



Mainland China and Hong Kong

2020 mid-year review:

IPOs and other
market trends



Foreword

During the first half of the year, market sentiment continued to be impeded by the global COVID-19 pandemic as well as political, social and economic concerns. Travel restrictions gave rise to delays in many IPOs as due diligence work, site visits and roadshows were affected. Global IPO proceeds in the first half of 2020 are expected to finish 8 percent lower compared with the same period last year, mainly due to a decline in the funds raised in major stock exchanges in the US and Europe. The showing was partly offset by an increase in fundraising in the Asia markets, especially the Shanghai Stock exchange. The US, mainland China and Hong Kong remained the key contributors to the global IPO market in 2020 H1.

Due to sizeable listings and the continuing popularity of the STAR Market, the A-share market surged by 135 percent in terms of funds raised as compared with the same period last year. As a result, the Shanghai Stock Exchange placed second for the first half of 2020 in terms of funds raised among global stock exchanges, just behind NASDAQ.

Following Alibaba's secondary listing in the Hong Kong IPO market in late 2019, two other US-listed, China-based companies completed their secondary listing in June this year. This signifies growing interest among overseas firms in listing in Hong Kong. The two IPOs rank among the largest in the world in terms of funds raised, totalling USD 7.0 billion. The listings helped the bourse place third globally in 2020 H1 in terms of funds raised.

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For the remainder of 2020, the global capital market is expected to face challenges stemming from the pandemic, coupled with market uncertainty. Opportunities lie ahead for the IPO market to channel much-needed capital into virus-hit companies and new economy firms around the globe to ride out global economic turbulence. Hong Kong in particular is well-positioned to benefit as listing reforms have made the city more attractive to tech and innovation companies.

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Paul Lau

Partner
Capital Markets/
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Note: All analysis is based on data as at 22 June 2020, adjusted to numbers of confirmed listings up to 30 June 2020, unless otherwise stated.

Top-performing global stock exchanges

2020 H1

Rank	Stock exchange	IPO proceeds (USD billion) ¹
1	NASDAQ	16.2
2	Shanghai Stock Exchange	15.4
3	HKEX	10.5
4	NYSE	5.2
5	Shenzhen Stock Exchange	3.9

2019 H1

Rank	Stock exchange	IPO proceeds (USD billion)
1	NYSE	19.1
2	NASDAQ	14.8
3	HKEX	9.3
4	London Stock Exchange	5.1
5	Shanghai Stock Exchange	4.9

2019 full year

Rank	Stock exchange	IPO proceeds (USD billion)
1	HKEX	40.4
2	Saudi Stock Exchange	30.7
3	NASDAQ	27.9
4	Shanghai Stock Exchange	27.2
5	NYSE	25.7

Sources: Bloomberg and KPMG analysis

(1) Note: All analysis is based on data as at 22 June 2020, including over-allotment, unless otherwise stated. The exchange rate for USD/HKD is 7.78.

Top 10 largest global IPOs

2020 1H	Company	Exchange	Proceeds (USD billion)	Sector
1	Beijing-Shanghai High Speed Railway	SSE	4.4	Transport, Logistics and Others
2	JD.com	HKEX	3.9	TMT
3	NetEase Inc	HKEX	3.1	TMT
4	JDE Peet's BV	Amsterdam	2.8	Consumer Markets
5	Royalty Pharma PLC	NASDAQ	2.5	Healthcare /Life Sciences
6	Central Retail Corp PCL	Bangkok	2.3	Consumer Markets
7	Warner Music Group Corp.	NASDAQ	1.9	TMT
8	PPD Inc	NASDAQ	1.9	Healthcare /Life Sciences
9	China Pacific Insurance Group	LSE	1.8	Financial Services
10	SBI Cards & Payment Services L	India	1.4	Financial Services

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



Funds raised by top 10 IPOs

2020 H1:
USD 26.0 billion
(38% of global funds raised)

2019 full year:
USD 74.2 billion
(35% of global funds raised)



Sizable technology companies continue to be a key driver of the IPO markets

2019 Full year	Company	Exchange	Proceeds (USD billion)	Sector
1	Saudi Aramco	Saudi	29.7	ENR
2	Alibaba Group Holding Limited	HKEX	13.0	TMT
3	Uber Technologies Inc	NYSE	8.2	TMT
4	Budweiser Brewing Co APAC Ltd	HKEX	5.8	Consumer Markets
5	Postal Savings Bank of China	SSE	4.8	Financial Services
6	Avantor Inc	NYSE	3.4	Healthcare/Life Sciences
7	Nexi SpA	Brsaltaliana	2.4	Financial Services
8	Lyft Inc	NASDAQ	2.4	TMT
9	XP Inc	NASDAQ	2.3	Financial Services
10	TeamViewer AG	Xetra	2.2	TMT

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

Mainland China IPO market



Hong Kong IPO market



Stock Connect





Mainland China IPO market



A-share IPOs: 2020 H1 highlights

The Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) are expected to record 124 new listings for a combined RMB 141.7 billion in the first half of 2020, representing a substantial 135 percentage increase in terms of funds raised compared with the same period last year. It was the A-share market's most active first half of a year in five years in terms of funds raised. The solid performance was backed by the listing of a sizeable company engaged in high-speed rails and the continuing popularity of the STAR Market as an IPO venue, helping the Shanghai Stock exchange to be among the top global IPO markets in terms of funds raised.

The STAR Market recorded 49 listings, raising RMB 52.3 billion during the first half of 2020, representing 37 percent of total A-share funds raised. In addition, the China Securities Regulatory Commission relaxed the market capitalisation requirement in April this year for innovative red-chip, overseas-listed companies with self-developed and world-leading technologies, innovative strengths and a strong position in their industries. This paves the way for these companies to make a 'homecoming' in domestic stock exchanges.

In Shenzhen, Chinese regulators announced plans to launch a registration-based IPO system reforming the start-up board ChiNext, having finished seeking public comments on draft regulations in May. This reform is an expansion of the approach taken in the STAR Market, with the focus areas on serving innovative growth companies and start-ups, further facilitating the growth of a multi-layered capital market, and enhancing liquidity and investments in the A-share market.

All analysis is based on a combination of data as at 22 June 2020 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

A-share IPOs: overview

- The A-share IPO market is expected to complete 124 listings for a combined RMB 141.7 billion in 2020 H1. Compared with the same period last year, the A-share IPO market recorded a 135 percent increase in terms of funds raised and 94 percent uptick in terms of number of listings, boosted by the STAR market's growth.
- Beijing-Shanghai High-Speed Railway Co., Ltd. completed its IPO during the period, raising a total of RMB 30.7 billion. It was the largest IPO globally for the first half 2020, representing 22 percent of the funds raised in the A-share market.
- Following its strong start in 2019, the STAR Market upheld its momentum in 2020. Four of the top 10 IPOs by funds raised in the A-share market in the first quarter of 2020 were listings in this market. This signifies a growing interest in advanced-technology and innovation firms in the A-share market.

	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
2020 H1	60.9	27	2.26	52.3	49	1.07	28.5	48	0.59	141.7	124
2019 H1	33.1	27	1.23	-	-	-	27.2	37	0.74	60.3	64
2019 Full year	106.2	53	2.00	82.4	70	1.18	64.6	78	0.83	253.2	201
2018 H1	63.7	36	1.77	-	-	-	28.6	27	1.06	92.3	63
2017 H1	76.6	120	0.64	-	-	-	48.8	126	0.39	125.4	246
2016 H1	13.4	26	0.52	-	-	-	15.0	35	0.43	28.4	61

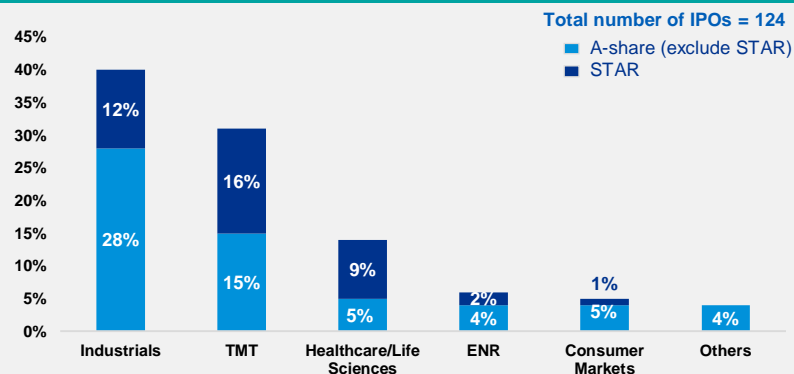
Note: All figures are based on a combination of data as at 22 June 2020 and KPMG estimates, unless otherwise stated.

Excludes listing by introduction.

Sources: Wind and KPMG analysis

A-share IPOs: sector analysis

2020 H1: Top 5 sectors – by number of IPOs



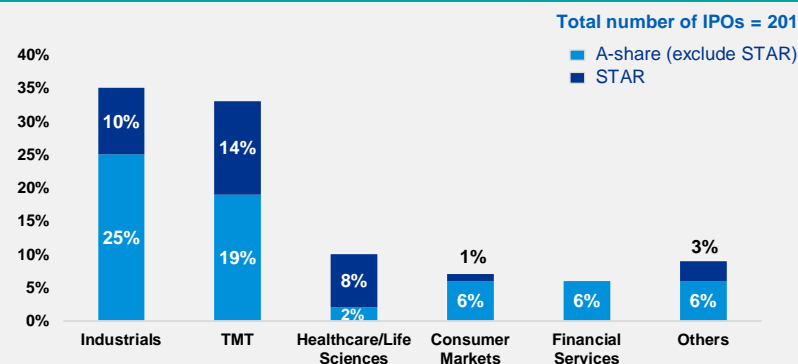
Source: Wind and KPMG analysis



Industrials

- Industrials continued to lead the market in terms of **number of new listings**, representing 40 percent of IPOs in 2020 H1. Backed by a **strong pipeline of 190 companies currently seeking a listing** (as at 28 June 2020), we expect the sector to remain a major contributor to the total number of new listings throughout 2020.
- '**Industrial internet**' remains a focal point, as China continues to strive for **high-quality economic development** over the long run. This can be achieved through the integration of physical equipment with big data, artificial intelligence, and the Internet of Things (IoT).

2019: Top 5 sectors – by number of IPOs



Source: Wind and KPMG analysis



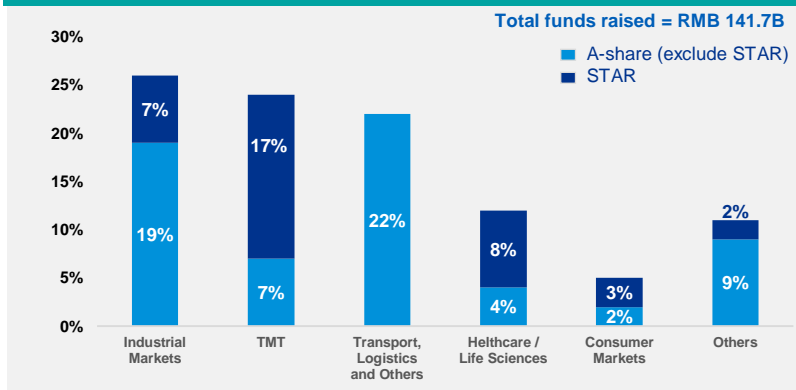
Technology, Media & Telecoms

- The TMT sector placed **second in both new listings and total funds raised**. Three out of the top 10 companies are from the TMT sector, and all of them were listed on the advanced-technology and innovation-focused STAR market.
- We expect the sector to continue being a driving force of the A-share market, with a **significant number of technology companies seeking to list through the STAR Market**, and buoyed by ongoing **government support** for science and technology firms.

Note: All analysis is based on a combination of data as at 22 June 2020 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

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

2020 H1: Top 5 sectors – by total funds raised



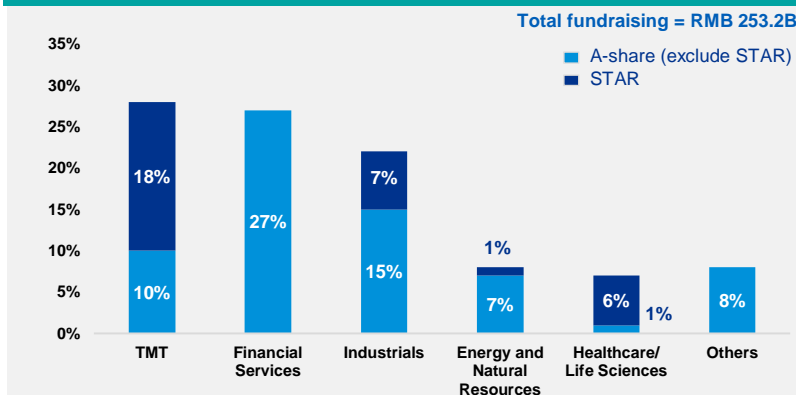
Source: Wind and KPMG analysis



Transportation, Logistics and Others

- Beijing-Shanghai High Speed Railway Co., Ltd. was listed on the Shanghai Stock Exchange in January 2020, raising a total of RMB 30.7 billion, representing the largest IPO globally for 2020 H1.
- The development of China's transportation and logistics will continue to be critical for providing a strong foundation for the country's e-commerce, trade and flow of human resources. This provides the impetus for companies such as Beijing-Shanghai High Speed Railway Co., Ltd. to raise IPO proceeds for further development and expansion.

2019: Top 5 sectors – by total funds raised



Source: Wind and KPMG analysis



Healthcare/Life Sciences

- The sector ranked third in terms of number of new listings and fourth in terms of total funds raised, backed by a strong showing of healthcare/life sciences IPOs in the STAR Market, which accounted for over 12 percent of IPOs on this board in terms of funds raised.
- Four pre-profit biotech companies were first listed in the STAR market during the first half of 2020 demonstrating the bourse's flexibility and presence for biotech firms.
- 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 largest population.

Note: All analysis is based on a combination of data as at 22 June 2020 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

Top 10 largest A-share IPOs

2020 H1	Company	Exchange	Proceeds (RMB billion)	Sector
1	Beijing-Shanghai High Speed Railway Co., Ltd.	SSE	30.7	Transport, Logistics and Others
2	Beijing Roborock Technology Co., Ltd.	SSE-STAR	4.5	Consumer Markets
3	China Resources Microelectronics Limited	SSE-STAR	4.3	TMT
4	Gongniu Group Co., Ltd.	SSE	3.6	Industrials
5	Zhongtai Securities Co., Ltd.	SSE	3.1	Financial Services
6	Jinko Power Technology Co., Ltd.	SSE	2.6	Infrastructure / Real Estate
7	Chongqing Sanfeng Environment Group Corp., Ltd.	SSE	2.6	Industrials
8	Gan&Lee Pharmaceuticals Co., Ltd	SSE	2.5	Healthcare / Life Sciences
9	Trina Solar Co., Ltd.	SSE-STAR	2.5	TMT
10	National Silicon Industry Group Co., Ltd.	SSE-STAR	2.4	TMT

Source: Wind and KPMG analysis

2019 H1	Company	Exchange	Proceeds (RMB billion)	Sector
1	Ningxia Baofeng Energy Group Co., Ltd.	SSE	8.2	Industrials
2	Cnooc Energy Technology & Services Limited	SSE	3.8	Energy and Natural Resources
3	Qingdao Rural Commercial Bank Corporation	SZSE	2.2	Financial Services
4	Qingdao Port International Co., Ltd.	SSE	2.1	Infrastructure / Real Estate
5	Bank of Xi'an Co.,Ltd.	SSE	2.1	Financial Services
6	Bank of Qingdao Co.,Ltd.	SZSE	2.0	Financial Services
7	Zhejiang SANMEI Chemical Industry Co., Ltd.	SSE	1.9	Industrials
8	Hitevision Co., Ltd	SZSE	1.8	TMT
9	Lakala Payment Co.,Ltd.	SZSE	1.3	TMT
10	Ming Yang Smart Energy Group Limited	SSE	1.3	Industrials

Source: Wind and KPMG analysis

Note: All analysis is based on a combination of data as at 22 June 2020 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.



Funds raised by top 10 IPOs

2020 H1:
RMB 58.8 billion

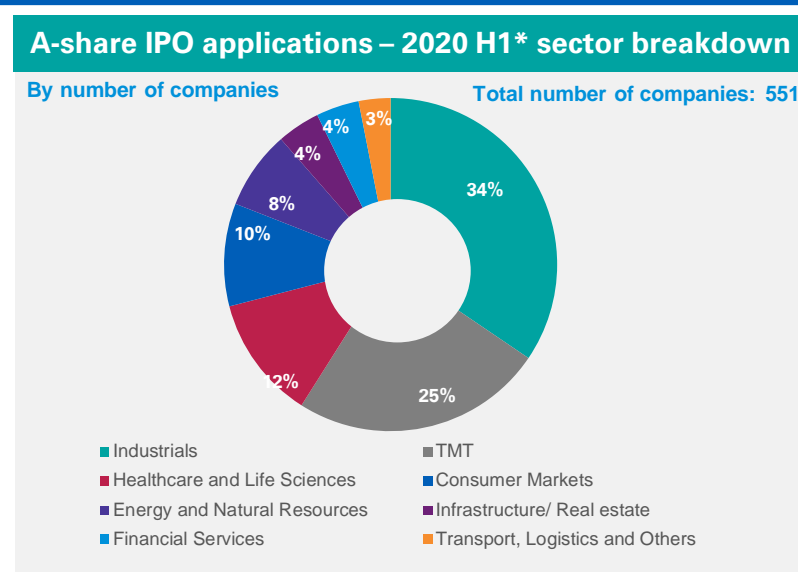
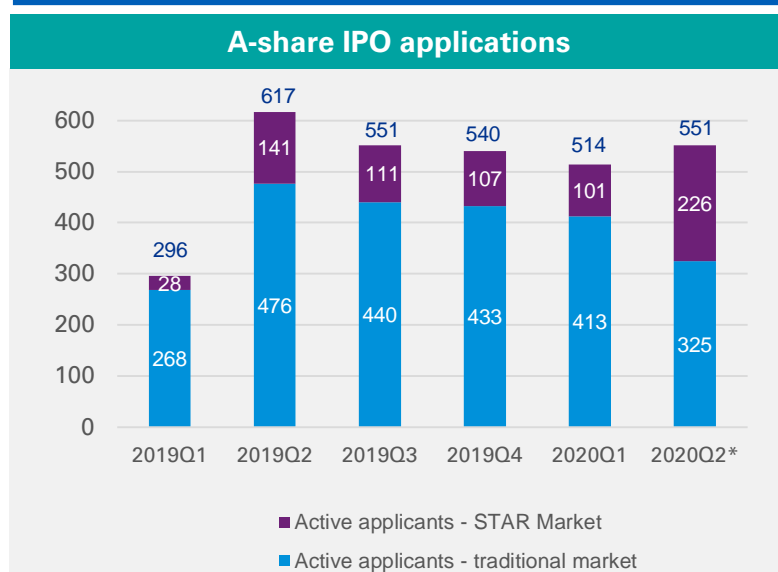
~ 41% of total proceeds

2019 H1:
RMB 26.7 billion

~ 44% of total proceeds

A-share IPO pipeline

- Number of active IPOs remains at over 500 applicants. Over 41 percent of the total number of applicants are seeking to list under the STAR Market as of 28 June 2020. These numbers indicate strong interest in advanced-technology and innovation IPOs.
- We expect **TMT and Industrials to continue to be key drivers** for the A-share market, as **approximately 59 percent** of the existing pipeline belongs to these sectors.
- ChiNext applicants are offered an exemption on new positioning requirements** as the SZSE seeks a smooth and orderly transition to achieve reform. ChiNext applicants were under CSRC review before the transition if they submitted their applications to SZSE from 15 June 2020 to 29 June 2020. Listing applications submitted from 30 June 2020 onwards should fully comply with the new ChiNext requirements. As of 28 June 2020, 76 applicants have resubmitted their ChiNext applications to the SZSE.

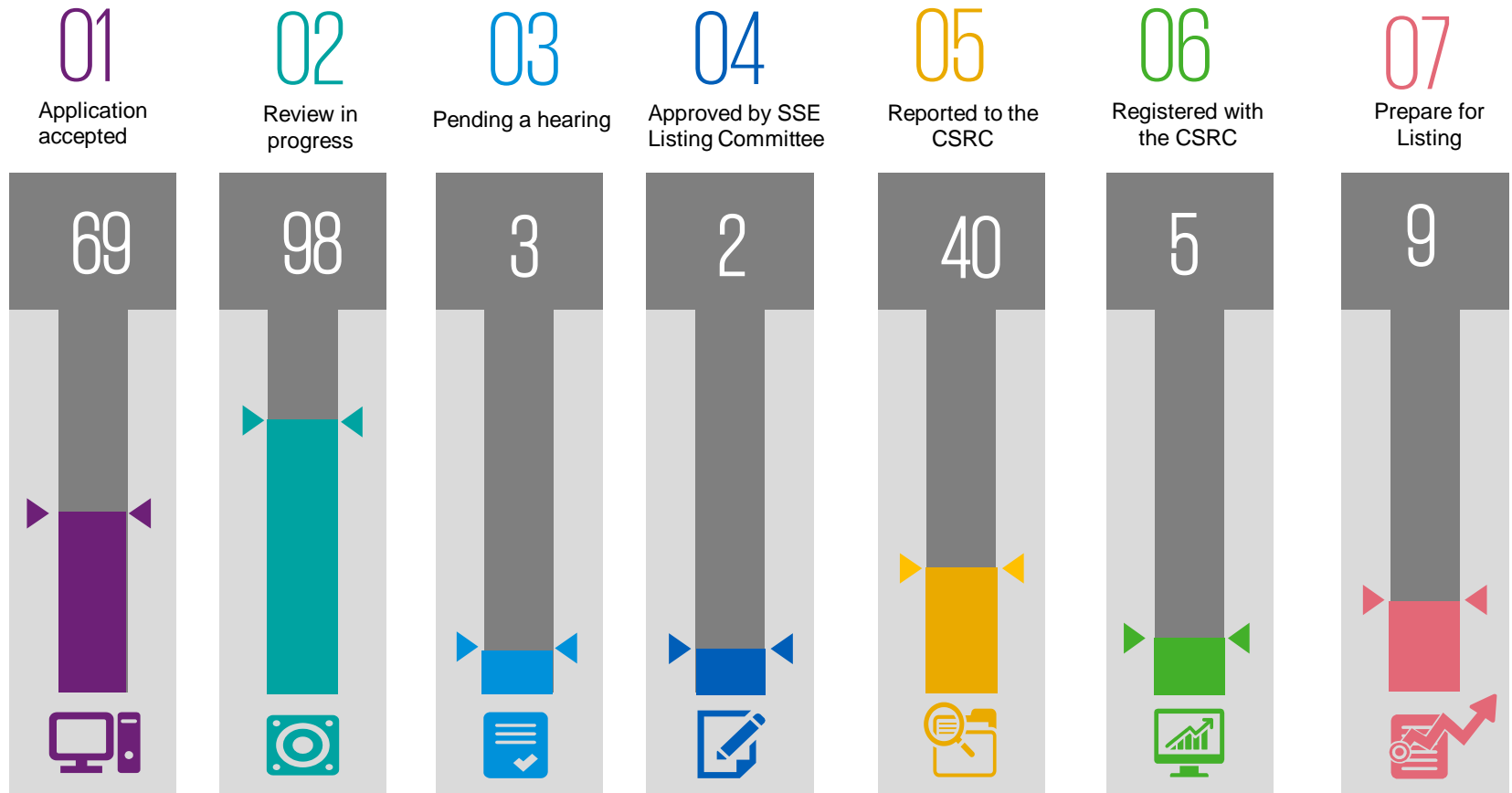


Note: *Data as at 28 June 2020. STAR market active applicants included suspended applications (中止審查) which is due to the expiry of their financial information. Historically these applications have been reactivated promptly with updated financial information being submitted by the listing applicant.

Source: Wind and KPMG analysis

STAR Market pipeline process

As of 28 June 2020, there were 226 active applicants in the pipeline.



Note: Data as at 28 June 2020. STAR market active applicants included suspended applications (中止审查) which is due to the expiry of their financial information. Historically these applications have been reactivated promptly with updated financial information being submitted by the listing applicant.

Sources: Wind, SSE and KPMG analysis

STAR Market pipeline in detail



- The STAR Market has burnished its credentials by allowing companies with WVR and red-chip structures to list as well as certain pre-profit entities.

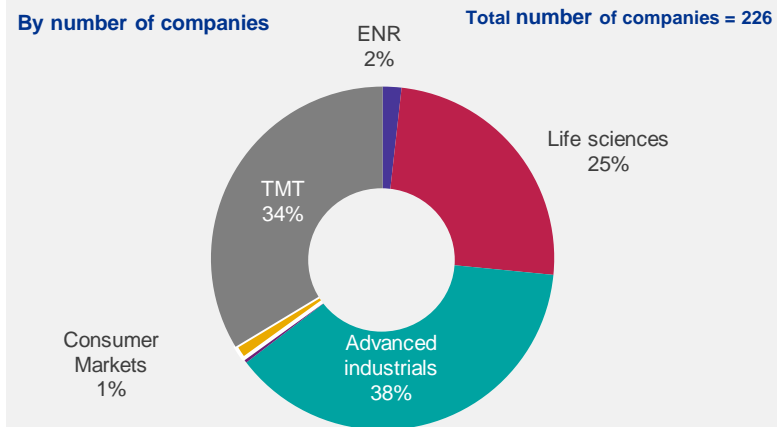
STAR Market applicants by listing criteria

Listing criteria*		No. of Active Applicants	No. of Listed Companies
I	Market Cap & Profit	193	103
II	Market Cap, Revenue & R&D	6	1
III	Market Cap, Revenue & Operating Cash Flow	2	1
IV	Market Cap & Revenue	14	8
V	Market Cap & Advanced Technology	8	4
WVR	WVR structured companies	1	1
Red chips	Red-chips companies	2	1

Sources: SSE and KPMG analysis

Note: Data as at 28 June 2020. For details about listing criteria, please refer to Sci-Tech Innovation Board rules by SSE and CSRC (available only in Chinese).

STAR Market applications – sector breakdown*



Source: Wind and KPMG analysis

Note: Data as at 28 June 2020. STAR market active applicants included suspended applications (中止审查) which is due to the expiry of their financial information. Historically these applications have been reactivated promptly with updated financial information being submitted by the listing applicant.



- That said, Criteria I, which has the lowest market capitalisation requirement, is still the most predominant listing criterion adopted

A-share IPOs: 2020 outlook

- Economic activities have been reviving following a stabilisation in the number of COVID-19 cases in mainland China, with professional parties and businesses also resuming operations. We expect listings momentum in the A-share market to keep picking up in the second half of the year.
- The STAR Market reached a successful first anniversary with highly favourable prospects for its continuing growth. It is now a hub for listings from advanced-technology and strategically emerging companies in mainland China. Since the first STAR market listing in July last year until now, 119 companies have listed on the board, raising a total of RMB 134.7 billion, representing approximately 40 percent of funds raised in the past 12 months. The STAR Market will continue to be a major contributor to the A-share IPO market in 2020, backed by a solid pipeline of over 220 companies seeking to list as of 28 June 2020, as well as an expected steady flow of new applicants for the rest of the year.
- Following the success of the STAR Market, Shenzhen's ChiNext board, which mainly serves innovative growth companies or start ups, launched a registration-based system. As the Shenzhen bourse started reviewing listing applications under the new system from this month, the ChiNext's first batch of registration-based IPOs could debut in 2020 Q3.

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Following the implementation of a registration-based mechanism in the STAR market, the ChiNext board is officially launching a similar system for IPOs. Such reform will increase investment and diversity in the A-share market while enhancing liquidity.

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Louis Lau

Partner
Capital Markets
KPMG China



Hong Kong IPO market



Hong Kong IPOs : 2020 H1 highlights

Hong Kong's IPO market remained resilient during a time of global uncertainty, ranking third globally in terms of total fundraising in 2020 H1. During the period, 59 IPOs were to be completed in the bourse during the first half of the year, raising a total of HKD 87.3 billion: this represents a 22 percent increase in terms of funds raised in the first half, compared with the same period last year. Following the 'homecoming' success story of Alibaba last year, NetEase and JD.com, both US-listed, China-based companies, completed secondary listings in Hong Kong during 2020 H1, raising a total of HKD 54.4 billion – over 62 percent of the estimated total IPO proceeds in 2020 H1. For this reason, TMT claimed the top position in terms of funds raised.

In other encouraging news, the healthcare/life sciences sector has shown a strong performance in the Hong Kong market amid the coronavirus outbreak. The sector ranked second in terms of total funds raised on the listing of multiple healthcare/life sciences firms. Of the seven healthcare/life sciences companies listed during 2020 H1, six are ranked among the top 10 IPOs, raising a total of HKD 15.7 billion and representing 18 percent of the total funds raised.

Since the launch of a new listing regime in April 2018 allowing listing of pre-revenue biotech companies and new economy companies with WVR structures and secondary listing of qualifying companies, Hong Kong has successfully tallied 23 firms under the regime and raised a total of HKD 275.9 billion. This amount represents approximately 42 percent of the funds raised since April 2018. The listing reform has added diversity and competition to the market, fostering an ecosystem that is receptive to new economy and biotech companies' listings in Hong Kong.

Note:

(1) All analysis is based on a combination of data as at 22 June 2020 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

Hong Kong IPOs: overview

- The Main Board recorded 54 new listings for a combined HKD 87 billion during the year. The number of completed Main Board IPOs decreased by about 26 percent compared with the same period last year. Yet total funds raised increased by 22 percent compared with the same period last year, bolstered by two sizeable US-listed, China-based firms completing secondary listings during the first half of the year.
- The secondary listings for the two US-listed, China-based technology companies raised a total of HKD 54.4 billion, representing over 62 percent of funds raised for the first half of the year.

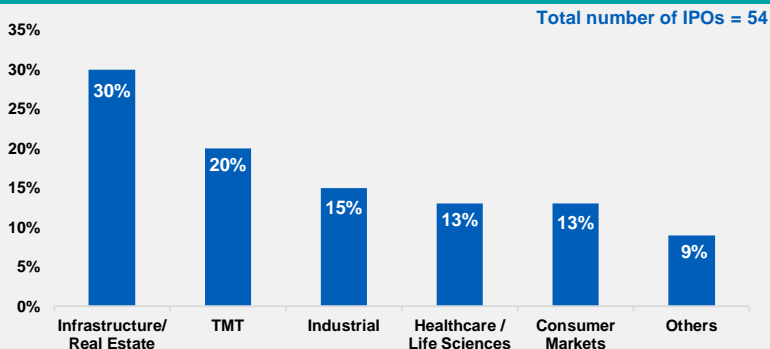
	Main Board						GEM		
	Total funds raised (HKD billion)	No. of IPOs	Average deal size (HKD billion)	No. of IPOs			Total funds raised (HKD billion)	No. of IPOs	Average deal size (HKD billion)
				< HKD 1 billion	HKD 1-5 billion	> HKD 5 billion			
2020 H1	87.0	54	1.61	42	10	2	0.3	5	0.06
2019 H1	71.4	68	1.05	48	18	2	0.4	6	0.07
2019 full year	313.3	146	2.14	102	34	10	1.0	15	0.07
2018 H1	48.2	48	1.00	39	6	3	3.4	50	0.07
2017 H1	52.3	33	1.58	24	7	2	2.6	35	0.07
2016 H1	42.4	23	1.84	16	4	3	1.1	15	0.07

Source: HKEx and KPMG analysis

Note: All analysis is based on a combination of data as at 22 June 2020 and KPMG estimates, unless otherwise stated.
Excludes listings by introduction.

Hong Kong IPOs: Main Board - sector analysis

2020 H1: Top 5 sectors – by number of IPOs



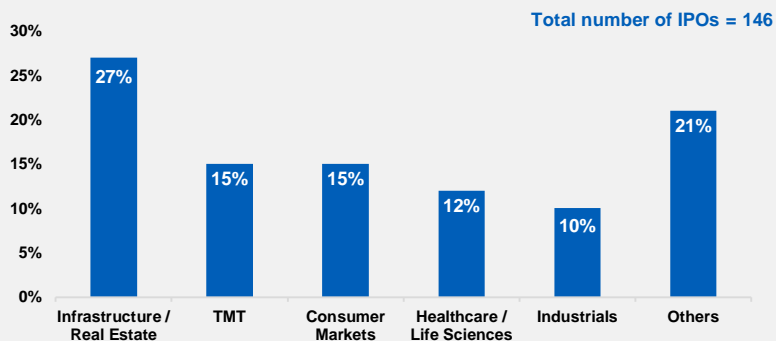
Source: HKEx and KPMG analysis



Infrastructure/Real Estate

- The sector **led the market in terms of number of listings and ranked third in terms of total funds raised**. The sector is expected to lead the market for the rest of 2020, as over a quarter of the pipeline is from this sector.
- **Increased infrastructural needs for Hong Kong and the Greater Bay Area**, including development of the city's Cyberport and Science Park, would further drive more pipeline activities and fundraising from this sector for the coming years.

2019: Top 5 sectors – by number of IPOs



Source: HKEx and KPMG analysis



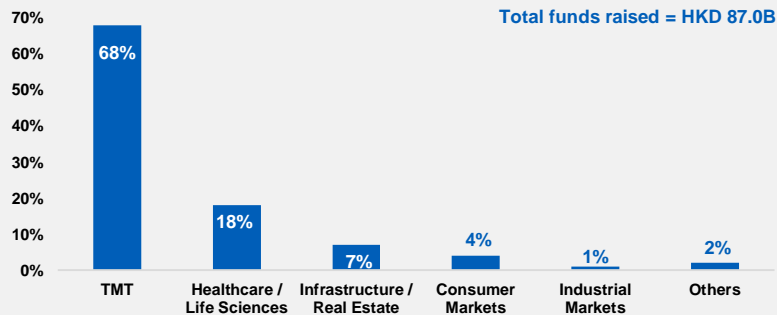
Technology, Media & Telecoms

- The TMT sector **ranked first in terms of total funds raised and second in number of new listings**. It comprised two out of the top 10 IPOs during the quarter by fundraising amount.
- Two of the Chinese tech giants, NetEase and JD.com, completed secondary listings in the Hong Kong market during the first half of the year. Funds raised by the two companies reached HKD 54.4 billion, which comprised over 62 percent of total funds raised in the Hong Kong market during 2020 H1.
- Demand for distance-based services has surged, including teleconferencing, virtual classrooms and online trading platforms due to the COVID-19 outbreak. Business opportunities and funding needs for companies specialising in these services are expected to keep growing considerably.

Note: All analysis is based on a combination of data as at 22 June 2020 and KPMG estimates, unless otherwise stated.

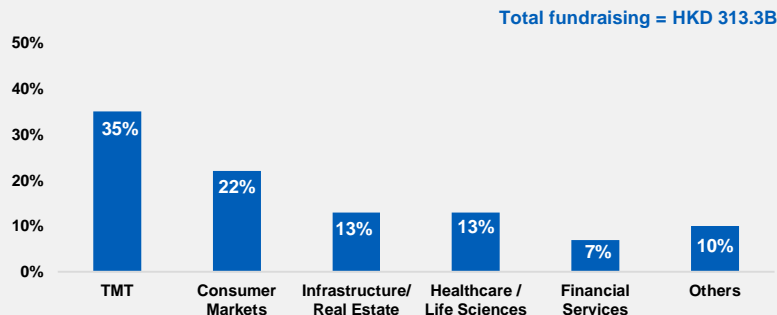
Hong Kong IPOs: Main Board - sector analysis (Cont'd)

2020 H1: Top 5 sectors – by total funds raised



Source: HKEx and KPMG analysis

2019: Top 5 sectors – by total funds raised



Source: HKEx and KPMG analysis

Note: All analysis is based on a combination of data as at 22 June 2020 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.



Healthcare/Life Sciences

- Biotech companies proved a significant presence in the Hong Kong IPO market during 2020 H1. The sector ranked second in terms of total funds raised due to the listing of multiple biotech firms. Four companies were listed under Chapter 18A during the first half, raising a total of HKD10.1 billion, this total represented 12 percent of the total funds raised during the period.
- With the healthcare/life sciences industry continuously working to develop new vaccines or at least improved treatment for COVID-19 as well as other diseases, business opportunities and funding needs are expected to expand.
- Of the seven healthcare/life sciences companies listed during 2020 H1, six are ranked among the top 10 IPOs.



Consumer Markets

- Due to the listing of Jiumaojiu International, which raised a total of HKD 2.5 billion, consumer markets ranked fourth in terms of total fund raised.
- With retail and tourism being among the areas hardest hit by the impact of the COVID-19 outbreak, it is anticipated that this sector will see a lower level of activity in H2.

Top 10 largest Hong Kong IPOs

2020 H1	Company	Proceeds (HKD billion)	Sector
1	JD.com - SW	30.1	TMT
2	NetEase, Inc. - S	24.3	TMT
3	Kangji Medical Holdings Limited	3.1	Healthcare / Life Sciences
4	Akeso Inc. – B	3.0	Healthcare / Life Sciences
5	Peijia Medical Limited – B	2.7	Healthcare / Life Sciences
6	InnoCare Pharma Limited – B	2.6	Healthcare / Life Sciences
7	Jiumaojiu International Holdings Limited	2.5	Consumer Markets
8	Central China New Life Limited	2.4	Infrastructure / Real Estate
9	Hygeia Healthcare Holdings Co., Limited	2.2	Healthcare / Life Sciences
10	Kintor Pharmaceutical Limited – B	1.9	Healthcare / Life Sciences

Source: HKEx and KPMG analysis

2019 H1	Company	Proceeds (HKD billion)	Sector
1	Shenwan Hongyuan Group Co., Ltd.	9.1	Financial Services
2	Hansoh Pharmaceutical Group Company Limited	9.0	Healthcare / Life Sciences
3	China East Education Holdings Limited	5.0	Education
4	Xinyi Energy Holdings Limited	3.9	ENR
5	Jinxin Fertility Group Limited	3.5	Healthcare / Life Sciences
6	Cstone Pharmaceuticals - B	2.6	Healthcare / Life Sciences
7	Haitong UniTrust International Leasing Co., Ltd.	2.3	Financial Services
8	CSSC (Hong Kong) Shipping Company Limited	2.1	Transport, Logistics and Others
9	Maoyan Entertainment	2.0	TMT
10	China Risun Group Limited	1.9	Industrial Markets

Note: All analysis is based on a combination of data as at 22 June 2020 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

Source: HKEx and KPMG analysis



Funds raised by top 10 IPOs

2020 H1:
HKD 74.8 billion
 ~ 86% of total proceeds

2019 H1:
HKD 41.4 billion
 ~ 58% of total proceeds

Hong Kong IPOs: 2020 outlook

- For the rest of the year, market sentiment is expected to be driven by global political, social and economic uncertainties including the global COVID-19 pandemic. In view of these circumstances, Hong Kong is expected to hold steady as a top IPO market. The advent of secondary listings in Hong Kong illustrates stakeholders' confidence in the fundamentals of the market. In addition, the healthcare/life sciences industry is widely viewed as a safe bet, and the coronavirus pandemic has demonstrated an utmost necessity for robust healthcare services and capital investments. We therefore expect the bourse to remain in the top three globally at the end of 2020.
- The influx of overseas-listed Chinese companies coming to Hong Kong was evident during the first half of the year, most notably by the secondary listings for NetEase and JD.com. These successes, building on Alibaba's secondary listing last year, are paving the way for other US-listed, China-based companies to follow suit. In January, the HKEX published a consultation paper seeking public feedback on a proposal to allow corporate entities to benefit from WVR, subject to additional conditions and investor safeguards. Market feedback was collected by the end of May, and if corporate shareholders with weighted voting rights are determined qualified for listings in the near future, more technology firms would be eligible for listing in Hong Kong. This would spur more China-based innovative companies to list in Hong Kong to widen their funding options amid the global uncertainties.
- Furthermore, the Hang Seng Index announced it would admit companies with weighted voting rights and those with secondary listings as constituent stocks. The earliest possible time for these changes to take effect would be in August this year. As a result, a number of Chinese tech giants, including Xiaomi and Alibaba, could be included. Such reform reflects the fact that technology companies are playing a more important role in the market and would encourage additional major technology firms to list in the bourse.

“The new economy including biotech companies' listings dominated Hong Kong's capital markets in the first half of 2020 representing 77 percent of the total funds raised and we expect that trend to continue into the second half of the year. The pandemic has not only accelerated the inevitable transformation to a digital economy, it also boosted capital investments in life sciences and technology businesses that are needed more urgently than ever to offer better solutions in drug development, healthcare, supply chain, logistics, education and sustainable development.”



Irene Chu

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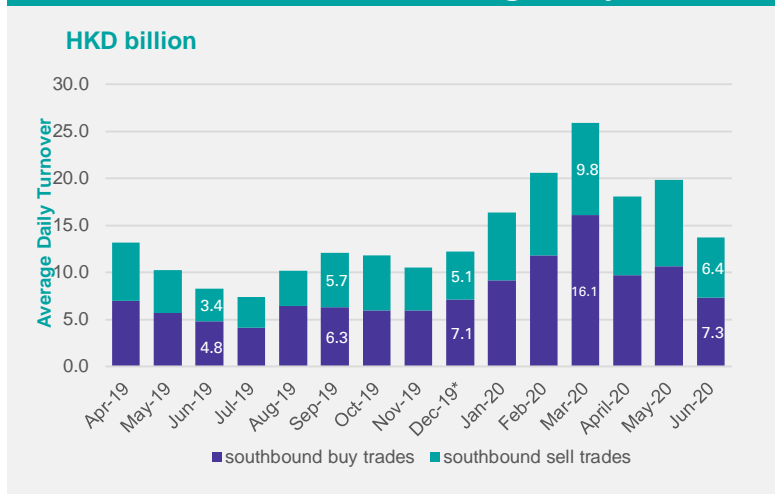
Stock Connect



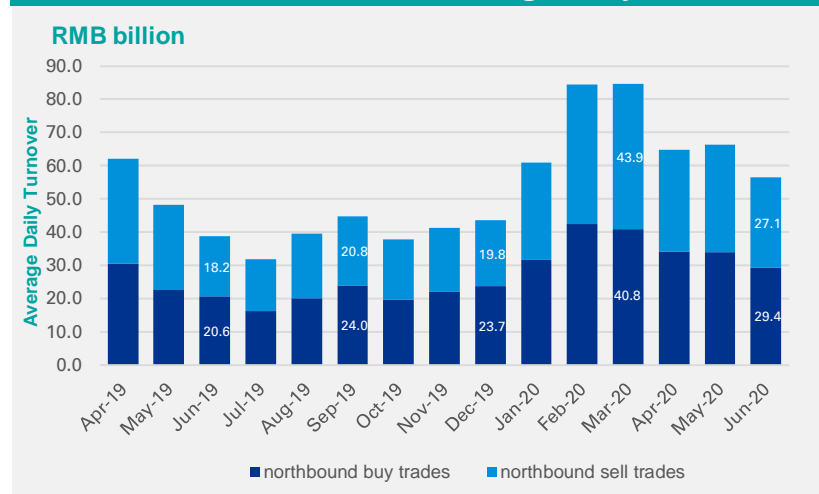
Stock Connect

- Northbound investments have remained active, highlighting 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; MSCI completed its previously announced phased weighting increase of China A-shares, or yuan-denominated mainland Chinese stocks. These moves are expected to further stimulate northbound trading.
- Southbound Trading Investor Identification Regime was successfully rolled out on January 2020, facilitating enhanced orderly operation and regulation of Stock Connect
- 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 22 June 2020

Source: HKEX

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