/Life Sciences

- The sector was **third in terms of number of new listings**, backed by a strong showing of Healthcare/Life Sciences IPOs in the STAR Market, which **accounted for 23 percent of IPOs on this new board.**
- The companies listed are mainly engaged in the research and development of biotechnology, biopharmaceuticals, medical devices, and pharmaceuticals.
- Healthcare/Life Sciences is expected to be a **long-term driving force of the A-share IPO market**, fuelled by an ever-growing demand for healthcare for the world's most populous country.

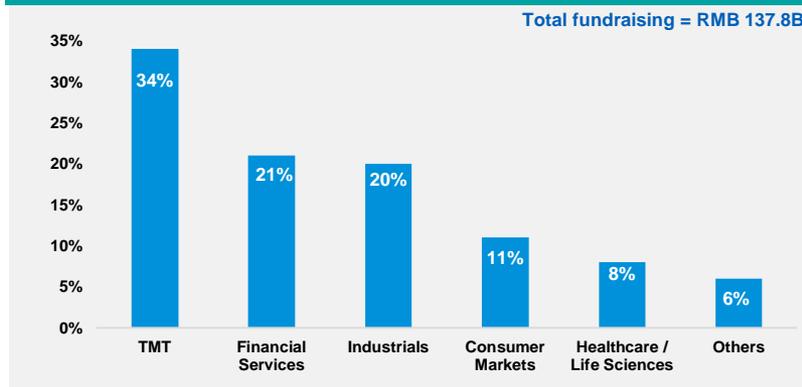
A-share IPOs: sector analysis (cont'd)

2019: 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 8 Dec 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.



Technology, Media & Telecoms

- The TMT sector has continued to be a **major driving force of the A-share IPO market**, leading the market in funds raised while placing **second in terms of number of new listings**.
- The STAR Market has been largely boosted by TMT companies, which accounted for **55 percent of total funds raised** and **41 percent of new listings** during the year.
- Aside from the 37 active TMT applicants for the STAR Market, 94 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 for the A-share IPO market in 2020.**



Financial Services

- Financial services **came second** in terms of funds raised due to multiple commercial banks listing during the year, with an average deal size of RMB 5.7 billion. **Three out of the top 10 largest A-share IPOs** in 2019 belonged to this sector.
- The A+H dual listing of Postal Savings Bank of China was completed during the year. It was the largest A-share IPO of 2019, raising a total of RMB 32.7 billion.
- Of the 21 financial services companies awaiting listing approval, 16 are regional commercial banks, which tend to have above-average fundraising. For this reason the sector can continue to be a key driver of fundraising in 2020, depending on listing approvals.

Top 10 largest A-share IPOs

2019	Company	Exchange	Proceeds (RMB billion)	Sector
1	Postal Savings Bank of China Co Ltd	SSE	32.7	Financial Services
2	China Zheshang Bank Co Ltd	SSE	12.6	Financial Services
3	CGN Power Co Ltd	SZSE	12.6	Energy and Natural Resources
4	China Railway Signal & Communication Corporation Ltd	SSE – STAR	10.5	TMT
5	Chongqing Rural Commercial Bank Co Ltd	SSE	10.0	Financial Services
6	Ningxia Baofeng Energy Group Co Ltd	SSE	8.2	Industrials
7	Beijing Kingsoft Office Software Inc	SSE – STAR	4.6	TMT
8	Cnooc Energy Technology & Services Ltd	SSE	3.8	Energy and Natural Resources
9	Shenzhen Transsion Holdings Co Ltd	SSE – STAR	2.8	TMT
10	Montage Technology Co Ltd	SSE – STAR	2.8	TMT

Sources: Wind and KPMG analysis



Funds raised by top 10 IPOs

2019:
RMB 100.6 billion

40% of total proceeds



2018:
RMB 66.6 billion

48% of total proceeds



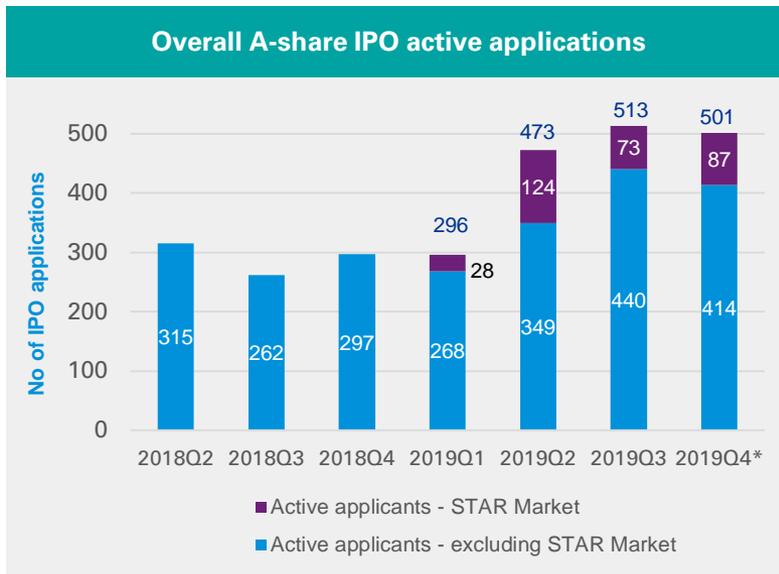
The STAR Market has produced multiple sizeable IPOs, four within the top 10 largest A-share IPOs of 2019.

2018	Company	Exchange	Proceeds (RMB billion)	Sector
1	Foxconn Industrial Internet Co Ltd	SSE	27.1	TMT
2	The People's Insurance Comp. (Group) of China Ltd	SSE	6.0	Financial Services
3	Shenzhen Mindray Bio-Medical Electronic Co Ltd	SZSE	5.9	Healthcare/Life Sciences
4	Contemporary Amperex Technology Co Ltd	SZSE	5.5	Industrials
5	Huaxi Securities Co Ltd	SZSE	5.0	Financial Services
6	Jiangsu Financial Leasing Corp Ltd	SSE	4.0	Financial Services
7	Avary Holding (Shenzhen) Co Ltd	SZSE	3.7	TMT
8	Hebei Yangyuanzhui Beverages Co Ltd	SSE	3.4	Consumer Markets
9	Red Star Macalline Group Corp Ltd	SSE	3.2	Consumer Markets
10	Bank of Zhengzhou Co Ltd	SZSE	2.8	Financial Services

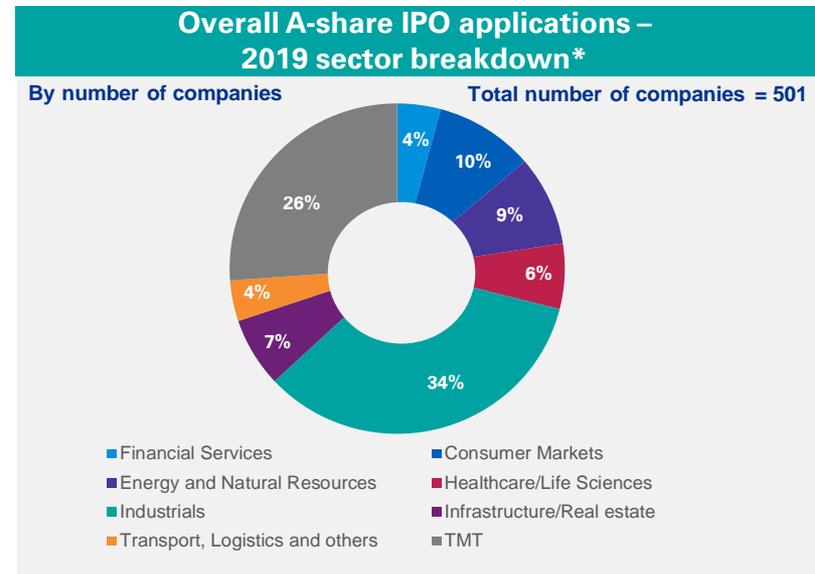
Sources: Wind and KPMG analysis

Overall A-share IPO pipeline

- The number of active applications in the traditional market has **increased significantly since the start of the year from 297 to 414***, which shows rising enthusiasm for the A-share IPO market.
- Following a drop-off in active applicants due to companies' status lapsing in September, the pipeline has maintained a steady flow of new applicants, averaging ten new applicants per month over the past three months. This indicates positive market sentiment and continued interest in the STAR Market.
- The **Industrials and TMT sectors are expected to continue to be key drivers** for the A-share IPO market, as they comprise **57 percent** of the traditional market pipeline while accounting for **76 percent** of the STAR Market pipeline.



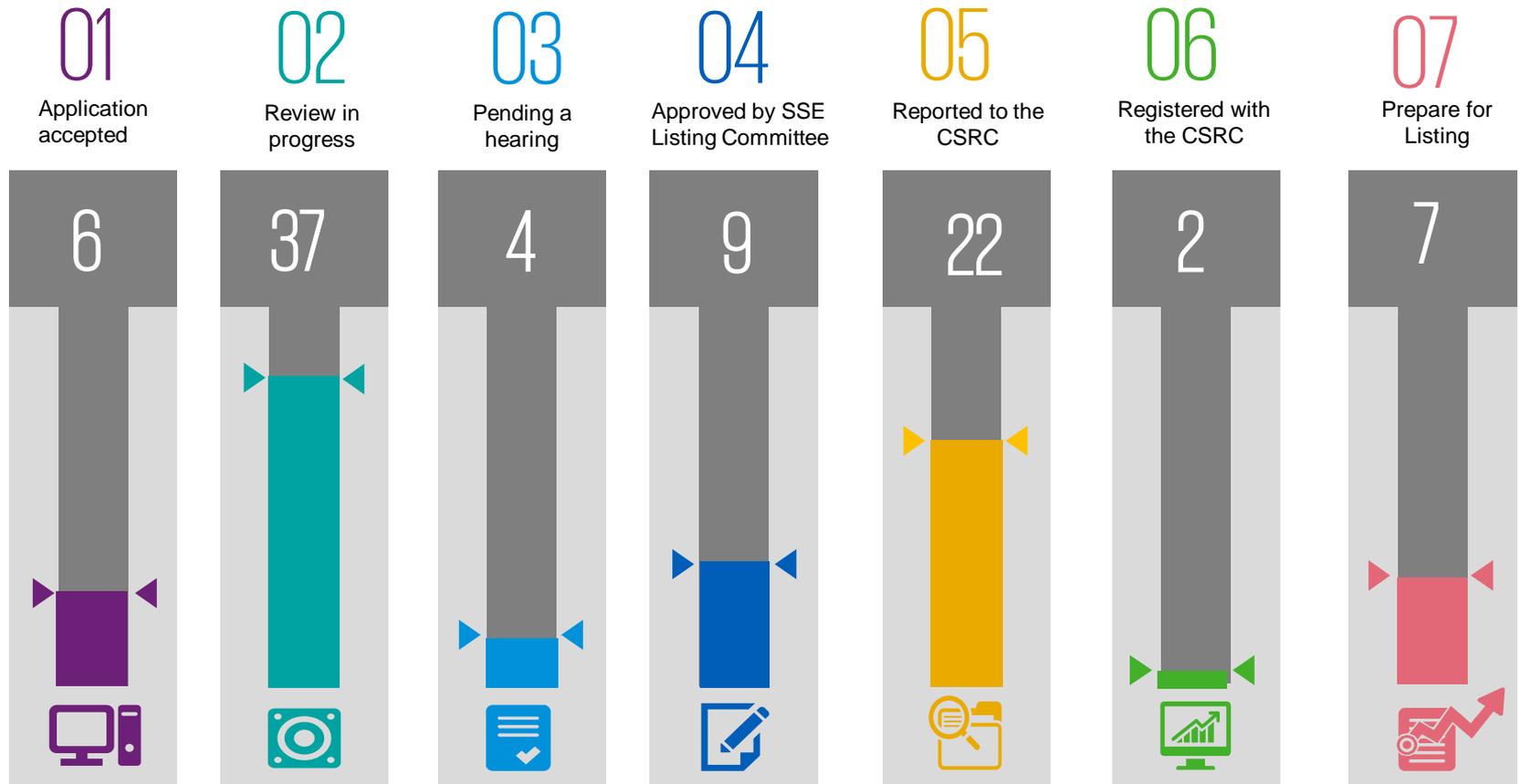
Note: * Data as at 8 Dec 2019



Sources: Wind and KPMG analysis

STAR Market pipeline process

As of 8 Dec 2019, there were 87 active applicants in the pipeline.



Sources: Wind, SSE and KPMG analysis

STAR Market pipeline in detail



- Criteria I, which has the lowest market cap requirement, was the most predominant listing criterion adopted

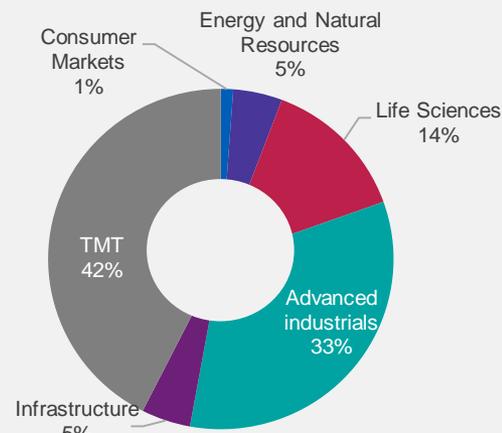
STAR Market applicants by listing criteria

Listing criteria*		No. of Active Applicants	No. of Listed Companies
I	Market Cap & Profit	69	63
II	Market Cap, Revenue & R&D	3	1
III	Market Cap, Revenue & Operating Cash Flow	-	1
IV	Market Cap & Revenue	7	5
V	Market Cap & Advanced Technology	5	-
Others	Criteria for WVR or Red-chips companies	3	-

Note: *Data as at 8 Dec 2019; for details about listing criteria, please refer to Sci-Tech Innovation Board rules by SSE and CSRC (available only in Chinese)
Sources: SSE and KPMG analysis

STAR Market applications – sector breakdown*

By number of companies Total number of companies = 87



Note: *Data as at 8 December 2019

Source: Wind and KPMG analysis



- Broad reform is expected in the STAR Market as the presence of WVR or red-chip structured companies is anticipated. The pipeline now contains three such active applicants.

A-share IPOs: 2020 outlook

The STAR Market will continue to be a key driver of the A-share IPO market in 2020, supported by a solid pipeline of 87 companies seeking to list as of 8 December 2019, as well as an expected steady flow of new applicants for the near future.

MSCI announced the inclusion of eligible equities on the STAR Market given that they could be traded under the Stock Connect programme between Hong Kong, Shanghai and Shenzhen. This could enhance liquidity and foreign investors' access to the country's innovation and technology sector. The implementation of the STAR Market has paved the way for market reforms for the rest of the A-share market, starting with Shenzhen's ChiNext board. Such reforms could be instrumental in enhancing the diversity and competitiveness of China's capital markets and helping firms grow their business and technology.

With information disclosure and the quality of issuers among regulators' top considerations, the aim is to broaden internationalisation and achieve a higher representation of institutional investors in the market. Mainland China is expected to continue its ongoing efforts to enhance the quality and competitiveness of its capital markets.

“

Shenzhen's ChiNext board is expected to apply registration-based reform following the success of the STAR Market, enhancing the diversity, transparency and competitiveness of the Chinese capital market. This would encourage more technology companies to raise funds in the A-share stock market.

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Hong Kong IPO market

Hong Kong IPOs : 2019 highlights

The Hong Kong bourse again ranked first globally in terms of total funds raised, with 160 IPOs completed during the year and fundraising totalling HKD 307.8 billion. In addition, the Main Board achieved a historical high of 145 new listings during the year.

In terms of sector funds raised, TMT claimed the top position, bolstered by the mega-sized secondary listing of Alibaba, which raised a total of HKD 101.2 billion. This deal alone represented 33 percent of the total funds raised in the Hong Kong IPO market for the year. It is also the third WVR company listed in Hong Kong, and is the first company to have its secondary listing using the New Listing Regime effected last year.

As for biotech, Hong Kong's ecosystem is gradually taking shape, helping the Healthcare/Life Sciences sector to raise HKD 38.5 billion during the year, building on last year's positive sentiment. Nine pre-revenue biotech companies issued public offerings under the new listing regime this year, raising a total of HKD 15.4 billion.

Hong Kong's market has continued to attract up-and-coming companies from around the world, with numbers of overseas companies listing, including mega-sized IPOs by Budweiser and ESR Cayman.

Note:

- (1) Global rankings are based on information as at 8 Dec 2019, adjusted to numbers of confirmed listings up to 13 Dec 2019
- (2) All analysis is based on a combination of data as at 8 Dec 2019 and KPMG estimates, unless otherwise stated. Excludes listing by introduction.

Hong Kong IPOs: overview

- The Hong Kong Main Board tallied 145 IPO listings in 2019 – an improvement from the 130 in 2018 and marking a historical high for the Main Board. Funds raised totalled **HKD 306.8 billion**, an increase compared to the previous year.
- The Healthcare/Life Sciences sector steadily established its presence in the Hong Kong IPO market, with 18 listings completed during the year, raising a total of HKD 38.5 billion. Of these 18, nine listed through the new listing regime, totaling HKD 15.4 billion.
- Medium-sized deals remained active in 2019, with 36 companies listed during the year, compared to 30 in the previous year. These deals have been helped by the new listing regime; out of the 36 companies, 7 of them are pre-revenue biotech companies.

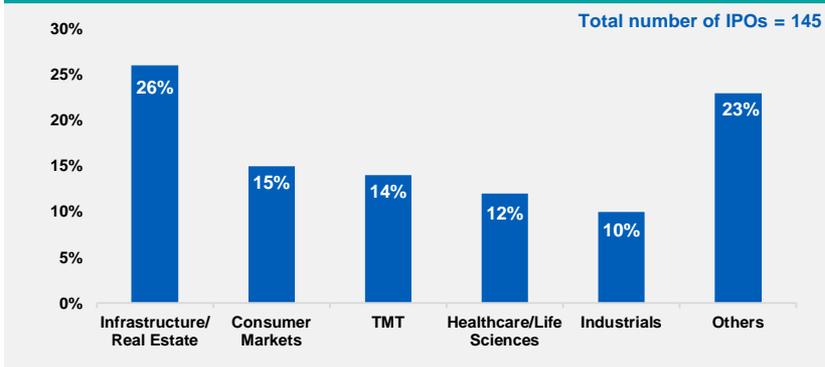
	Main Board			GEM			Hong Kong IPO market	
	Total funds raised (HKD billion)	No. of IPOs	Average deal size (HKD billion)	Total funds raised (HKD billion)	No. of IPOs	Average deal size (HKD billion)	Total funds raised (HKD billion)	No. of IPOs
2019	306.8	145	2.12	1.0	15	0.07	307.8	160
2018	282.9	130	2.18	5.1	75	0.07	288.0	205
2017	122.6	80	1.53	5.9	80	0.07	128.5	160
2016	190.7	72	2.65	4.6	45	0.10	195.3	117
2015	260.4	87	2.99	2.5	31	0.08	262.9	118

Sources: HKEx and KPMG analysis

- (1) Note: All analysis is based on a combination of data as at 8 Dec 2019 and KPMG estimates, unless otherwise stated. Excludes listing by introduction.
- (2) Mega sized deals refers to IPOs with fund raised of over HKD 5B. Medium sized deals refers to IPOs with fund raised between HKD 1B to HKD 5B. Small sized deals refer to IPOs with fund raised of less than HKD 1B.

Hong Kong IPOs: Main Board - sector analysis

2019: Top sectors – by number of IPOs



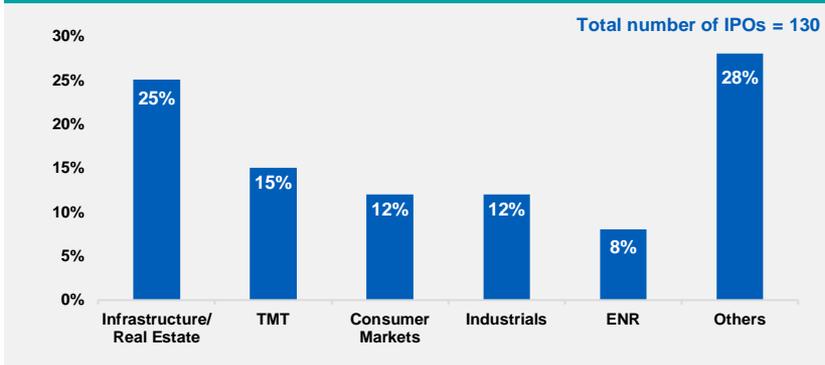
Sources: HKEx and KPMG analysis



Infrastructure / Real Estate

- The sector remained a key driving force of the Hong Kong IPO market, once again ranking first in terms of number of listings.
- Companies listed during the year are mainly engaged in property development, property management and fitting-out services.
- The sector has maintained a healthy pipeline, accounting for more than 30 percent of all active applicants. Infrastructure/Real Estate is expected to remain active in the coming year.

2018: Top sectors – by number of IPOs



Sources: HKEx and KPMG analysis



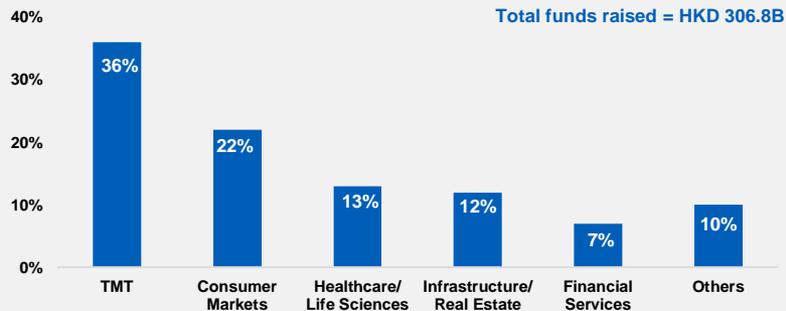
Consumer Markets

- Consumer Markets ranked second in terms of both the number of new listings and total funds raised – both recorded an increase as compared to 2018. The growth in funds raised can be attributed to the mega-sized listing of Budweiser Brewing Company, which raised a total of HKD 45.1 billion.
- Companies listed during the year are mainly engaged in the sales of food and beverage, clothing and textile, as well as furniture and household appliances.

Note: All analysis is based on a combination of data as at 8 Dec 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

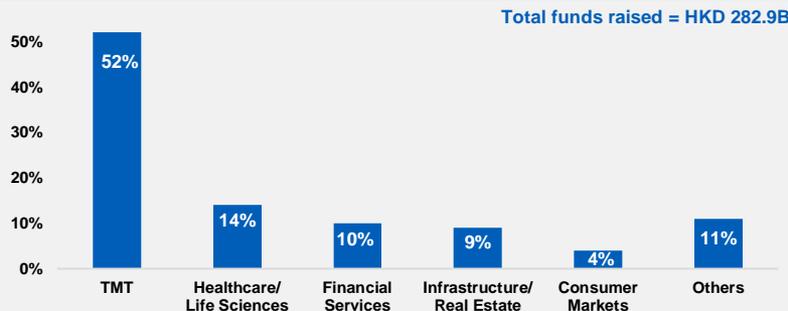
Hong Kong IPOs: Main Board - sector analysis (cont'd)

2019: Top sectors – by total funds raised



Sources: HKEx and KPMG analysis

2018: Top sectors – by total funds raised



Sources: HKEx and KPMG analysis

Note: All analysis is based on a combination of data as at 8 Dec 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.



Technology, Media & Telecoms

- TMT kept up its strong momentum during the year with 21 Main Board listings, raising a total of HKD 110.2 billion, maintaining first place in terms of funds raised.
- Alibaba completed its secondary listing in late November with total funds raised of HKD 101.2 billion, making it the third-largest IPO in the bourse's history. The amount represented approximately 33 percent of the Main Board's total funds raised for the current year.
- The successful secondary listing of Alibaba could prompt other mega-sized Chinese technology companies now listed overseas to consider returning to Hong Kong through a secondary listing.

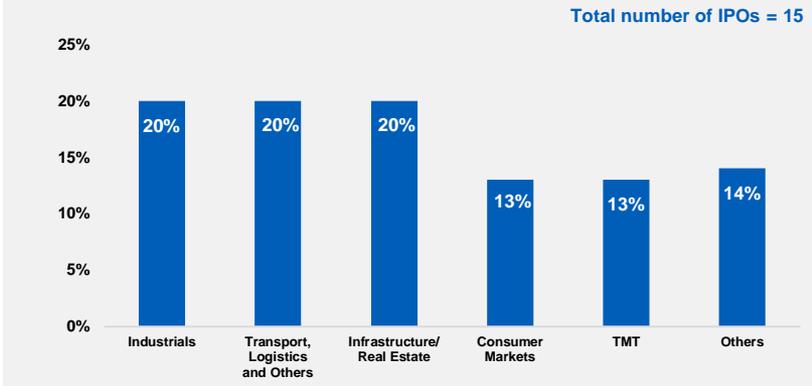


Healthcare/Life Sciences

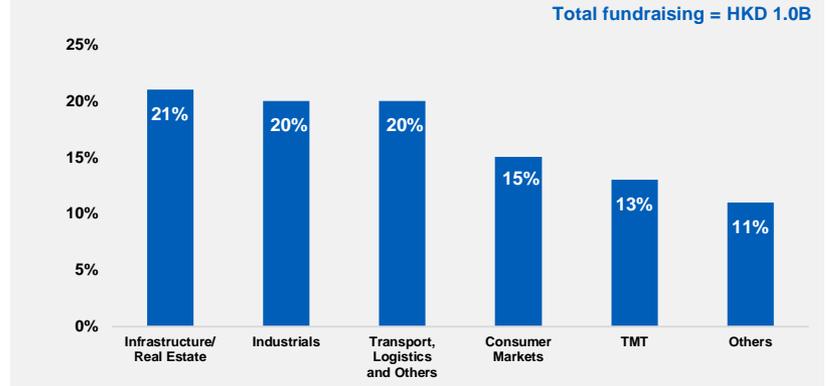
- The IPO market for biotech companies found its footing following the listing regime that took effect in April 2018. The sector ranked **third in terms of total funds raised** due to the listing of **multiple biotech firms. Nine companies were listed under Chapter 18A during 2019.**
- Ageing populations and longer lifespans will continue to generate 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.**

Hong Kong IPOs: GEM - sector distribution

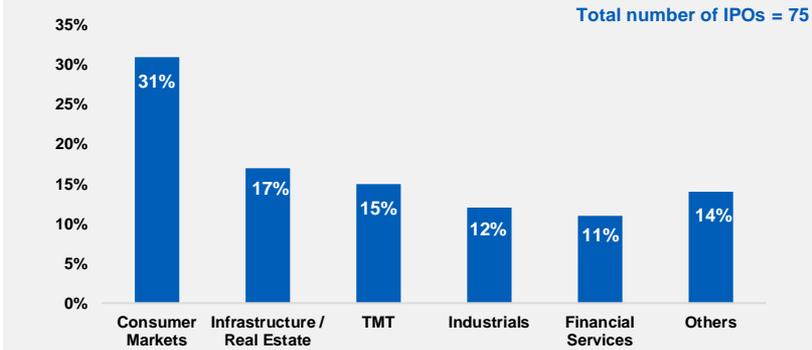
2019: Top sectors – by number of IPOs



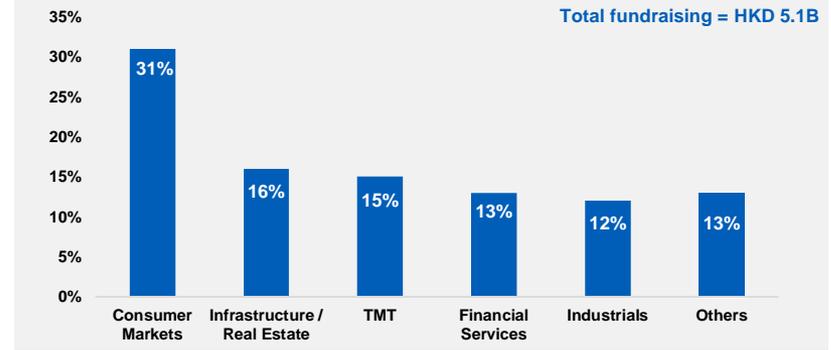
2019: Top sectors – by total funds raised



2018: Top sectors – by number of IPOs



2018: Top sectors – by total funds raised



Note: All analysis is based on a combination of data as at 8 Dec 2019 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

Sources: HKEx and KPMG analysis

Top 10 largest Hong Kong IPOs

2019	Company	Proceeds (HKD billion)	Sector
1	Alibaba Group Holding Limited	101.2	TMT
2	Budweiser Brewing Company APAC Ltd	45.1	Consumer Markets
3	ESR Cayman Limited	14.1	Infrastructure/Real Estate
4	Shenwan Hongyuan Group Co Ltd	9.1	Financial Services
5	Hansoh Pharmaceutical Group Company Ltd	9.0	Healthcare/Life Sciences
6	Topsports International Holdings Limited	9.0	Consumer Markets
7	China Feihe Limited	6.7	Consumer Markets
8	Bank of Guizhou#	5.0	Financial Services
9	China East Education Holdings Ltd	5.0	Education
10	Pharmaron Beijing Co., Ltd	4.6	Healthcare/Life Sciences

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

Sources: HKEx and KPMG analysis



Funds raised by top 10 IPOs

2019:
HKD 208.8 billion
68% of total proceeds



2018:
HKD 187.0 billion
65% of total proceeds



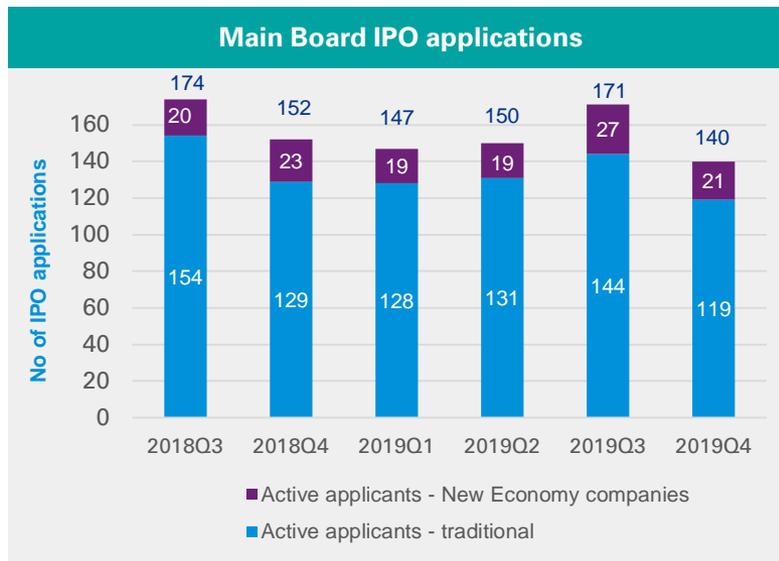
A secondary listing and two overseas IPOs snapped up the top three positions for 2019, reasserting Hong Kong's status as a global IPO centre for applicants and investors.

2018	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	Wuxi AppTec Co Ltd	8.3	Healthcare/Life Sciences
7	Haidilao International Holdings Ltd	7.6	Consumer Markets
8	BeiGene Ltd - B	7.1	Healthcare/Life Sciences
9	Bank of Gansu Co Ltd	6.8	Financial Services
10	Shandong Gold Mining Co Ltd	5.2	Energy and Natural Resources

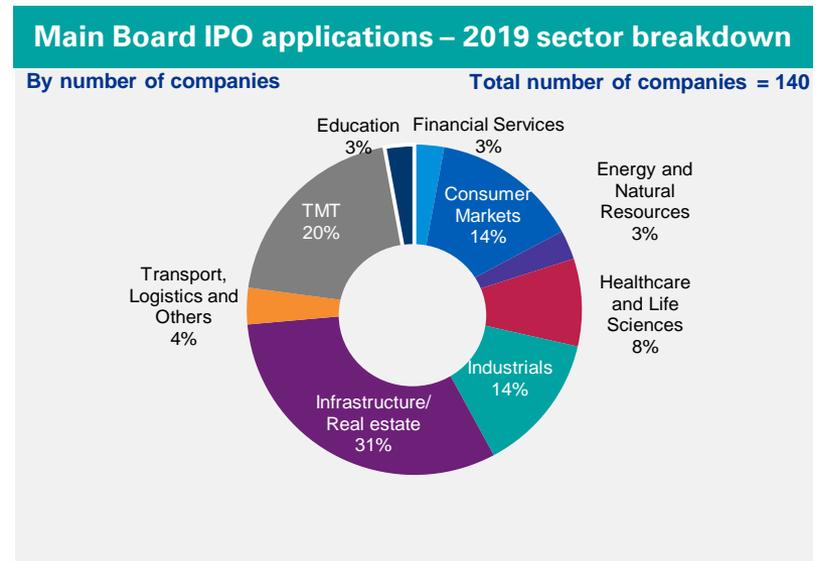
Sources: HKEx and KPMG analysis

Main Board IPO pipeline

- The number of active Main Board applicants has remained consistent throughout the year, indicating a continuing interest in Hong Kong as a top IPO destination.
- The new listing regime created strong positive market sentiment for biotech companies and generated significant interest from both issuers and investors. In 2019, 11 more entities applied under the new regime.
- New Economy companies in the Main Board pipeline continued to be a key market driver. Their representation held steady in 2019, reflecting their funding needs and interest in the Hong Kong market. Among the pipeline's 21 New Economy firms, 14 are from the TMT sector. These include companies engaged in cloud services, online gaming, online marketing and big data.



Note: * Data as at 8 Dec 2019



Sources: Wind and KPMG analysis

Hong Kong IPOs: 2020 outlook

Market sentiment for 2020 will be affected by global political, social and economic uncertainties, such as the US presidential election, Brexit, and US-China trade tensions. Yet optimism surrounds Hong Kong's IPO activities in the coming year. Life Sciences listings are expected to remain a key driver of the market as the ecosystem for such companies grows. Moreover, the number of mega-sized overseas listings and secondary listings shows that companies and investors have confidence in Hong Kong's fundamentals.

Alibaba's secondary listing is expected to spur more China-based, US-listed technology companies to return. Such a development could bring sizeable deals that help Hong Kong stay atop the global IPO rankings. Apart from that, with the Hong Kong Stock Exchange's efforts to solidify the city as a global financial hub and building on the success of international firms' mega-sized listings this year, we expect more overseas issuers to list.

Furthermore, the CSRC announced in November its plan to implement the expansion of its H-share full circulation programme. This would enable major shareholders of Hong Kong-listed mainland companies to unlock their domestic unlisted shares into H-shares for listing and circulate them on the Hong Kong Stock Exchange. The move would drive up liquidity, align shareholders' interest, help Chinese companies enhance their use of the two markets and allow for the development of Hong Kong's capital market.

“ Robust regulatory frameworks and policies, sophisticated and transparent listing regimes and programmes such as Stock Connect, and the RMB offshore centre facilitating international and mainland Chinese investment – these are the long-term determinants of Hong Kong's IPO market success. ”



Irene Chu

Partner
Head of New Economy & Life
Sciences
KPMG China

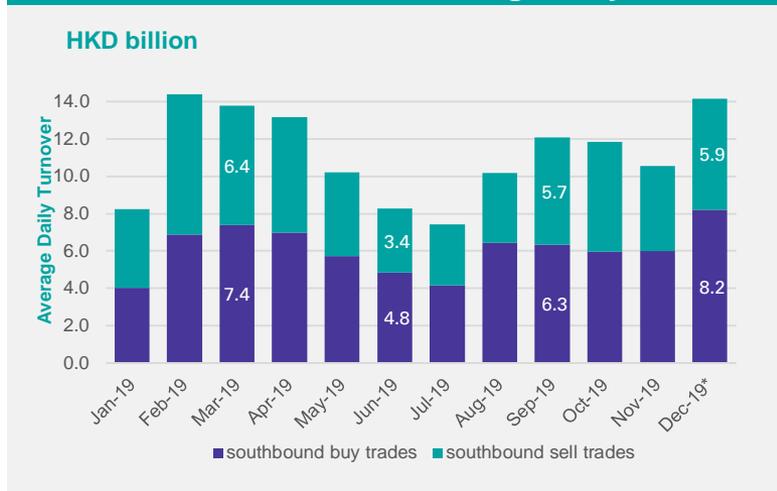
Stock Connect



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; **MSCI** has completed its previously announced phased weighting increase of China A-shares, or yuan-denominated Chinese mainland stocks. These moves are expected to further stimulate northbound trading.
- Following the consensus reached in August between HKEX and the Shanghai and Shenzhen stock exchanges on the criteria for inclusion of Hong Kong-listed companies with weighted voting rights (WVR) in Stock Connect, the first eligible WVR companies were successfully included in Southbound trading on 28 October 2019.
- Connect 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

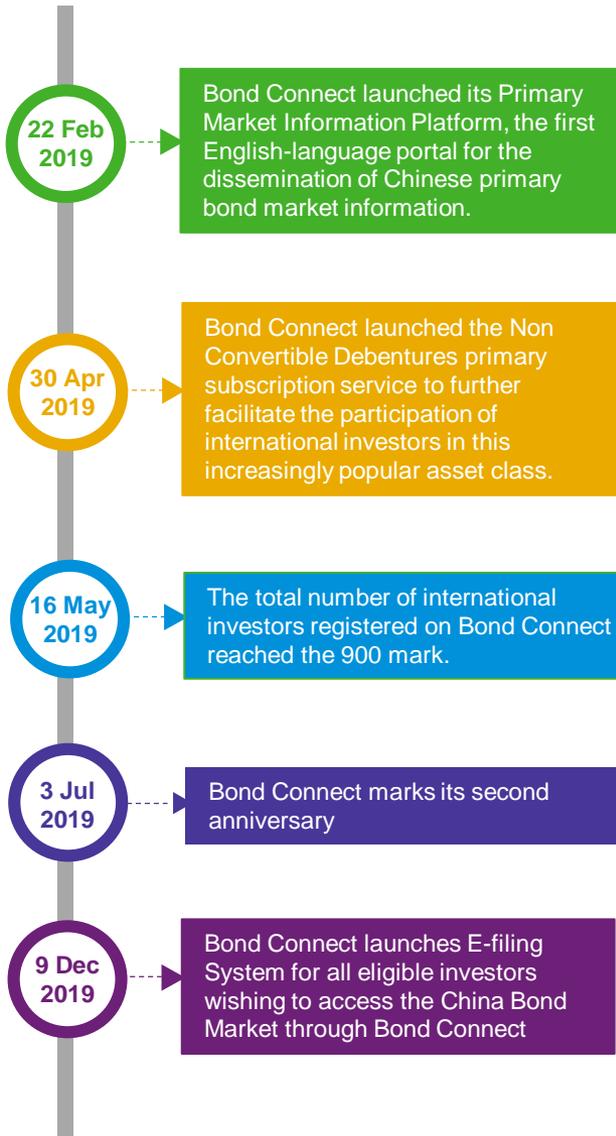


* Analysis is based on data as at 8 Dec 2019.

Source: HKEX

Bond Connect

Bond Connect



- Foreign participation in China's bond market: the number of registered overseas investors tripled from 503 at the start of the year to 1,533 in November 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

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