



# Mainland China and Hong Kong

2020 review:  
IPOs and other  
market trends



# Foreword

Despite overall market sentiment and investor confidence this year being driven by COVID-19 as well as political, social and economic concerns, global IPO markets have shown resilience, recovering after a slower first half and expected to end strong by recording an increase of more than 23 percent in terms of proceeds by the end of 2020, compared with last year. This increase is mainly due to a surge in fundraising in the leading stock markets in Mainland China, Hong Kong and the US, especially the Mainland China and Hong Kong stock exchanges, which are —set to record their most active year since 2011 in terms of proceeds.

The Shanghai Stock Exchange is expected to rank among the global top three exchanges in terms of total funds raised, boosted by the continuing popularity of the STAR Market. The A-share market is up 82 percent in terms of funds raised compared with last year. On the back of the STAR Market's success, China has deepened its capital markets reform with the expansion of registration-based IPOs in the ChiNext market during the year. The STAR and ChiNext board focus on supporting innovative growth companies and start-ups, further facilitating the growth of multi-layered capital markets, and enhancing liquidity and investments in the A-share market.

Hong Kong's market has continued to attract up-and-coming companies from around the world, with a number of homecoming listings. During the period, nine US-listed Chinese-based companies completed secondary listings in Hong Kong, raising a total of HKD131.3 billion, representing approximately 34 percent of funds raised. The trend of secondary listings has highlighted Hong Kong's solid fundamentals and its importance as an international capital-raising venue with a growing ecosystem for innovation and new economy companies.

“ Despite prevailing uncertainties marked by the COVID-19 outbreak as well as political, social and economic concerns, the global IPO markets remained resilient and ended strong in 2020. As businesses gradually adapt to the new normal and with the rollout of COVID-19 vaccines, there is a good chance for the global economy as well as the capital markets to rebound in the coming year. ”



**Paul Lau**

Partner  
Head of Capital Markets/  
Professional Practice  
KPMG China

Note: All analysis is based on data as at 6 December 2020, adjusted to numbers of confirmed listings up to 31 December 2020, unless otherwise stated.

# Top-performing global stock exchanges

- Based on the latest estimate, Hong Kong and Shanghai are among the top three in 2020 for IPO fundraising and number of listings. As the top three exchanges are very close in terms of total proceeds, the actual ranking for 2020 full year may change.

## 2020 full year\*

Rank	Stock exchange	IPO proceeds (USD billion) <sup>1</sup>
1	NASDAQ	53.5
2	HKEX	50.3
3	Shanghai Stock Exchange	49.9
4	NYSE	32.2
5	Shenzhen Stock Exchange	18.5

## 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

(1) Note: All analysis is based on data as at 6 December 2020, adjusted to numbers of confirmed listings up to 31 December 2020, unless otherwise stated. The exchange rate for USD/HKD is 7.75.

Sources: Bloomberg and KPMG analysis

# Top 10 largest global IPOs

2020 YTD	Company	Exchange	Proceeds (USD billion)	Sector
1	Semiconductor Manufacturing International Corp.	SSE-STAR	7.5	TMT
2	JD.com, Inc. - W	HKEX	4.5	TMT
3	Beijing-Shanghai High Speed Railway Co., Ltd.	SSE	4.4	Transport, Logistics and Others
4	JD Health #	HKEX	4.0	Healthcare / Life Sciences
5	Snowflake Inc.	NYSE	3.9	TMT
6	DoorDash Inc #	NYSE	3.1	TMT
7	NetEase Inc.	HKEX	3.1	TMT
8	AirBnb Inc #	NASDAQ	2.8	TMT
9	JDE Peet's BV	Amsterdam	2.8	Consumer Markets
10	Allegro.eu SA	Warsaw	2.8	Consumer Markets



## Funds raised by top 10 IPOs

2020 YTD:  
**USD 38.9 billion**  
(15% of global funds raised)

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

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

# Expected to list by the end of 2020. Funds raised estimated is based on mid price or offer amount published on official sites



**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 highlights

The Shanghai Stock Exchange (SSE) and the Shenzhen Stock Exchange (SZSE) are expected to record 383 new listings for a combined RMB 461.0 billion in 2020, representing an 82 percent increase in terms of funds raised compared with 2019. This is in fact the most active year in terms of funds raised since 2011. The strong performance was backed by the continuing popularity of the STAR Market, driving the SSE to rank among the global Top 3 exchanges in terms of total funds raised.

In its first full year of operation, the STAR Market recorded 141 listings, raising RMB 217.2 billion, contributing 47 percent of funds raised in the A-share market during the year. Since the debut of STAR market listings in July 2019 until now, 211 companies have listed on the board, raising a total of RMB 299.7 billion, representing approximately 47 percent of funds raised during this 18-month period. Backed by a solid pipeline of over 200 listings, the STAR Market is expected to remain the major contributor to the A-share IPO market for the coming year.

The registration-based IPO system further expanded in 2020 as the first batch of companies being debuted in the Shenzhen ChiNext board in August this year. By the end of 2020, a total of 58 companies are expected to be listed under ChiNext's new registration-based IPO system, raising a total of RMB 64.2 billion, representing 14 percent of the funds raised in the A-share market in 2020 with only five months of showing. This reform is an expansion of the approach taken in the STAR Market, with a focus on serving innovative growth companies and start-ups.

All analysis is based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

# A-share IPOs: overview

- The A-share IPO market is expected to complete 383 listings for a combined RMB 461.0 billion by the end of 2020. This marks a 82 percent increase in terms of funds raised and a 91 percent uptick in terms of the number of listings compared with the same period last year, boosted by growth in the STAR Market and the ChiNext board.
- The first batch of registration-based IPOs were listed in the ChiNext board during the third quarter, highlighting the country's efforts to reform the capital markets. By the end of 2020, 58 companies are expected to be listed under ChiNext's new registration-based IPO system\*, raising a total of RMB 64.2 billion. This total represents approximately 14 percent of total funds raised during the year.

	SSE			SSE – STAR			SZSE*			SZSE – ChiNext*			Total	
	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)	No. of IPOs	Average deal size (RMB billion)	Total funds raised (RMB billion)	Total no. of IPOs
2020	118.8	85	1.40	217.2	141	1.54	60.8	99	0.61	64.2	58	1.11	461.0	383
2019	106.2	53	2.00	82.4	70	1.18	64.6	78	0.83	-	-	-	253.2	201
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

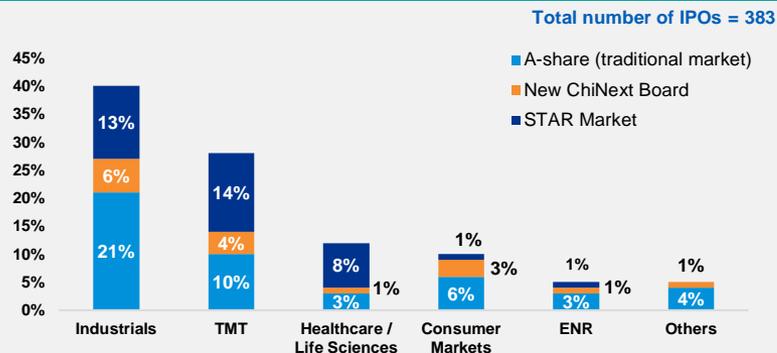
Note: All figures are based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated.

Sources: Wind and KPMG analysis

\* The numbers presented under "SZSE – ChiNext" above represent IPOs completed under the registration-based system following the reform. During the year, there are 44 companies listed on the ChiNext board prior to the reform, raising a total of RMB 23.3 billion. For analysis purpose, these IPOs were included under "SZSE" above.

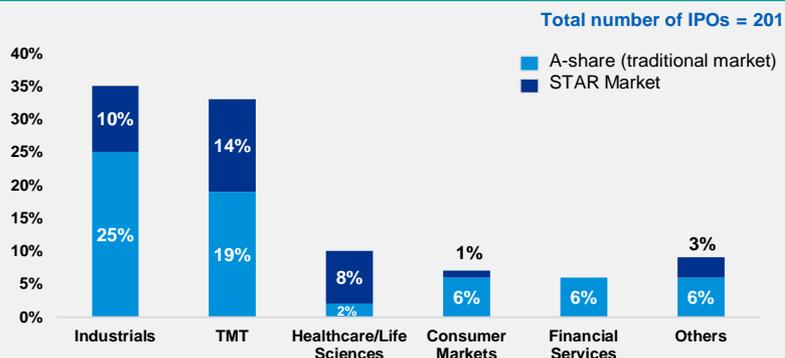
# A-share IPOs: sector analysis

## 2020: Top 5 sectors – by number of IPOs



Source: Wind and KPMG analysis

## 2019: Top 5 sectors – by number of IPOs



Source: Wind and KPMG analysis

Note: All analysis is based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.



## Industrials

- Industrials continued to lead the market **in terms of the number of new listings**, backed by a **strong pipeline of 321 companies currently seeking a listing**, of which half are attributed to the ChiNext board. We expect the sector to remain a major contributor to the total number of new listings in the coming year.
- '**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).
- Among the 58 companies listed on the ChiNext board under the registration-based system, 22 companies are from the industrials sector, which raised a total of RMB 13.8 billion.

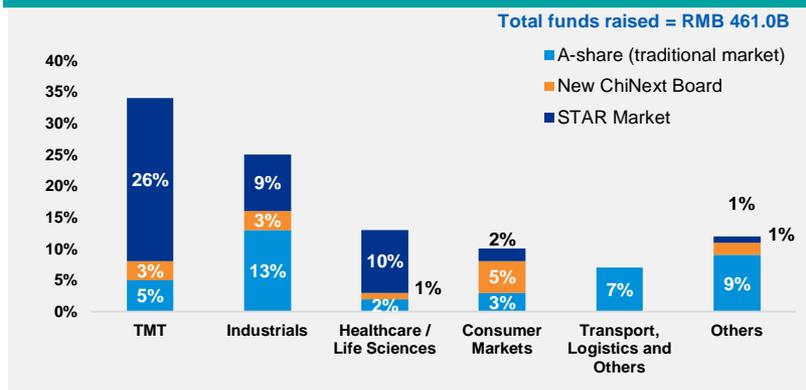


## Technology, Media & Telecoms

- The TMT sector continued its **lead in terms of funds raised** and placed second in the number of new listings. 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.
- Buoyed by ongoing **government support** for science and technology firms, 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 the new ChiNext board**.
- The need for **digital transformation** is even greater under COVID-19, where connectivity plays a vital role in the evolution of digital. Incredible opportunities are ahead for 5G and software development companies, playing a key role in the global economic recovery.

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

## 2020 YTD: Top 5 sectors – by total funds raised



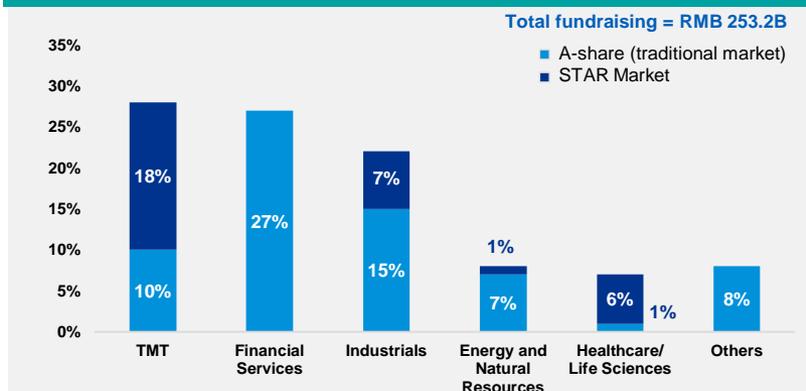
Source: Wind and KPMG analysis



## Healthcare/Life Sciences

- The sector ranked third in both the number of new listings and total funds raised, backed by a strong showing of healthcare/life sciences IPOs in the STAR Market. It accounts for approximately 13 percent of the proceeds in the market for the year.
- Seven pre-profit biotech companies were listed in the STAR Market during the year demonstrating the bourse's flexibility and presence for biotech firms.
- Amid the ongoing development of the pandemic, fueled by an ever-growing demand for healthcare for the world's largest population, healthcare/life sciences is expected to be one of the driving forces of the A-share IPO market.

## 2019: Top 5 sectors – by total funds raised



Source: Wind and KPMG analysis



## Consumer Markets

- The sector ranked fourth in terms of both funds raised and the number of IPOs. Yihai Kerry Arawana Holdings Co., Ltd, a food wholesaler and distributor was listed in the ChiNext board, raising a total of RMB 13.9 billion, is the third largest IPO in the A-share market during the year.
- The sector has maintained a strong pipeline, as of 6 December 2020, there were 81 active applicants from the sector, which account for approximately 10 percent of the overall A-share pipeline.

Note: All analysis is based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

# Top 10 largest A-share IPOs

2020	Company	Exchange	Proceeds (RMB billion)	Sector
1	Semiconductor Manufacturing International Corp.	SSE-STAR	53.2	TMT
2	Beijing-Shanghai High Speed Railway Co., Ltd.	SSE	30.7	Transport, Logistics and Others
3	Yihai Kerry Arawana Holdings Co.,Ltd	SZSE-ChiNext	13.9	Consumer Markets
4	China International Capital Corporation Limited	SSE	13.2	Financial Services
5	Qi An Xin Technology Group Inc.	SSE-STAR	5.7	TMT
6	Cathay Biotech Inc.	SSE-STAR	5.6	Healthcare / Life Sciences
7	CanSino Biologics Inc.	SSE-STAR	5.2	Healthcare / Life Sciences
8	Bestechnic (Shanghai) co. ltd#	SSE-STAR	4.9	TMT
9	Shanghai Junshi Biosciences Co., Ltd.	SSE-STAR	4.8	Healthcare / Life Sciences
10	Beijing Roborock Technology Co., Ltd.	SSE-STAR	4.5	Consumer Markets

# Expected to list by the end of 2020. Funds raised estimated is based on mid price.

Source: Wind and KPMG analysis

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	ENR
4	China Railway Signal & Communication Corporation Limited	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 Limited	SSE	3.8	ENR
9	Shenzhen Transsion Holdings Co., Ltd.	SSE - STAR	2.8	TMT
10	Montage Technology Co.,Ltd.	SSE - STAR	2.8	TMT

Note: All analysis is based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

Source: Wind and KPMG analysis



Funds raised by top 10 IPOs

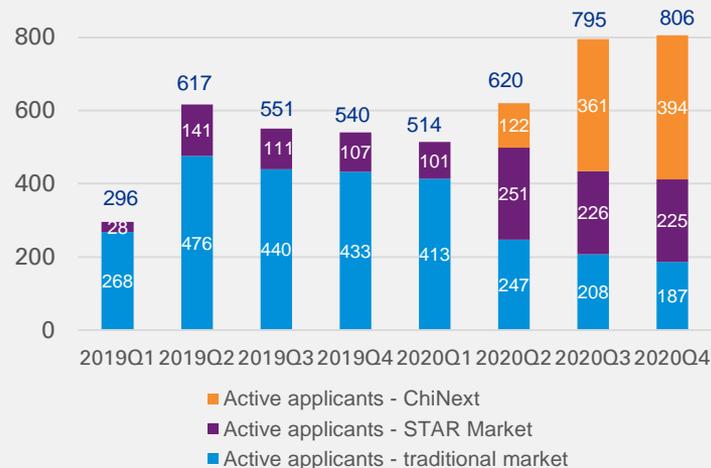
2020:  
**RMB 141.7 billion**  
~ 31% of total proceeds

2019:  
**RMB 100.6 billion**  
~ 40% of total proceeds

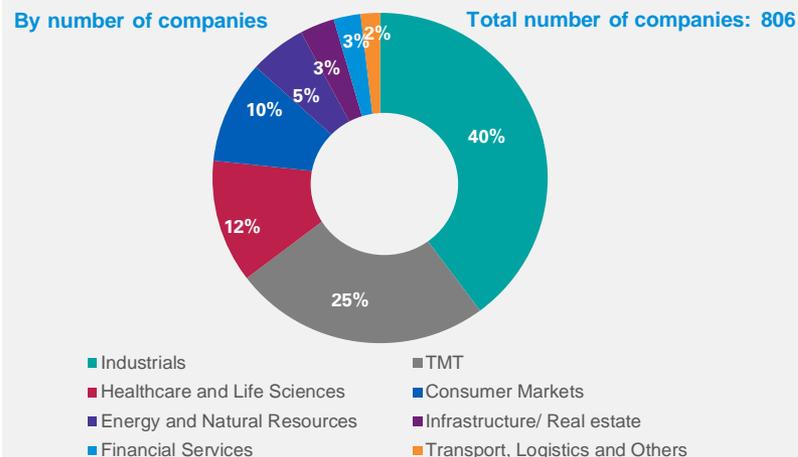
# A-share IPO pipeline

- As of 6 December 2020, there were over 800 active IPO applicants, among which over 49 percent are seeking to list in the ChiNext board and 28 percent in the STAR Market. These numbers indicate solid market 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 65 percent** of the existing pipeline belongs to these sectors.
- Before the ChiNext board reform in June this year, there were around 202 companies seeking a listing on the board. Out of these companies, **over 176 applicants** have subsequently converted to the registration-based new ChiNext board and have resubmitted their applications since June 2020.

### A-share IPO applications



### A-share IPO applications – 2020 sector breakdown

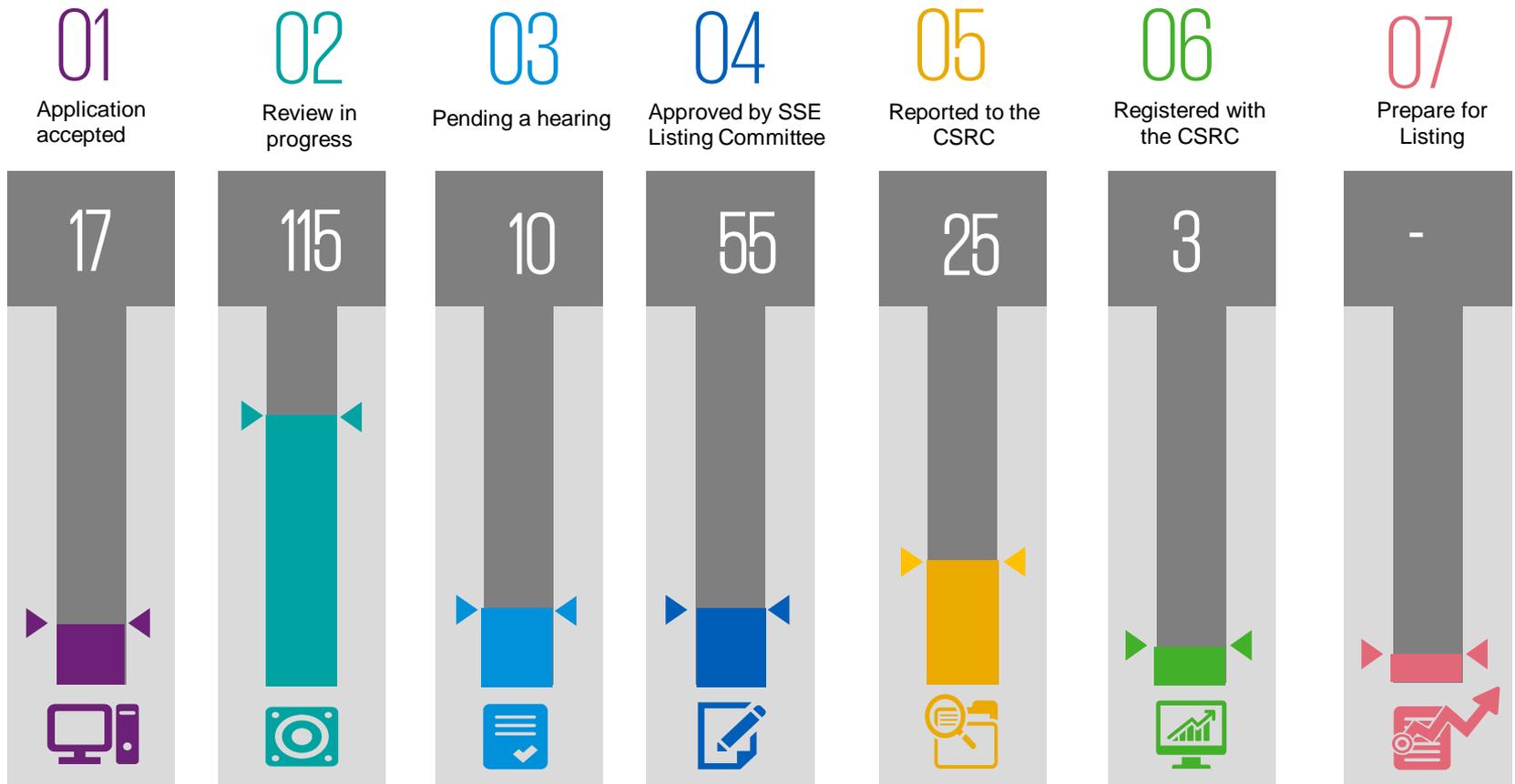


Note: All figures are based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated. STAR market active applicants included suspended applications (中止審查) which is due to the expiry of their financial information. Historically these applications have been reactivated promptly with updated financial information being submitted by the listing applicant.

Source: Wind and KPMG analysis

# STAR Market pipeline process

As of 6 December 2020, there were 225 active applicants in the pipeline.



Note: All figures are based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated. 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.

Sources: Wind, SSE and KPMG analysis

# STAR Market pipeline in detail



Seven pre-profit biotech companies were listed in the STAR Market during the year demonstrating the bourse's flexibility and presence for biotech firms.

## STAR Market applicants by listing criteria

Listing criteria*		No. of Active Applicants	No. of Listed Companies
I	Market Cap & Profit	192	178
II	Market Cap, Revenue & R&D	7	6
III	Market Cap, Revenue & Operating Cash Flow	2	1
IV	Market Cap & Revenue	10	15
V	Market Cap & Advanced Technology	7	7
WVR	WVR structured companies	2	1
Red chips	Red-chips companies	5	3

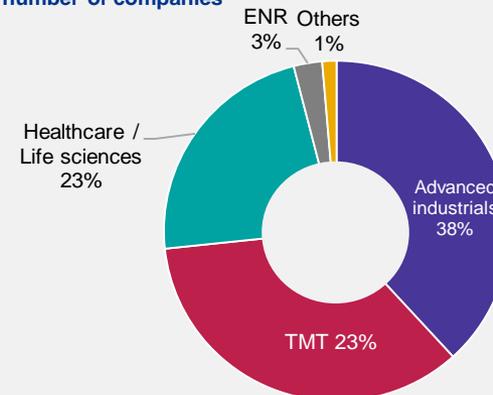
Sources: SSE and KPMG analysis

Note: Data as at 6 December 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\*

By number of companies

Total number of companies = 225



Source: Wind and KPMG analysis

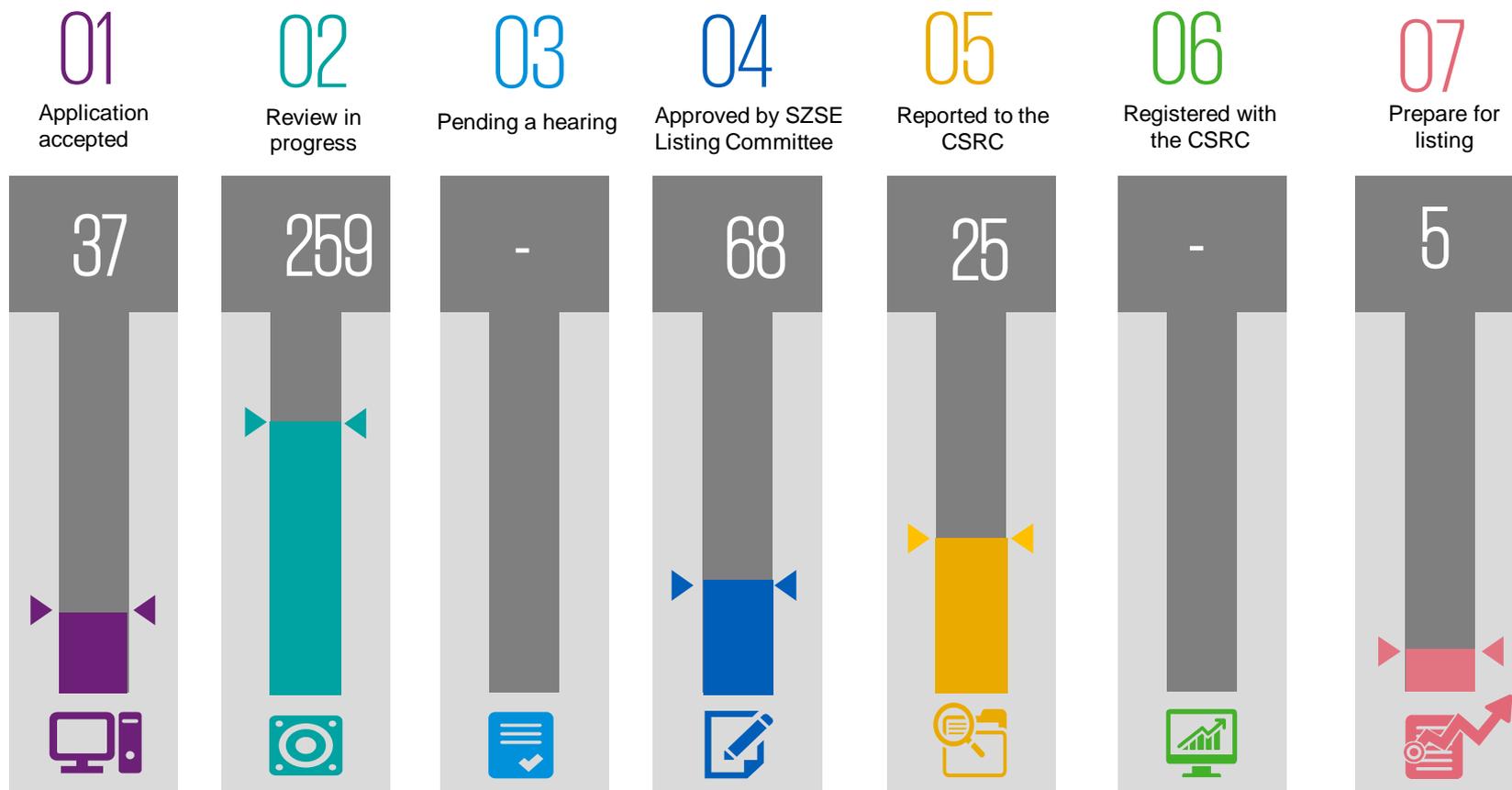
Note: All figures are based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated. STAR market active applicants included suspended applications (中止審査) which is due to the expiry of their financial information. Historically these applications have been reactivated promptly with updated financial information being submitted by the listing applicant.



➤ Criteria I, which has the lowest market capitalisation requirement, is the most predominant listing criterion adopted.

# ChiNext pipeline

As of 6 December 2020, there were 394 active applicants in the pipeline.



Note: All figures are based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated. ChiNext active applicants included suspended applications (中止審查) which is due to the expiry of their financial information. These applications would be reactivated promptly with updated financial information being submitted by the listing applicant.

Sources: Wind, SZSE and KPMG analysis

# ChiNext pipeline in detail



- Currently, all of the 58 listed companies under the registration-based system were listed using Criteria I - the net profit requirement.

## ChiNext board applicants by listing criteria

Listing criteria		No. of Active Applicants	No. of Listed Companies*
I	Net Profit	386	58
II	Net Profit, Revenue & Market Cap	8	-
III	Revenue & Market Cap	-	-
WVR	WVR structured companies	-	-
Red chips	Red-chips companies	-	-

Sources: SSE and KPMG analysis

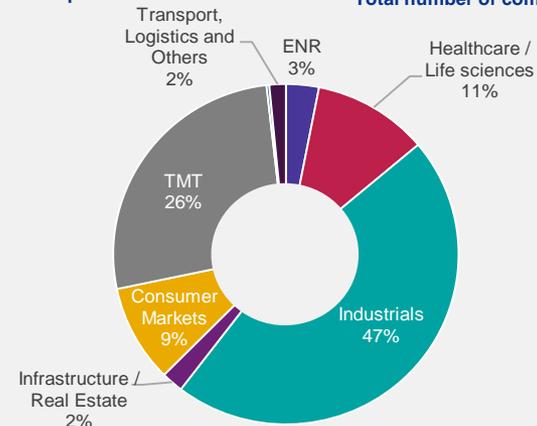
Note: Data as at 6 December 2020. \*Listed under registration-based system.

For details about listing criteria, please refer to ChiNext board rules by SZSE and CSRC (available only in Chinese).

## ChiNext applications – sector breakdown\*

By number of companies

Total number of companies = 394



Source: Wind and KPMG analysis

Note: All figures are based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated. ChiNext active applicants included suspended applications (中止审查) which is due to the expiry of their financial information. These applications would be reactivated promptly with updated financial information being submitted by the listing applicant.



- The reform of the ChiNext and the pilot registration-based IPO system are major initiatives to further optimise the system of the capital market after the launch of the STAR Market.

# A-share IPOs: 2021 outlook

- China has demonstrated its resilience as it continues its recovery from the COVID-19 pandemic. On the back of stabilising economic conditions and positive factors such as the Chinese regulators' accelerated capital market reforms this year, the A-share market has made a strong showing in the current year.
- The pipeline remains strong, recording over 800 active applicants as at 6 December, boosted by the number of applicants in the registration-based STAR Market and the ChiNext board, indicating solid confidence and recognition from the market. In regard to sectors, TMT and advanced industrials comprised over 60 percent of the pipeline and are expected to remain the key driving force in the A-share IPO market.
- The pilot registration-based IPO system launched by the ChiNext board in June this year is designed to ease the burden on enterprises and increase transparency with an open and paperless application review process. Wide market interest has been evident as the number of active applicants in the market already reached 390 – all submitted since June this year. The reform is enhancing the diversity and competitiveness of China's capital markets and further helps innovative growth companies or start-ups to expand their business and raise funds.

“ The A-share market had a deepened capital market reform with the expansion of registration-based IPOs this year amid China's focus to foster a multi-level capital markets system. This would further increase market inclusiveness and coverage, assisting companies of different sectors meeting their funding demands, and further bolstering the real economy as a whole. ”



**Louis Lau**

Partner  
Capital Markets  
KPMG China



# Hong Kong IPO market

# Hong Kong IPOs : 2020 highlights

While the global IPO momentum has been affected due to the ongoing COVID-19 outbreak, the Hong Kong IPO market has shown strong resilience and vitality, ranking second globally in terms of total proceeds in 2020 YTD. During the period, 140 IPOs are expected to be completed, raising a total of HKD 389.9 billion. This represents a 24 percent increase in terms of funds raised compared with the same period last year and is in fact the most active year since 2011.

The increase in fundraising is mainly attributable to homecoming listings, which benefits the city's financial industry and the capital market. During the period, nine US-listed, Chinese-based companies have completed secondary listings, raising a total of HKD 131.3 billion, representing approximately 34 percent of funds raised. These secondary listings signify Hong Kong's solid fundamentals and its importance as an international capital-raising venue with a growing ecosystem for innovation and new-economy companies.

The ecosystem has further cultivated the development and fundraising for healthcare and life sciences companies, and Hong Kong has already become the largest in Asia and the second-largest biotech IPO market in the world. During the year, 22 healthcare/life sciences companies have been listed, raising a total of HKD 98.8 billion, contributing 25 percent of total funds raised. Out of these companies, 14 pre-revenue biotech companies were listed under Chapter 18A, raising an aggregate of HKD 41.1 billion.

Note:

(1) All analysis is based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

# Hong Kong IPOs: overview

- The Main Board recorded 132 new listings during the year for a combined HKD389.3 billion. While the number of completed Main Board IPOs this year is comparable to the corresponding period in 2019, total funds raised increased by 24 percent, bolstered by several sizeable US-listed, Chinese-based firms completing secondary listings during the year under the new listing regime launched in 2018.
- The above-mentioned US-listed, China-based companies raised a total of HKD131.3 billion, representing approximately 34 percent of funds raised for 2020.

	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			
<b>2020 Full year</b>	<b>389.3</b>	<b>132</b>	<b>2.95</b>	<b>70</b>	<b>41</b>	<b>21</b>	<b>0.6</b>	<b>8</b>	<b>0.08</b>
<b>2019 Full year</b>	313.3	146	2.14	102	34	10	1.0	15	0.07
<b>2018 Full year</b>	282.9	130	2.18	90	30	10	5.1	75	0.07
<b>2017 Full year</b>	122.6	80	1.53	59	15	6	5.9	80	0.07
<b>2016 Full year</b>	190.6	72	2.65	48	14	10	4.6	45	0.10

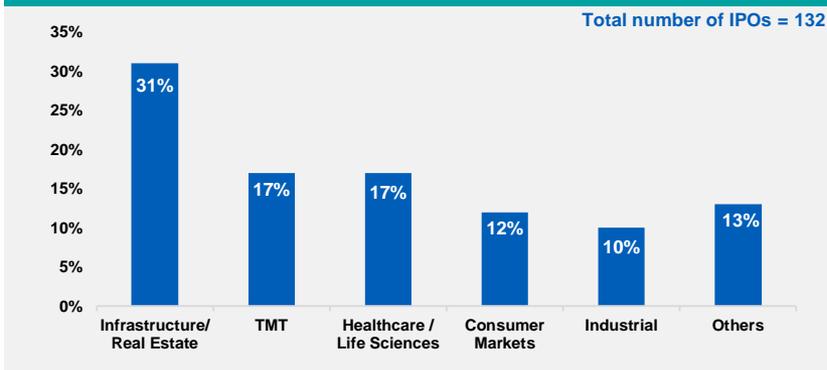
Note: All analysis is based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated.

Source: HKEx and KPMG analysis

Excludes listings by introduction.

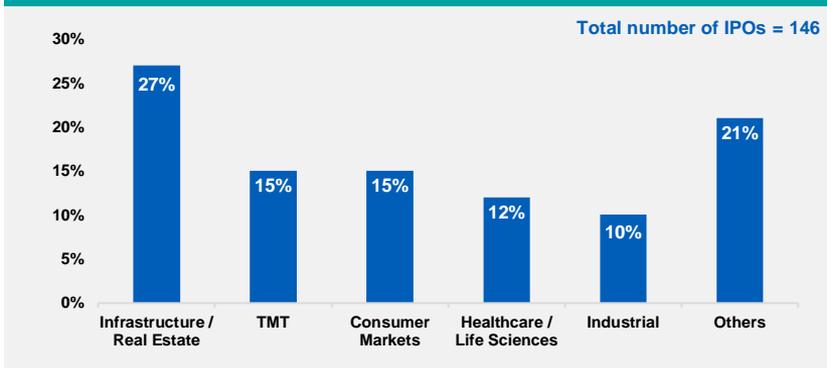
# Hong Kong IPOs: Main Board - sector analysis

## 2020: Top 5 sectors – by number of IPOs



Source: HKEx and KPMG analysis

## 2019: Top 5 sectors – by number of IPOs



Note: All analysis is based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated.

Source: HKEx and KPMG analysis



## Infrastructure/Real Estate

- The sector **led the market in terms of the number of listings and ranked fourth in terms of total proceeds**. The sector is expected to remain active in the market for the coming year, as over a quarter of the pipeline is from this sector.
- **Stimulated by the expanded infrastructural needs for Hong Kong and the Greater Bay Area**, including development of the city's Cyberport and Science Park, pipeline and fundraising activities from this sector are expected to remain solid for the coming years.

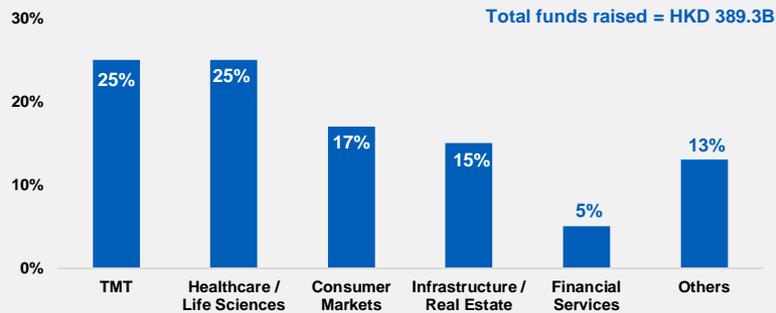


## Technology, Media & Telecoms

- The TMT sector **ranked first in terms of total funds raised and second in terms of the number of new listings**. Three out of the Top 10 IPOs are from the TMT sector.
- Four US-listed, China-based TMT companies – NetEase, JD.com, Baozun Inc. and GDS Holdings Limited – have completed their secondary listings during the period, raising a total of HKD77 billion, comprising 20 percent of total funds raised in the Hong Kong market.
- Market demand for distance-based services has been expanding due to the COVID-19 outbreak, this includes teleconferencing, virtual classrooms and online trading platforms. Business opportunities and funding needs for companies specialising in these services are expected to keep growing considerably.

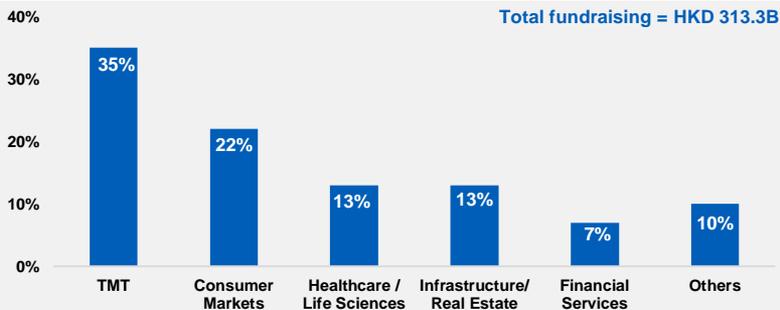
# Hong Kong IPOs: Main Board - sector analysis (Cont'd)

## 2020: Top 5 sectors – by total funds raised



Source: HKEx and KPMG analysis

## 2019: Top 5 sectors – by total funds raised



Note: All analysis is based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated.

Source: HKEx and KPMG analysis



## Healthcare/Life Sciences

- The sector ranked second in terms of funds raised and third in terms of the number of IPOs. Listings from the healthcare/life sciences sector contributed 25 percent of funds raised for the year to date, including 14 companies listed under Chapter 18A, raising an aggregate of HKD41.1 billion, representing 11 percent of total funds raised during the period.
- There are currently 19 companies in the pipeline applying for a Hong Kong listing, this includes companies engaged in the development of drugs and biological products, genetic testing services, hospitality services, operation of clinics and dental services, etc.
- With the healthcare/life sciences industry continuing to develop, funding needs are expected to expand for cancer treatments, autoimmune disease treatments, medical devices etc.



## Consumer Markets

- The sector ranked fourth in terms of funds raised and third in terms of the number of IPOs. Fast food franchise operator Yum China Holdings completed a secondary listing and raised a total of HKD17.3 billion in September this year.
- Among 17 active applicants in the Main Board pipeline as of 6 December 2020, 10 of them are engaged in the sales of consumer goods, four of them are engaged in food and beverage businesses.

# Top 10 largest Hong Kong IPOs

2020	Company	Proceeds (HKD billion)	Sector
1	JD.com – SW	34.6	TMT
2	JD Health International Inc. #	31.0	Healthcare / Life Sciences
3	NetEase, Inc. – S	24.3	TMT
4	Yum China Holdings, Inc. – S	17.3	Consumer Markets
5	China Bohai Bank Co., Ltd.	15.9	Financial Services
6	GDS Holdings Limited – SW	14.9	TMT
7	Evergrande Property Services Group Limited #	14.3	Industrial
8	Hangzhou Tigermed Consulting Co., Ltd. - H Shares	12.3	Healthcare / Life Sciences
9	China Resources Mixc Lifestyle Services Limited #	12.3	Consumer Markets
10	New Oriental Education & Technology Group Inc. – S	11.6	Education

# Expected to list by the end of 2020. Funds raised estimated is based on mid price.

Source: HKEx and KPMG analysis

2019	Company	Proceeds (HKD billion)	Sector
1	Alibaba Group Holding Limited - SW	101.1	TMT
2	Budweiser Brewing Company APAC Limited	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 Limited	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 Co., Ltd. - H Shares	5.5	Financial Services
9	Poly Property Development Co., Ltd. - H Shares	5.4	Infrastructure / Real Estate
10	Pharmaron Beijing Co., Ltd.	5.3	Healthcare / Life Sciences

Note: All analysis is based on a combination of data as at 6 December 2020 and KPMG estimates, unless otherwise stated. Excludes listings by introduction.

Source: HKEx and KPMG analysis



## Funds raised by top 10 IPOs

2020:  
**HKD 188.5 billion**  
 ~ 49% of total proceeds

2019:  
**HKD 210.3 billion**  
 ~ 67% of total proceeds

# Hong Kong IPOs: 2021 outlook

- Market sentiment for 2021 will continue to be affected by global political, social and economic uncertainties, such as the development of the pandemic, Sino-US relations and the global monetary environment. Yet, we remain optimistic about the Hong Kong IPO market and the bourse will continue to be a top listing destination in 2021 due to the following reasons:
- There is growing interest from issuers and investors for homecoming listings as evidenced by nine US-listed Chinese companies that have completed its secondary listings in Hong Kong this year. Moreover, the bourse announced a plan to normalise the eligibility requirements for Greater China issuers without weighted voting rights (WVR) structures to secondary list in Hong Kong under Chapter 19C, proposing to revise the minimum market capitalisation requirement to USD400 million (~HKD 3 billion) and remove the “innovative company” requirement. The plan, if finalised and implemented, would allow more homecoming listings, with potentially 26 more Greater China Issuers eligible under the proposed new requirement.
- On enhancing Hong Kong’s status as an international financial centre, the Central Government supports further deepening mutual access between the Mainland and Hong Kong markets. Pre-profit biotechnology companies listed in Hong Kong and stocks listed on the STAR Market that meet certain prescribed criteria will be included in the scope of eligible securities under the Stock Connect.
- The trend of homecoming and biotech listings further stimulates the change in the composition of Hong Kong’s market, moving from the traditional base of real estate and financial services to a base of new economy listings, such as technology, biotech and e-commerce. The growing ecosystem for new economy companies would attract more companies of the same kind to follow suit and make Hong Kong an even more attractive international capital-raising venue in the new era.

“Benefitting from the new listing chapter launched in 2018, Hong Kong has been serving strong investor demand for high quality healthcare listings such as companies engaged in research and development of cancer treatments, autoimmune disease treatments, medical devices, etc. Following the strengthened ecosystem in Hong Kong with more biotech-experienced investors, investment bankers, lawyers, research analysts and financial advisers, we expect more companies to follow suit in the coming year.”



**Irene Chu**

Partner  
New Economy and  
Life Sciences  
KPMG China

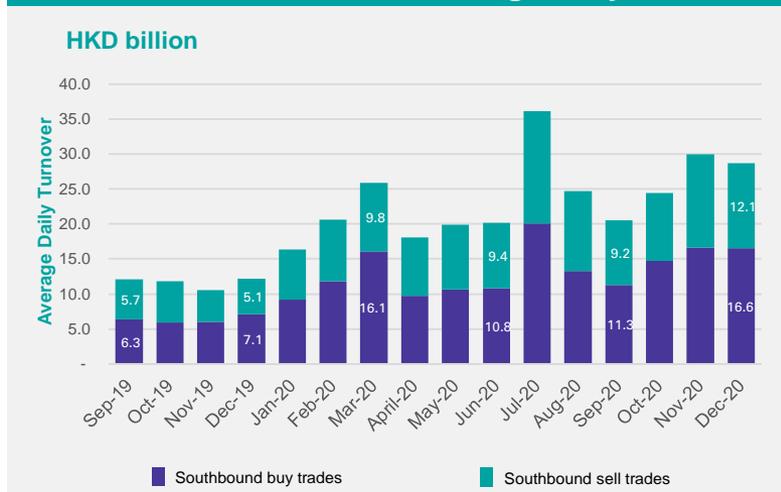


# Stock Connect

# Stock Connect

- Hong Kong Stock Exchange reached an agreement with the Shanghai Stock Exchange and the Shenzhen Stock Exchange on the Stock Connect inclusion arrangements for eligible pre-revenue biotech companies listed in Hong Kong, as well as for eligible A-shares listed on the STAR Market. This points to the regulators' continuing efforts to enhance the mutual market access programme, ensuring the continued healthy development of the capital markets of Mainland China and Hong Kong.
- 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, the 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.
- The Southbound Trading Investor Identification Regime was successfully rolled out in January 2020, facilitating enhanced orderly operation and regulation of Stock Connect.

## Southbound investment: average daily turnover



## Northbound investment: average daily turnover



\* Analysis is based on data as at 6 December 2020

Source: HKEX

# Contact us



**Paul Lau**  
Partner,  
Head of Capital Markets/Professional Practice  
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



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



**Mike Tang**  
Partner,  
Capital Markets Advisory Group  
KPMG China  
+852 2833 1636  
mike.tang@kpmg.com



**Elton Tam**  
Director,  
Capital Markets Advisory Group  
KPMG China  
+852 2978 8188  
elton.tam@kpmg.com



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