



Public Offering Group
全国上市业务组

Chinese Mainland and Hong Kong IPO Markets

1H 2021 Review and Outlook

National Public Offering Group, June 2021



Overview of the Global Macroeconomic and Geopolitical Situation in 1H 2021

Central banks maintained low interest rates and introduced easing policies to stimulate economic development. The economic performance of several developed countries improved considerably, bringing abundant capital and development vision to the global capital market



Global

- Global COVID-19 deaths in 1H 2021 exceeded the total in the whole of 2020. There is a gap in vaccine supply between rich and poor countries
- The G7 agreed to donate 1 billion COVID-19 vaccines to countries in need to combat the pandemic
- The OECD said GDPs of the G20 members returned to pre-pandemic levels in Q1 2021, but there are huge variances in the pace of economies' GDP recoveries
- Oil prices rose for three consecutive weeks due to expectations of the lifting of pandemic restrictions and a recovery in fuel demand in Europe, China, and the US, following a higher vaccination rate
- The G7 set a minimum tax rate of 15% for multinationals to combat tax evasion



China-US

- From late May to early June, Sino-US trade negotiators had two video calls in one week. This sent a positive message that there is hope for a resumption in trade talks
- Reports said the Biden administration is reviewing current Sino-US trade policy, and plans to complete the review before Phase 1 of the US-China trade deal expires at the end of 2021



China

- The onshore RMB-USD exchange rate continued to rise in Q2
- May's official manufacturing PMI slipped but remained above the boom-and-bust line, showing a continuous, steady economic recovery
- The average 2-year growth rates of imports and exports continued to fluctuate at high levels and were above pre-pandemic levels
- Local government bond issuance entered peak season. In the first five months of 2021, issuance took up more than 20% of this year's debt quota
- The Governor of the People's Bank of China (PBOC) said Chinese Mainland interest rates are higher than those of major developed economies, but remain lower than those of developing countries and emerging economies. They have been kept at the right level, he added. The central bank will continue to deepen reform of interest rate marketization and guide banks to increase their efforts on first-time loans and credit loans
- The PBOC rolled over RMB200 billion in maturing Medium-term Lending Facility (MLF) loans on 15 June with the rate kept unchanged for a 15th straight month. It injected RMB10 billion into the market through RMB reverse repos at the same interest rate
- The PBOC intends to accelerate the research and development of a digital version of its fiat currency

Central banks maintained low interest rates and introduced easing policies to stimulate economic development. The economic performance of several developed countries improved considerably, bringing abundant capital and development vision to the global capital market (cont'd)



United States

- In June, after waves of high-inflation figures, the Fed said it expected to raise interest rates twice in 2023 after raising its expectations considerably for inflation in 2021
- The US economy could reach its fastest growth of the last four years in 2021 thanks to unprecedented levels of government stimulus and an increased vaccination rate
- Inflation hit a 13-year high in May



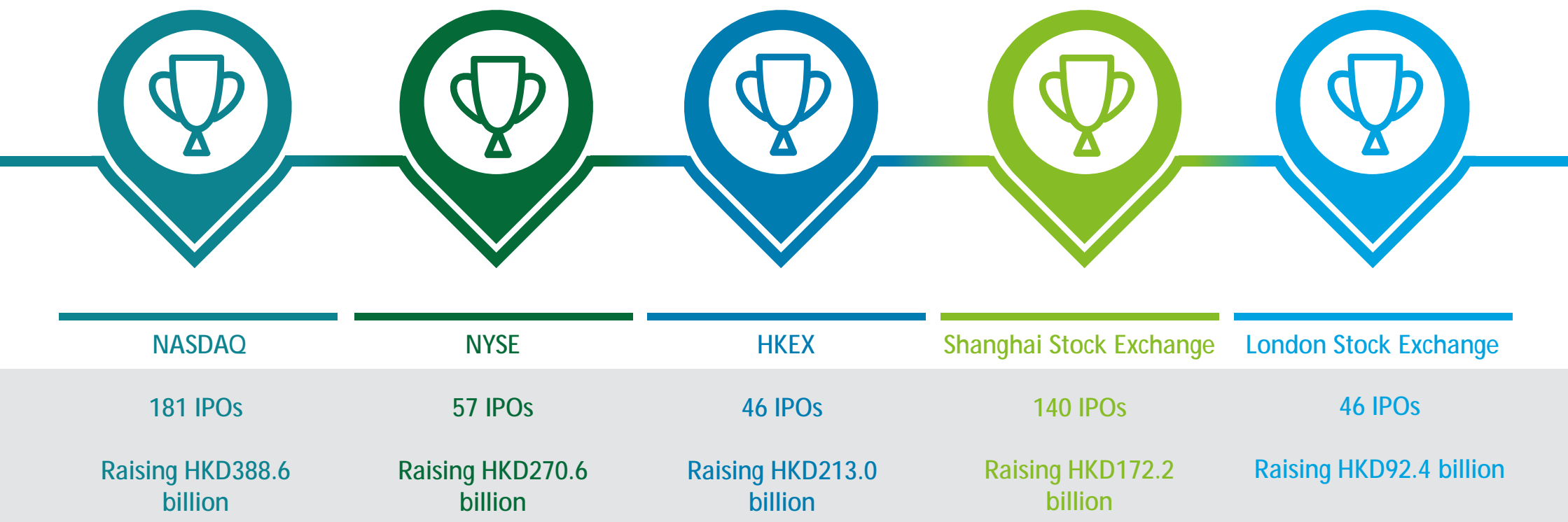
Europe and the Eurozone

- The Eurozone economy's strong growth kept pace with that of the US. Economic recovery continued to accelerate, with a 4th consecutive monthly increase in Euro Area Manufacturing PMI in May
- Data in the last few months suggest Brexit triggered a contraction in UK trade with the EU, implying the possibility of a long-term change in the EU's position in UK import and export trade
- In June, the European Central Bank said it would keep key interest rates unchanged and continue to buy Eurozone bonds through its emergency EUR1.85 trillion bond-buying program

Review of IPO Market in 1H 2021 – Global

The US IPO market was stable, with NASDAQ and NYSE in the global top 2 by IPO proceeds raised. HKEX took 3rd place with 6 mega IPOs, and SSE surpassed LSE to take 4th place

Top 5 global stock exchanges by IPO proceeds raised in 1H 2021



Source: China Securities Regulatory Commission (CSRC), NASDAQ, Hong Kong Stock Exchange (HKEX), New York Stock Exchange (NYSE), London Stock Exchange (LSE), Bloomberg and Deloitte's analysis as of 30 June 2021. All of the proceeds include funds raised from the listings of real estate investment trusts, but exclude proceeds raised from investment trust companies, closed-ended investment companies, closed-ended funds and special purpose acquisition companies (SPACs).

Proceeds raised by the top 10 global IPOs were up 42% from 1H 2020's level, with Hong Kong and Chinese Mainland IPOs making up half the list. Increasingly more Hong Kong and Mainland IPOs are appearing in the top 10 global IPO ranking

1H 2021

Rank	Company	Exchange	Proceeds (HKD100m)
1	Kuaishou Technology	HKEX	483
2	Coupang	NYSE	353
3	Didi	NYSE	344
4	InPost SA	Amsterdam Stock Exchange	304
5	JD Logistics	HKEX	283
6	CTGR	SSE	276
7	Baidu	HKEX	239
8	Bilibili	HKEX	232
9	Vantage Towers	Deutsche Boerse	196
10	Bumble	NASDAQ	192
	Total		2,902

1H 2020

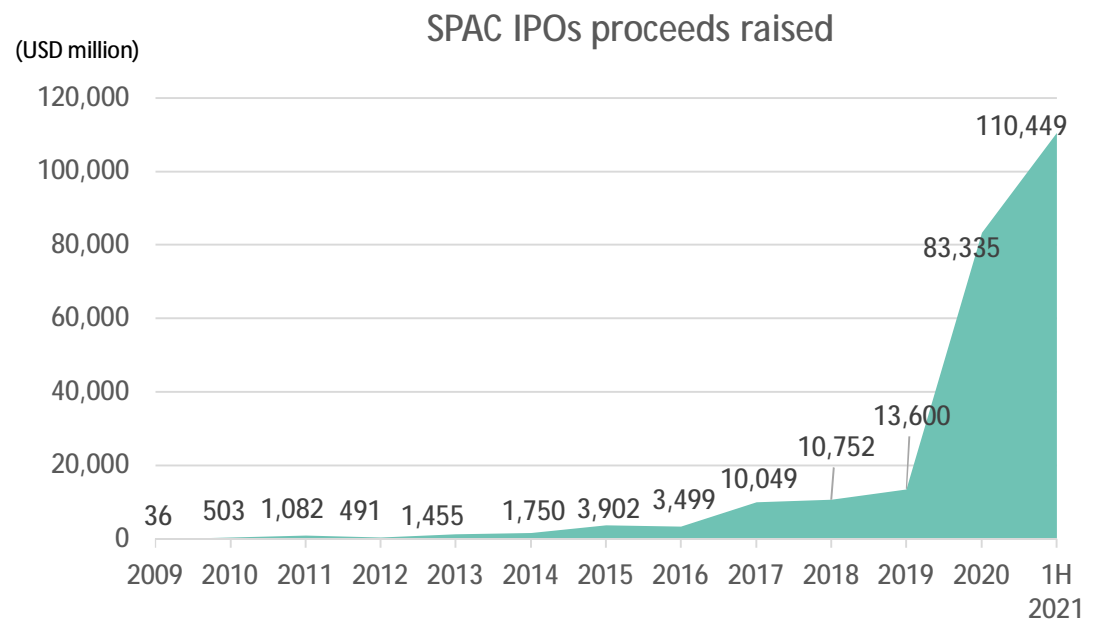
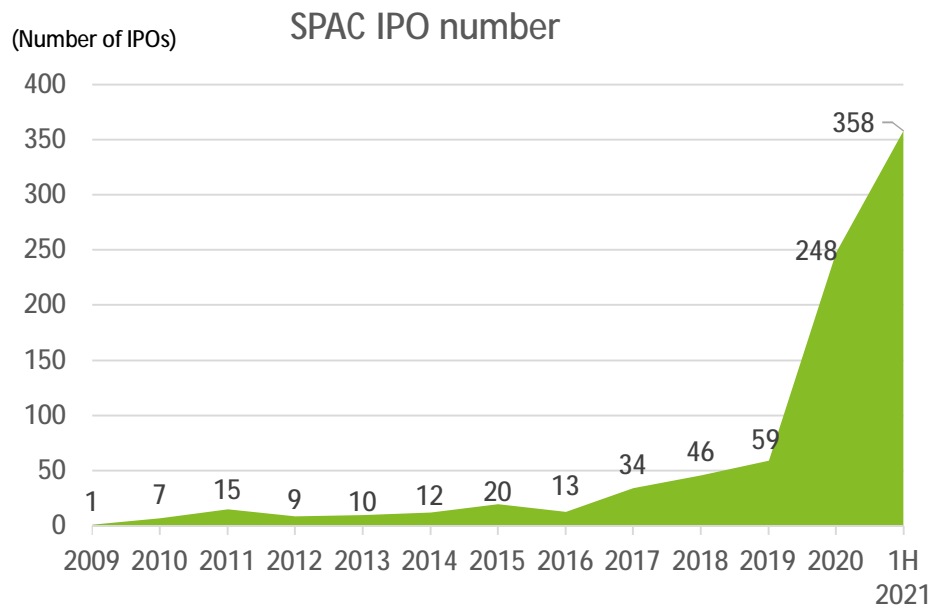
Rank	Company	Exchange	Proceeds (HKD100m)
1	Beijing-Shanghai High Speed Railway	SSE	344
2	JD.com	HKEX	301
3	NetEase	HKEX	243
4	JDE Peet's BV	Amsterdam Stock Exchange	219
5	Royalty Pharma PLC	NASDAQ	194
6	Central Retail Co., PCL	Stock Exchange of Thailand	180
7	China Pacific Insurance Group	LSE	152
8	Warner Music Group	NASDAQ	149
9	PPD	NASDAQ	145
10	SBI Cards and Payment Services	National Stock Exchange of India	112
	Total		2,039

Source: CSRC, HKEX, NYSE, NASDAQ, Amsterdam Stock Exchange, Deutsche Boerse, Stock Exchange of Thailand, LSE, National Stock Exchange of India, Bloomberg and Deloitte's analysis, as of 30 June 2021.

All of the proceeds include funds raised from the listings of real estate investment trusts, but exclude proceeds raised from investment trust companies, closed-ended investment companies, closed-ended funds and SPACs.

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The number and proceeds raised by SPAC IPOs in the US in 1H 2021 were well above previous levels, but tightened regulatory oversight slowed SPAC growth in Q2



- Supported by active capital markets and the Fed's continued monetary easing, SPAC transactions will continue to set new records this year

Less time to list

More certainty than traditional IPOs

Low listing costs

Source: SPACInsider, as of 30 June 2021; includes additional proceeds from exercise of over-allotment options

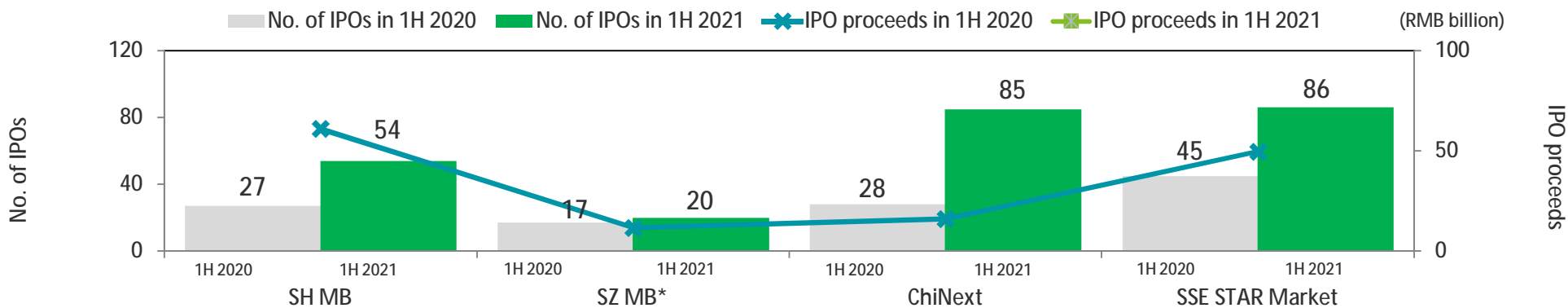
Review of IPO Market in 1H 2021 – Chinese Mainland

Chinese Mainland IPO pace surged in 1H 2021

Number of IPOs rose sharply, although average proceeds edged down



- New Securities Law and registration-based reform of ChiNext benefited the A-share market
- Pace of IPOs on SSE STAR Market and ChiNext accelerated steadily



*SZ MB includes the former SME Board

Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Deloitte's analysis as of 30 June 2021.

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Overview of Chinese Mainland IPO market – 1H 2021

Top 5 IPOs raised a combined RMB42.4 billion, a decrease of 7% or RMB3.2 billion from 1H 2020

1H 2021



1. CTGR
(RMB22.7 billion)
SSE MB



2. Everdisplay
Optronics – U
(RMB7.1 billion)
SSE STAR Market



3. TN Battery
(RMB4.9 billion)
SSE STAR Market



4. Huali Group
(RMB3.9 billion)
ChiNext



5. Bank of Chongqing
(RMB3.8 billion)
SSE MB

1H 2020



1. Beijing-Shanghai
High Speed Railway
(RMB30.7 billion)
SSE MB



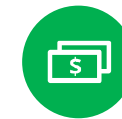
2. Roborock
(RMB4.5 billion)
SSE STAR Market



3. CR MICRO
(RMB3.8 billion)
SSE STAR Market



4. Gongniu Group
(RMB3.6 billion)
SSE MB



5. Zhongtai Securities
(RMB3.0 billion)
SSE MB

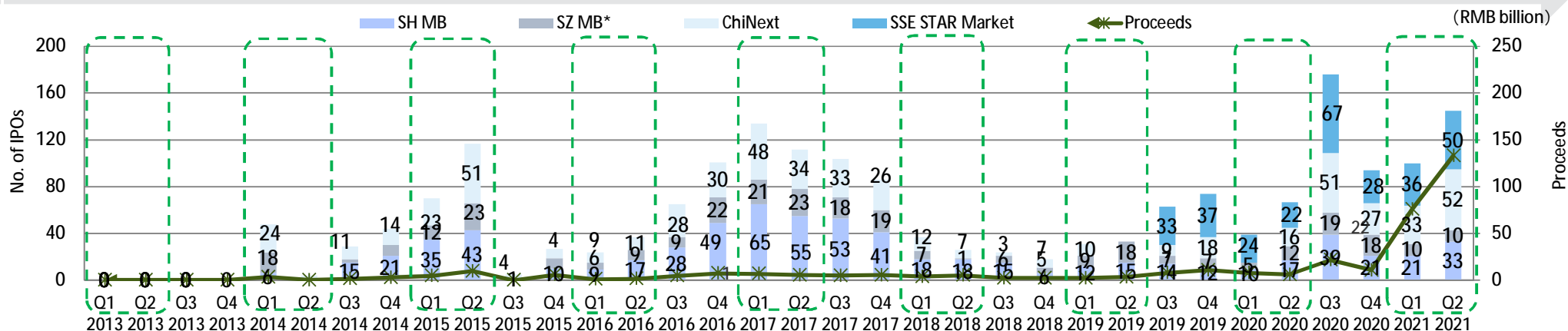
Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Deloitte's analysis as of 30 June 2021.

Overview of Chinese Mainland IPO market – 1H 2021

Pace of IPO activity increased

IPO pace notably increased	From the beginning of 2021 to 30 June, 220 companies (including 73 for the SSE STAR Market and 105 for ChiNext) attended meetings of the Public Offering Review Committee. Among these, 203 were approved to list (SSE STAR Market 67; ChiNext 100), 10 were rejected (SSE STAR Market 3; ChiNext 4) 5 were disqualified (SSE STAR Market 1; ChiNext 1), 2 remained pending a decision (both for the SSE STAR Market), and none was deferred.
No. of applications surged	As of 30 June 2021, 774 companies have applied for listings (including 196 for the SSE STAR Market and 402 for ChiNext), of which 10 were suspended (SSE STAR Market 5; ChiNext 5).
176 IPOs were approved to list	As of 30 June 2021, 764 active applications were being processed (including 191 for the SSE STAR Market and 397 for ChiNext), of which 61 had passed the Public Offering Review Committee (SSE STAR Market 11; ChiNext 32), and 115 had submitted their registrations (SSE STAR Market 43; ChiNext 72) and were awaiting listings.

No. of IPOs in 1H 2021 was higher than in 1H 2020, and remained the highest YoY in history



*SZ Main Board includes the former SME Board

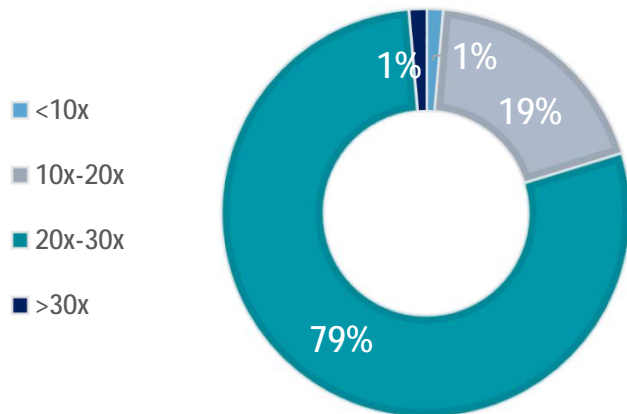
Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Deloitte's analysis as of 30 June 2021.

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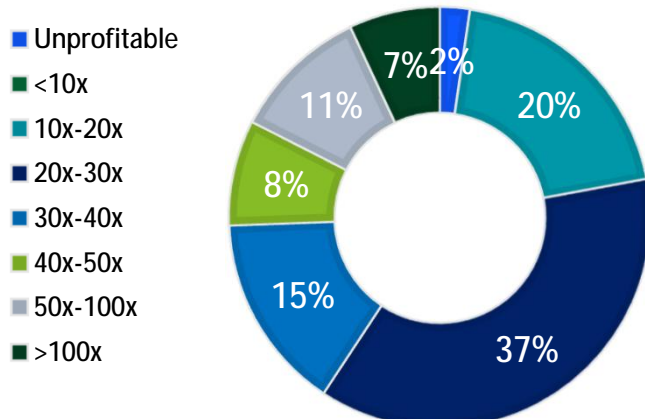
Overview of Chinese Mainland IPO market – 1H 2021

P/E ratio and average returns on day of listing

Main Boards in Shanghai and Shenzhen*



SSE STAR Market



Main Boards in Shanghai and Shenzhen*

- The highest P/E ratio of IPOs in 1H 2021 was 30x and the lowest was 9x
- 79% of IPOs (58) were priced at P/E ratios of 20x-30x, down 2% from 1H 2020
- 19% of IPOs (14) were priced at P/E ratios of 10x-20x, up 2% from 1H 2020
- The average first-day return was 43%, in accordance with the requirement for rises in stock prices of A-share MB IPOs on their days of listing. There was no significant difference in first-day return among IPOs. The best performer returned 44% and the worst returned 13%

SSE STAR Market

- 37% of IPOs (32) were priced at P/E ratios of 20x-30x
- 41% of IPOs (35) were priced at P/E ratios of over 30x
- 2% of IPOs (2) were unprofitable
- The average first-day return was 171%. Without no limit on gains in the first five days of listing on the SSE STAR Market, rates of return were higher than for IPOs on traditional boards
- IPO returns varied widely. The best performer returned 1,274% (NanoMicro) and the worst returned 29% (QingCloud Technologies)

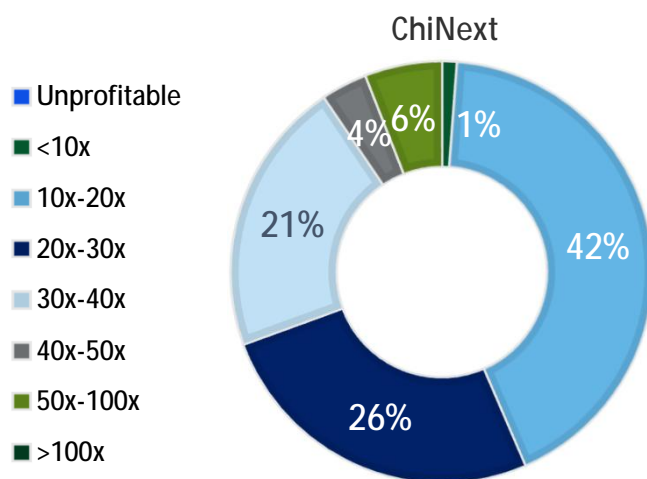
*SZ Main Board includes the former SME Board

Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Deloitte's analysis as of 30 June 2021.

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Overview of Chinese Mainland IPO market – 1H 2021

P/E ratio and average returns on day of listing



ChiNext (registration-based system)

- 42% of IPOs (35) were priced at P/E ratios of 10x-20x
- 26% of IPOs (22) were priced at P/E ratios of 20x-30x
- 31% of IPOs (26) were priced at P/E ratios of over 30x
- The average first-day return was 264%. With no limit on gains in the first five days of listing on ChiNext after IPO regime reform, there were higher returns
- IPO returns varied significantly, with the best performer returning 921% (Zhongjin Irradiation) and the worst returning 8% (Urban Architecture Design)

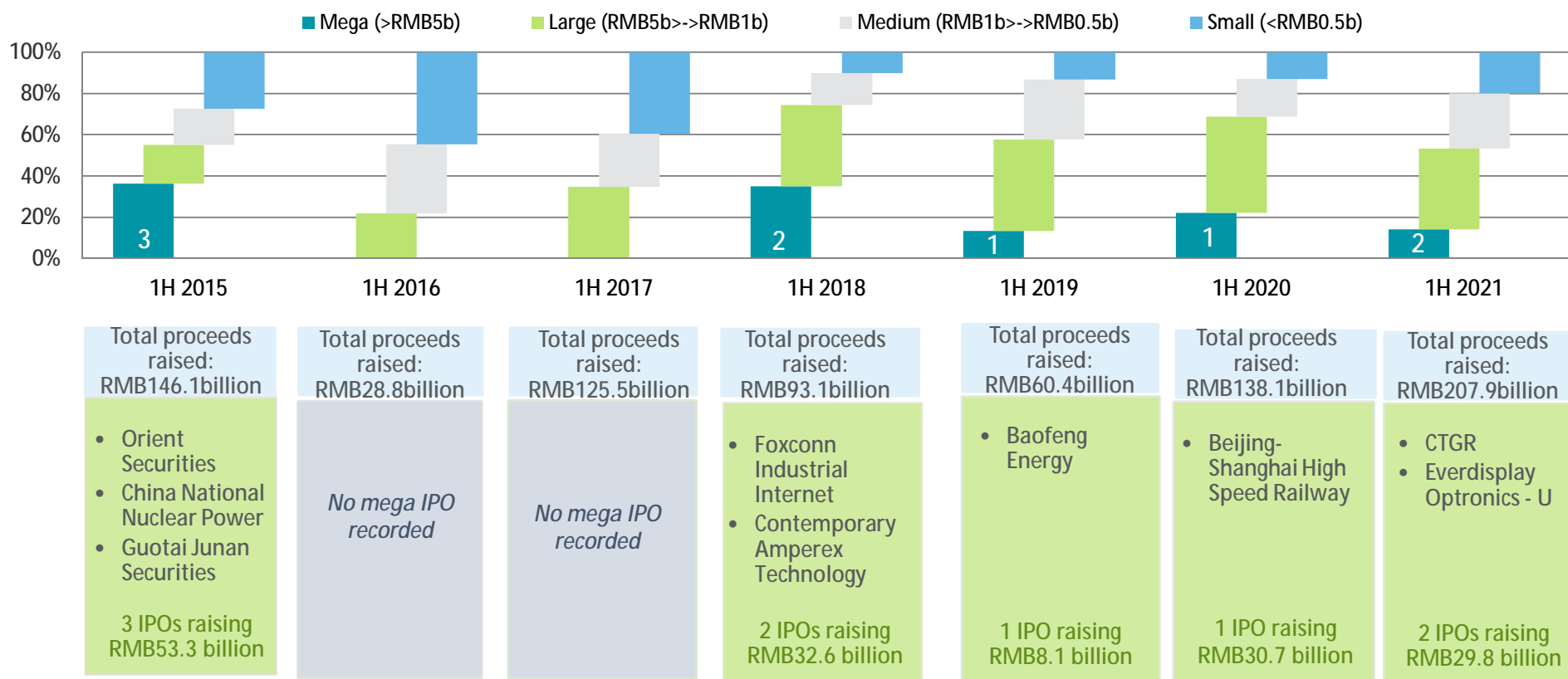
Source: CSRC, Shenzhen Stock Exchange, Deloitte's analysis as of 30 June 2021.

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Chinese Mainland IPO deal size analysis – 1H 2021

Total proceeds raised surged due to 2 mega IPOs

Deal size of A-share IPOs

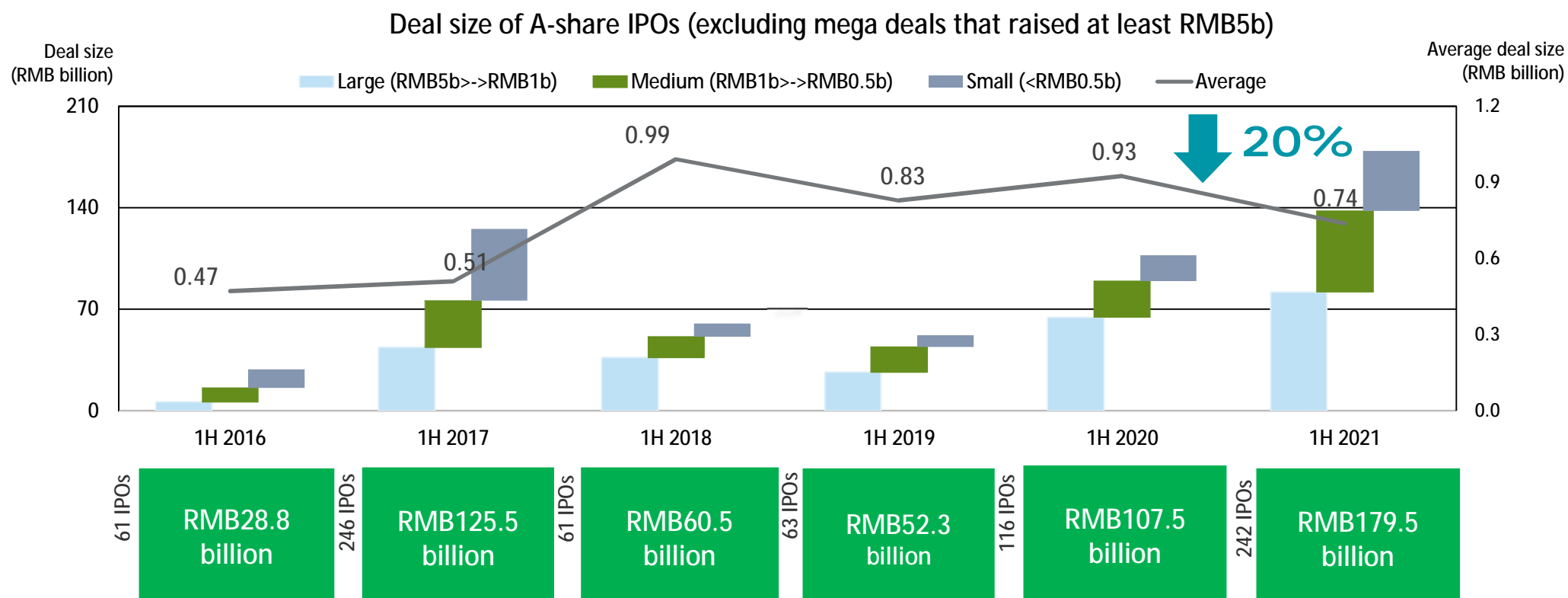


Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Deloitte's analysis as of 30 June 2021.

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Chinese Mainland IPO deal size analysis – 1H 2021

The average deal size on the Main Boards in Shanghai and Shenzhen and the SSE STAR Market decreased slightly to RMB970 million, RMB660 million and RMB730 million respectively, from RMB2.25 billion, RMB690 million and RMB1.10 billion in 1H 2020. The average deal size on ChiNext increased to RMB620 million from RMB570 million in 1H 2020



Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Deloitte's analysis as of 30 June 2021.

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Chinese Mainland IPO subscription analysis – 1H 2021

No sign of waning enthusiasm for subscriptions

100 (1H 2021: 100%) % of IPOs were over subscribed.

Among the over-subscribed IPOs,

100 (1H 2021: 100%) % were over-subscribed by
over **100** times.

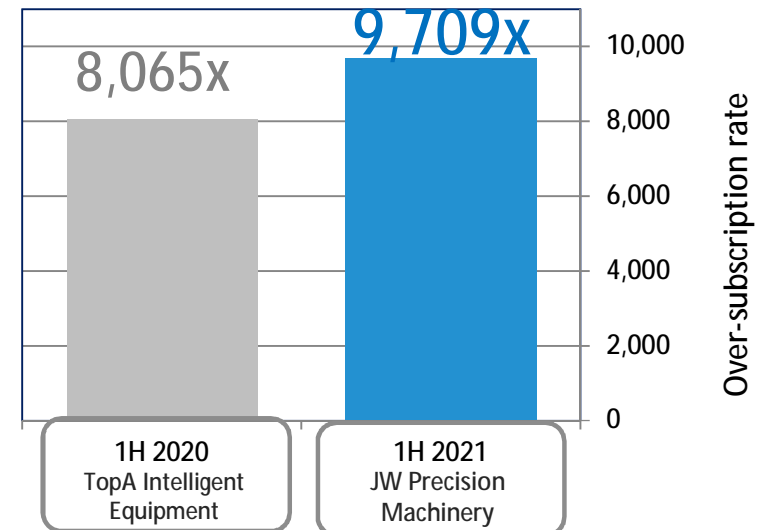
Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Deloitte's analysis as of 30 June 2021.

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Top 5 over-subscribed IPOs in 1H 2021

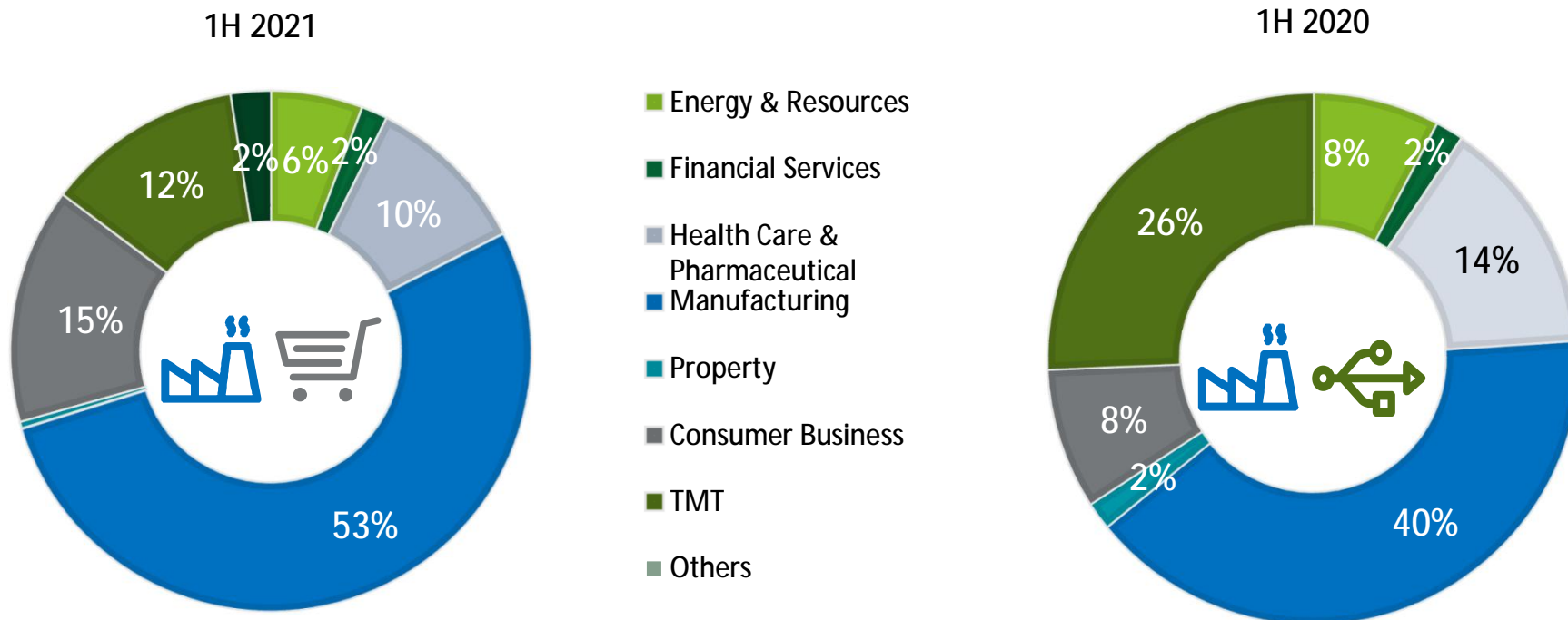
Issuer	Over-subscription rate
JW Precision Machinery	9,709x
Shenzhen Ridge	9,407x
Sanhe Tongfei Refrigeration	9,381x
Tarry Electronics	9,191x
Hajime Advanced Material Technology	9,009x

Best performing IPO by over-subscription rate



Industry distribution of Chinese Mainland IPOs – 1H 2021 (by number)

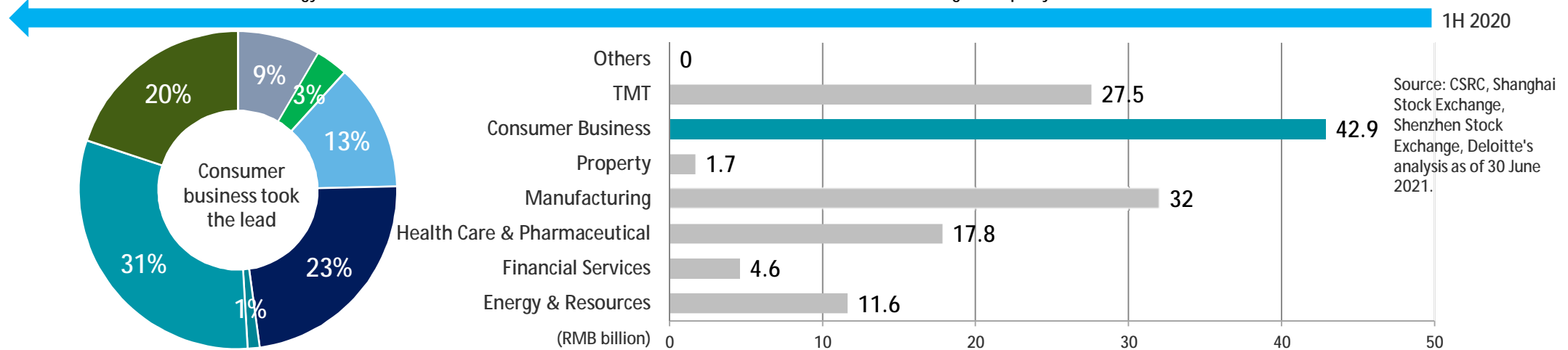
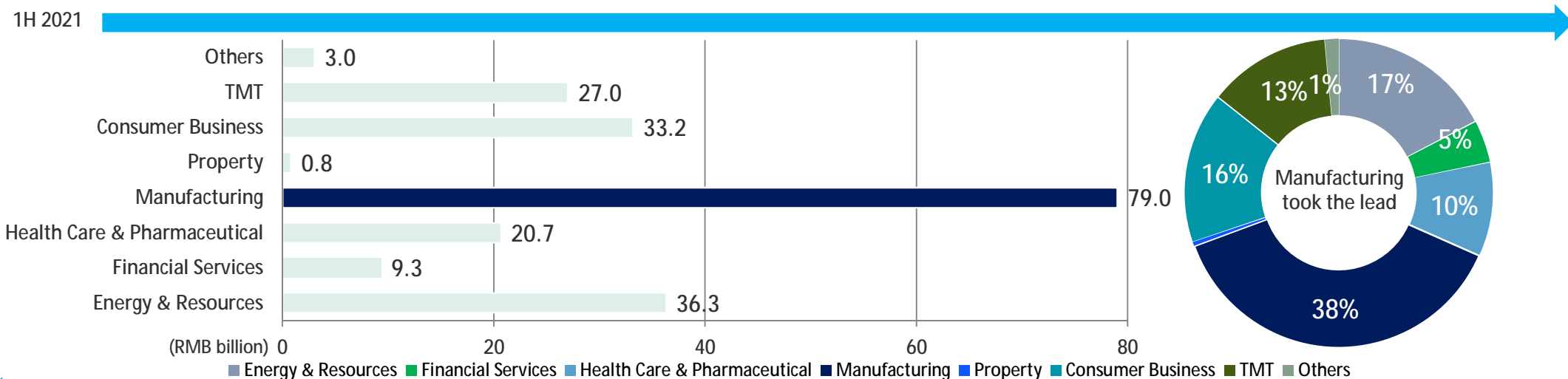
The shares of manufacturing and consumer business rose substantially, health care & pharmaceutical saw a slight drop, while the share of TMT reduced sharply



Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Deloitte's analysis as of 30 June 2021.

Industry distribution of Chinese Mainland IPOs – 1H 2021 (by proceeds)

The manufacturing sector took the lead, followed by energy & resources

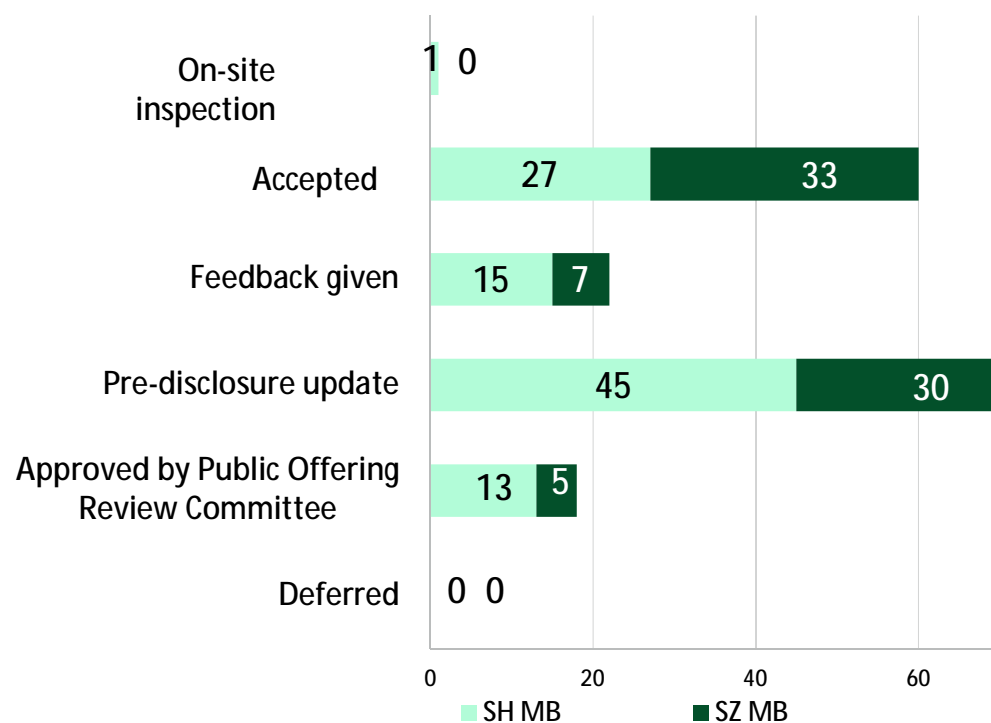


Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Deloitte's analysis as of 30 June 2021.

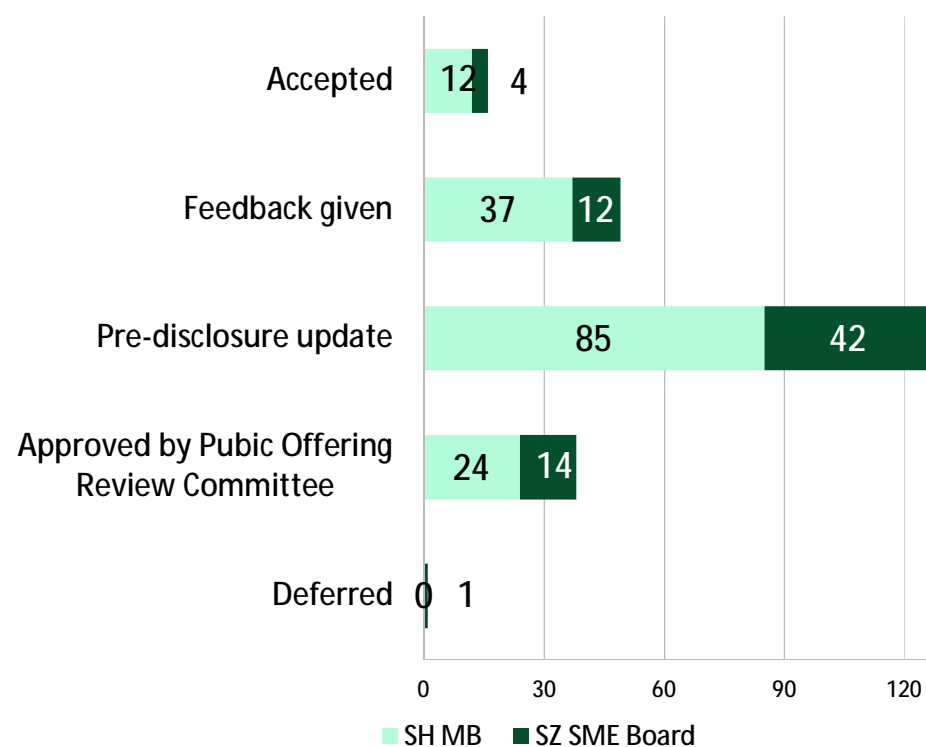
Analysis of review status of Mainland IPO applications on SH & SZ MBs – 1H 2021

Excluding SSE STAR Market and ChiNext listing applicants, 176 companies were under normal review, a sharp drop of 55 from 231 in 1H 2020; no pending vetting was recorded

Review status of IPO applications in 1H 2021



Review status of IPO applications in 1H 2020

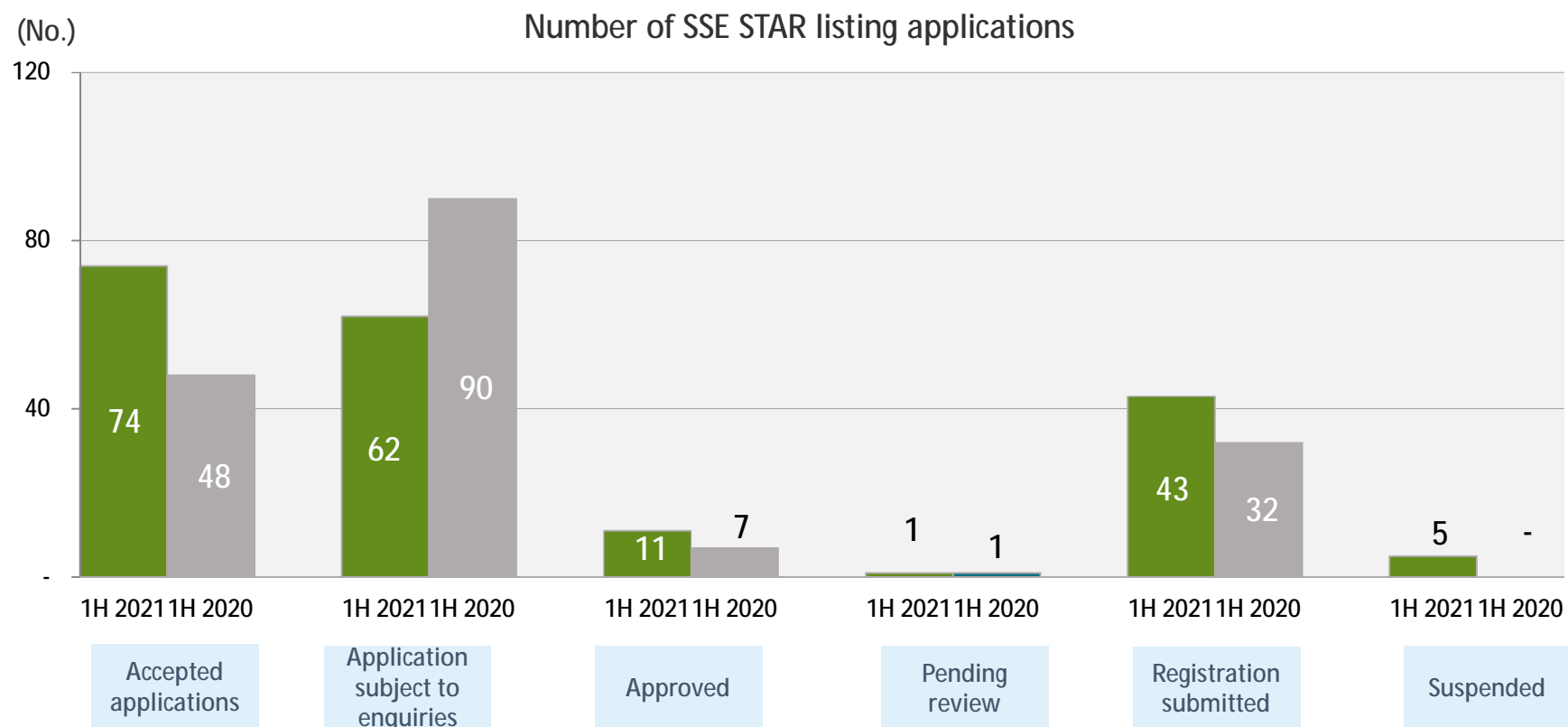


Source: CSRC, Deloitte's analysis as of 30 June 2021.

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Analysis of review status of Mainland IPO applications on SSE STAR Market – 1H 2021

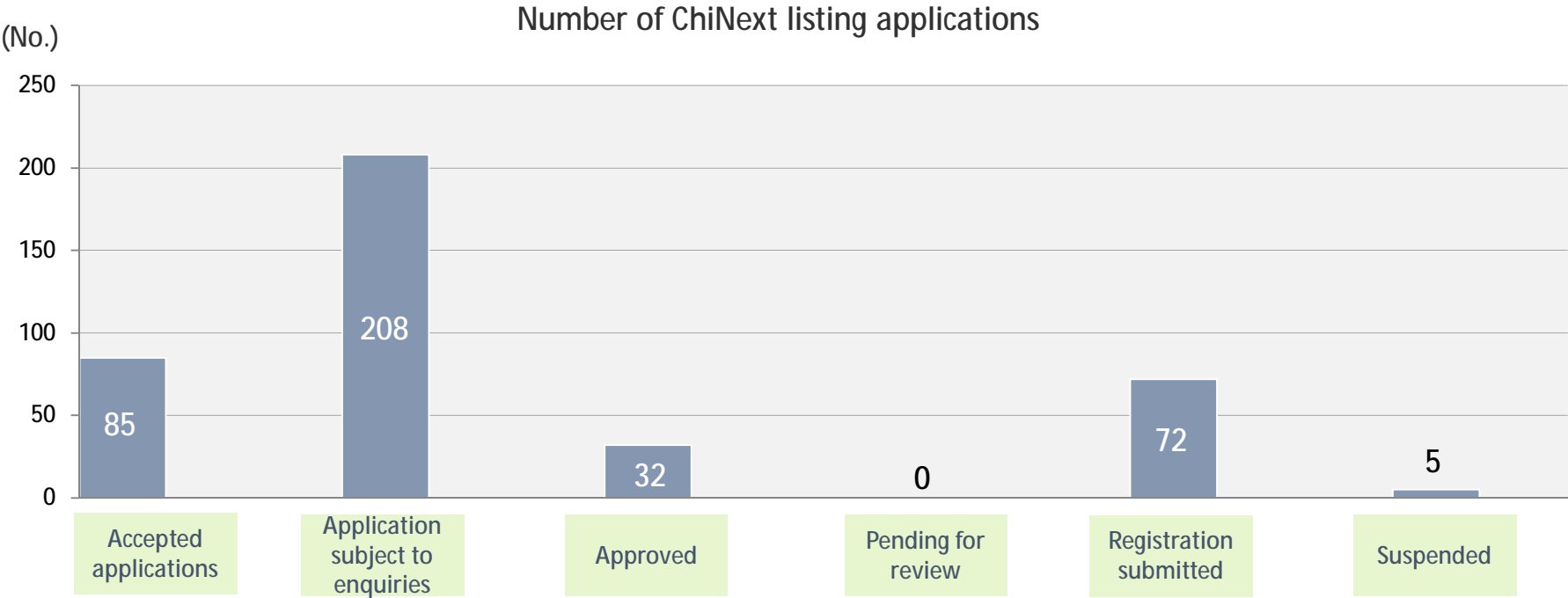
191 applicants for the SSE STAR Market were under normal review status. Reviews of another 5 applications were suspended due to incomplete application documents, and should resume on submission of updated financials



Source: CSRC, Shanghai Stock Exchange, Deloitte's analysis as of 30 June 2021.

Analysis of review status of Mainland IPO applications on ChiNext – 1H 2021

397 applicants for ChiNext were under normal review status. Reviews of another 5 applications were suspended due to incomplete application documents, and should resume on submission of updated financials



Source: CSRC, Shenzhen Stock Exchange, Deloitte's analysis as of 30 June 2021.

Review of Chinese Mainland capital market – 1H 2021

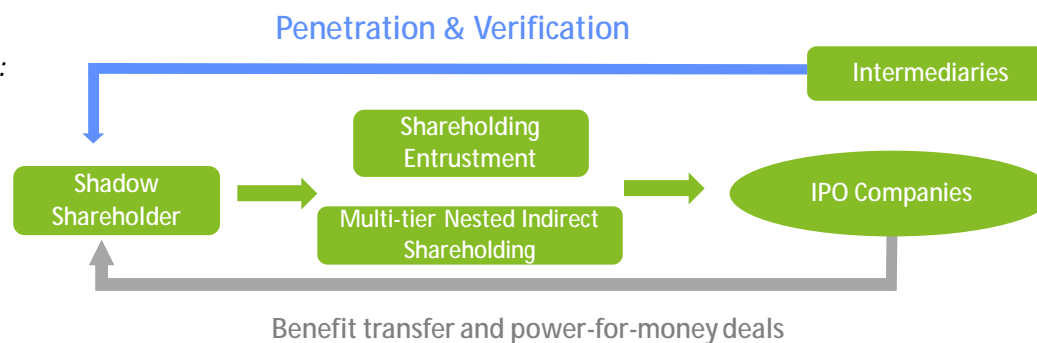


1. Further strengthen the supervision of information disclosure by IPO applicants, issue corresponding guidelines in response to the problems emerging in the market, and update and revise the measures for administration of information disclosure by listed companies and information disclosure guidelines for relevant industries

On 11 January 2021, Shanghai Stock Exchange released the notice on issuing the *Guidelines No. 5 of Shanghai Stock Exchange on the Application of Self-Regulation Rules for Listed Companies – Industry Information Disclosure*
 Industry information disclosure: Effective Targeted

On 5 February 2021, the CSRC published the *Guidelines for the Application of Regulatory Rules – Disclosure of Information on Shareholders by Enterprises Applying for Initial Public Offerings*:

- I. To reiterate principles and requirements regarding the eligibility of issuers' shareholders
- II. To strengthen the supervision of shareholding activities immediately before listing
 In the provision on a 36-month share lock-up period for new shareholders, the definition of a new shareholder was amended from "holding shares within 6 months" to "holding shares within 12 months"
- III. To strengthen the penetration and verification of the information of natural person shareholders and multi-tier nested institutional shareholders with apparently abnormal shareholding transaction prices
- IV. To raise intermediaries' sense of responsibility
- V. To focus on forming regulatory synergy



On 19 March 2021, the CSRC issued the amended *Measures for the Administration of Information Disclosure by Listed Companies*, effective on 1 May 2021
 I. To improve the general requirements for information disclosure; II. To improve the regular reporting system; III. To detail the requirements for interim reporting; and IV. To improve the management system for information disclosure affairs.

Review of Chinese Mainland capital market – 1H 2021



1. Further strengthen the supervision of information disclosure by IPO applicants, issue corresponding guidelines in response to the problems emerging in the market, and update and revise the measures for administration of information disclosure by listed companies and information disclosure guidelines for relevant industries (cont'd)

On 25 April 2021, the Public Offering Review Center of the STAR Market and ChiNext issued the *Understanding and Application of "Ultimate Holders" in Shareholder Information Verification*:

To set out and clarify the types of "Ultimate Holders" during shareholder penetration and verification for IPOs. In addition to natural persons, "Ultimate Holders" also include:

- Listed companies (including overseas listed companies)
- NEEQ-listed companies
- State held or managed entities (including industry funds controlled by public institutions and state-owned entities) and other collectively owned enterprises
- Foreign government investment funds, university endowment funds, pension funds, and public welfare funds
- Public offering asset management products

Any other foreign shareholder might not be deemed an ultimate holder, unless an intermediary can confirm by appropriate verification that the foreign shareholder has no domestic entity contributor, and fully demonstrate that there is no significant abnormality in the price at which the foreign shareholder invested in the issuer.

Review of Chinese Mainland capital market – 1H 2021



2. Guidelines for evaluation of science and technology innovation attributes, sustained disclosure and related matters in listings on the STAR Market



On 16 April 2021, the CSRC issued the amended *Guidelines for the Evaluation of Science and Technology Innovation Attributes (Trial)*, which came into force on the date of issuance:

- I. The conventional indicator of new R&D personnel accounting for more than 10% is added to form the "4+5" evaluation indicators of science and technology innovation attributes
- II. The industry sectors of the STAR Market are defined and classified as supported, restricted, and prohibited categories, and a negative list system is established
- III. In the work rules of the Advisory Committee, the expert pool and consultation system is improved to realize supervision
- IV. In offering and listing review and approval, the exchange makes a comprehensive judgment following the principle of substance over form



On 16 April 2021, Shanghai Stock Exchange released the notice on issuing the *Interim Provisions of Shanghai Stock Exchange on Application and Recommendation for IPO of Enterprises on the STAR Market (April 2021)* which came into force on the date of issuance, for the purposes of further specifying the standards for the **positioning of the STAR Market**, supporting and encouraging enterprises of key and core technologies to issue shares and list on the STAR Market, directing and regulating applications by issuers and recommendations by sponsor institutions, and promoting the sustainable and sound development of the STAR Market:

- To restrict fintech and model innovation companies
- To prohibit property companies and those mainly engaged in finance and investment business
- To support and encourage enterprises in high-tech industries and strategic emerging industries with science and technology innovation attributes that meet the positioning requirements of the STAR Market



On 11 June 2021, Shanghai Stock Exchange released the notice on issuing the *Guidelines No. 3 of Shanghai Stock Exchange for the Application of the Self-Regulation Rules for Listed Companies on the STAR Market – Sustained Disclosure of Science and Technology Innovation Attributes and Related Matters* which came into force on the date of issuance, for the purpose of comprehensively specifying the items and requirements for sustained information disclosure related to the science and technology innovation attributes of listed companies on the STAR Market, respecting the law of development of listed companies on the STAR Market, fulfilling the requirements of establishing a concise and friendly rules system, not increasing the information disclosure cost of market entities, and clarifying the arrangements for disclosure exemption and voluntary disclosure.

Review of Chinese Mainland capital market – 1H 2021



3. Strengthen on-site inspection of IPO applicants and the responsibilities of issuers and intermediaries for disclosure verification

On 29 January 2021, the CSRC issued the *Provisions on the On-site Inspections on IPO Enterprises*, for the purposes of regulating on-site inspections of IPO enterprises, strengthening the regulation of information disclosure by IPO enterprises, supervising the fulfillment of duties by intermediaries, and protecting investors' legitimate rights and interests.

- Problem orientation** IPO companies under offering and listing review and registration
- Random selection** IPO companies that have not been considered by meetings of the Listing Committee, or have not been reviewed by the Public Offering Review Committee, and have not participated in random selection

On 1 February 2021, Shanghai Stock Exchange issued and implemented the *Guidelines No. 2 of Shanghai Stock Exchange on Review of Offering and Listing on STAR Market – FAQ Information Disclosure and Self-check List for Verification Requirements*

- “Two Responsibilities”**
 - Urge issuers to practically take primary responsibility for information disclosure
 - Urge intermediaries to shoulder the responsibility of "gatekeeper"

On 3 February and 30 April 2021 respectively, Shanghai Stock Exchange issued the *Guidelines No. 1 for the Application of the Rules of Shanghai Stock Exchange Governing the Examination of the Offering and Listing of Stocks on STAR Market – On-site Supervisory Guidance of the Sponsorship Business*, and Shenzhen Stock Exchange issued the *Business Guidelines No. 1 of Shenzhen Stock Exchange Governing the Examination of the Offering and Listing of Stocks on ChiNext – On-site Supervisory Guidance of the Sponsorship Business*. These guidelines regulate the on-site supervision of sponsorship business for the offering and listing of stocks on the STAR Market and ChiNext, urging sponsors and securities trading service institutions to effectively play the role of capital market "gatekeeper" with due diligence.

On 26 February 2021, a CSRC spokesperson indicated that on-site inspection is an important auxiliary means to improve the quality of listed companies, and is also the key to success in improving the quality of information disclosure under the registration-based IPO system.

Review of Chinese Mainland capital market – 1H 2021



4. Shenzhen Stock Exchange merged Main Board with SME Board

On 5 February 2021, the CSRC approved the merger of the Main Board and SME Board of Shenzhen Stock Exchange. On March 31, Shenzhen Stock Exchange published a notice of the boards' merger and rules, clarifying arrangements after the merger, and the boards officially merged on April 6.

Two Unified and Four Unchanged Aspects

Unified business rules, and unified operation and supervision models

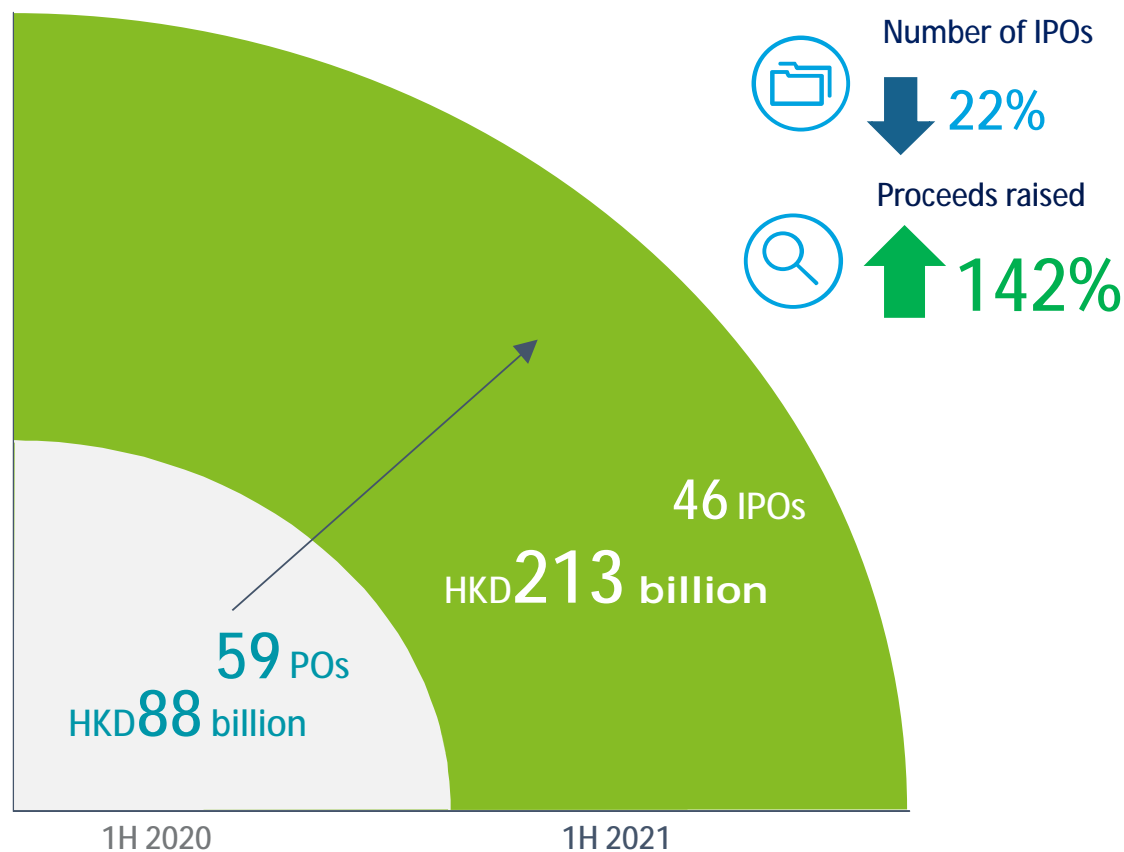
Offering and listing conditions, investor threshold, trading mechanism, and securities code and abbreviation remain unchanged

Main Board: relatively mature companies

ChiNext: growth startups and innovative businesses

Review of IPO Market in 1H 2021 – Hong Kong

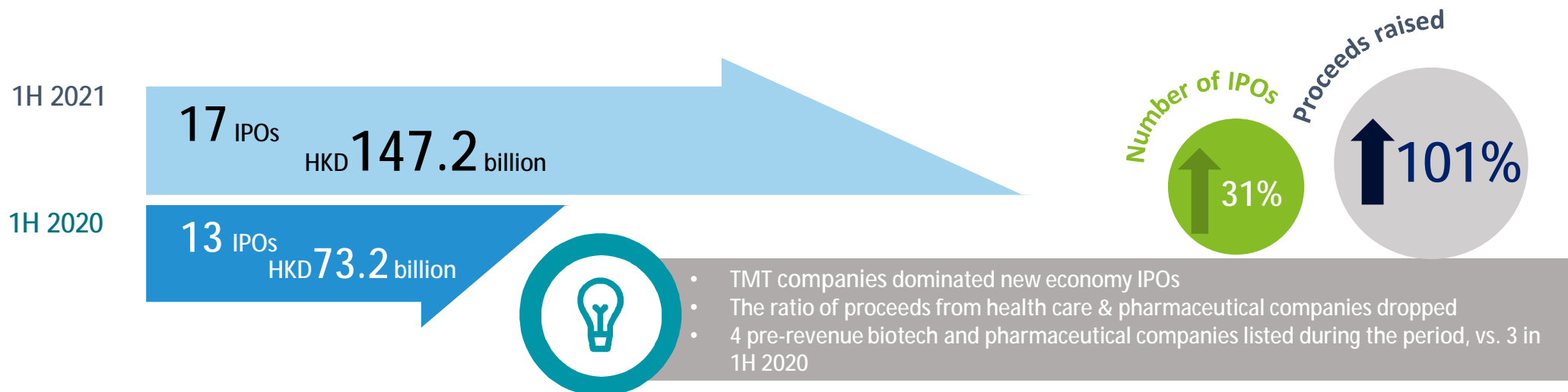
Benefiting from more secondary listings and WVR IPOs, Hong Kong IPO proceeds more than doubled, although the number of IPOs dropped



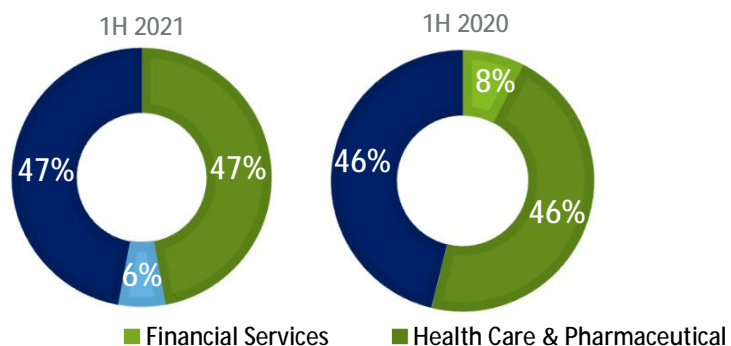
- Hong Kong's IPO market slowed in Q2 due to factors such as more stringent regulatory oversight of certain industries in the Chinese Mainland, but the impact is expected to be temporary
- There were 3x more mega IPOs in 1H 2021 than in 1H 2020
- More companies went public under the new listing regime
- More companies with weighted voting rights structures were listed
- There was just 1 GEM IPO

Source: HKEX, Deloitte's analysis as of 30 June 2021.

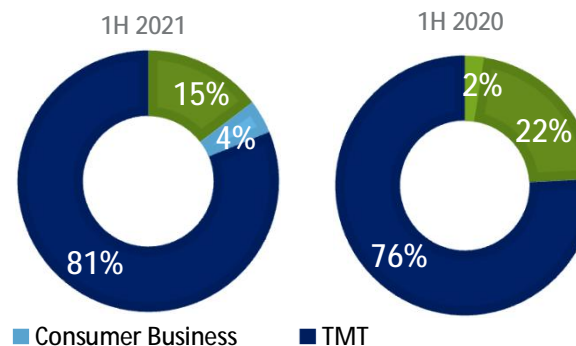
The number and proceeds of new economy IPOs rose. There was an increase in secondary listings by consumer businesses



Industry distribution of new economy IPOs (by number)



Industry distribution of new economy IPOs (by proceeds)

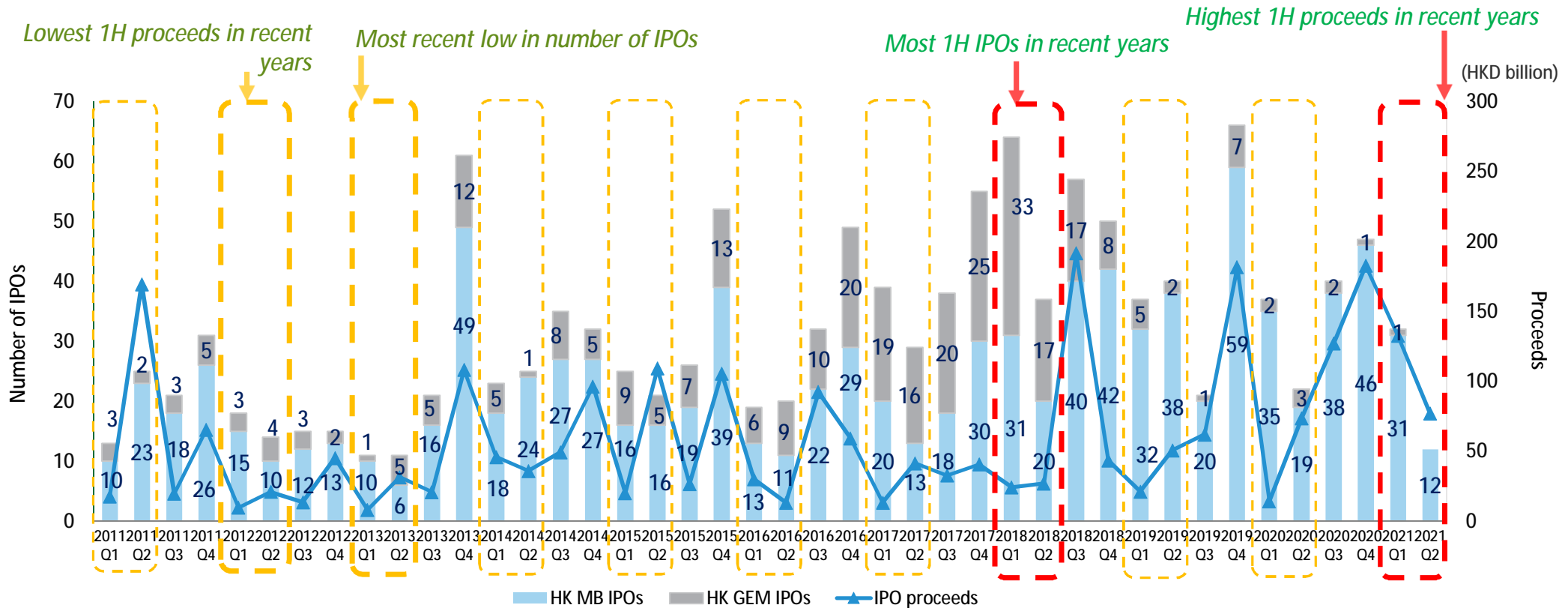


Source: HKEX, Deloitte's analysis as of 30 June 2021.

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Overview of HK IPO market – 1H 2021

The number of IPOs continued to decrease in Q2 2021. But the 1H 2021 number was still higher than in the same period from 2011 to 2013 and in 2016. Proceeds raised in 1H 2021 surpassed 1H 2011's level, achieving a new recent-year peak

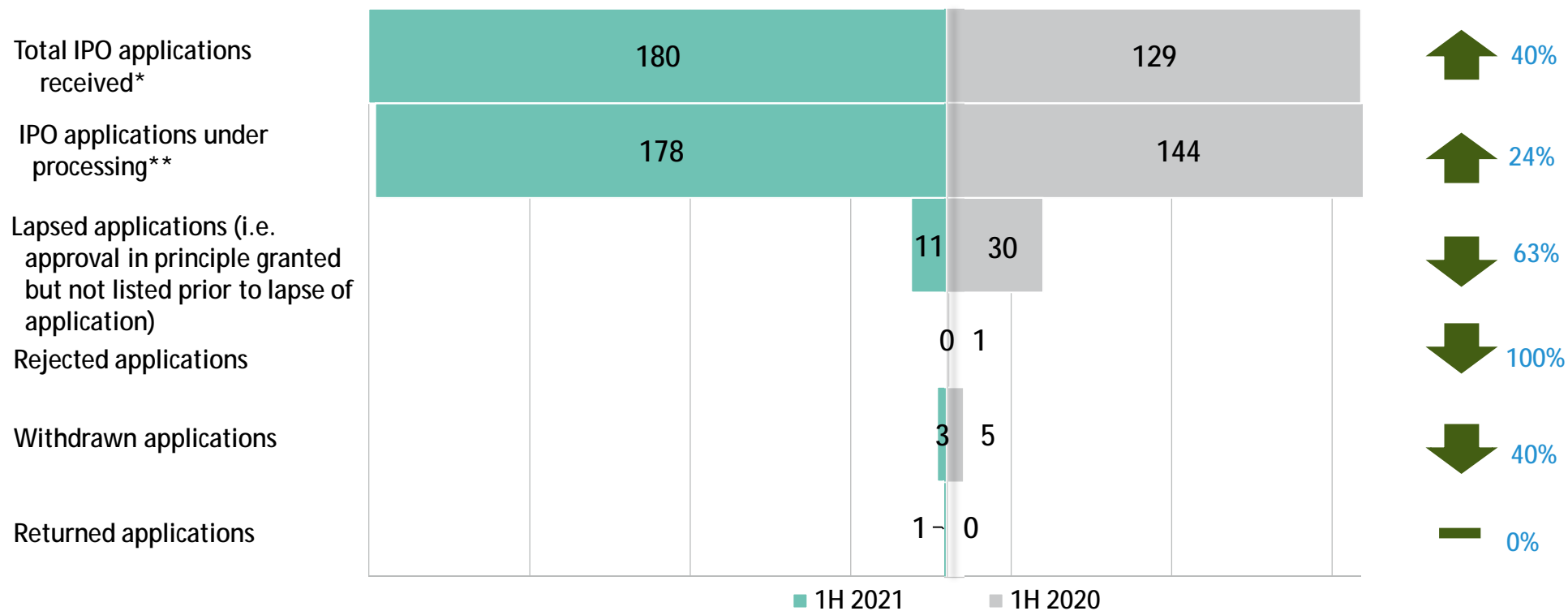


Source: HKEX, Deloitte's analysis as of 30 June 2021.

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Overview of HK IPO applications – 1H 2021

More companies filed listing applications this year. Fewer listing applications were terminated or suspended. The overall trend was positive



Source: HKEX, Deloitte's analysis, as of 30 June 2021.

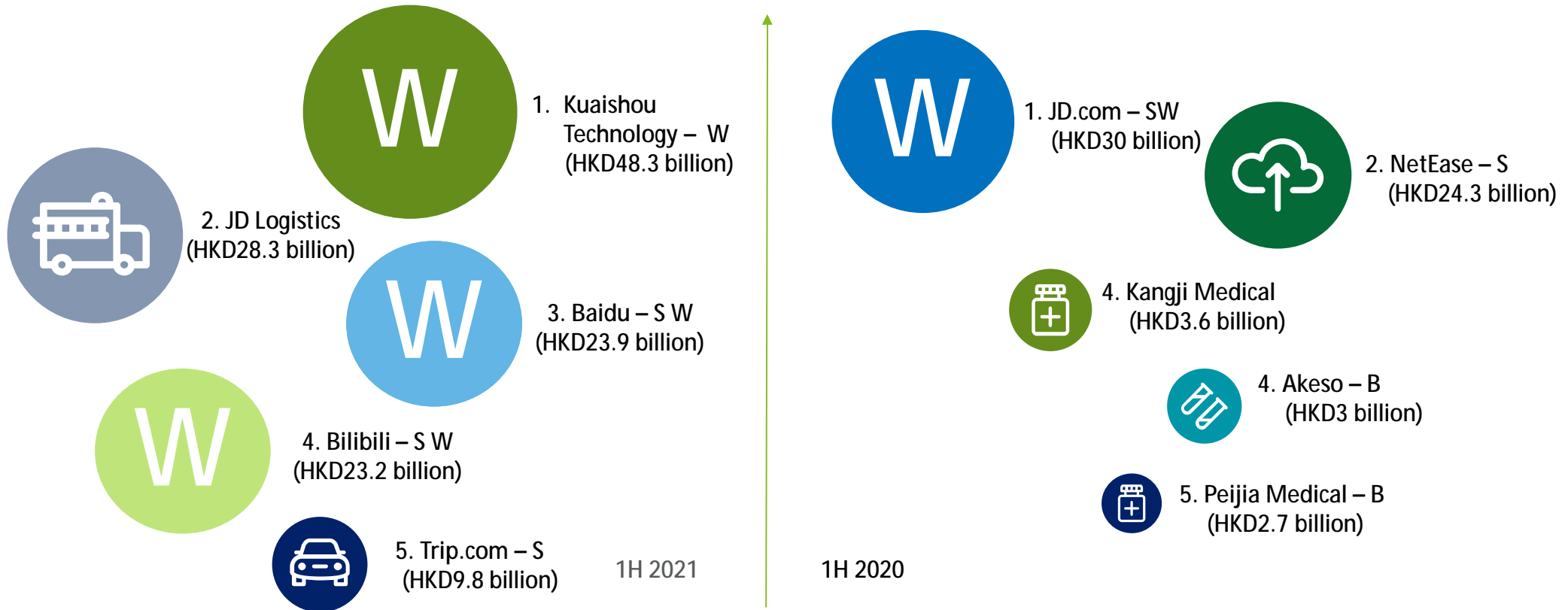
*Includes investment vehicles applying for listing under Chapters 20 and 21 of the MB Listing Rules, applications for transfer from GEM to MB, applications from deemed new applicants under Rule 8.21C or Rule 14.84 of the MB Listing Rules, and very substantial acquisitions regarded as reverse takeovers under Rule 14.06(6) of the MB Listing Rules or Rule 19.06(6) of the GEM Listing Rules.

**Figure for first 6 months of 2021 includes IPO applications accepted between 1 January 2021 and 30 June 2021 and figure for first 6 months of 2020 includes IPO applications accepted between 1 January 2020 and 30 June 2020.

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Overview of HK IPO market – 1H 2021

Boosted by 3 mega new economy IPOs, proceeds raised by the top 5 IPOs surged by 110% to HKD133.5 billion from HKD63.6 billion in 1H 2020. The 3 mega IPOs had WVR structures; 2 were secondary listings

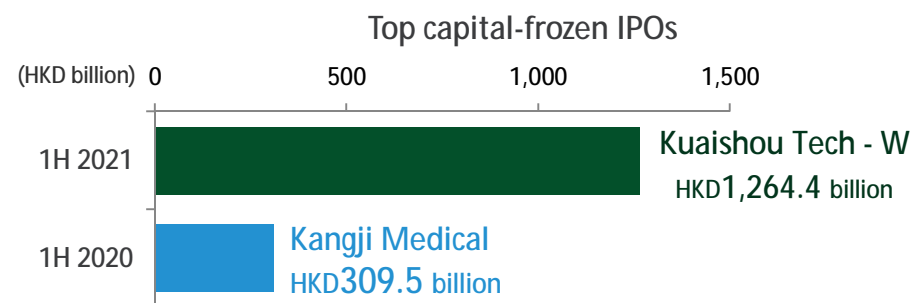
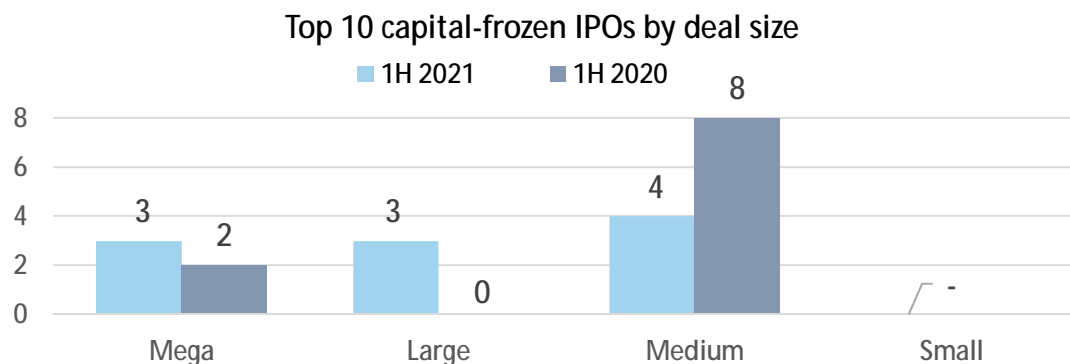
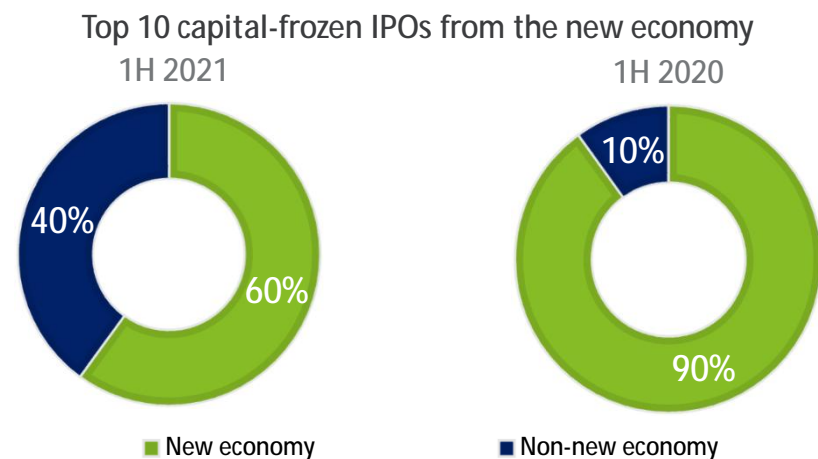
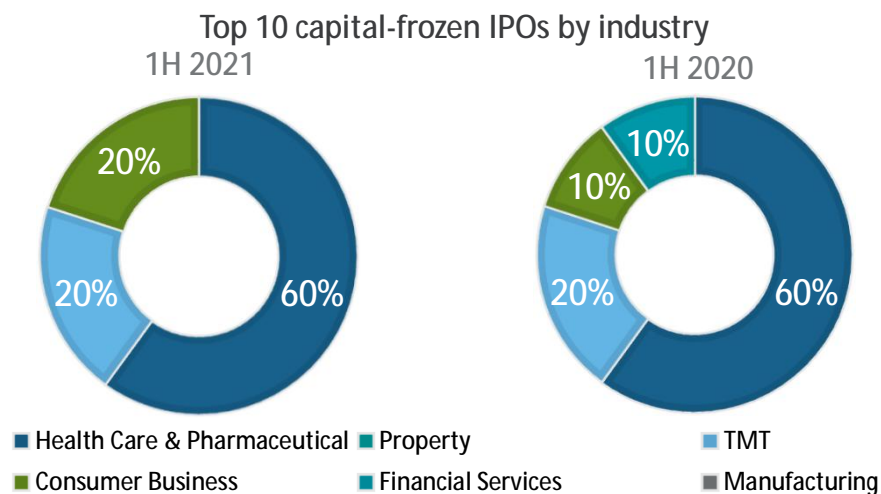


Source: HKEX, Deloitte's analysis as of 30 June 2021.

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HK's top 10 capital-frozen IPOs – 1H 2021

The top 10 capital-frozen IPOs were mainly new economy companies from health care & pharmaceutical industry; the amount surged to HKD4,853.6 billion from 1H 2020's HKD1,817 billion



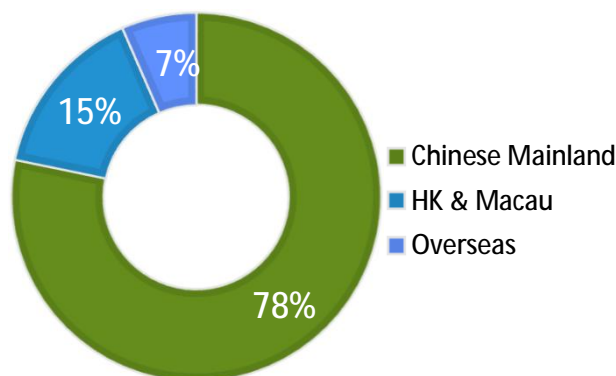
Source: HKEX, Deloitte's analysis as of 30 June 2021.

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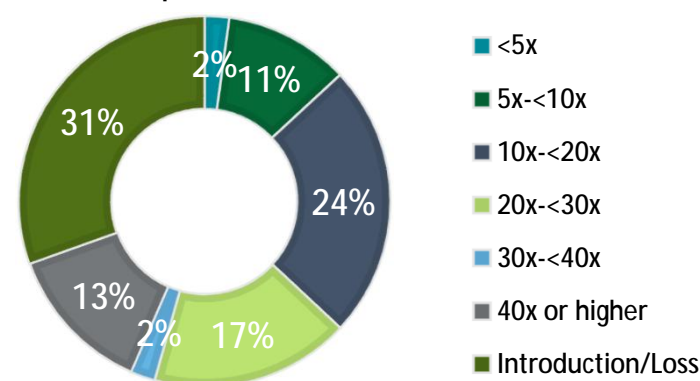
Overview of HK's IPO market – 1H 2021

Both number of IPOs and proceeds were mainly driven by Chinese Mainland companies, and recorded double-digit growth. Fewer overseas companies went public in Hong Kong. P/E ratios picked up

Number of IPOs by location of issuer



P/E multiples of HK IPOs



Sharp rise in share of IPOs and proceeds raised by companies from Chinese Mainland

- 78% of IPOs were from the Chinese Mainland, up 17 percentage points from 61% in 1H 2021; 15% were from HK & Macau, down 7 percentage points
- IPOs from Chinese Mainland companies contributed 96% to total proceeds raised in the HK IPO market, i.e. about HKD204.8 billion, compared with 97% (HKD85 billion)
- 3 IPOs from Singapore, Taiwan and Japan raised about HKD0.8 billion in total, a sharp drop from 10 IPOs raising HKD1.2 billion in 1H 2020

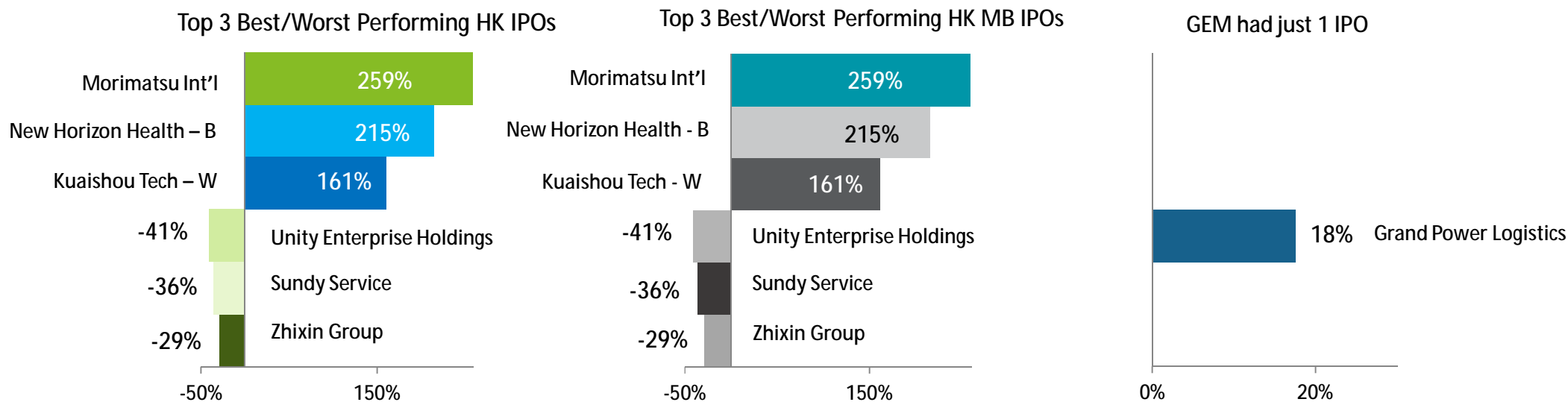
More than 20% of IPOs were priced at P/E ratios of 10x-20x

- 24% of IPOs were priced at P/E ratios of 10x-<20x, down 33 percentage points from 57% in 1H 2020.
- Another 19% of IPOs were priced at 20x-<40x, the same proportion as in 1H 2020
- The proportion of IPOs priced at 40x or higher increased to 13% from 7% in 1H 2020

Source: HKEX, Deloitte's analysis as of 30 June 2021.

Overview of HK's IPO market – 1H 2021

First-day performance of the 3 best performing IPOs was better than in 1H 2020. GEM had just 1 IPO. Its performance is incomparable with those of MB IPOs. Overall average first-day return was higher than in 1H 2020



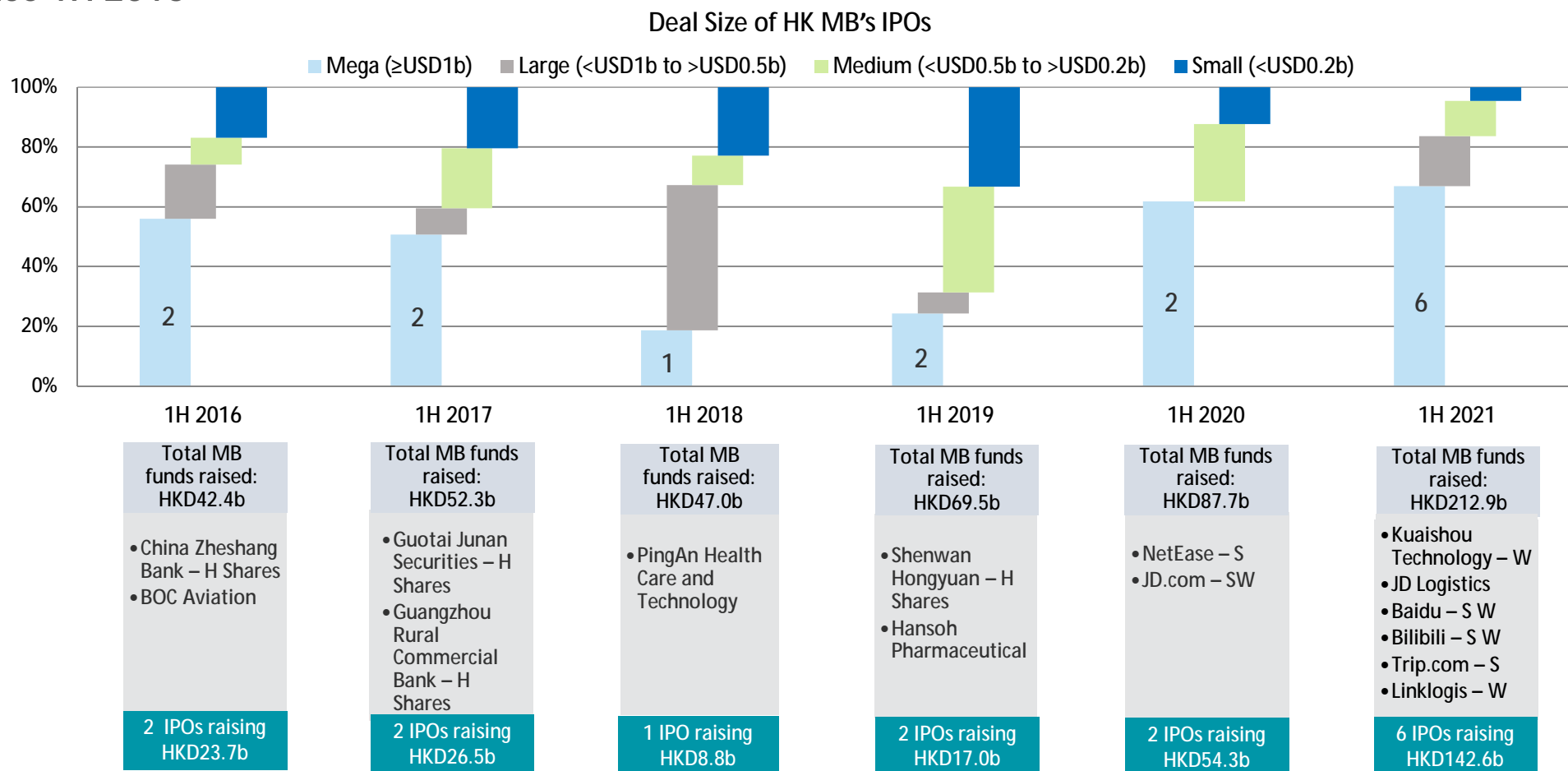
- The first-day returns of the 3 best-performing IPOs on MB were slightly better than they were in same period last year
- Two of the 3 best performing IPOs were new economy IPOs. All 3 of the worst-performing IPOs came from the property sector. This shows investors were far more receptive to new economy IPOs but less optimistic about traditional and capital-intensive sectors
- The overall average first-day return of MB and GEM IPOs increased to 31% from 17% in 1H 2020
- The average first-day return of MB IPOs was about 31%, compared to 16% in 1H 2020
- The average first-day return of GEM IPOs was 18%, falling from 32% in 1H 2020

Source: HKEX and Deloitte's analysis as of 30 June 2021.

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HK IPO deal size analysis – 1H 2021

Proceeds raised by 6 mega IPOs accounted for about 67% of HK MB total deal size, reaching a new high since 1H 2016



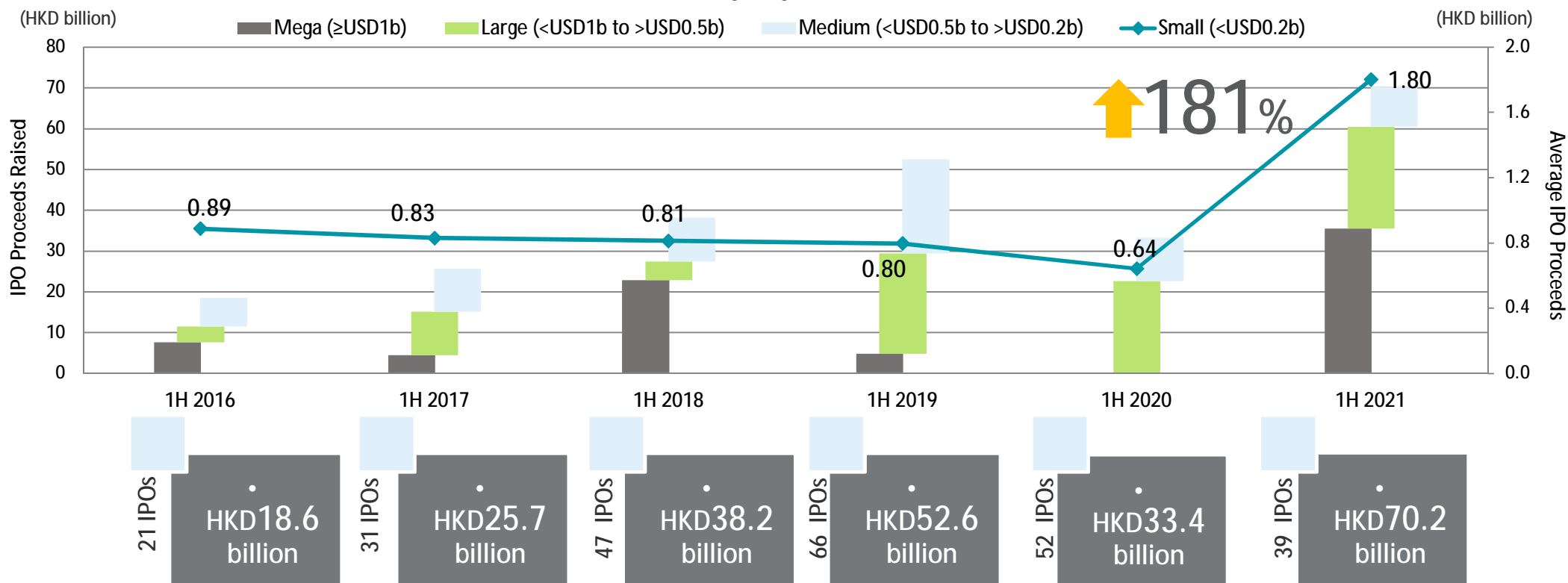
Source: HKEX, Deloitte's analysis as of 30 June 2021.

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HK IPO deal size analysis – 1H 2021

Benefiting from 7 mega IPOs, average MB deal size rose sharply by 181% to HKD1.80 billion in 1H 2021. GEM saw a slight decrease of 6% to HKD55.5 million

Deal size of HK MB's IPOs (excluding mega deals that raised at least US\$1b each)

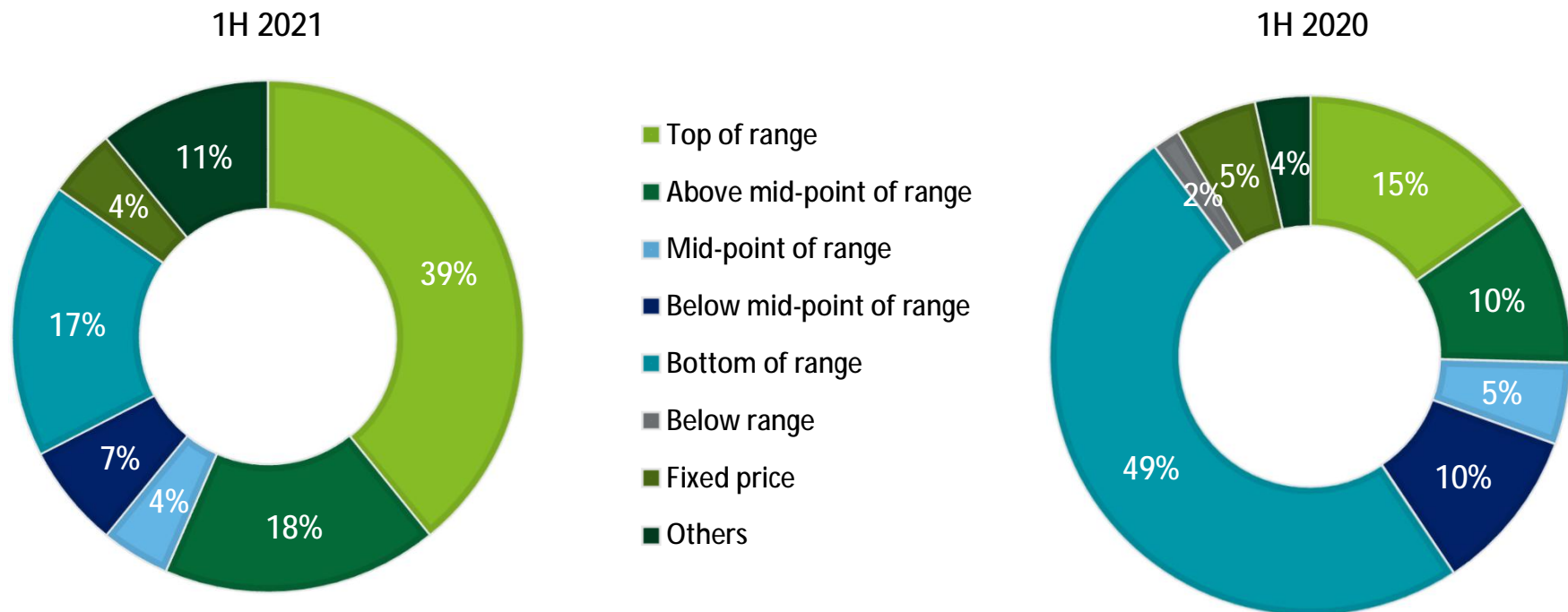


Source: HKEX, Deloitte's analysis as of 30 June 2021.

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HK IPO's valuation analysis – 1H 2021

Over half of IPOs were priced above the mid-point of their indicative range, up a sharp 32 percentage points from 25% in 1H 2020. The proportion priced below their mid-point dropped by 37 percentage points from 1H 2020's level



Source: HKEX, Deloitte's analysis as of 30 June 2021.

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Analysis of HK IPO's public offering subscriptions – 1H 2021
 Public offering subscriptions were generally better than in 1H 2020. The top 5 over-subscribed IPOs were all new economy companies, most of which listed in Q1

100 (1H 2020: 97%) % of IPOs over-subscribed.

Among those over-subscribed,

78 (1H 2020: 56%) % were over-subscribed by

over **20** times

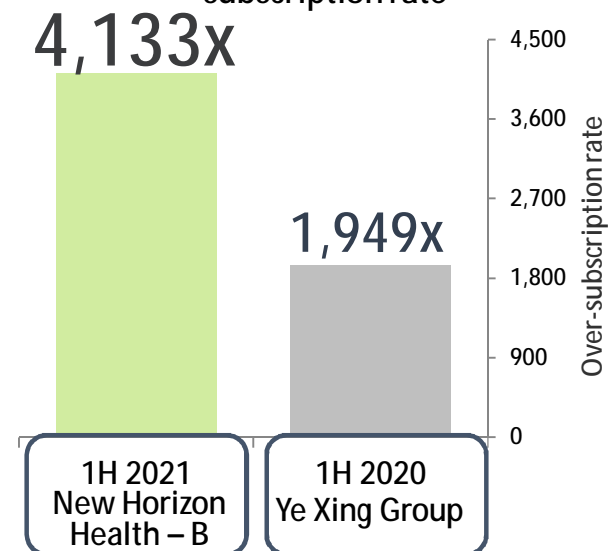
Source: HKEX and Deloitte's analysis, as of 30 June 2021.

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5 most over-subscribed IPOs in 1H 2021

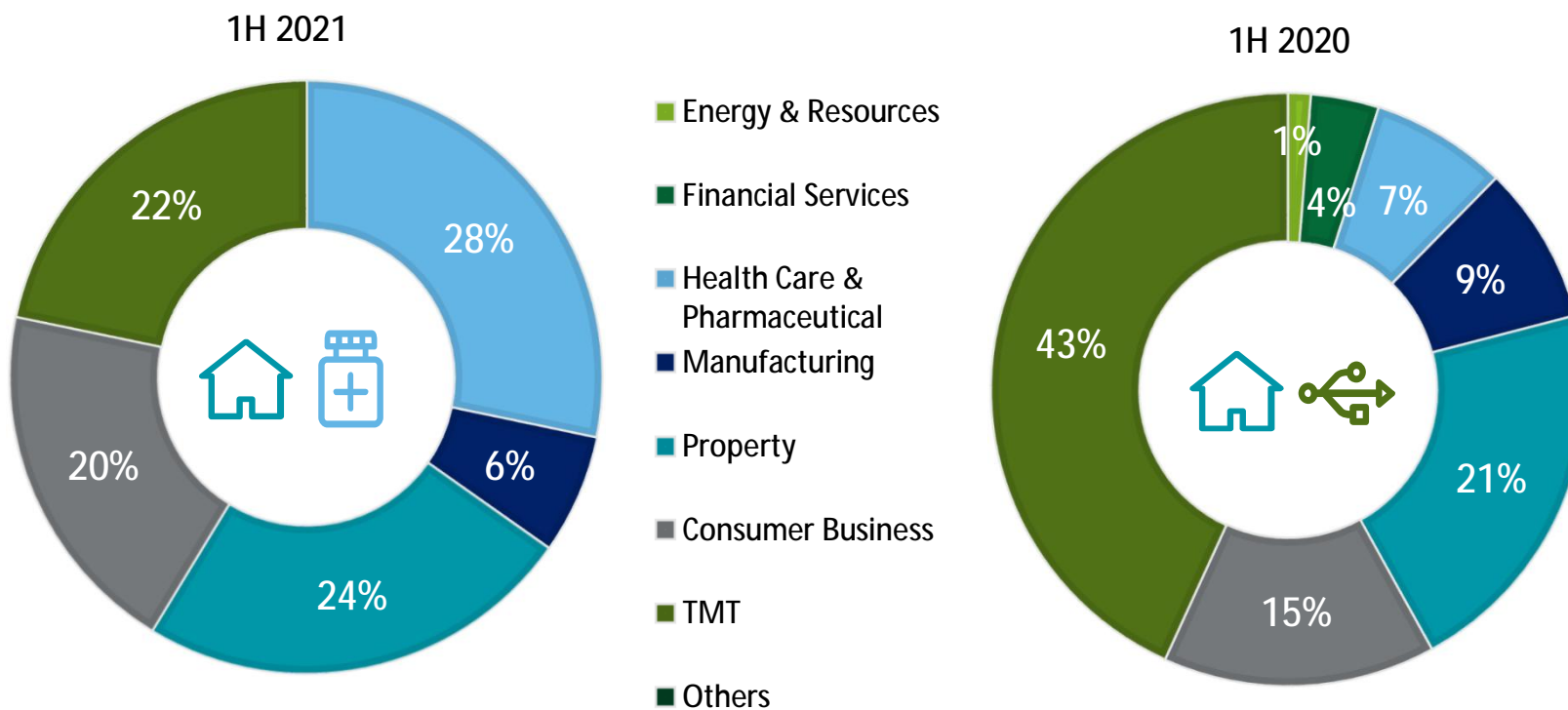
Issuer	Over-subscription rate
New Horizon Health – B	4,133x
Angelalign Technology	2,079x
Yidu Tech	1,634x
Cheshi	1,275x
Kuaishou Technology – W	1,204x

Best performing IPOs by over-subscription rate



Industry distribution of HK's IPOs in 1H 2021 (by number)

Health care & pharmaceutical and property took the lead, with the share of the former up sharply from 1H 2020, resulting in varying reductions in the shares of every other sector except TMT

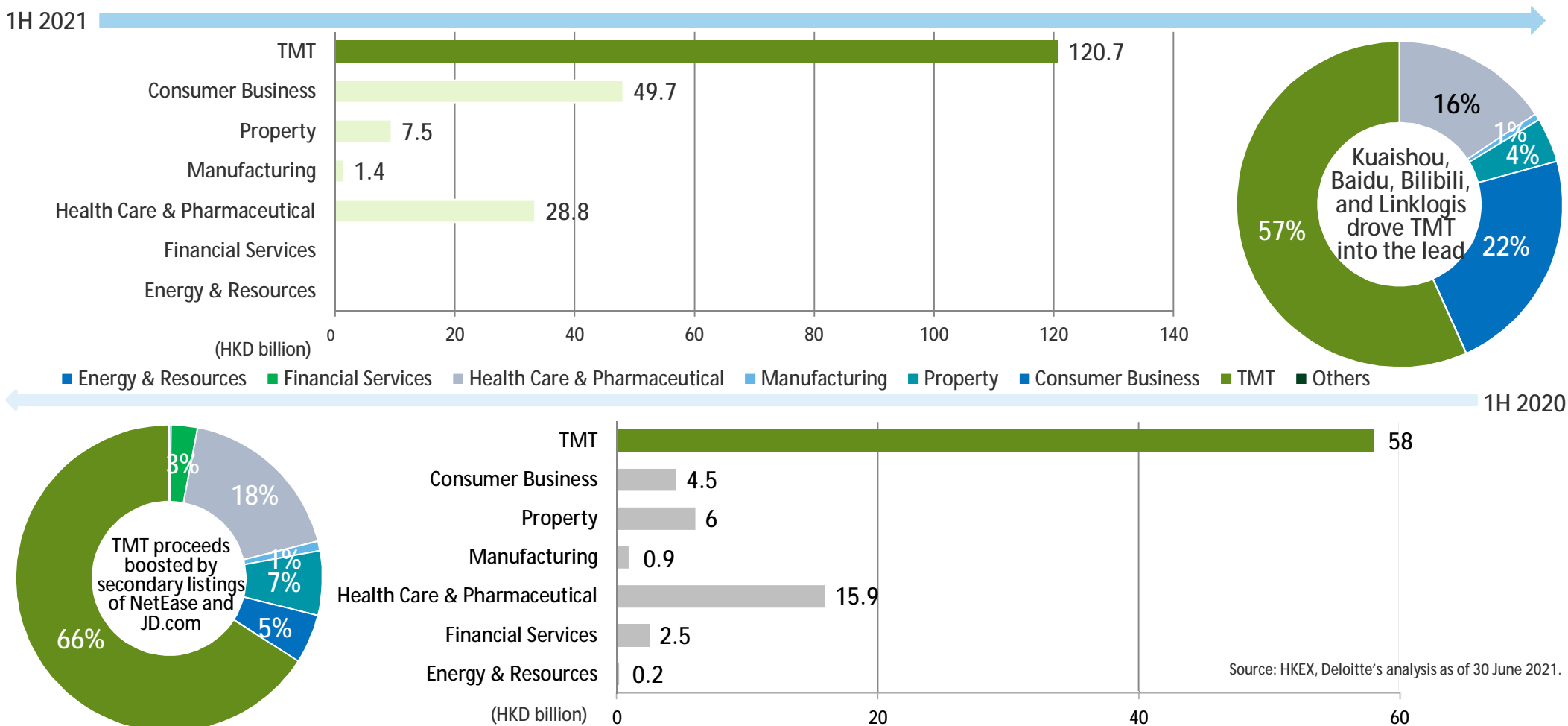


Source: HKEX, Deloitte's analysis as of 30 June 2021.

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Industry distribution of HK's IPOs in 1H 2021 (by proceeds)

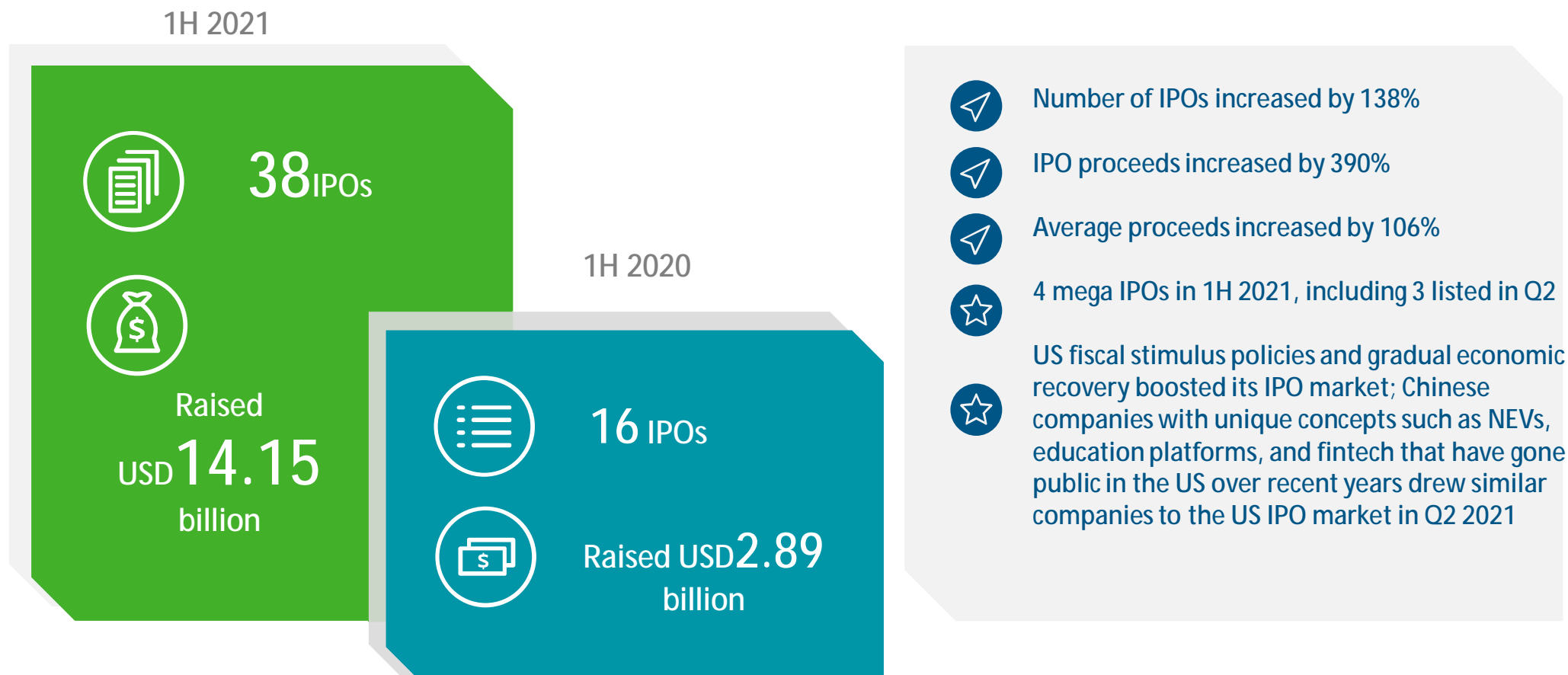
TMT well ahead, followed by consumer business. Most sectors raised more than they did in 1H 2020.



Source: HKEX, Deloitte's analysis as of 30 June 2021.

Review of IPO Market in 1H 2021 – United States (Chinese Companies)

Chinese companies continued to flock go public in the US, with a surge in the number of IPOs and proceeds raised



Source: NYSE, Nasdaq, Bloomberg, Deloitte's analysis as of 30 June 2021..

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Overview of US-listed Chinese companies – 1H 2021

The top 5 IPOs were dominated by TMT and consumer business and raised a total of USD9.909 billion, up 374% from USD2.091 billion in the same period last year

1H 2021



1. DiDi
(USD4.435 billion)



2. RLX Technology
(USD1.608 billion)



3. Full Truck Alliance
(USD1.568 billion)



4. TuSimple
(USD1.351 billion)



5. Tuya Smart
(USD0.947 billion)

1H 2020



1. Kingsoft Cloud
(USD587 million)



2. Legend Biotech
(USD487 million)



3. Agora
(USD403 million)



4. Dada Nexus
(USD358 million)



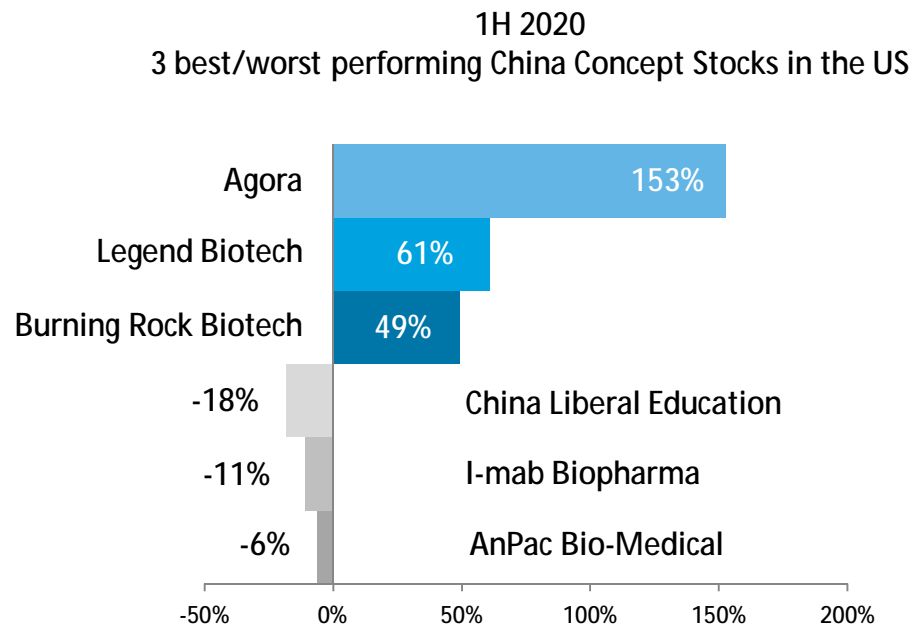
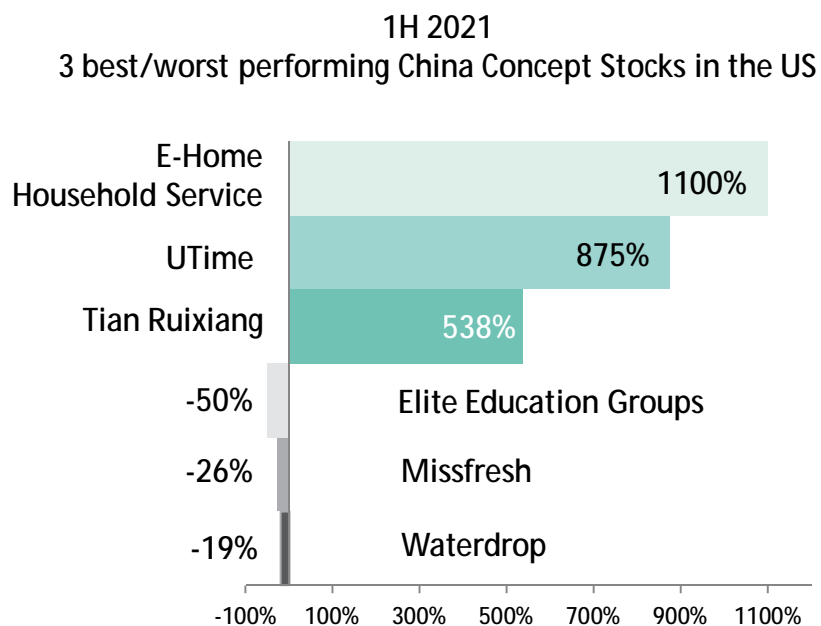
5. Burning Rock
Biotech
(USD256 million)

Source: NYSE, Nasdaq, Bloomberg, Deloitte's analysis as of 30 June 2021.

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Overview of US-listed Chinese companies – 1H 2021

The 3 best-performing IPOs achieved much higher first-day returns than their counterparts did in 1H 2020, including 1 prominent consumer business IPO



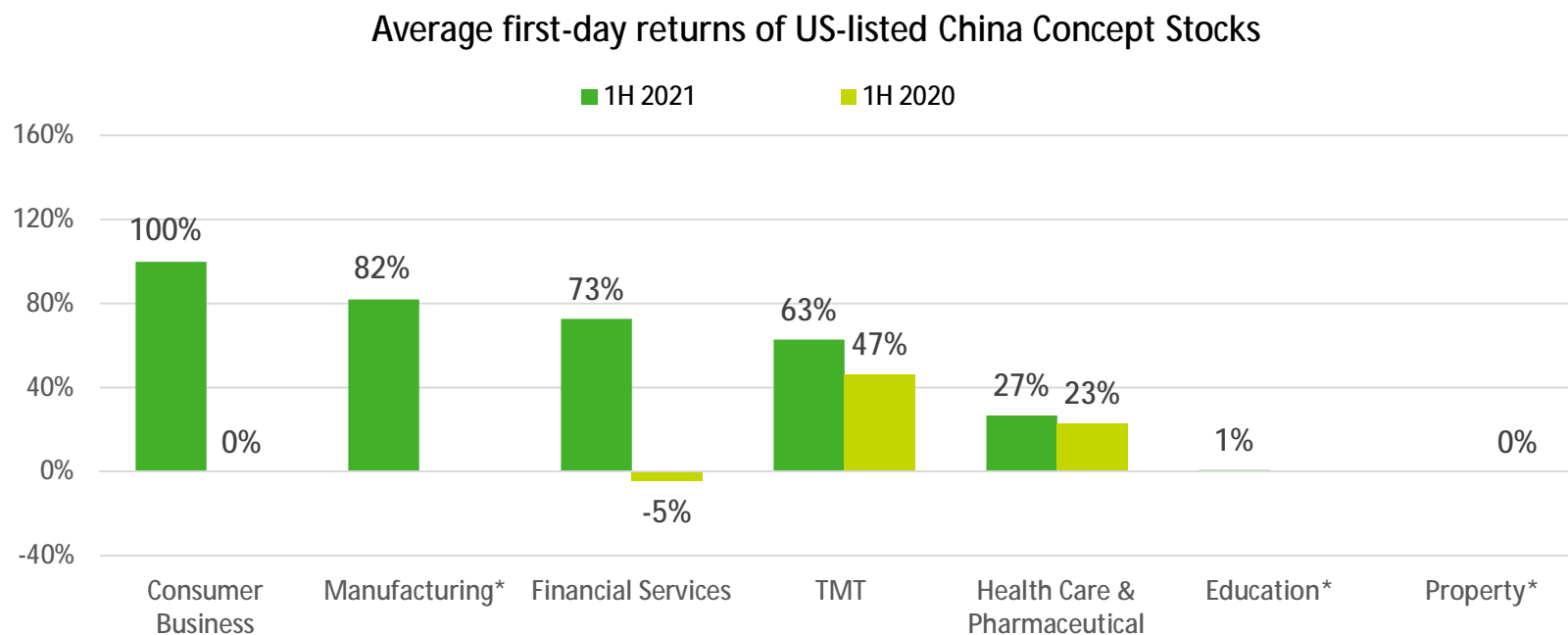
- Consumer business, TMT, and financial services each had one of the 3 best performing IPOs
- The 3 worst-performing IPOs were from the education, TMT and internet finance sectors
- In 1H 2020, the biotech and pharmaceutical industry had some of the best performing, and worst performing, IPOs, but this was not seen in 1H 2021

Source: NYSE, Nasdaq, Bloomberg, and Deloitte's analysis as of 30 June 2021.

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Overview of US-listed Chinese companies – 1H 2021

All industries saw much higher first-day returns than they did in 1H 2020, with consumer business, manufacturing, and financial services way ahead of other sectors



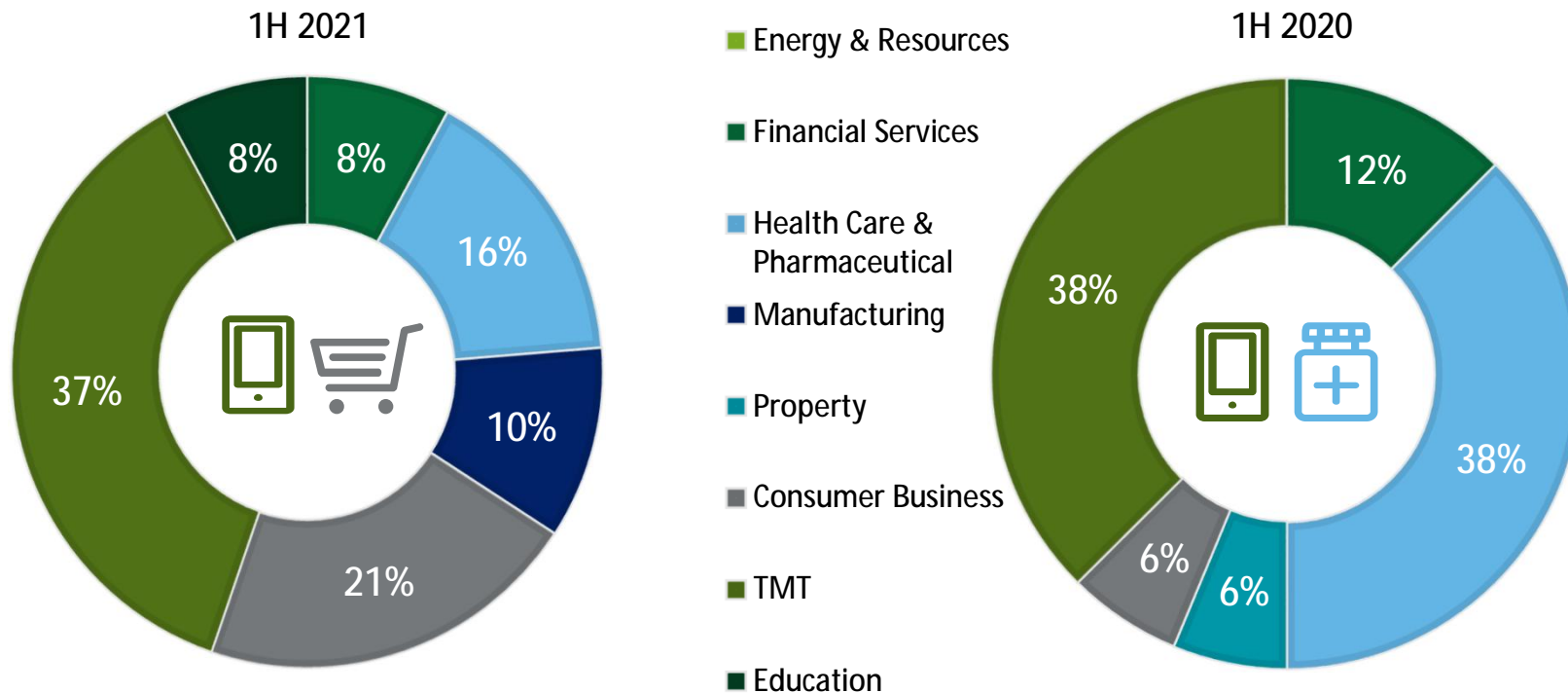
*There were no IPOs from manufacturing and education sectors in 1H 2020, and no property sector IPOs in 1H 2021.

Source: NYSE, Nasdaq, Bloomberg, and Deloitte's analysis as of 30 June 2021.

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Industry distribution of US-listed Chinese companies in 1H 2021 (by number)

In terms of the number of IPOs, TMT took the lead, followed by consumer business; TMT and health care & pharmaceutical led in the same period last year

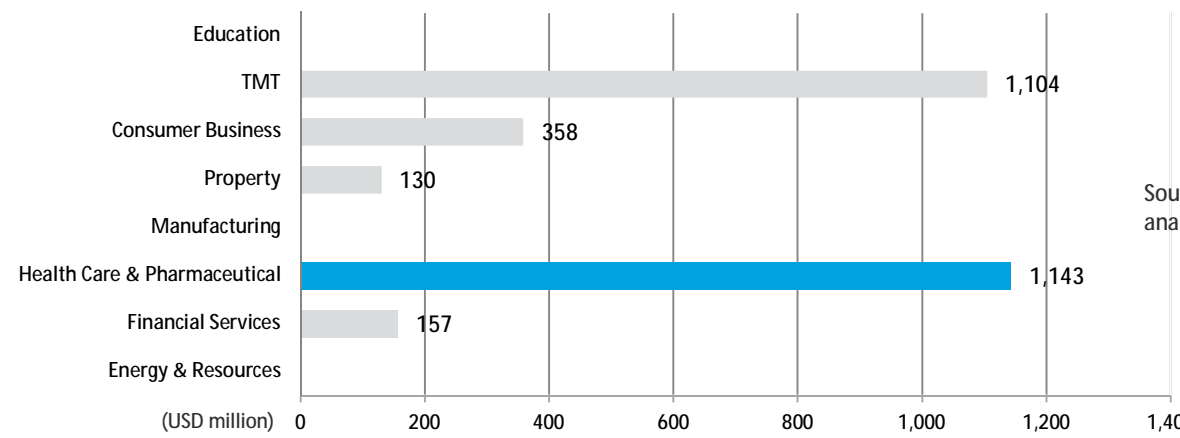
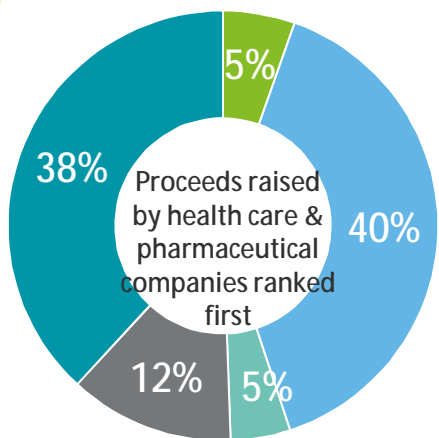
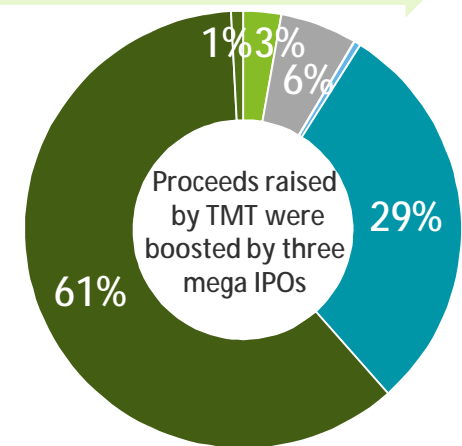
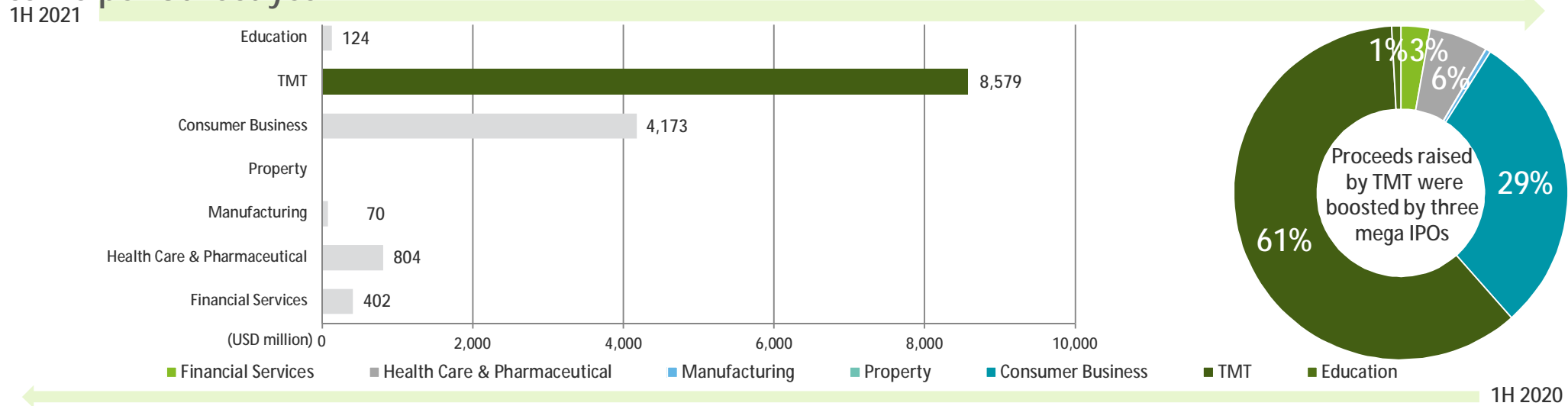


Source: NYSE, Nasdaq, Bloomberg, Deloitte analysis as of 30 June 2021.

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Industry distribution of US-listed Chinese companies in 1H 2021 (by proceeds)

In terms of IPO proceeds, TMT ranked first, while health care & pharmaceutical held the lead in the same period last year

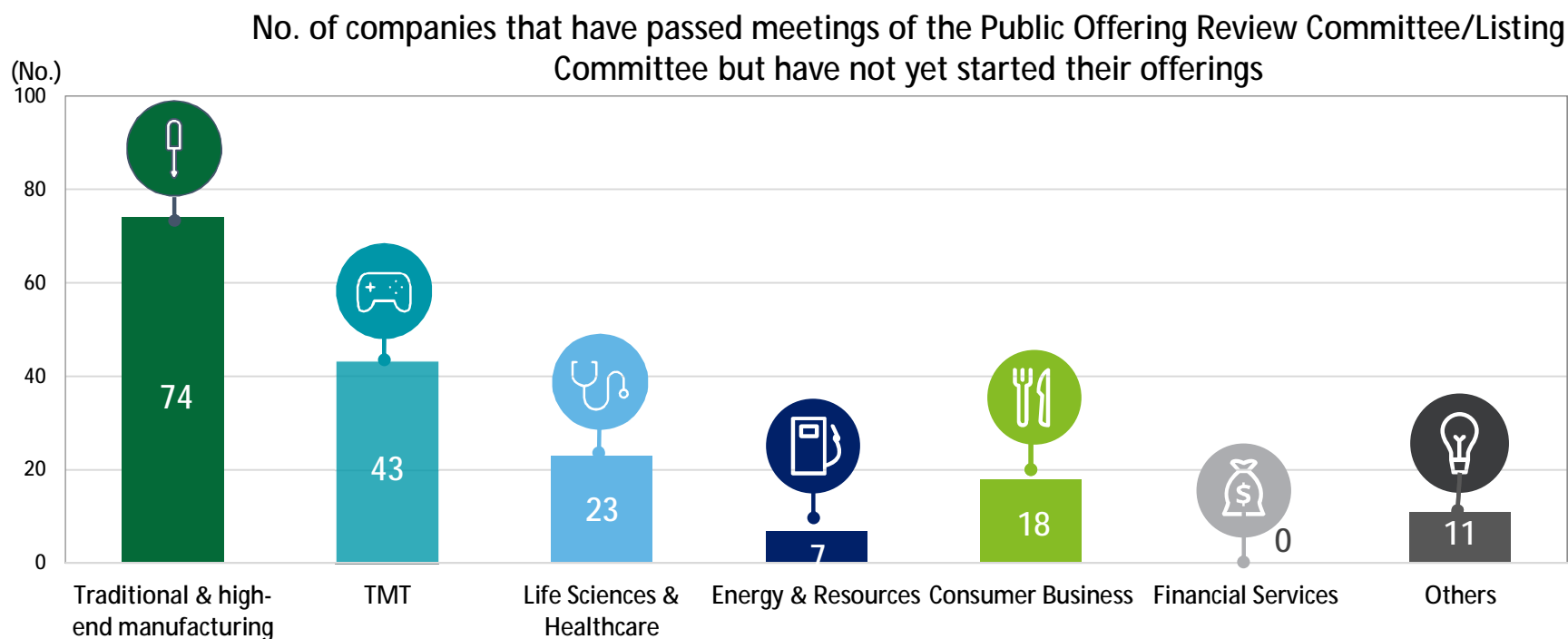


Source: NYSE, Nasdaq, Bloomberg, Deloitte analysis as of 30 June 2021.

Outlook for IPO Market in 2H 2021 – Chinese Mainland

Outlook for Chinese Mainland's IPO market – industry distribution of upcoming IPOs

As of 30 June 2021, 176 companies (including 54 to be listed on the SSE STAR Market and 104 on ChiNext) have passed meetings of the Public Offering Review Committee/Listing Committee but not yet launched their offerings, down from 258 (SSE STAR Market 92; ChiNext 111). Traditional and high-end manufacturing accounted for the largest share at the end of 1H 2021 (42%) and at the end of 2020 (46%)



Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Deloitte's analysis as of 30 June 2021.

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Chinese Mainland IPO activity is expected to continue to grow in 2021, with a continuous rise in the number of IPOs on the SSE STAR Market and ChiNext

01

With stable issuance of SSE STAR IPOs and registration-based reform of ChiNext, IPO volume is expected to grow substantially. SMEs from the manufacturing and technology sectors are likely to take the lead in terms of the number of IPOs.

02

To date, 176 companies (including 54 on the SSE STAR Market and 104 on ChiNext) that passed meetings of the Public Offering Review Committee or Listing Committee are awaiting listings, with most of them are expected to be listed within this year.

03

As of 30 June 2021, Shanghai Stock Exchange accepted 646 SSE STAR listing applications, 191 of which remain active; Shenzhen Stock Exchange, after its reform, accepted 673 ChiNext listing applications, 397 of which remain active.

04

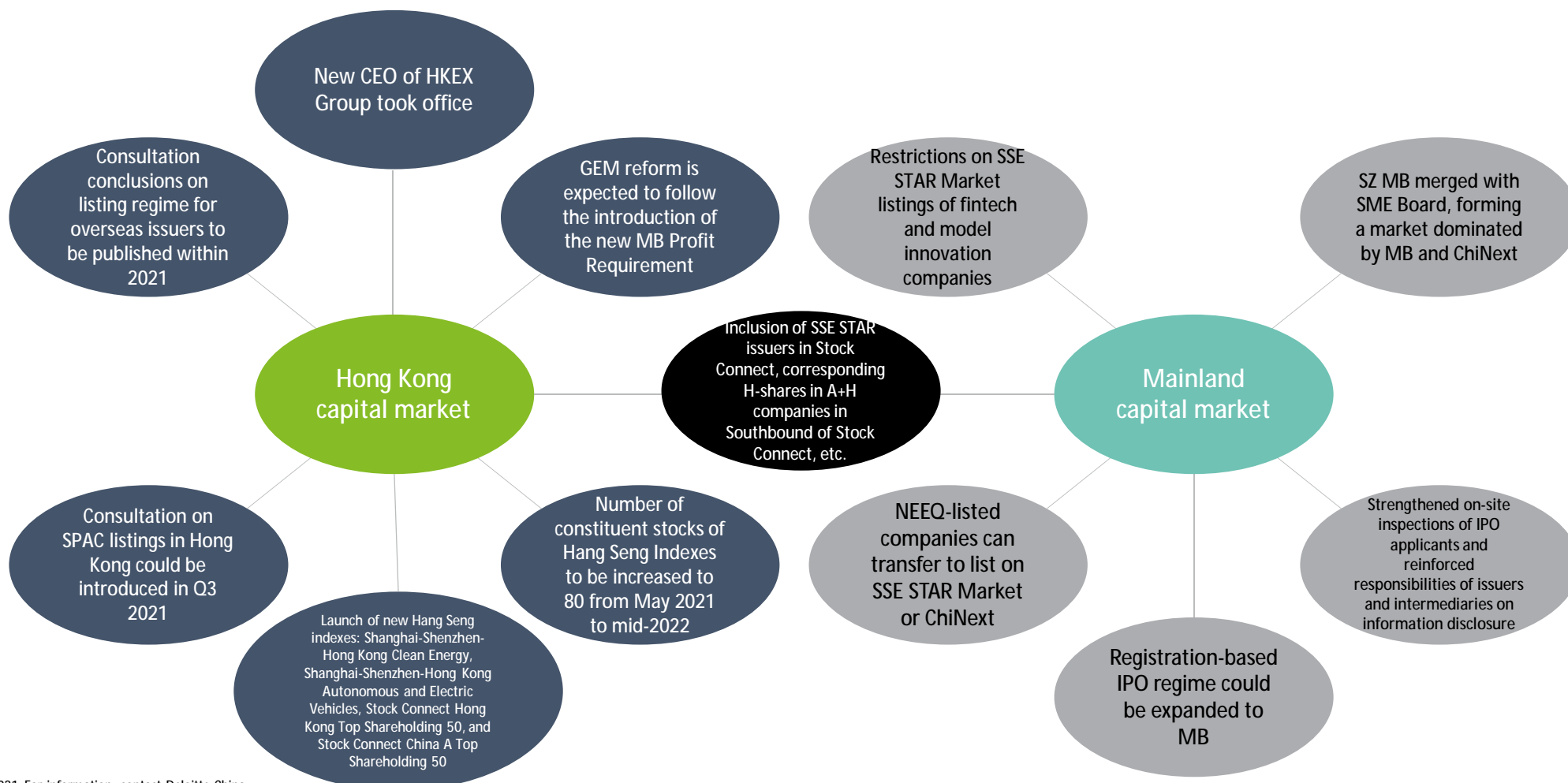
180-210 IPOs are expected to be launched on the **SSE STAR Market** and raise about **RMB130 billion-170 billion**; Another 180-210 IPOs are expected to be seen on **ChiNext** and raise about **RMB110 billion-140 billion**.

05

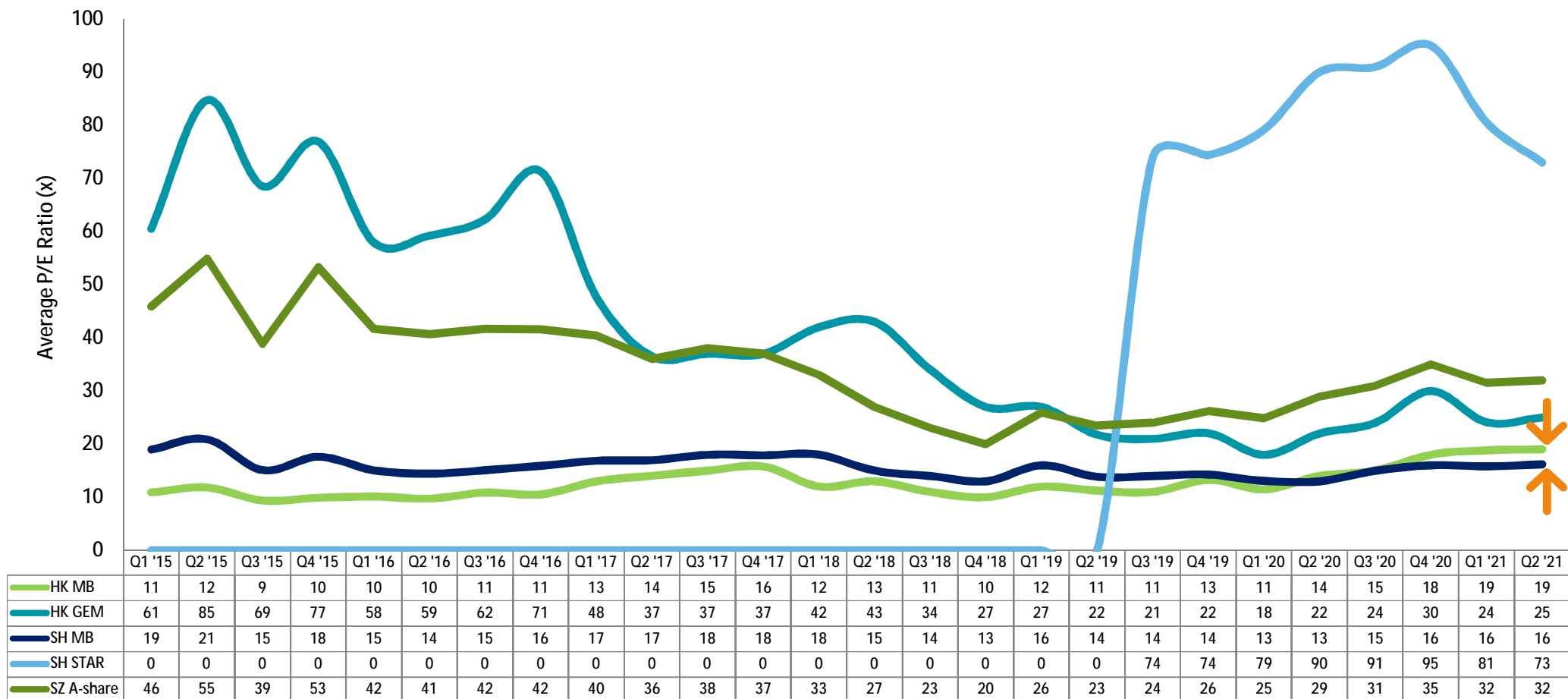
150-180 IPOs are expected to be launched on the **SSE and SZSE main boards** and raise about **RMB160 billion-200 billion**.

Outlook for IPO Market in 2H 2021 – Hong Kong

The Mainland and Hong Kong listing ecosystems for new economy companies have matured due to numerous and continuous reforms and enhancements to raise market quality



The average P/E ratio of HK MB IPOs has exceeded that of SH MB for two consecutive quarters, and average SSE STAR Market P/E ratio continued to decline sharply, falling below its level when the market was launched

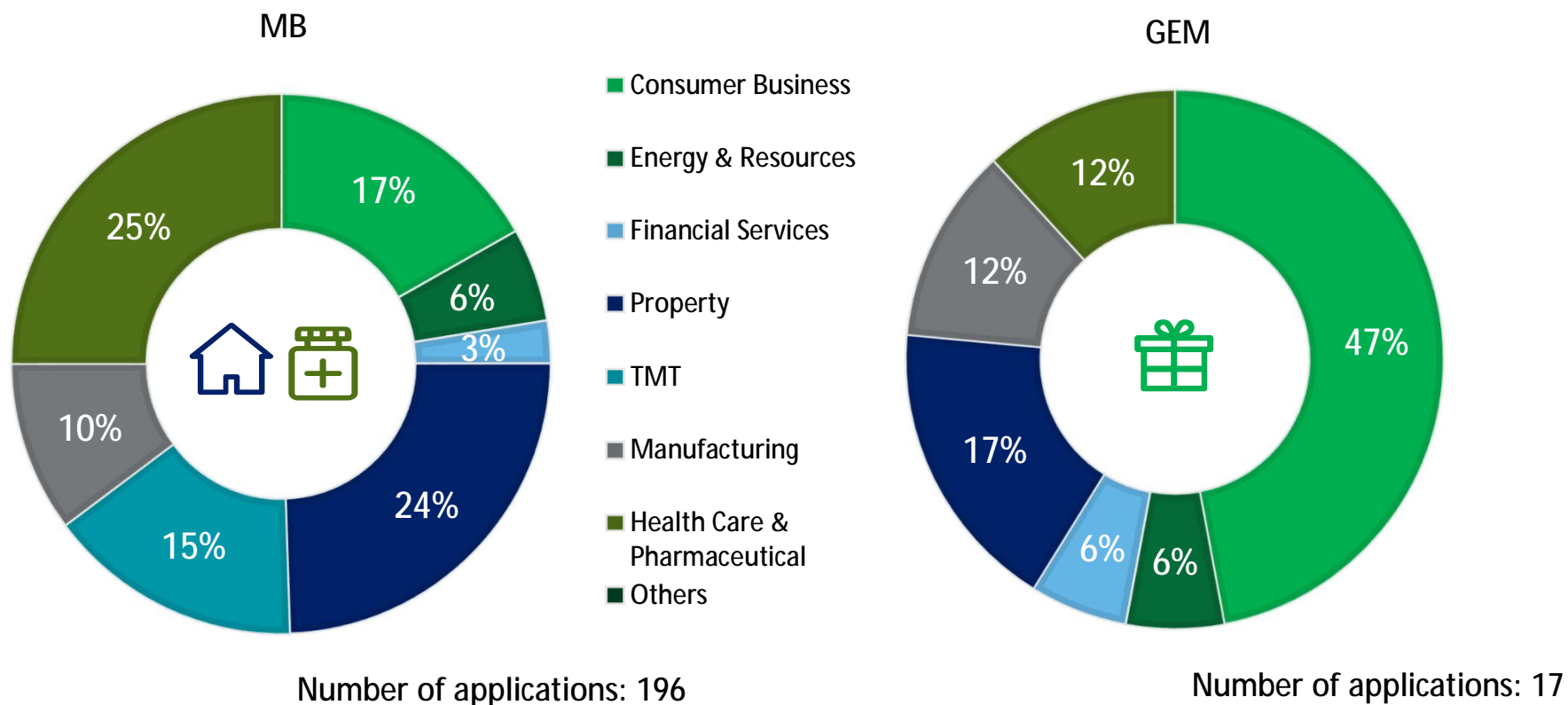


Source: HKEX, Shanghai Stock Exchange and Deloitte's analysis as of 30 June 2021.

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Industry analysis of active HK listing applications in 1H 2021

MB dominated by applications from health care & pharmaceutical, followed by property and consumer business; GEM dominated by consumer business

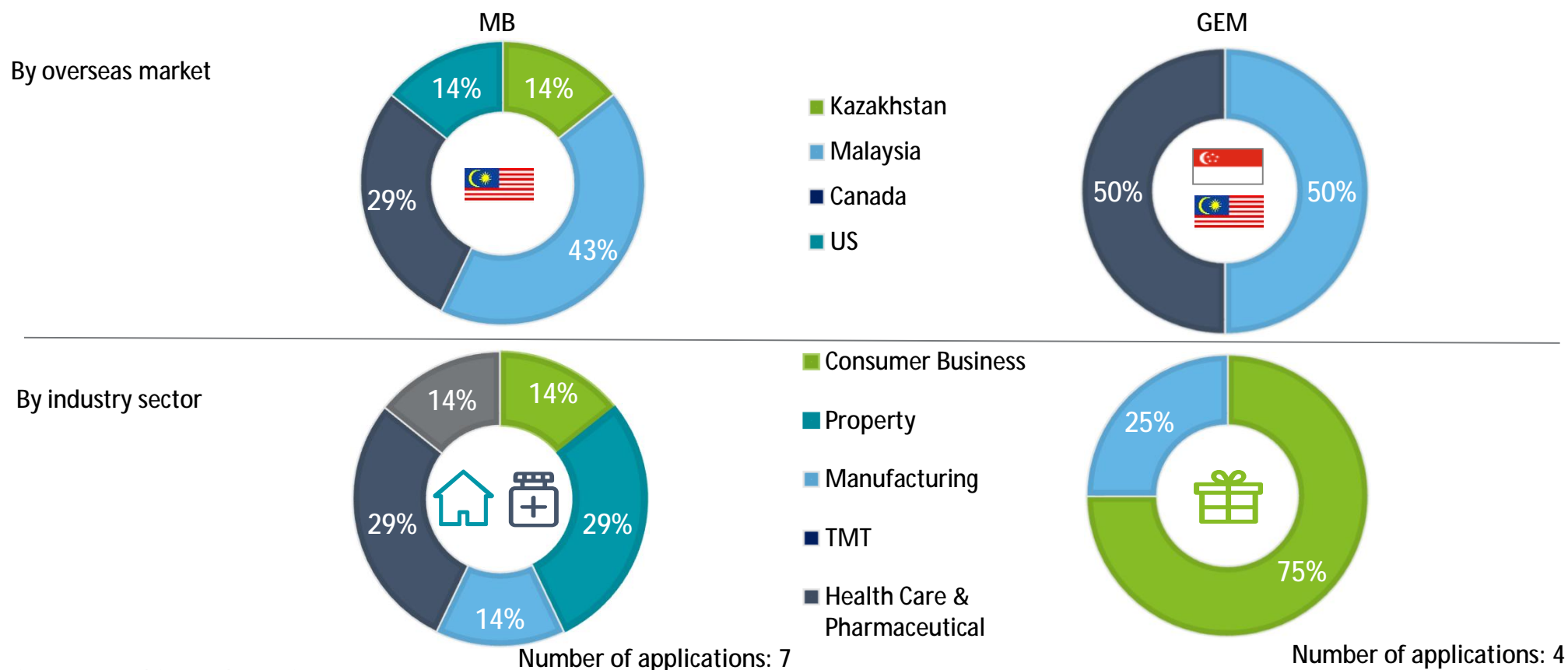


Source: HKEX, Deloitte's analysis as of 30 June 2021

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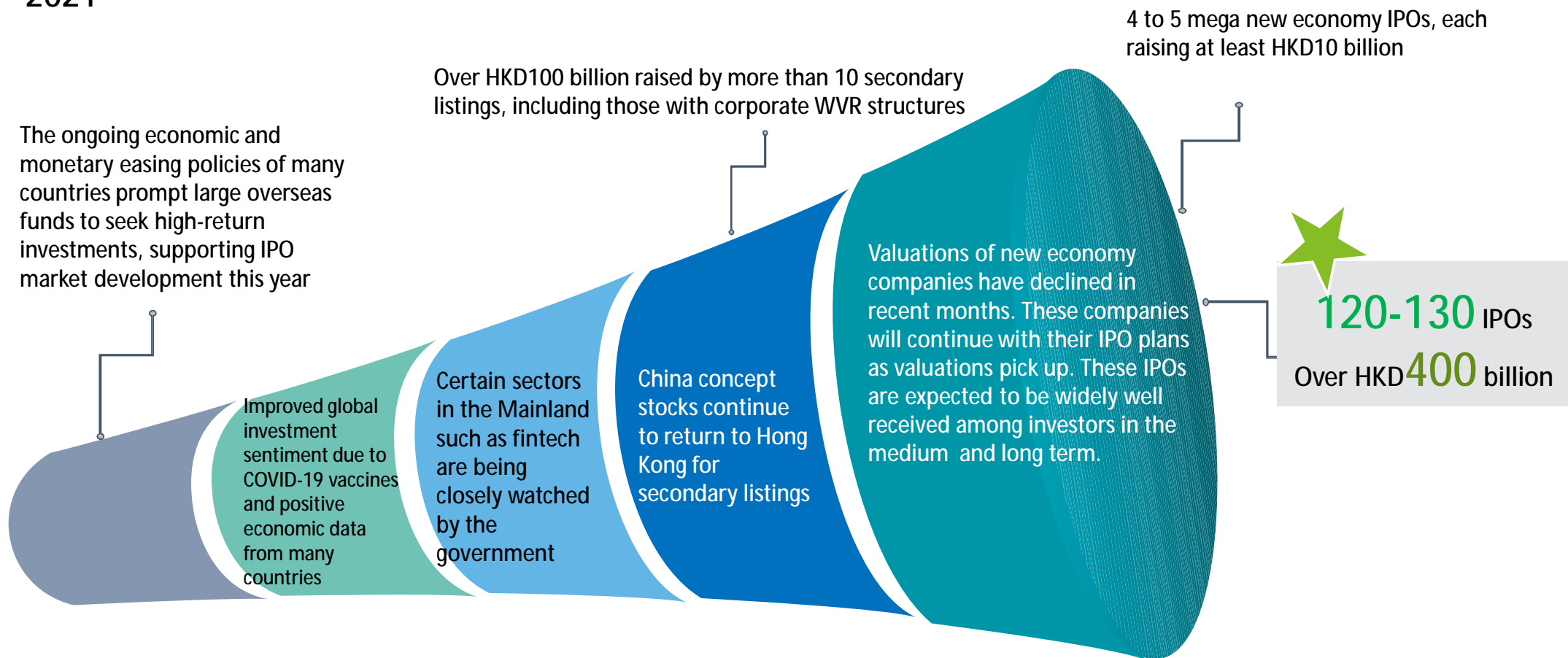
Number of active HK listing applications from overseas companies in 1H 2021

Singaporean and Malaysian companies continue to dominate HK listing applications from overseas; the MB was dominated by applications from property and health care & pharmaceutical, and GEM by consumer business



Source: HKEX, Deloitte's analysis as of 30 June 2021
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Despite a slight slowdown in Q2, Hong Kong's IPO market is expected to raise more than HKD400 billion in 2021

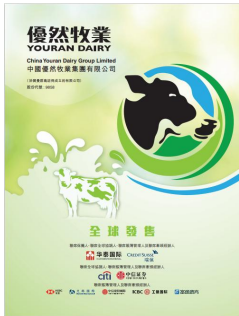


Source: HKEX, and Deloitte's estimation and analysis.

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IPO service Credentials

Deloitte is their reporting accountant IPOs completed in HK in 2021



China Youran Dairy Group Limited

It is a China's upstream dairy market provider with an all-round business.



JD Logistics, Inc.

It is a technology-driven supply chain solutions and logistics services provider.



Cheerwin Group Ltd.

It is an one-stop multi-category household care and personal care platform.



New Horizon Health Ltd. - B

It is a cancer screening company.



E-Star Commercial Management Company Ltd.

It is a commercial property operational service provider.



Legion Consortium Ltd.

It is a well-established logistics service provider in Singapore.

Deloitte is their reporting accountant A-Share IPOs completed in 2021



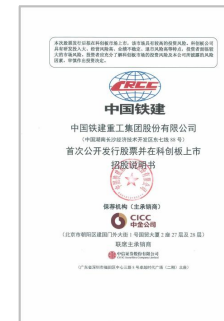
**Jiangsu Chuanzhiboke
Education Technology
Co., Ltd.**

It is an IT online
education platform.



Henan Lantian Gas Co., Ltd.

It is a specialized new
energy company focused on
natural gas transmission
and sales.



**China Railway
Construction Heavy
Industry Co., Ltd.**

It is a company developing
and producing tunneling,
railway transit and
specialized equipments.

Deloitte is their reporting accountant IPOs completed in US in 2021



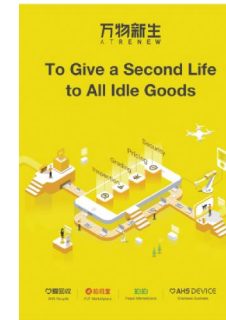
Waterdrop Inc.

It is a technology platform dedicated to insurance and healthcare service.



Zhangmen Education Inc.

It is a leading online education company focused on providing personalized online courses to K-12 students.



AiHuiShou International Co. Ltd.

It is a pre-owned consumer electronics transactions and services platform.

Deloitte China pioneers in IPOs in HK and US

The first to pioneer the listing of RMB-denominated REIT (Hui Xian REIT)



The first Mainland-based largest death care service provider in HK (Fu Shou Yuan)



The first fixed single investment trust from HK's hospitality industry in HK (Langham Hospitality Investments)



The first Chinese private hospital operator in HK (Phoenix Healthcare)



The first state-owned distressed asset management company in HK (China Cinda)



Deloitte China pioneers in IPOs in HK and US

The first nuclear power producer in China in HK (CGN Power)



The first to list a Chinese fintech company at the New York Stock Exchange (Yirendai)



The online education company that has the highest market cap in HK (Koolearn)



The first Chinese express company listed in the US (ZTO Express)



The first and leading assisted reproductive services provider in China and the US (Jinxin Fertility)

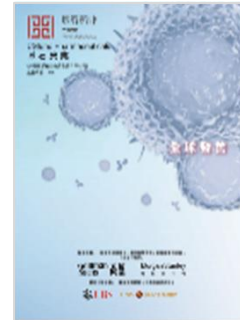


Our outstanding performance in IPO services for biotech companies



Hua Medicine - B

A Chinese company providing pharmaceutical discovery services to develop the world's first oral new drug for the treatment of type 2 diabetes



CStone Pharmaceuticals - B

A clinical-stage biopharmaceutical company that develops and commercializes innovative immuno-oncology and molecularly targeted drugs



Innovent Biologics, Inc. - B

A biopharmaceutical company with a fully integrated biomedical platform



Mabpharm Ltd. - B

A leading biopharmaceutical company in China



Shanghai Junshi Biosciences Co., Ltd. - B

An innovation-driven biopharmaceutical company dedicated to the discovery and development of innovative drugs



Alphamab Oncology - B

A leading clinical-stage biopharmaceutical company in China

Source: HKEX, Deloitte's analysis as at 30 June 2021, based on the cumulative IPO statistics of pre-revenue biotech companies since 30 April 2018.

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Our outstanding performance in IPO services for biotech companies



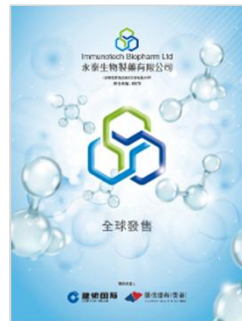
Zai Lab Limited - S B

An innovative, research-based, commercial-stage biopharmaceutical company



Ocumention Therapeutics - B

An ophthalmic pharmaceutical platform company



Immunotech Biopharm Ltd. - B

A leading cellular immunotherapy biopharmaceutical company



New Horizon Health Ltd. - B

A cancer screening company

Source: HKEX, Deloitte's analysis as at 30 June 2021, based on the cumulative IPO statistics of pre-revenue biotech companies since 30 April 2018.

Leaders of Existing National Public Offering Group



Dick Kay
Leader
Tel: +86 21 6141 1838
Fax: +86 21 6335 0177
Email: dickay@deloitte.com.cn



Kinson Lau
Southern China Regional Leader,
HK Capital Market Leader
Tel: +852 2852 6680
Fax: +852 2529 3072
Email: kilau@deloitte.com.hk



Alvin Tse
Eastern China Regional Leader
Tel: +86 21 6141 2470
Fax: +86 21 6335 0177
Email: alvinmftse@deloitte.com.cn



Taylor Lam
Northern China Regional Leader
Tel: +86 10 8520 7126
Fax: +86 10 8520 7494
Email: talam@deloitte.com.cn



Jon Peng
Western China Regional Leader
Tel: +86 23 8823 1257
Fax: +86 23 8823 1259
Email: jpeng@deloitte.com.cn



Mark Lian
US Capital Market leader
Tel: +86 10 8520 7156
Fax: +86 10 6508 8781
Email: mlian@deloitte.com.cn



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