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**CMSG**  
资本市场服务

## Chinese Mainland and Hong Kong IPO Markets

1H 2023 Review and Outlook

Capital Market Services Group, June 2023



# Overview of global macroeconomic and geopolitical situation in 1H 2023

With inflation continuing to impact many parts of the world, central banks including the Fed and ECB asserted the need for higher interest rates. Compounded by four bank failures in the US and Credit Suisse's troubles before a takeover by UBS, increased volatility fueled by the US debt-ceiling crisis and subsequent deal to resolve it, and the Russia-Ukraine conflict remaining unresolved after more than a year, overall market sentiment remained depressed

## Global

- The collapse of four US banks including Silicon Valley Bank, combined with Credit Suisse's troubles, triggered a global banking crisis.
- The world economy started improving but was still in a weak recovery. Given uncertainties surrounding the ongoing Russia-Ukraine conflict, inflation, and rate hikes, the OECD slightly raised this year's world GDP growth forecast, although the IMF in April lowered its 2023 global growth forecast to 2.8%, down from its January projection of 2.9%.
- The IMF urged central banks including the Fed to tighten monetary policy to reign in inflation.
- Russia and Ukraine were still in a stalemate a year into their conflict. Despite sanctions against Russia, previously soaring prices returned to pre-conflict levels.

## China-US

- Since taking office, US President has held several talks with China's President in person, via phone or video calls. However, contact between the heads of the two nations remained affected by the balloon incident and has yet to get back on track. In mid-June the US Secretary of State finally made an official visit to China.
- The Chinese yuan continued to rise against USD in early 2023, maintaining the uptrend that began in November last year, but has depreciated sharply since February. In view of weaker economic performance in April-May, the People's Bank of China in mid-June cut rates for the first time, triggering yuan depreciation.

## China

- China set this year's economic growth target at around 5%.
- The IMF said China will contribute 34.9% of global growth this year.
- With the lifting of COVID-19 prevention and control measures, travel, business, manufacturing, and commercial activities have gradually resumed.
- PMI continued to decline in 1H, with the official manufacturing Purchasing Managers' Index (PMI) contracting in April and May, although Caixin PMI returned to expansion in May for the first time after contracting for three months, recording its second highest reading since December 2020; services PMI fell in May.
- On 27 March, the People's Bank of China cut the reserve requirement ratio by 0.25 percentage points (ppts), releasing around RMB600 bn in long-term funds; on 13 June, it slashed short-term lending rates, including a 10-basis point (bp) cut in the 7-day reverse repo rate, the first rate reductions since August 2022; on 15 June, it lowered the medium-term lending facility (MLF) rate by 10bp; on 20 June, it trimmed 1- and 5-year prime rates by 10bp each.
- The Political Bureau of the CPC Central Committee stated during its meeting that a stronger management of local government debt and strict control of increases in hidden debt were needed. Over the past 5 years, China's local government debt has grown at a rapid rate of 16.3%.
- There are rumors that the central government will introduce major economic incentives, including rules to increase infrastructure spending and loosen the grip on home purchases.
- The real estate market remained in a slow recovery this year with new construction continuing to trend down. Property investment in January-May dropped 7.2% year-on-year, property sales by floor area fell 0.9%; in January-April, sales revenue expanded 8.4%, down 0.4ppts.



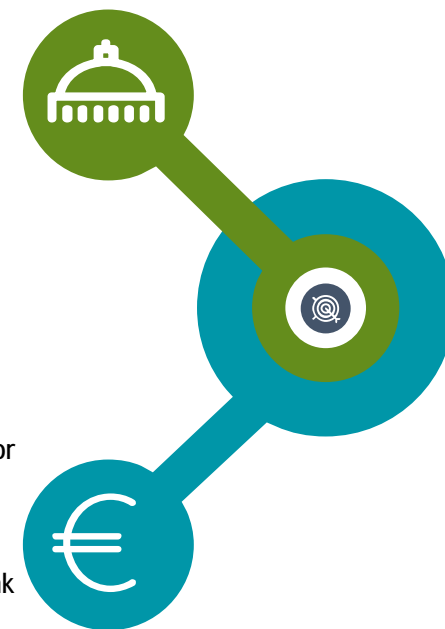
With inflation continuing to impact many parts of the world, central banks including the Fed and ECB asserted the need for higher interest rates. Compounded by four bank failures in the US and Credit Suisse's troubles before a takeover by UBS, increased volatility fueled by the US debt-ceiling crisis and subsequent deal to resolve it, and the Russia-Ukraine conflict remaining unresolved after more than a year, overall market sentiment remained depressed (cont'd)

## United States

- Since March 2022, the Fed has hiked its benchmark federal funds rate at 10 straight meetings by a total of 500bps. However, it paused rate hikes after the June meeting. The market still expects two more increases in 2H.
- Four banks collapsed within two months in the US.
- On 2 June, the US President officially signed the bill lifting the US debt ceiling, which suspends the debt limit until 1 January 2025 and caps federal spending in 2024 and 2025.
- According to the US Department of Commerce statistics, the country's trade deficit in April widened to a six-month high.
- The May increase in non-farm payrolls represented the largest rise since January 2023, although the unemployment rate increased to its highest level since October 2022.

## Europe and the Eurozone

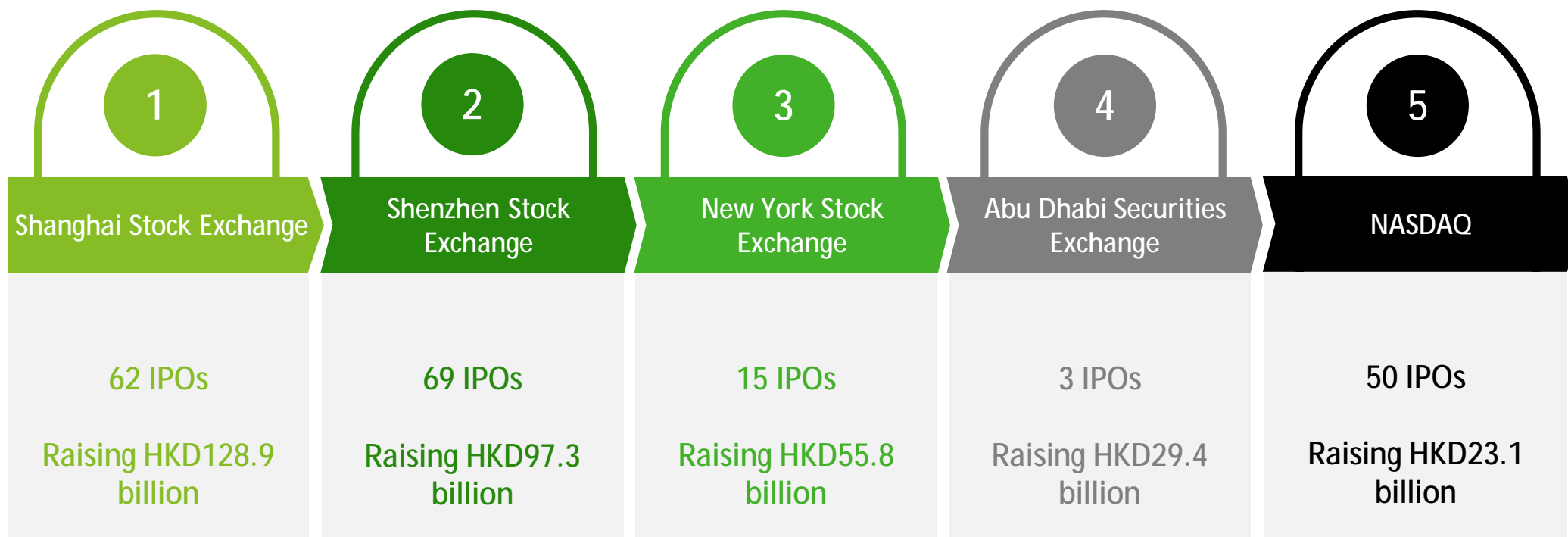
- Affected by persistent inflation, the European Central Bank (ECB) in mid-June revised down the outlook for Eurozone GDP growth by 0.1ppts for 2023 and 2024.
- Germany, the largest economy of the Eurozone, saw GDP decline in the first two quarters, entering a recession, mainly due to surging energy and food prices and sharp drops in all major economic indicators, weighing heavily on the economic outlook for the European Union.
- The ECB announced a 0.5ppts interest rate increase in March and 0.25ppt hikes in May and June, hoping to bring inflation back to 2%. The bank signaled it will need to raise interest rates further in July at least.
- The Bank of England announced rate hikes of 0.5ppts in February, 0.25ppts in March and 0.25ppts in May, marketing 12 hikes in a row as the market expected and signaled that more tightening would be needed to rein in inflation.
- Italy, Britain, Spain, and Germany saw a wave of strikes with workers demanding better pay and working conditions in response to high inflation, which brought airports and train stations to a standstill.
- Unions in France staged a ninth round of nationwide strikes to protest against the government's forced passage of a pension reform bill.
- The OECD said a benign winter in Europe in early 2023 helped reduce energy demand, which kept gas prices low. In May, gas prices hit their lowest level since the start of the energy crisis.



# Review of global IPO market in 1H 2023

Thanks to two mega chip IPOs, Shanghai Stock Exchange ranked 1st in proceeds, followed by Shenzhen Stock Exchange; New York Stock Exchange returned to the top three with the world's largest IPO in 1H 2023; HKEX ranked 6th

Top 5 global stock exchanges by IPO proceeds raised in 1H 2023



Source: China Securities Regulatory Commission (CSRC), Abu Dhabi Securities Exchange, NASDAQ, Bloomberg, and Deloitte's analysis as of 30 June 2023. IPO proceeds include funds raised from open offer (if applicable). All of the proceeds include funds raised from listings of real estate investment trusts, but exclude proceeds raised by investment trust companies, closed-ended investment companies, closed-ended funds, and special purpose acquisition companies (SPACs).

## Despite more mega IPOs in Q2, proceeds raised by the top 10 global IPOs still fell 63% from 1H 2022

1H 2023

Rank	Company	Exchange	Proceeds raised (HKD bn)
1	Kenvue Inc	NYSE	34.3
2	Adnoc Gas PLC	Abu Dhabi Securities Exchange	19.4
3	SMEC	SSE STAR Market	12.4
4	Nexchip	SSE STAR Market	11.2
5	Shaanxi Energy	SZSE	8.2
6	Canadian Solar	SSE STAR Market	6.6
7	ADNOC Logistics & Services	Abu Dhabi Securities Exchange	6
8	NEXTracker	NASDAQ	5.8
9	ZJLD	HKEX	5.3
10	Rakuten Bank	Tokyo Stock Exchange	5.3
Total			114.5

1H 2022

Rank	Company	Exchange	Proceeds raised (HKD bn)
1	LG Energy Solution	KRX	84.3
2	China Mobile	SSE	63.7
3	Dubai Electricity & Water Authority	Dubai Financial Market	47.6
4	CNOOC	SSE	39.4
5	Life Insurance Corp of India	National Stock Exchange of India	21.4
6	Borouge PLC	Abu Dhabi Securities Exchange	15.7
7	Jinko Solar	SSE STAR Market	12.3
8	Nahdi Medical Co.	Saudi Stock Exchange	10.7
9	TPG Inc	NASDAQ	8.6
10	Abu Dhabi Ports Co PJSC	Abu Dhabi Securities Exchange	8.5
Total			312.2

Source: CSRC, NASDAQ, Abu Dhabi Securities Exchange, Hong Kong Exchanges and Clearing Limited (HKEX), Tokyo Stock Exchange, Korea Exchange, Dubai Financial Market, National Stock Exchange of India, Saudi Stock Exchange, Bloomberg, and Deloitte's analysis as of 30 June 2023. IPO proceeds include funds raised from open offer (if applicable).

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

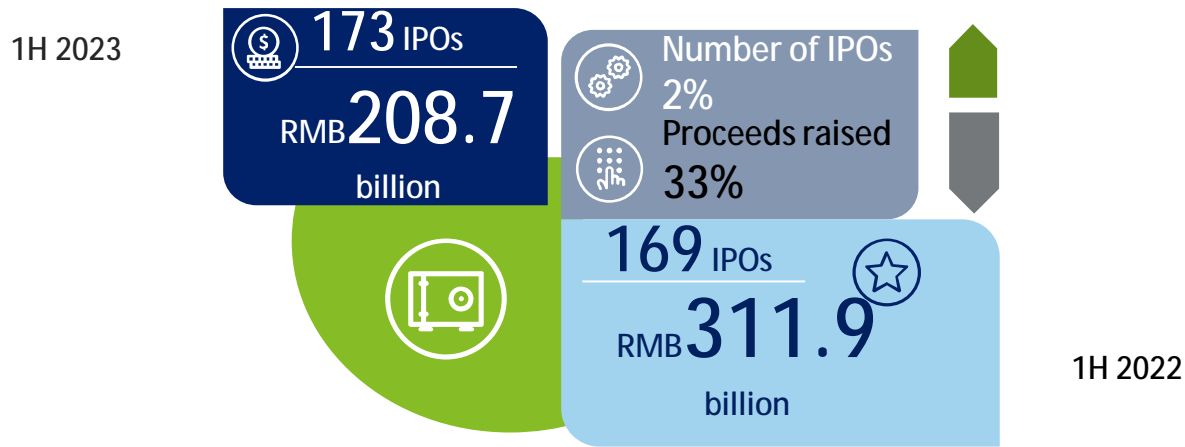
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# Review of Chinese Mainland IPO market in 1H 2023

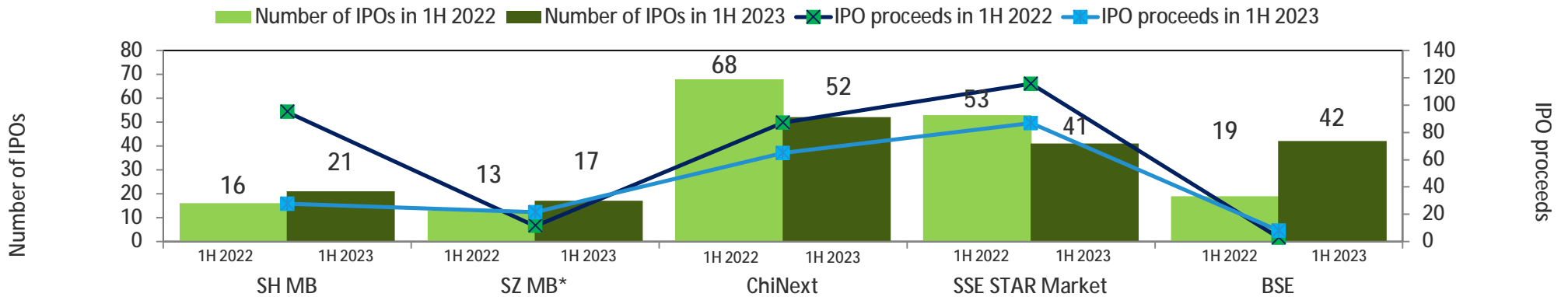


# Overview of Chinese Mainland IPO market – 1H 2023

IPO proceeds decreased from 1H 2022's level, while IPO volume edged up



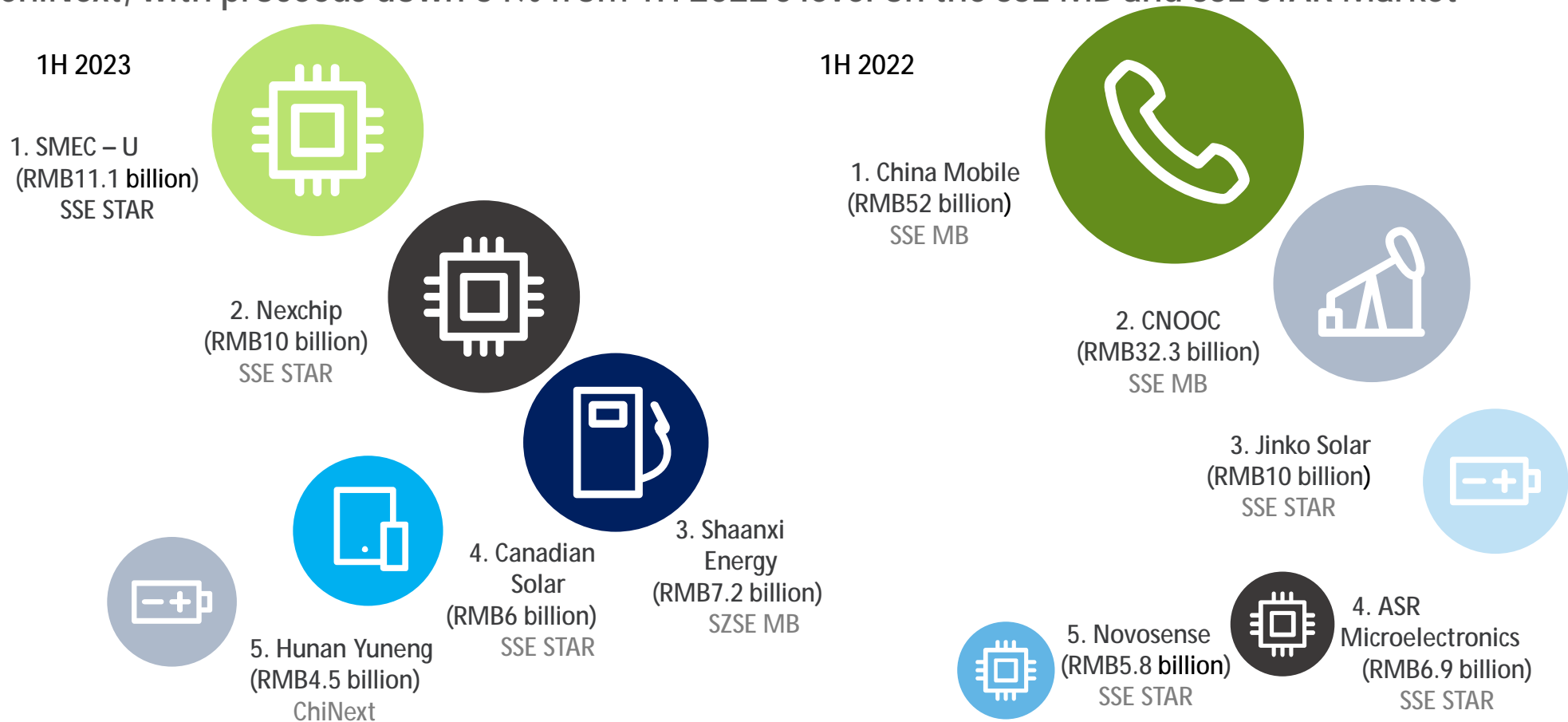
- ChiNext had the most IPOs
- SSE STAR Market led in proceeds
- SH MB, SZ MB, and BSE had more IPOs in 1H 2023 than in 1H 2022



Source: CSRC, Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE), Beijing Stock Exchange (BSE), Deloitte's analysis as of 30 June 2023

## Overview of Chinese Mainland IPO market – 1H 2023

The Top 5 IPOs raised a combined total of RMB38.8 billion on the SZSE MB, SSE STAR Market, and ChiNext, with proceeds down 64% from 1H 2022's level on the SSE MB and SSE STAR Market



Source: CSRC, SSE, SZSE, BSE, Deloitte's analysis as of 30 June 2023.  
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# Overview of Chinese Mainland IPO market – 1H 2023

## IPO applications declined. New issues rose slightly

For the year to 30 June, 213 companies (including 85 for ChiNext, 51 for BSE, 27 for the SSE STAR Market, 31 for SSE MB, and 19 for SZSE MB) attended meetings of the Public Offering Review Committee. Among those, 174 (ChiNext 76; BSE 32; SSE STAR Market 21; SSE MB 28; SZSE MB 17) were approved to list, 9 (ChiNext 4; SSE STAR Market 2; BSE 2; SZSE MB 1) were rejected, 19 (BSE 15, SSE STAR Market 2; SZSE MB 1; ChiNext 1) were disqualified, 11 (BSE 2; ChiNext 4; SSE STAR Market 2; SSE MB 3) were pending decision. None were deferred.

### Review of IPO applications

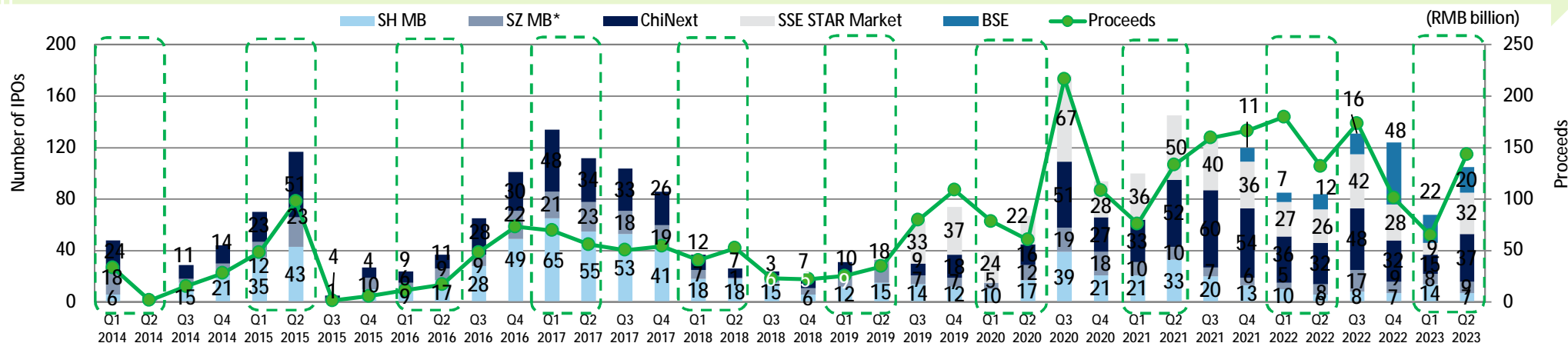
- 139 were approved
- 49 submitted their registrations
- 95 were registered but not yet listed

### Listing applications

As of 30 June 2023, 832 companies (including 306 for ChiNext, 168 for SSE MB, 122 for SZSE MB, 122 for the SSE STAR Market, and 114 for BSE) applied for listings, of which 40 (ChiNext 14; SSE MB 8; SSE STAR Market 8; SZSE MB 4; BSE 6) were suspended and pending review in the absence of financial updates.

As of 30 June 2023, 792 active applications (including 292 for ChiNext, 160 for SSE MB, 114 for the SSE STAR Market, 118 for SZSE MB, and 108 for BSE) were being processed, of which 139 (ChiNext 108; SZSE MB 8; SSE STAR Market 6; SSE MB 12; BSE 5) passed the Public Offering Review Committee, 49 (ChiNext 25; SSE STAR Market 13; BSE 6; SSE MB 5) had submitted their registrations and were awaiting listings, and 95 (ChiNext 53; SSE STAR Market 28; SSE MB 2; BSE 12) were registered but not yet listed.

## IPO proceeds decreased from 1H 2022's level, while IPO volume increased slightly



\*SZ MB includes the former SME board

Source: CSRC, SSE, SZSE, BSE, as of 30 June 2023.

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# Overview of Chinese Mainland IPO market – 1H 2023

## P/E ratios and average returns on day of listing



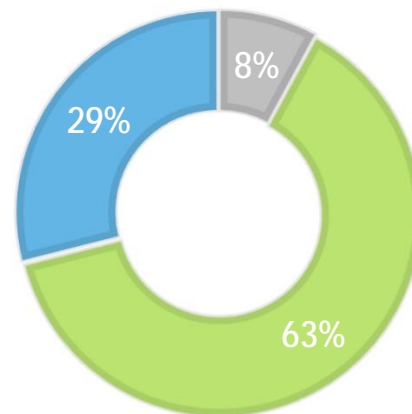
Main boards in Shanghai and Shenzhen

- The highest P/E ratio of an IPO in 1H 2023 was 90.63x and the lowest was 14.75x.
- 8% of IPOs (3) were priced at P/E ratios of 10x-20x, down 2ppts from 10% in 1H 2022.
- 63% of IPOs (24) were priced at P/E ratios of 20x-30x, down 27ppts from 90% in 1H 2022.
- 29% of IPOs (11) were priced at P/E ratios of over 30x. There were no such IPOs in 1H 2022.
- The average first-day return was 49%.
- The first batch of eligible companies listed under the registration-based regime since its launch. The highest first-day return on the MB exceeded 44%. IPO returns under the registration-based regime varied widely from a return of 222% (CECport) to a loss of 12% (Highton Development).

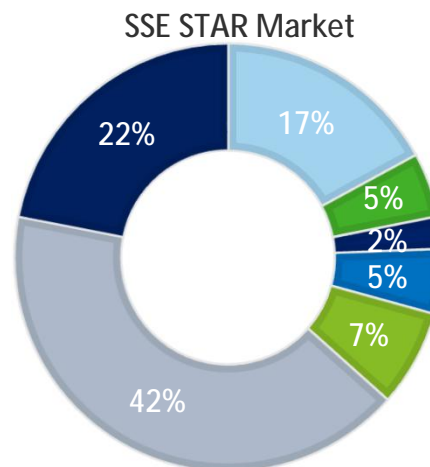
- Unprofitable
- 10x-20x
- 20x-30x
- >30x

- Unprofitable
- <10x
- 10x-20x
- 20x-30x
- 30x-40x
- 40x-50x
- 50x-100x
- >100x

Main boards in Shanghai and Shenzhen



SSE STAR Market



- 17% of IPOs (7) were unprofitable, down 11ppts from 28% in 1H 2022.
- 64% of IPOs (26) were priced at P/E ratios of more than 50x, up 12ppts from 51% in 1H 2022.
- The average first-day return was 40%.
- IPO returns varied widely. The best performer returned 190% (Skyverse Technology) and the worst lost -19% (Shuangyuan Technology).

Source: CSRC, SSE, SZSE, Deloitte's analysis as of 30 June 2023.

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# Overview of Chinese Mainland IPO market – 1H 2023

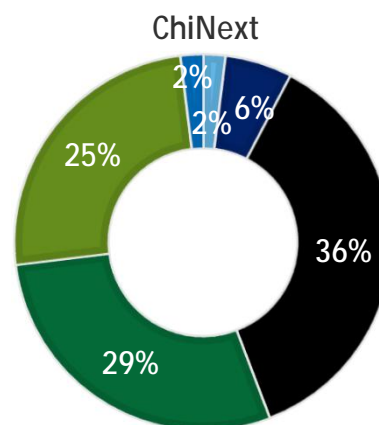
## P/E ratios and average returns on day of listing



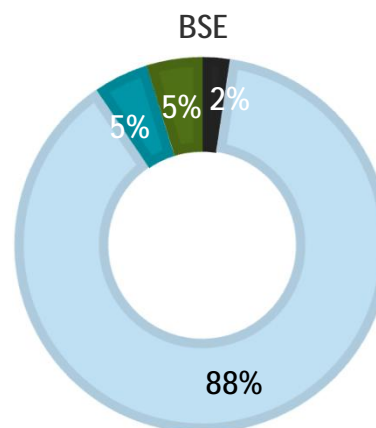
ChiNext

- 8% of IPOs (4) were priced at P/E ratios of 10x-30x, down 14ppts from 1H 2022 (22%).
- 92% of IPOs (48) were priced at P/E ratios of more than 30x, up 14ppts from 1H 2022 (78%).
- The average first-day return was 17%.
- IPO returns varied significantly, with the best performer returning 125% (Hunan Yuneng) and the worst losing 20% (Taotao Vehicles).

- Unprofitable
- <10x
- 10x-20x
- 20x-30x
- 30x-40x
- 40x-50x
- 50x-100x
- >100x



- Unprofitable
- 10x-20x
- 20x-30x
- >30x

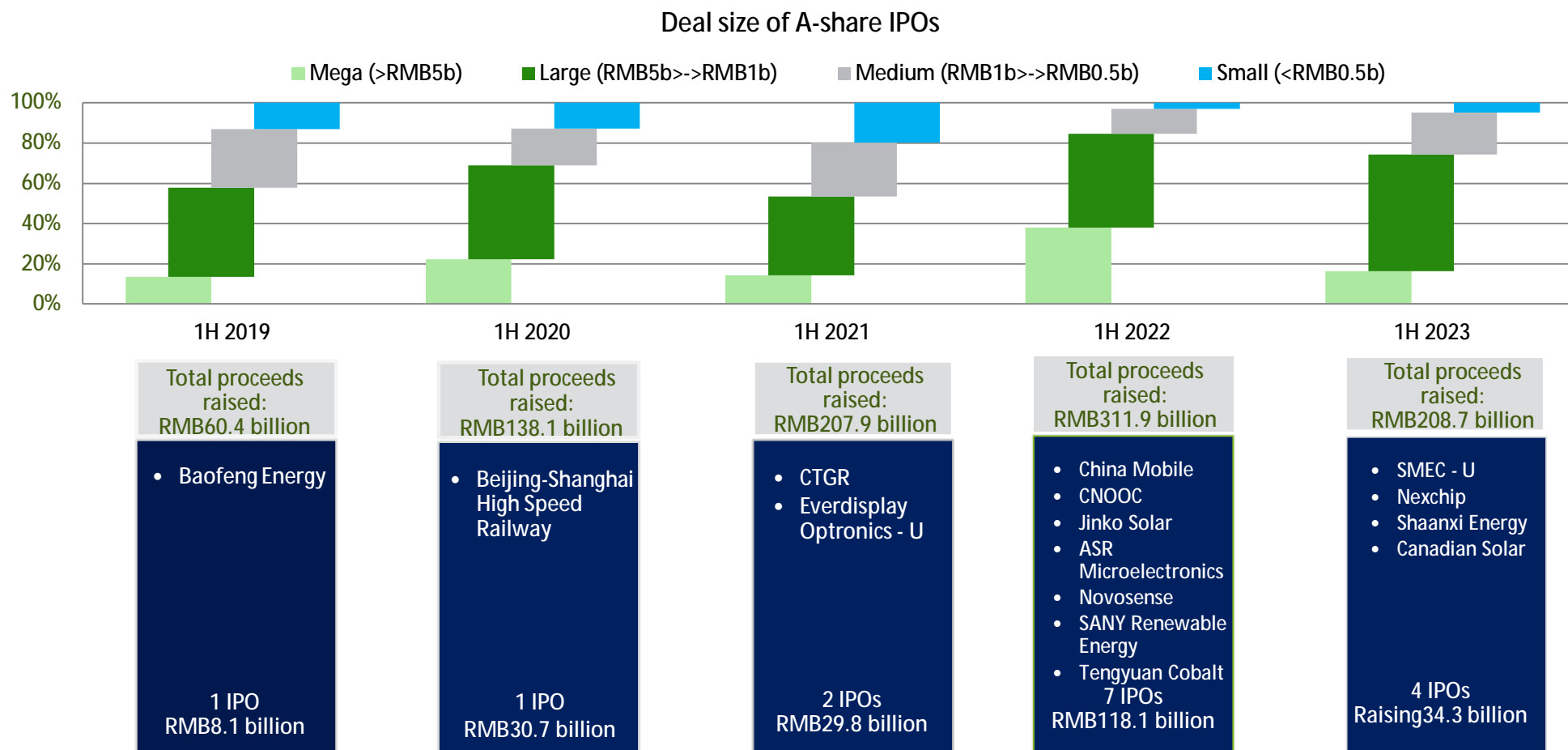


BSE

- 2% of IPOs (1) were unprofitable.
- 88% of IPOs (37) were priced at P/E ratios of 10x-20x, up 46ppts from 1H 2022 (42%).
- 5% of IPOs (2) were priced at P/E ratios of 20x-30x, down 42ppts from 1H 2022 (47%).
- 5% of IPOs (2) were priced at P/E ratios of over 30x, down 6ppts from 1H 2022 (11%).
- The average first-day return was 16%.
- IPO returns varied, with the best performer gaining 227% (Juneng Robotics) and the worst shedding 22% (Oriental Carbon).

# Chinese Mainland IPO deal size analysis – 1H 2023

The number and deal size of mega IPOs were down from 1H 2022's level

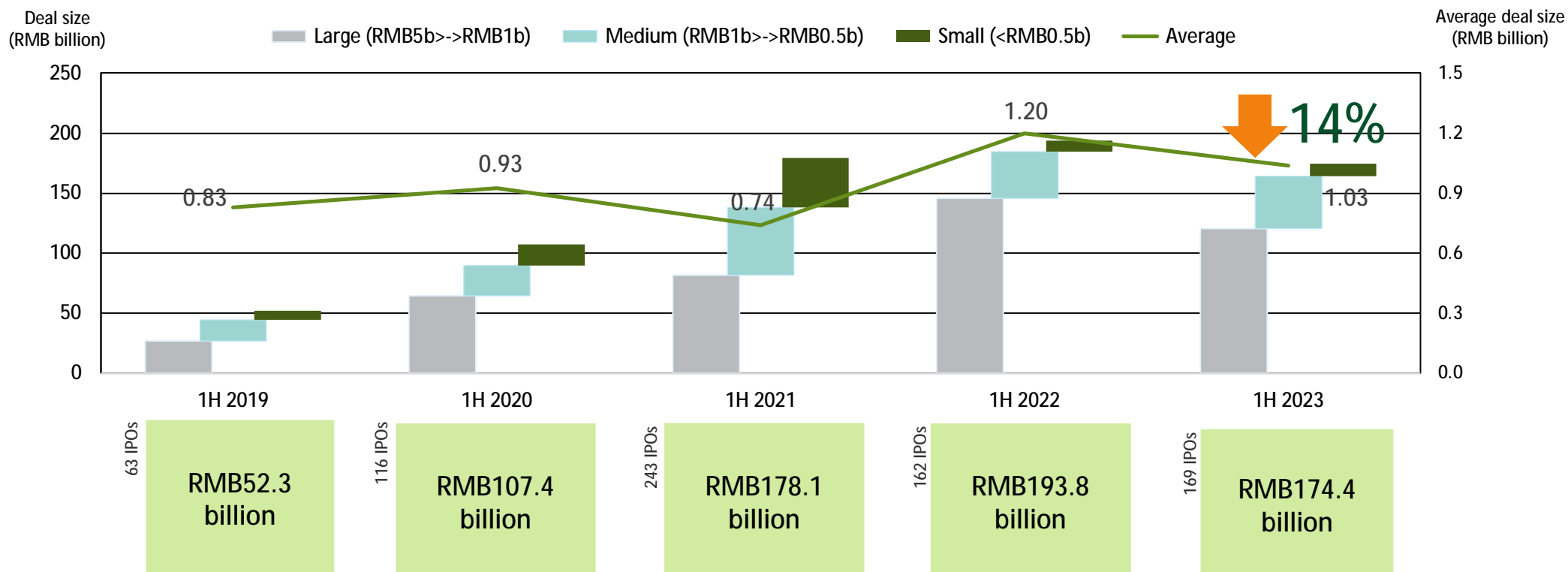


Source: CSRC, SSE, SZSE, BSE, Deloitte's analysis as of 30 June 2023.  
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## Chinese Mainland IPO deal size analysis – 1H 2023

Average deal size on the SH MB, ChiNext, and BSE increased to RMB1.32 billion, RMB1.25 billion, and RMB0.19 billion, from RMB0.76 billion, RMB 1.22 billion, and RMB0.15 billion in 1H 2022; average deal size on the SSE STAR Market fell to RMB1.57 billion from RMB1.78 billion in 1H 2022; average deal size on the SZ MB was RMB0.89 billion, matching 1H 2022's level

### Deal size of A-share IPOs (excluding mega deals that raised at least RMB5b)



Source: CSRC, SSE, SZSE, BSE, Deloitte's analysis as of 30 June 2023.  
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## Chinese Mainland IPO subscription analysis – 1H 2023

### Enthusiasm for subscriptions remained robust

**100** (1H 2022: 100%)  
% of IPOs were over subscribed.

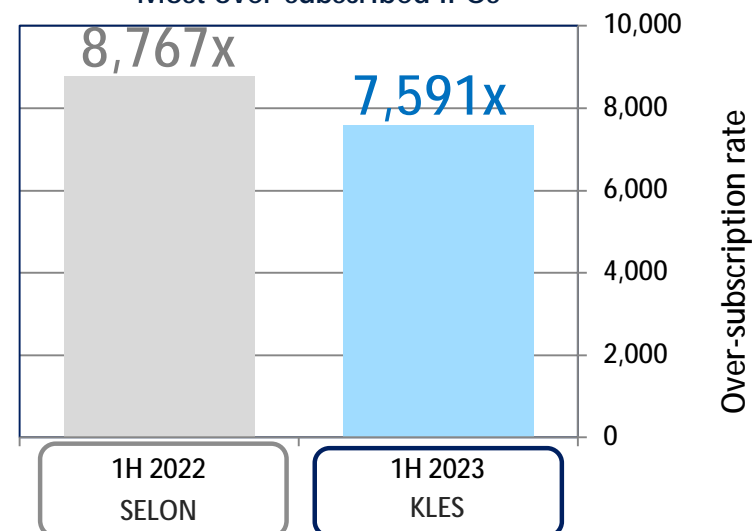
Among over-subscribed IPOs,

**100** (1H 2022: 100%)  
% were over-subscribed by  
over **100** x.

### Top 5 over-subscribed IPOs in Q1 2023

Issuer	Over-subscription rate
KLES	7,591X
Hota M&E	7,223X
TDH	6,972X
JHT	6,179X
Topfly New Materials	6,081X

### Most over-subscribed IPOs



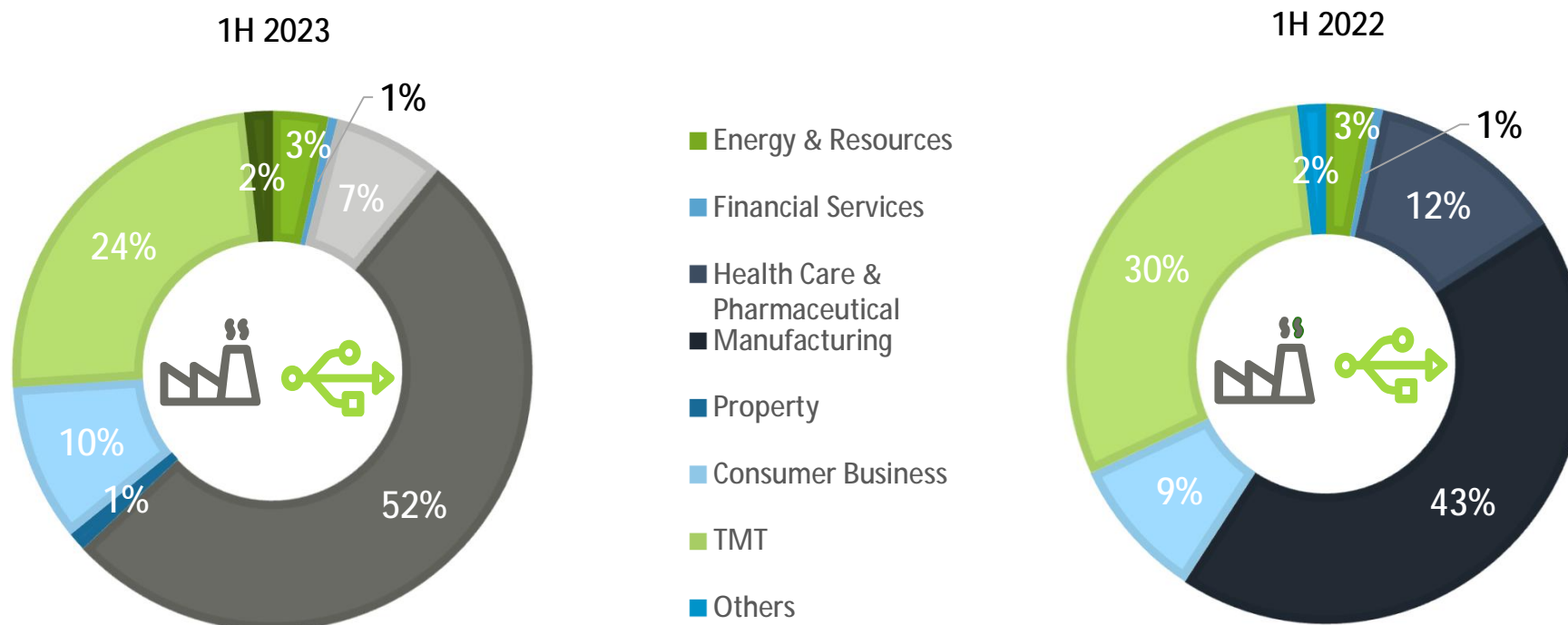
Source: CSRC, SSE, SZSE, BSE, Deloitte's analysis as of 30 June 2023.

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## Industry distribution of Chinese Mainland IPOs – 1H 2023 (by number)

The share of manufacturing IPOs increased; TMT and health care & pharmaceutical representation declined

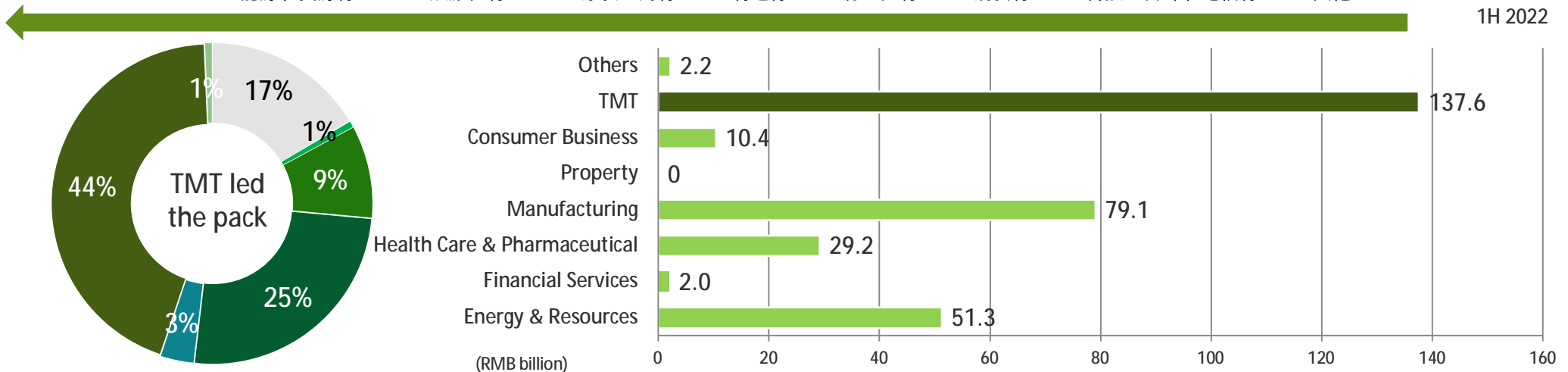
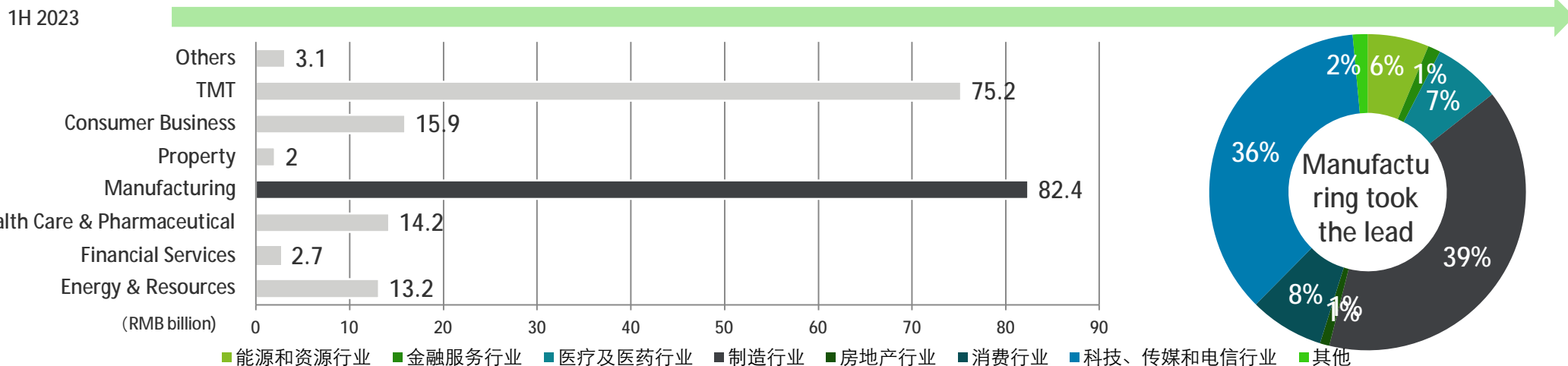


Source: CSRC, SSE, SZSE, BSE, Deloitte's analysis as of 30 June 2023.

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# Industry distribution of Chinese Mainland IPOs – 1H 2023 (by proceeds)

Manufacturing took the lead in proceeds, followed by TMT



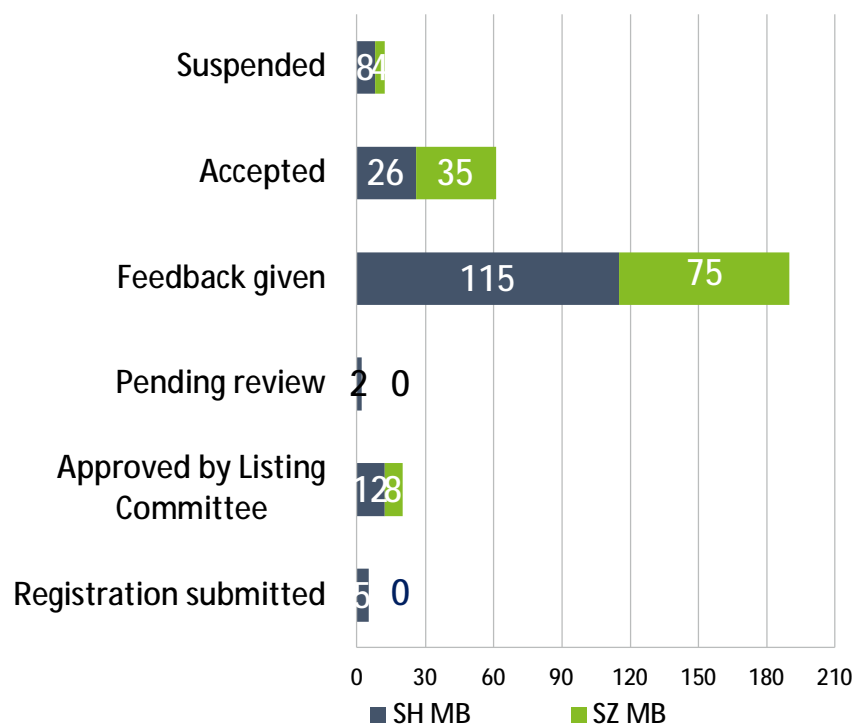
Source: CSRC, SSE, SZSE, BSE, Deloitte's analysis as of 30 June 2023.

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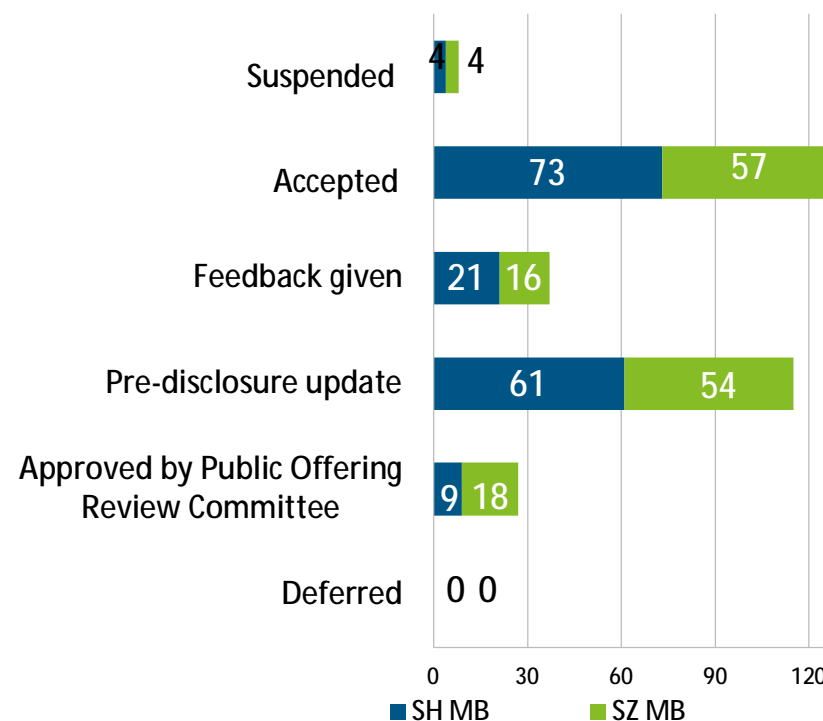
## Analysis of review status of Mainland IPO applications on SH & SZ MBs – 1H 2023

As of 30 June 2023, 278 applicants for the SH and SZ MB IPOs were under normal review status, and reviews of another 12 applications were suspended

Review status of IPO applications in 1H 2023



Review status of IPO applications in 1H 2022

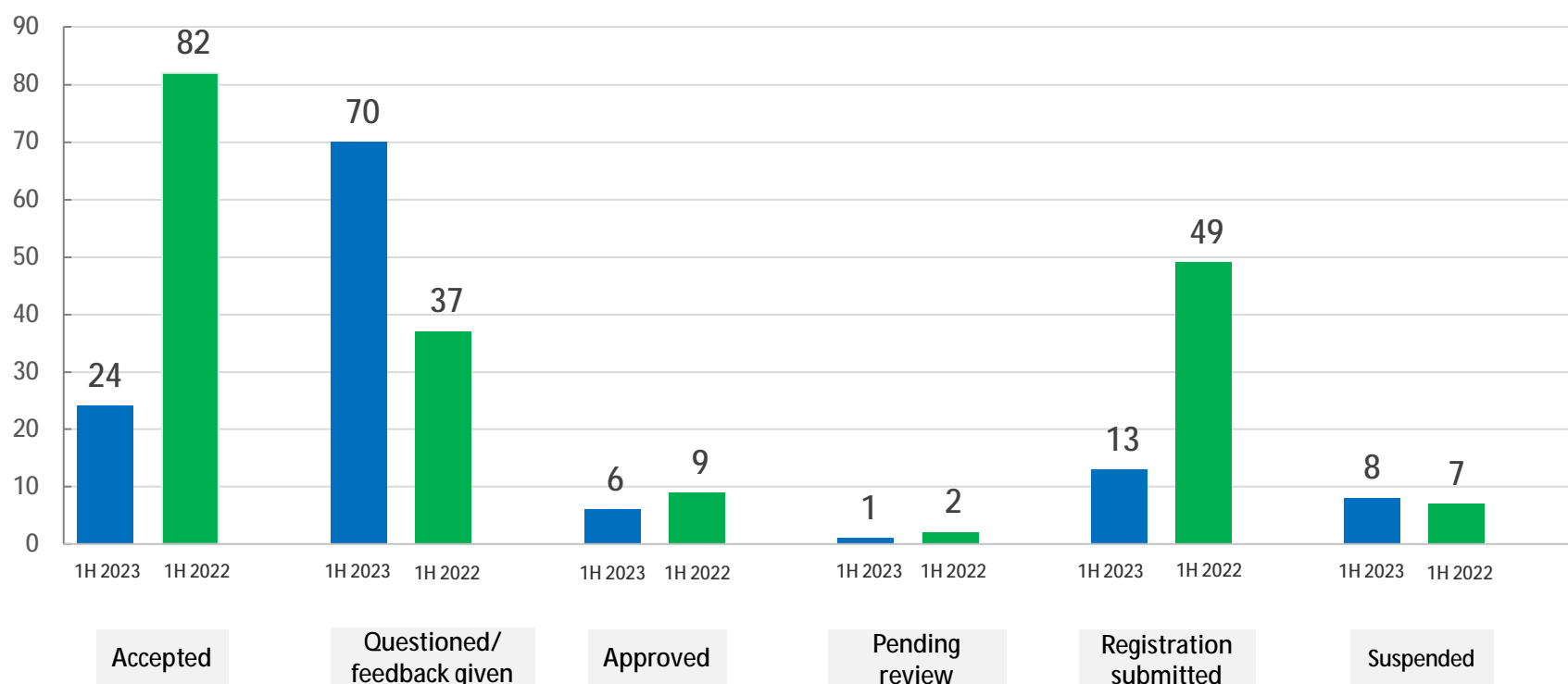


Source: CSRC, SSE, SZSE, Wind data, Deloitte's analysis.  
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## Analysis of review status of Mainland IPO applications on the SSE STAR Market – 1H 2023

As of 30 June 2023, 114 applicants for the SSE STAR Market were under normal review status and reviews of another 8 applications were suspended

Number of SSE STAR listing applications

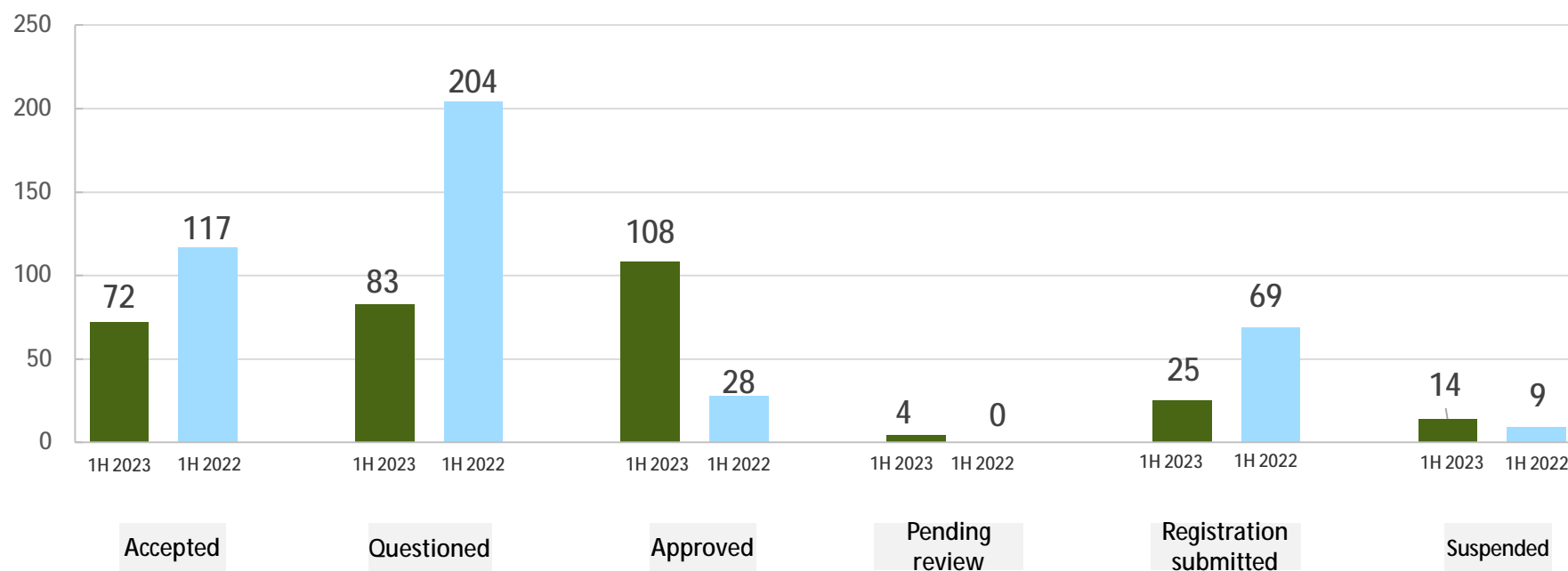


Source: CSRC, SSE, Wind data, Deloitte's analysis.  
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## Analysis of review status of Mainland IPO applications on ChiNext – 1H 2023

As of 30 June 2023, 292 companies applied for listings on ChiNext and reviews of 14 applications were suspended

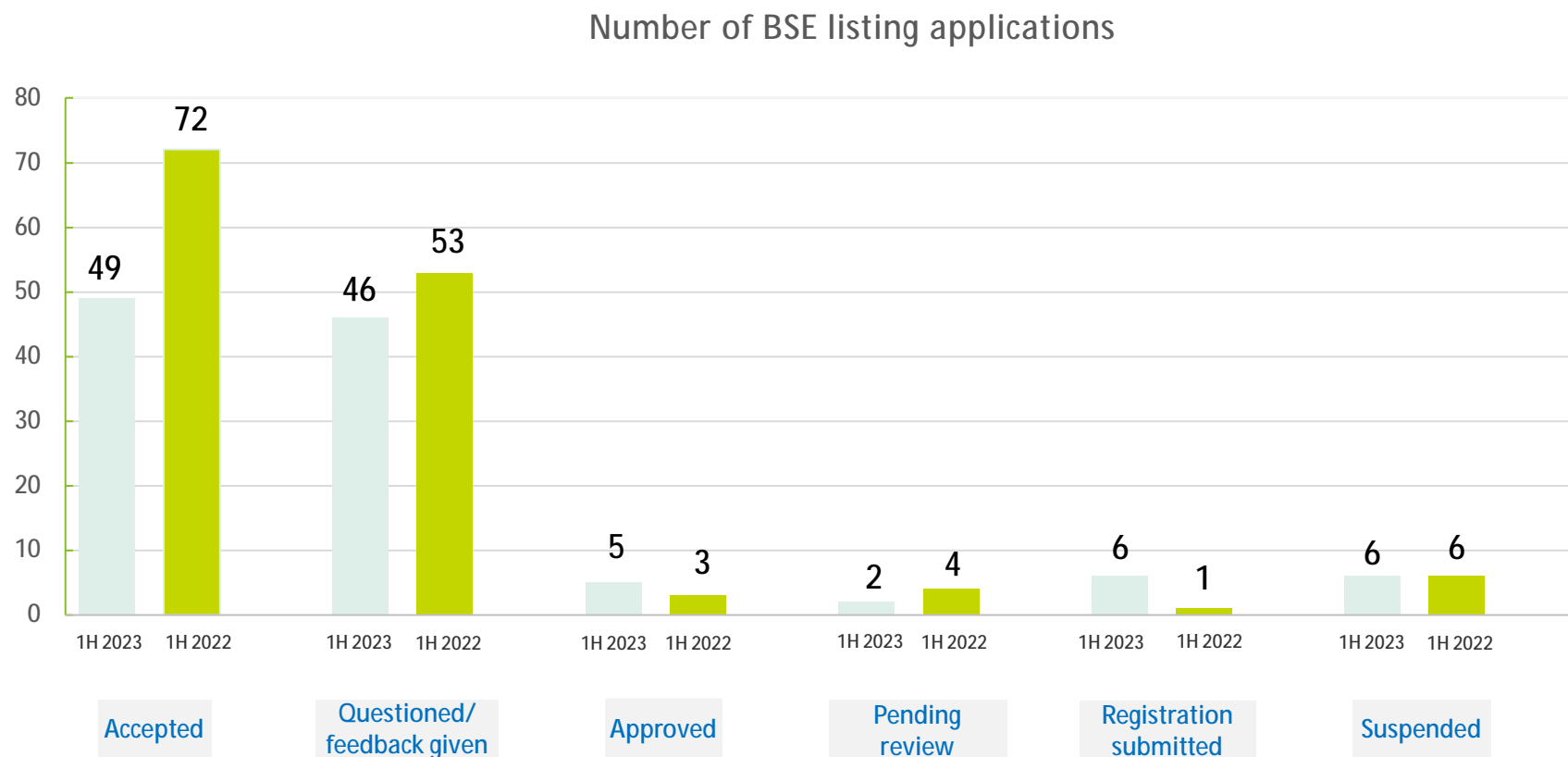
Number of ChiNext listing applications



Source: CSRC, SZSE, Wind data, Deloitte's analysis.

## Analysis of review status of Mainland IPO applications on BSE – 1H 2023

As of 30 June 2023, 108 companies applied for listings on BSE and reviews of 6 applications were suspended



Source: CSRC, BSE, Wind data, Deloitte's analysis.

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# Review of Chinese Mainland capital market – 1H 2023

## Rules on full implementation of the registration-based IPO regime released

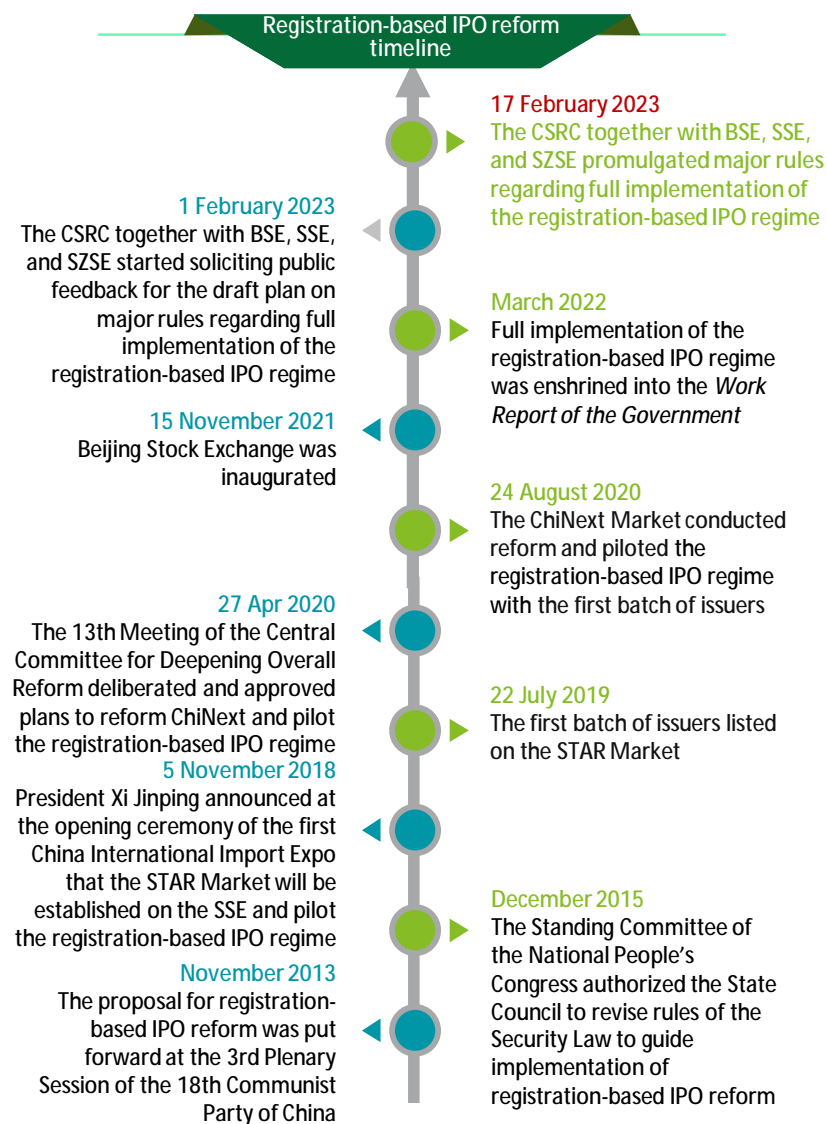
On 17 February 2023, the CSRC issued rules for full implementation of the registration-based IPO regime, effective from the date of promulgation. Stock exchanges, NEEQ, CSDC, CSF, and SAC released supporting rules at the same time.

The approval-based system overseen by CSRC's Public Offering Review Committee was scrapped after 3 decades.

The rules are set out in 165 volumes, 57 from the CSRC and 108 from stock exchanges, NEEQ, CSDC, or other organizations, covering aspects ranging from requirements for issuance to registration procedures, sponsorship and underwriting, material asset restructuring, regulatory enforcement, and investor protection.

Highlights of the current reform plan include: specification of the positioning of trading boards and determination of a reasonable gap between boards; separation of review from supervision, delegation of power, and improved regulation, and further clarification of the functions of CSRC and stock exchanges; introduction of market-driven pricing and trading mechanisms for more efficient resource allocation and a flexible capital approach; a stipulation that "the parties concerned shall be held accountable as soon as an application is filed" to ensure intermediaries and institutions at various levels perform their due responsibilities.

In accordance with SZSE's *Notice on Issues Concerning the Listing of Pre-revenue Companies on the ChiNext Market*, the IPO "pathway" for pre-revenue companies on ChiNext will be further smoothed following full implementation of the registration-based IPO regime.



# Review of Chinese Mainland capital market – 1H 2023

## Relevant rules for full implementation of the registration-based IPO regime released (cont'd)

### Highlights of the current reform



Improve the system of  
multilevel capital markets

- The **main boards** of SSE and SZSE will highlight "**large-cap blue chip stocks**", mainly serving established companies
- The **SSE STAR Market** will feature "**hard-tech**", to include more "hard-tech" companies
- With a focus on **innovative growth companies and start-ups**, **ChiNext** allows the listing of pre-revenue companies
- **BSE and NEEQ** will explore the development of rules that better suit **innovative small-to-medium-sized companies** to offer them more targeted services



Diversified and inclusive  
requirements for issuance

- Compared with the approval-based system, the registration-based IPO regime allowed **main boards' issuance criteria to become more diversified and inclusive**, with three sets of rules to assess financial performance and capitalization. Prior to the current reform, other boards had put in place multiple sets of issuance requirements
- Main boards' core issuance requirement has shifted from "continuous profitability" to "**business continuity**"
- Main boards' issuance criteria **removed requirements** such as **restrictions on companies with uncovered deficit** and **a cap on the amount of intangible assets**, allowing the listing of companies **with differentiated voting rights arrangements**



Optimize the registration-  
based IPO regime

- **Clarify functions of stock exchanges and the CSRC** and maintain a basic framework under which **stock exchanges review** and **the CSRC oversees registration**. Stock exchanges are liable for comprehensive review. The CSRC checks if an issuer meets the requirements of national industry policies and aligns with the positioning of the trading board
- **Combine SSE and SZSE rules under the pilot registration-based IPO regime** to formulate unified administrative measures for the registration of initial public offerings and issuance of securities by listed companies
- **CSRC to transform its functions** to strengthen coordination and oversight of stock exchanges performance of reviews



Improve rules and enhance  
regulatory enforcement

- In terms of regulatory enforcement, during full implementation of the registration-based IPO regime, **a zero-tolerance approach** has been taken to strengthen regulation of the IPO process and ensure **issuers, intermediaries, and stock exchanges perform their due responsibilities**, with the aim of tighter review and strict control of the quality of companies going public
- Improve supervision links between listing regulation and ongoing supervision of listed companies, **regulate the governance of listed companies and strengthen work on delisting**, to ensure businesses that perform well succeed in market competition and poorly-run businesses are eliminated



# Review of Chinese Mainland capital market – 1H 2023

## SSE and SZSE Issue Notice on Enhancing Information Disclosure of 2022 Annual Reports of Companies at Risk of Delisting

On the evening of 13 January 2023, under the guidance of the China Securities Regulatory Commission (CSRC), the Shanghai Stock Exchange (SSE) and the Shenzhen Stock Exchange (SZSE) respectively released the Notice on Enhancing Information Disclosure of 2022 Annual Reports of Companies at Risk of Delisting (SZF [2023] No. 5/SZS [2023] No. 20; the "Notice") and revised the format guidelines of related announcements. They required listed companies that have been subject to financial delisting risk alerts ("companies at risk of delisting") to increase the risk alert frequency and make the information disclosed more targeted before their annual report disclosures, including releasing focused alerts on different situations and disclosing annual report preparation and audit progress as required. The Notice aims to urge listed companies and their accounting firms to perform their duties, prudently assess and fully reveal delisting risks, and identify market expectations as early as possible. It also aims to demonstrate stock exchanges' determination to further strictly implement the delisting system to protect investors' interests.

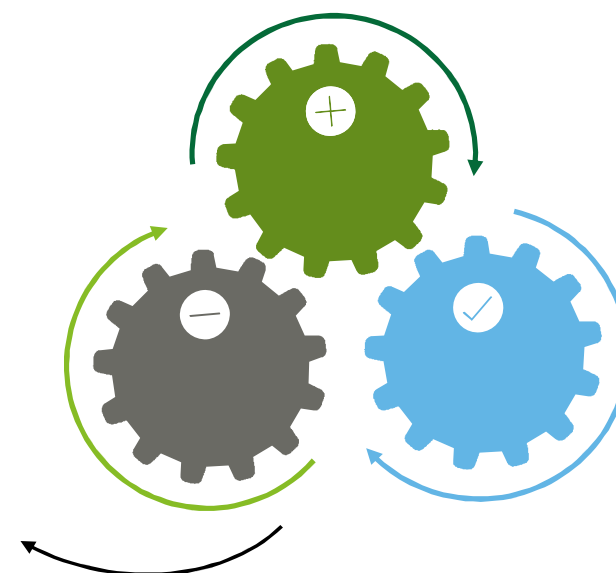
**I. The disclosure frequency of delisting risks shall be increased moderately.** Companies at risk of delisting are required to make a risk alert announcement every 10 trading days after the disclosure of the first risk alert announcement until disclosure of their annual reports to warn investors of delisting risks.

**II. Attention shall be paid to seven types of risks to enhance the relevance of risk disclosure.** The stock exchanges simultaneously revised the format of announcements on delisting risks on their main boards, the STAR Market, and ChiNext, and required companies at risk of delisting to analyze their possible delisting and explain the reasons for this in detail according to the actual situation to enhance risk alerts' readability and effectiveness.

**III. The disclosure of risks and annual report preparation progress shall be strengthened.**

**IV. Companies at risk of delisting shall focus on four major types of matters.**

**V. "Key minority" and intermediary institutions shall be urged to fulfill their responsibilities and the quality control of audit practices shall be strengthened.**



# Review of Chinese Mainland capital market – 1H 2023

## CSRC Releases New Regulations for Filing-based Administration of Overseas Offering and Listing

Approved by the State Council, the CSRC released new regulations for the filing-based administration of overseas securities offering and listing by domestic companies on **31 March 2023**. The regulations came into effect on 31 March 2023. The new regulations consists of 6 documents, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "Trial Measures") and 5 supporting guidelines.

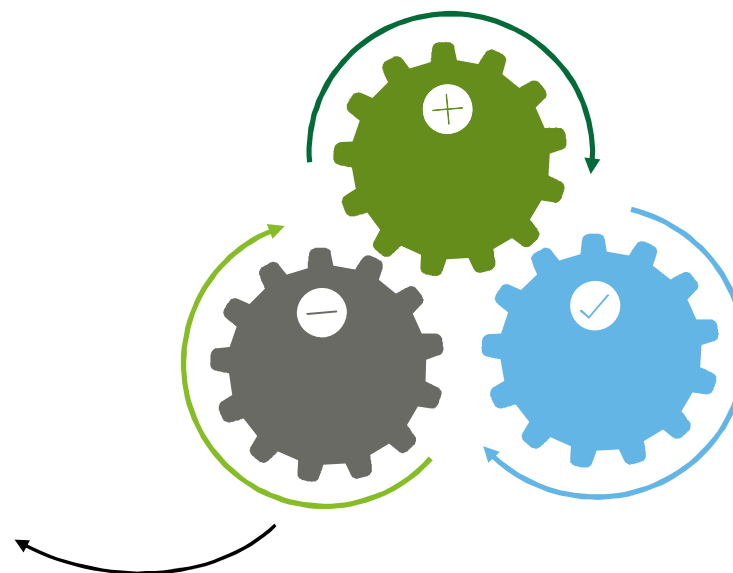
**First, refining the regulatory system** by subjecting direct and indirect overseas offering and listing activities to filing-based administration, and clearly defining the circumstances where provisions for direct and indirect overseas offering and listing apply.

**Second, providing clarity on the filing process** by specifying requirements on filing entities, time points, and procedures.

**Third, strengthening regulatory synergy** by establishing a regulatory coordination mechanism, improving cross-border regulatory cooperation arrangements, and creating a filing information sharing mechanism.

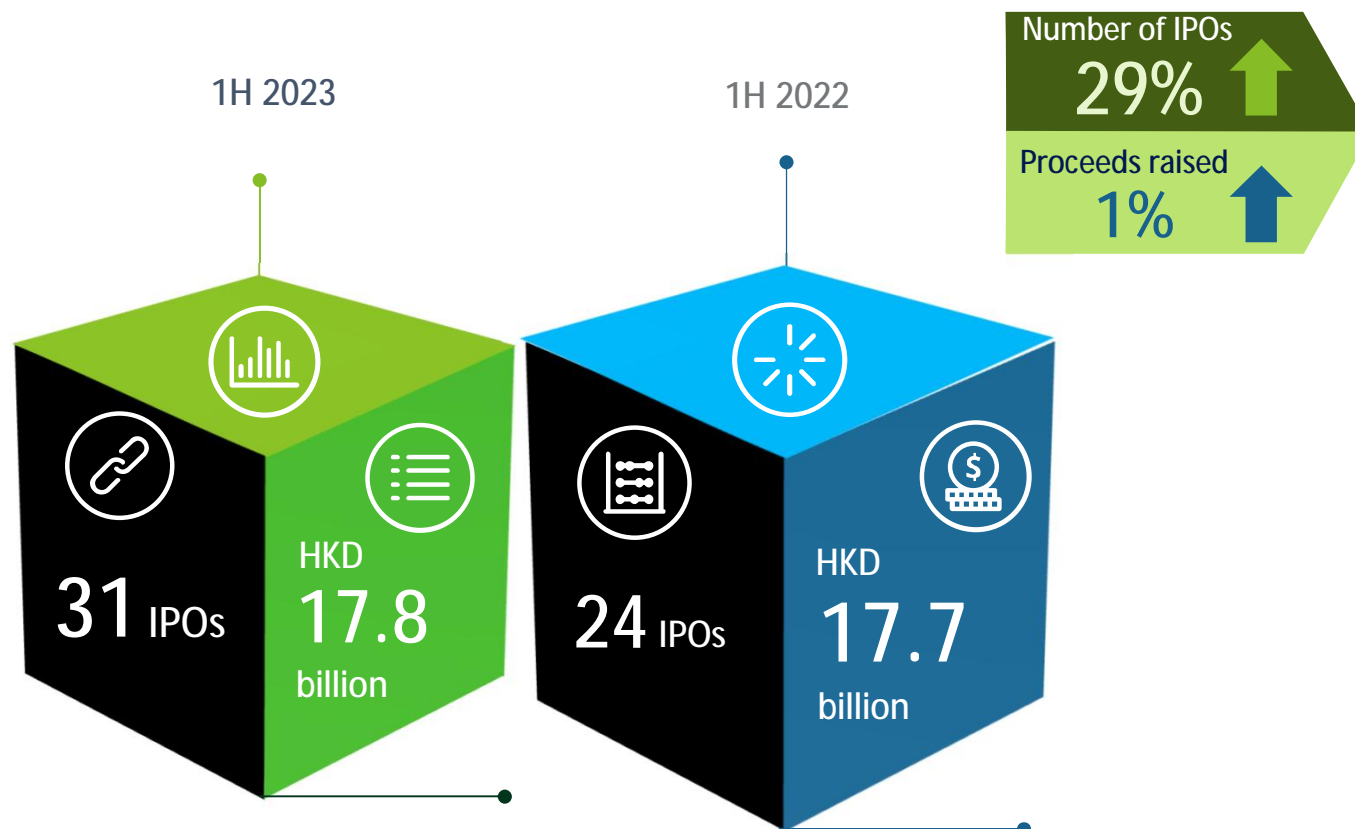
**Fourth, defining legal liabilities** for failing to fulfill filing procedures, fabricating filing documents or other violations, and heightening the cost for offenders.

**Fifth, strengthening institutional inclusiveness.** Giving consideration to the practice of and market demands for enhancing capital market opening-up, the Trial Measures relax investor eligibility restrictions when domestic companies directly list or offer securities in overseas markets under certain circumstances to facilitate "full circulation" arrangements. The Trial Measures ease currency restrictions for overseas fund raising and dividend payment, with a view to meeting demand to raise RMB funds overseas. The supporting guidelines cover the application of regulations, content and format of filing documents, content required for reporting, communications around filing, and filing by overseas securities companies, providing further clarity and granularity on filing procedures.



# Review of HK IPO market in 1H 2023

Hong Kong's IPO market slowed in 1H 2023 due to ongoing external factors: the number of IPOs increased slightly while the total proceeds raised were close to those in 1H 2022



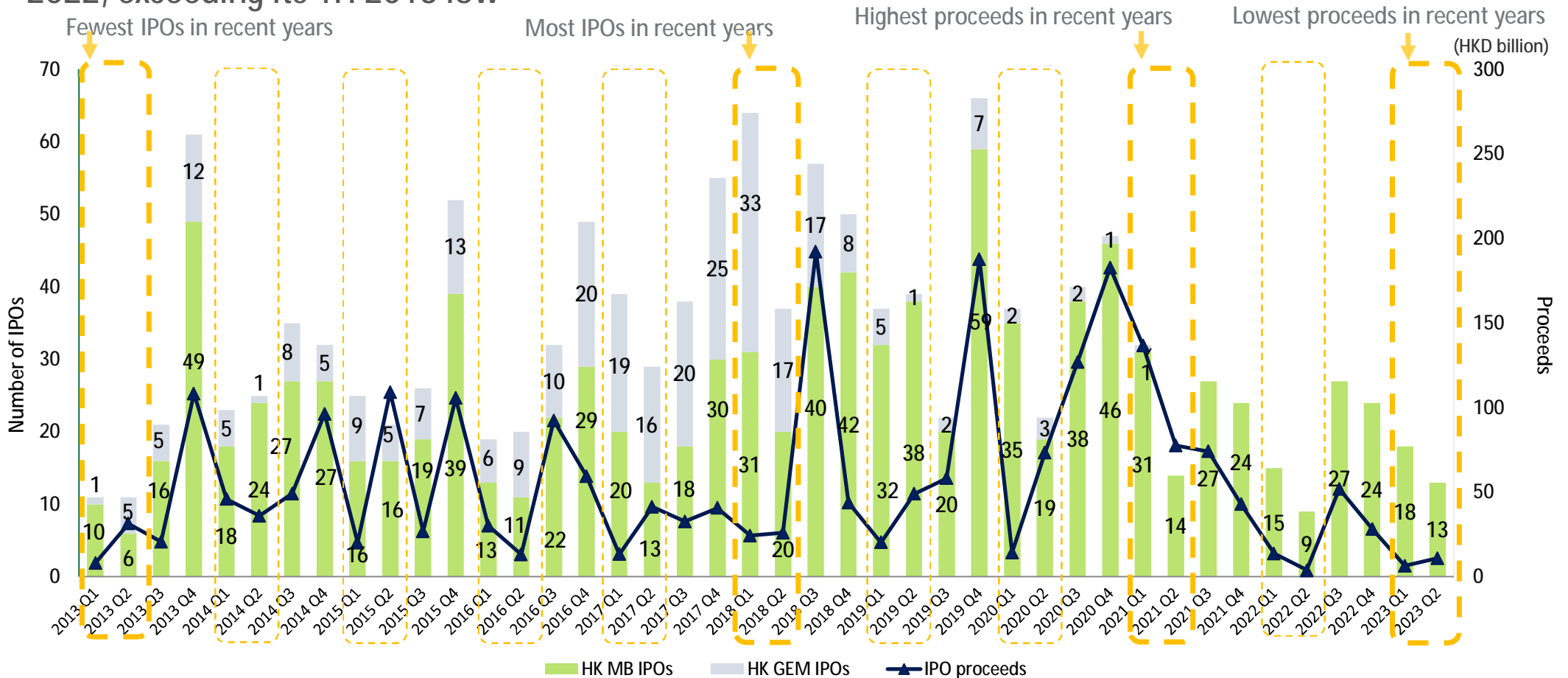
- Market remained sluggish with only one large IPO
- Only one China concept stock returned by way of introduction and dual primary listing
- There were no secondary or WVR structured listing of China concept stocks
- Again, no IPOs debuted on GEM

Source: HKEX, Deloitte's analysis as of 30 June 2023.

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# Overview of HK IPO market – 1H 2023

1H 2023 saw the lowest IPO proceeds since 1H 2013; the number of IPOs was slightly higher than in 1H 2022, exceeding its 1H 2013 low

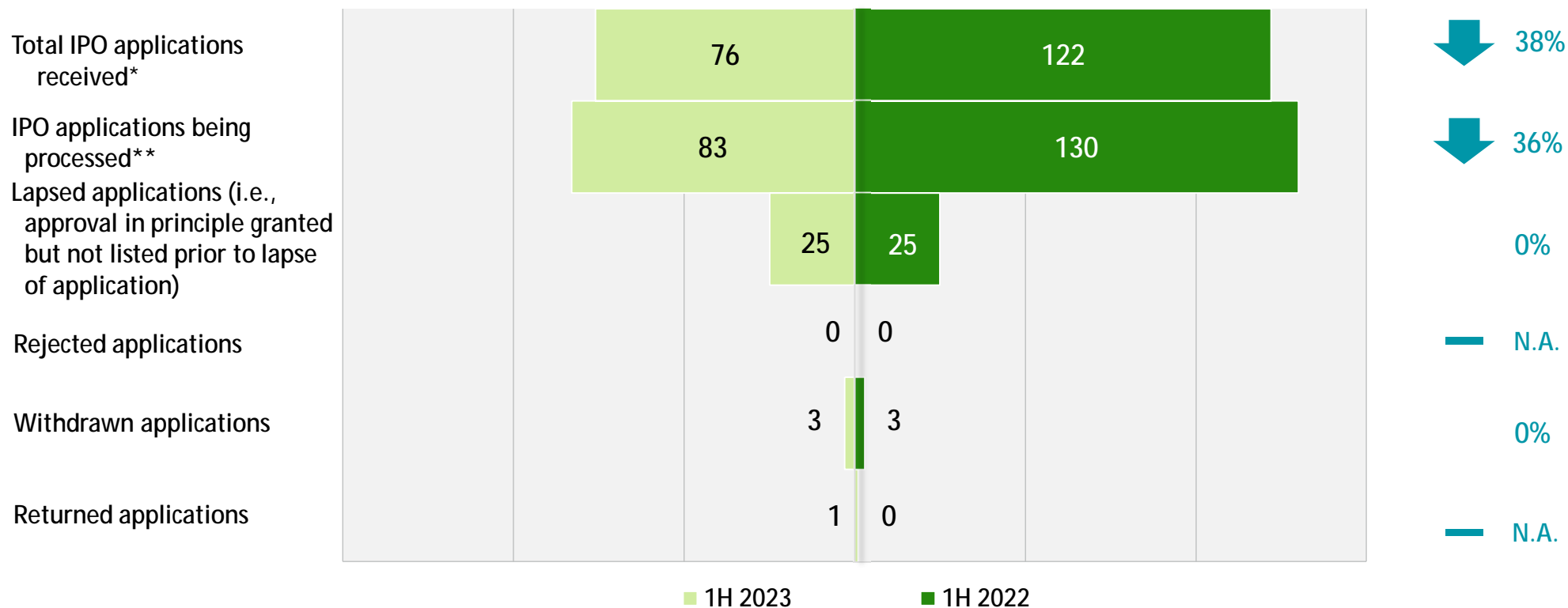


Source: HKEX, Deloitte's analysis as of 30 June 2023.

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## Overview of HK IPO applications – 1H 2023

The number of applications received and being processed fell by almost or up to 38% and the number of lapsed applications remained the same



Source: HKEX, Deloitte's analysis as of 30 June 2023.

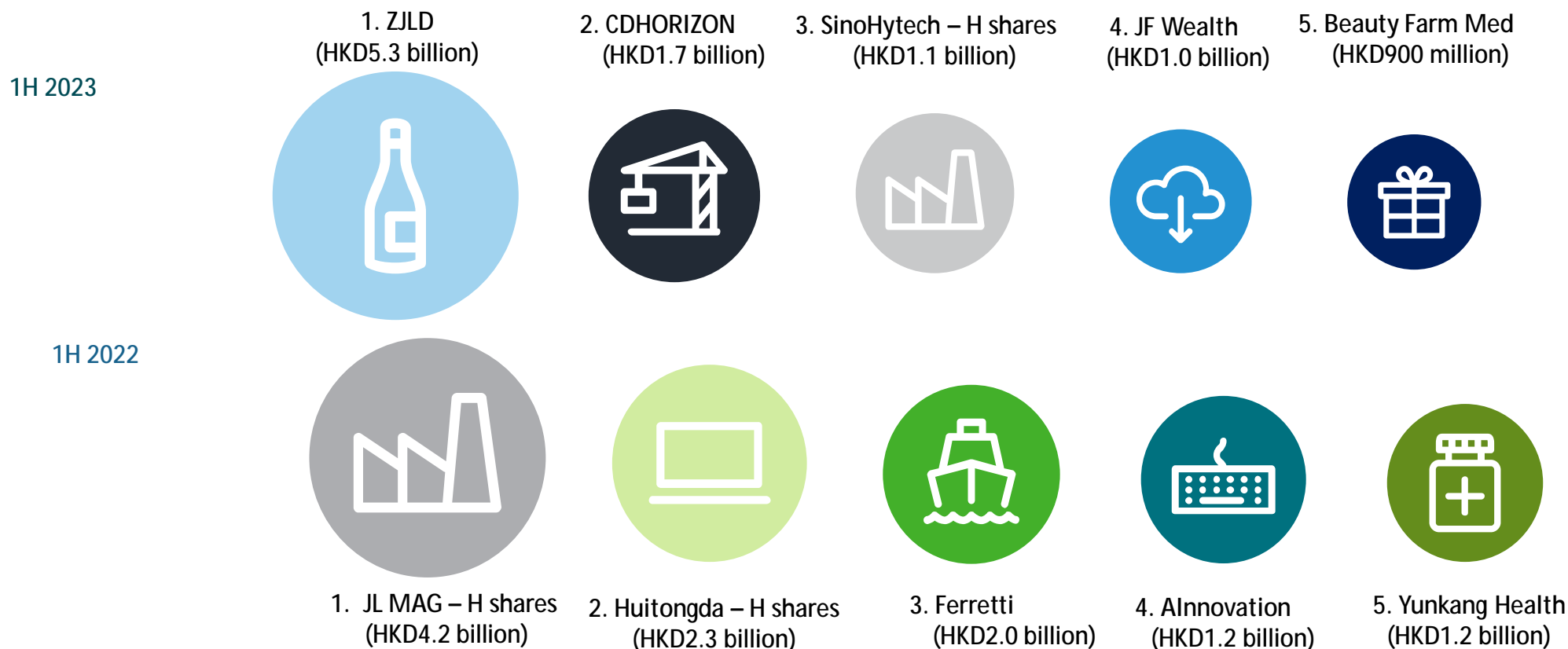
\*Includes investment vehicles applying to list under Chapters 20 and 21 of the MB Listing Rules, applications for transfer from GEM to MB, applications from deemed new applicants under Rule 8.21C or Rule 14.84 of the MB Listing Rules, and very substantial acquisitions regarded as reverse takeovers under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

\*\*Figures for 1H 2022 and 1H 2023 include IPO applications accepted between 1 January and 30 June in 2022 and 2023.

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## Overview of HK IPO market – 1H 2023

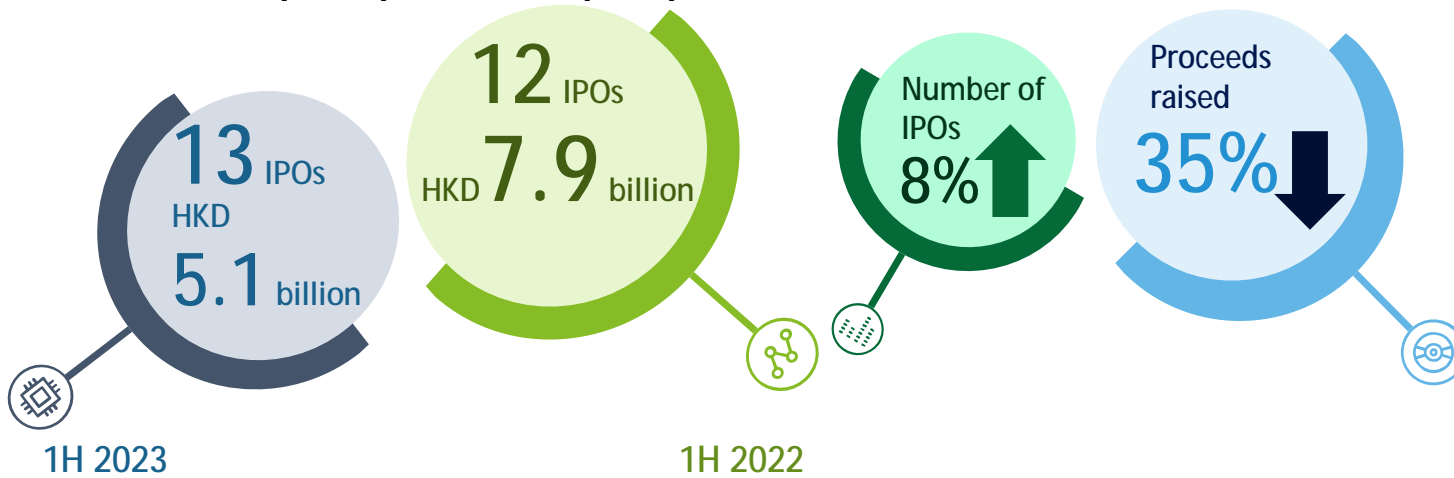
The top 5 IPOs in 1H 2023 were dominated by one large IPO representing more than half of the HKD10 billion in total proceeds, which was down about 8% from 1H 2022's 10.9 billion



Source: HKEX, Deloitte's analysis as of 30 June 2023.

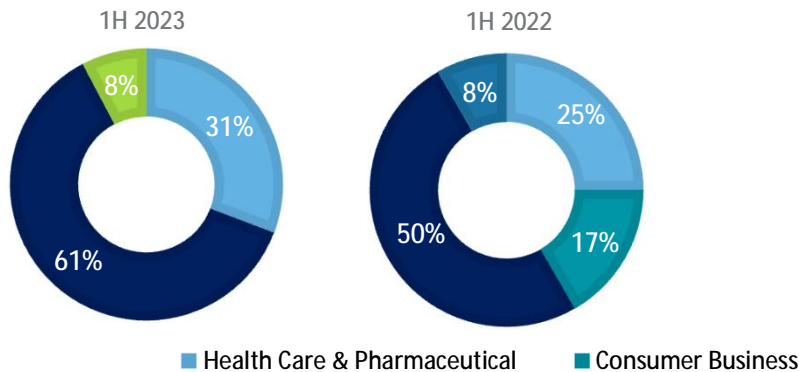
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The number of new economy IPOs rose slightly in 1H 2023 but the absence of large and mega IPOs resulted in a precipitous drop in proceeds

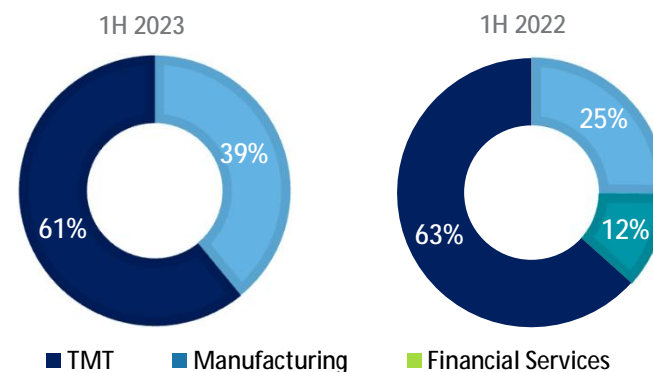


- TMT took the lead in new economy IPOs by number and proceeds
- As in 1H 2023, three pre-revenue biotech companies were listed against two in 1H 2022
- There was one new economy IPO by way of introduction

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 2023.

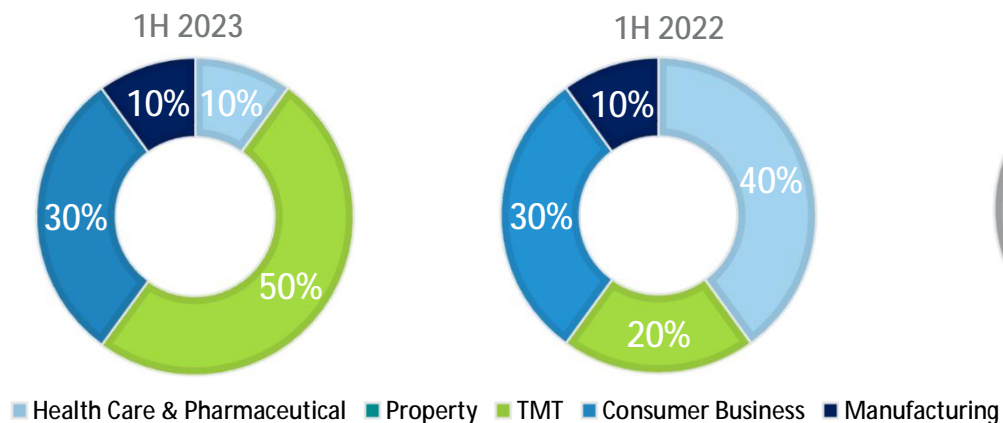
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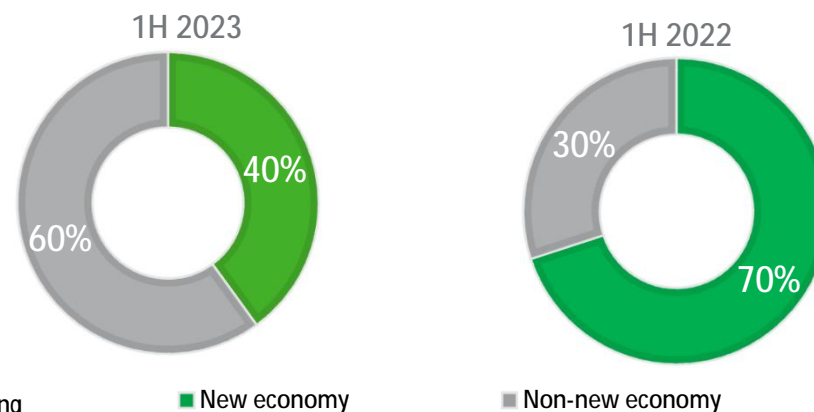
## HK's top 10 capital-frozen IPOs – 1H 2023

The top 10 capital-frozen IPOs, most of which were TMT and small companies, totaled HKD8.2 billion, up 34% from HKD6.1 billion in 1H 2022

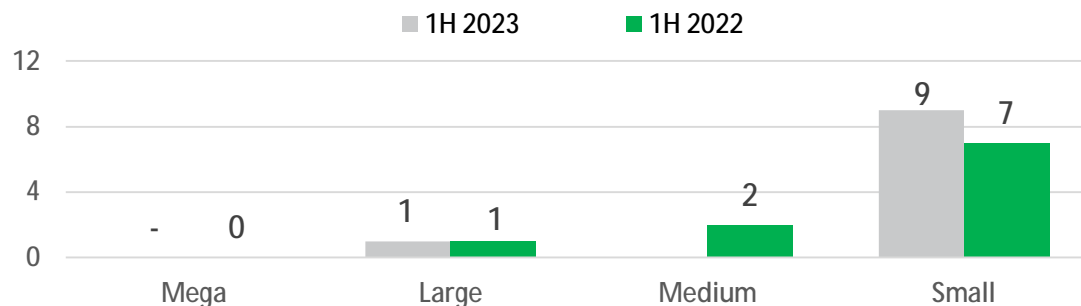
Top 10 capital-frozen IPOs by industry



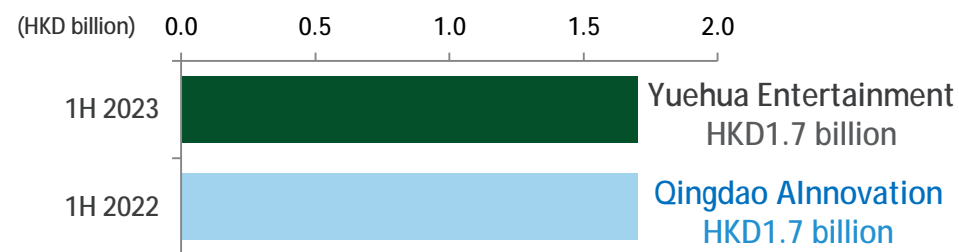
Top 10 capital-frozen new economy IPOs



Top 10 capital-frozen IPOs by deal size



Top capital-frozen IPOs

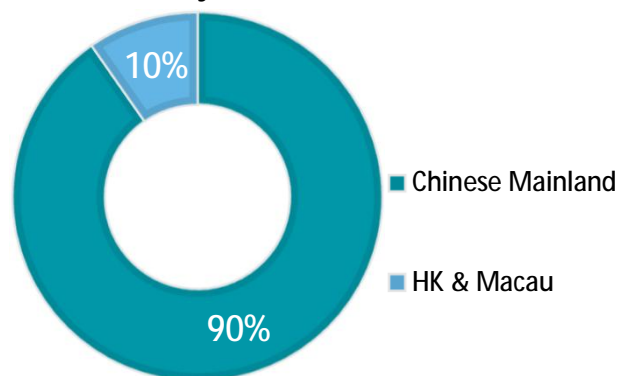


Source: HKEX, Deloitte's analysis as of 30 June 2023.

## Overview of HK IPO market – 1H 2023

Chinese Mainland companies' representation in the number of IPOs and total proceeds edged up, and more than 30% IPOs were priced at P/E ratios of 10x-<20x, a slight improvement compared to 1H 2022

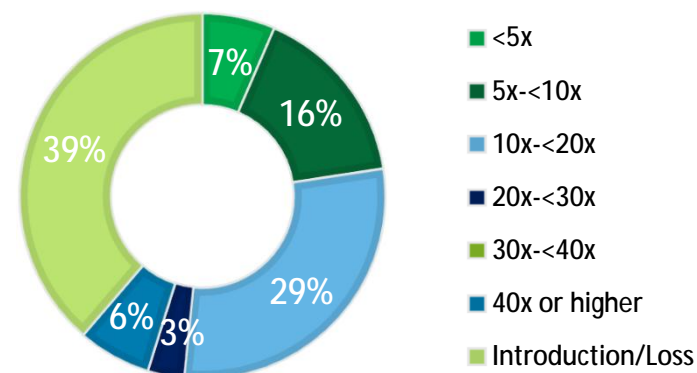
Number of IPOs by location of issuer



**No overseas company was listed in Hong Kong**

- 90% of IPOs were from the Chinese Mainland, up 2ppts from 88% in 1H 2022; listings of HK and Macau companies were also up 2ppts, reaching 10%.
- IPOs from Chinese Mainland companies contributed the majority (97%) of total proceeds raised (around HKD17.2 billion), compared with 87% (HKD15.4 billion) in 1H 2022.
- 1H 2023 saw no IPOs from overseas companies.

P/E multiples of HK IPOs



**Listings by way of introduction or loss-making IPOs dropped**

- 29% of IPOs were priced at P/E ratios of 10x-<20x, up 16ppts from 13% in 1H 2022.
- 3% of IPOs were priced at P/E ratios of 20x-<30x, down 1ppt.
- The proportion of IPOs priced at 40x or higher was 6% , down 11ppts.
- Listings by way of introduction or loss-making IPOs fell to 39% from 46% in 1H 2022.

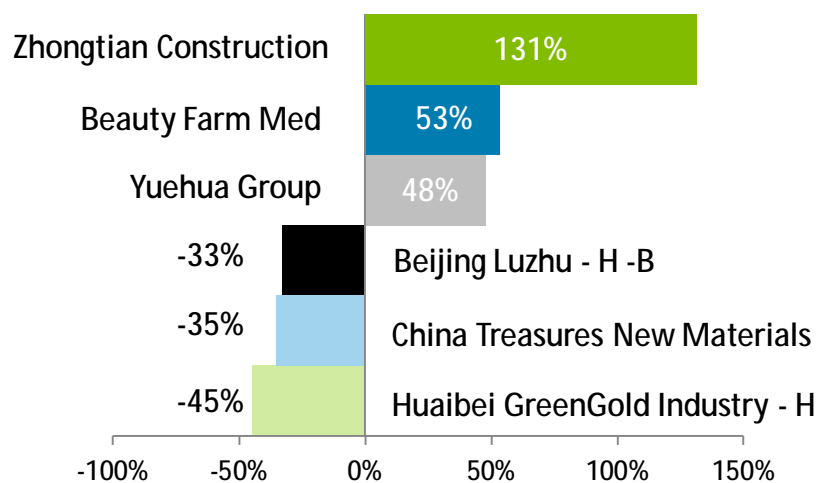
Source: HKEX, Deloitte's analysis as of 30 June 2023.

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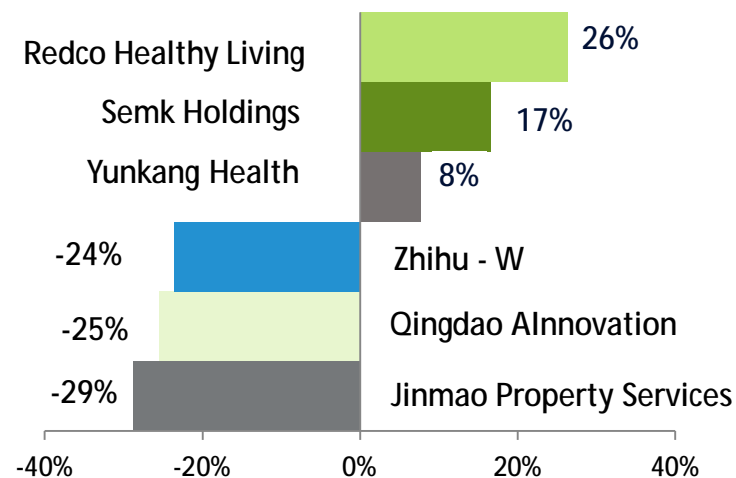
## Overview of HK IPO market – 1H 2023

The 1st-day performance of the three best performing IPOs bettered 1H 2022's figures but the three worst performing IPOs fared worse than those in 1H 2022; average first-day return was above 1H 2022's level

Top 3 best/worst performing HK IPOs in 1H 2023



Top 3 best/worst performing HK IPOs in 1H 2022



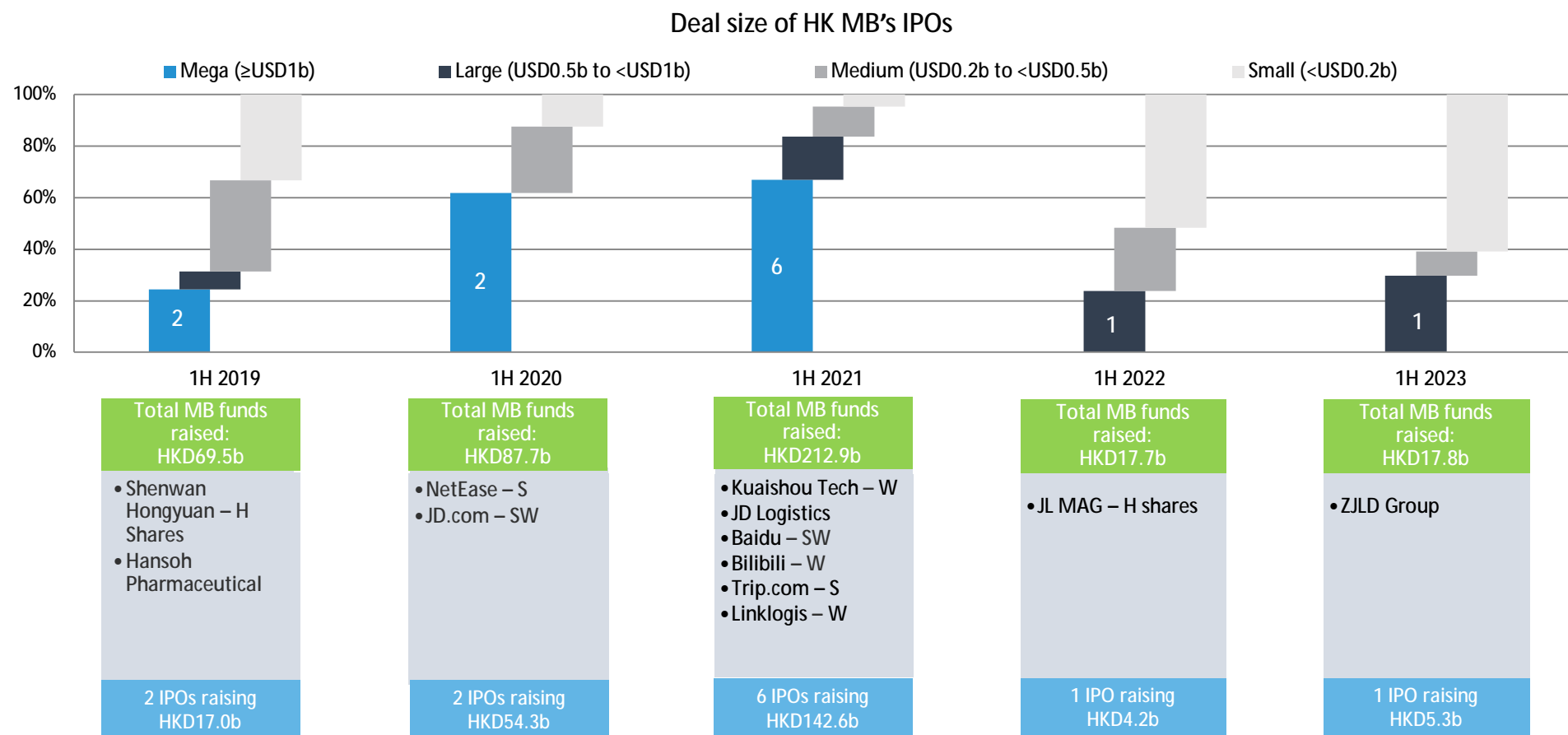
- Although the 1st-day returns of the three worst performing IPOs were slightly below the 1H 2022 record, those of the three best performing IPOs, which ranged from 48% to 131%, were all better than 1H 2022's figures.
- The three worst performing IPOs were from the manufacturing, property, and health care & pharmaceutical sectors.
- The overall average 1st-day return of HK IPOs rose to 6.29%, way above 1H 2022's -4.28%.

Source: HKEX, Deloitte's analysis as of 30 June 2023.

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# HK IPO deal size analysis – 1H 2023

With just one large IPO, proceeds from HK MB's IPOs were at their lowest level for many years

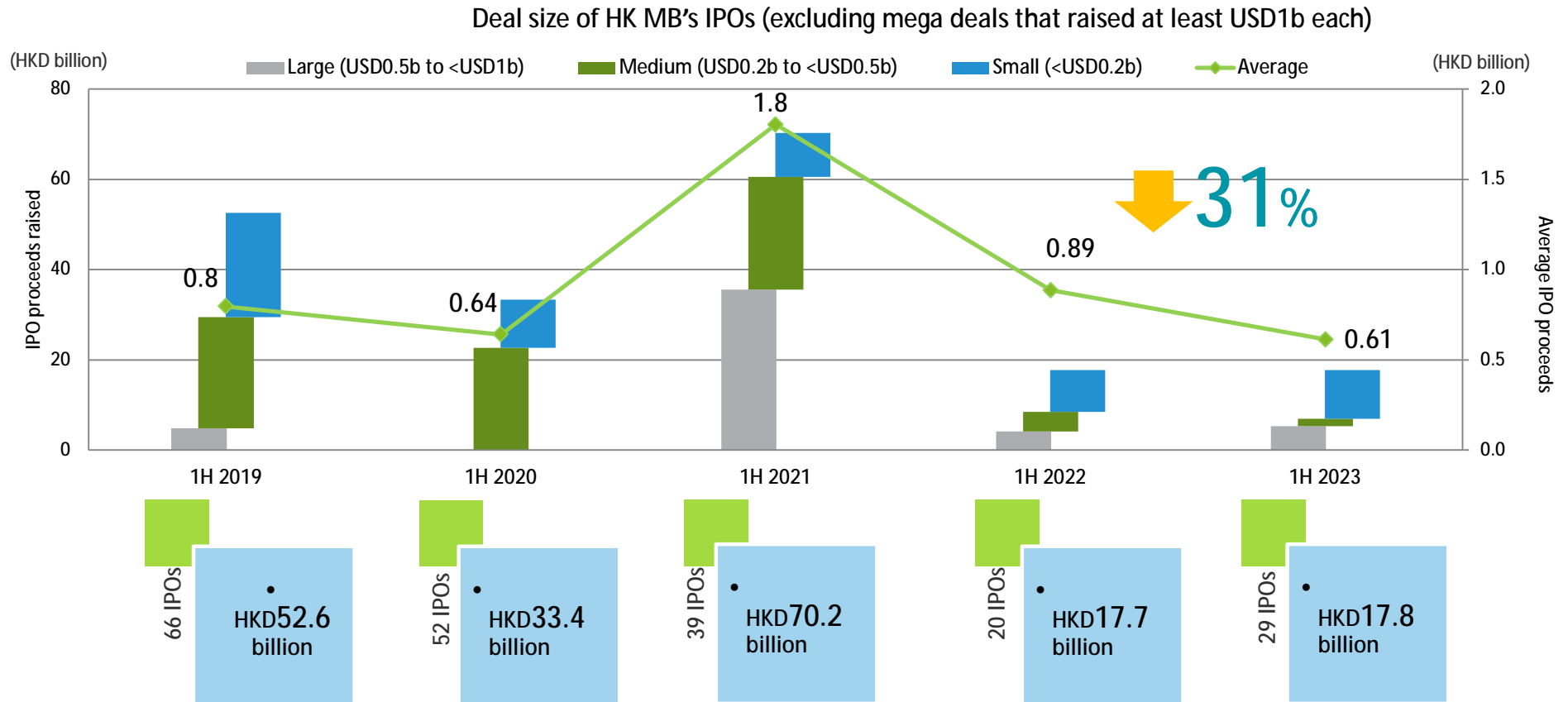


Source: HKEX, Deloitte's analysis as of 30 June 2023.

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# HK IPO deal size analysis – 1H 2023

Average MB deal size hit its lowest level in 10 years, decreasing 31% year-on-year

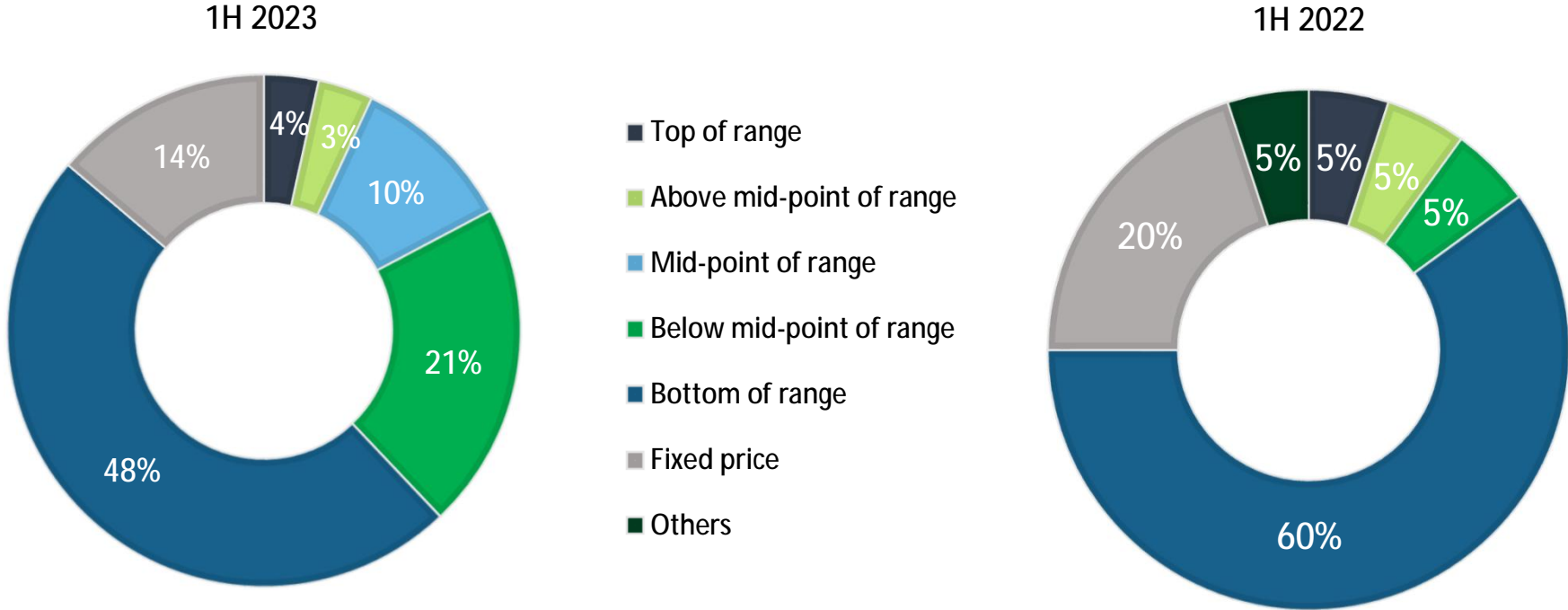


Source: HKEX, Deloitte's analysis as of 30 June 2023.

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# HK IPO valuation analysis – 1H 2023

Overall conditions improved compared to 1H 2022: almost half of IPOs were priced at the bottom of their ranges, 12ppts fewer than in 1H 2022; 10% of IPOs were priced at their mid-points, up 10ppts from 1H 2022



Source: HKEX, Deloitte’s analysis as of 30 June 2023.

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## Analysis of HK IPO's public offering subscriptions – 1H 2023

There were slightly fewer over-subscribed IPOs but the over-subscription rates of 1H 2023's all the mostly over-subscribed IPOs were higher than in 1H 2022

**86%** of IPOs oversubscribed  
*(1H 2022: 100%)*

Among those oversubscribed,

**16%** were oversubscribed by  
*(1H 2022: 0%)*

more than **20x**.

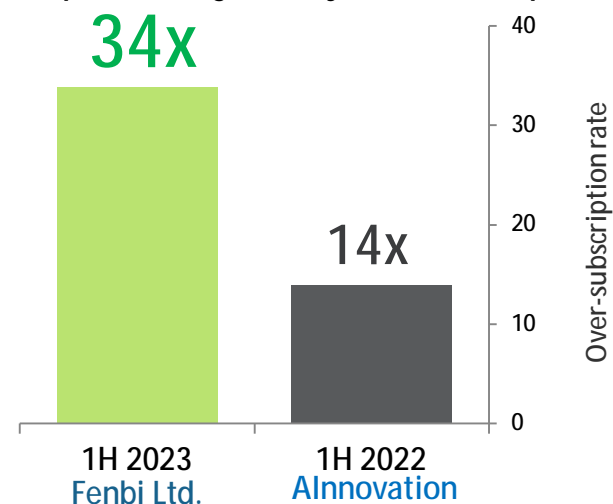
Source: HKEX, Deloitte's analysis as of 30 June 2023.

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### 5 most over-subscribed IPOs in 1H 2023

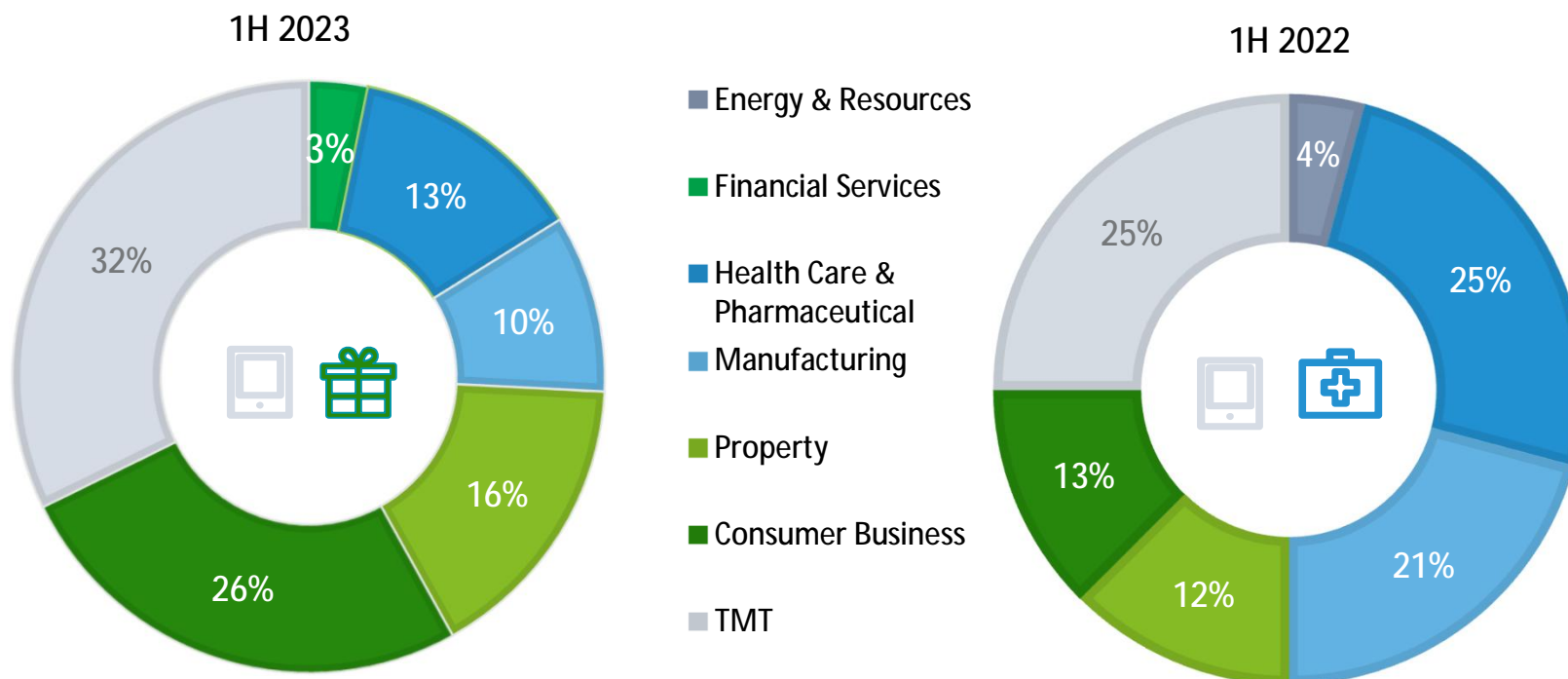
Issuer	Over-subscription rate
Fenbi Ltd.	34x
Yuehua Group	29x
Logory Logistics Technology	23x
Beauty Farm Med	22x
Zhengwei Group	18x

### Best performing IPOs by over-subscription rate



## Industry representation of HK's IPOs in 1H 2023 (by number)

TMT and consumer business took the lead, with representations of both sectors sharply up from 1H 2022, while the share of health care & pharmaceutical share shrank by 12ppts



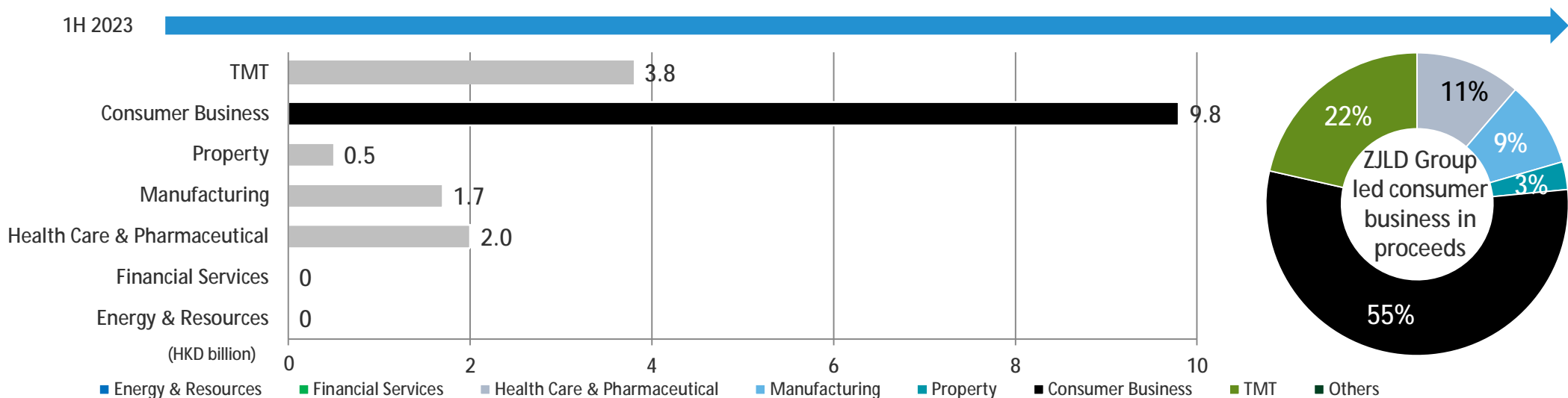
Source: HKEX, Deloitte's analysis, as of 30 June 2023.

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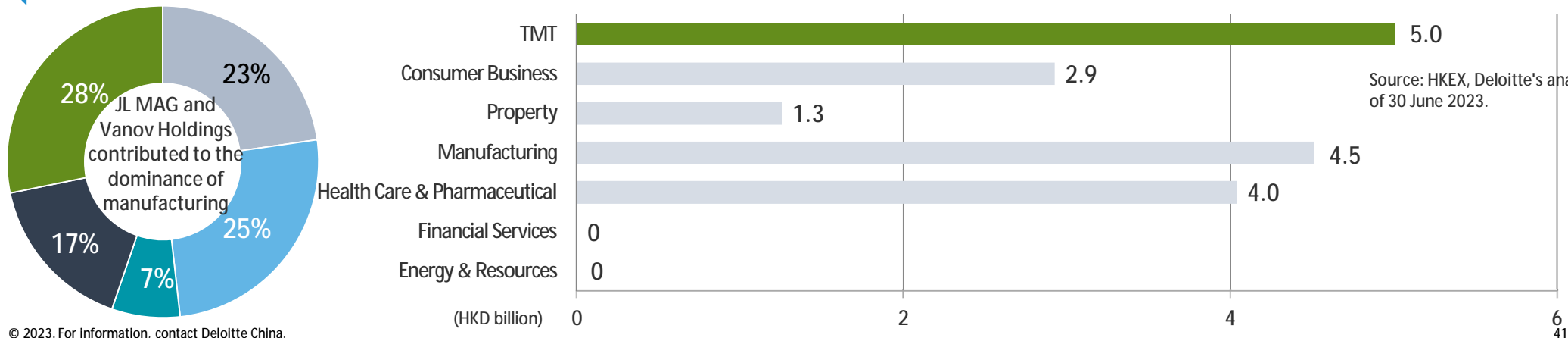


# Industry distribution of HK's IPOs in 1H 2023 (by proceeds)

Consumer business took the lead, followed by TMT

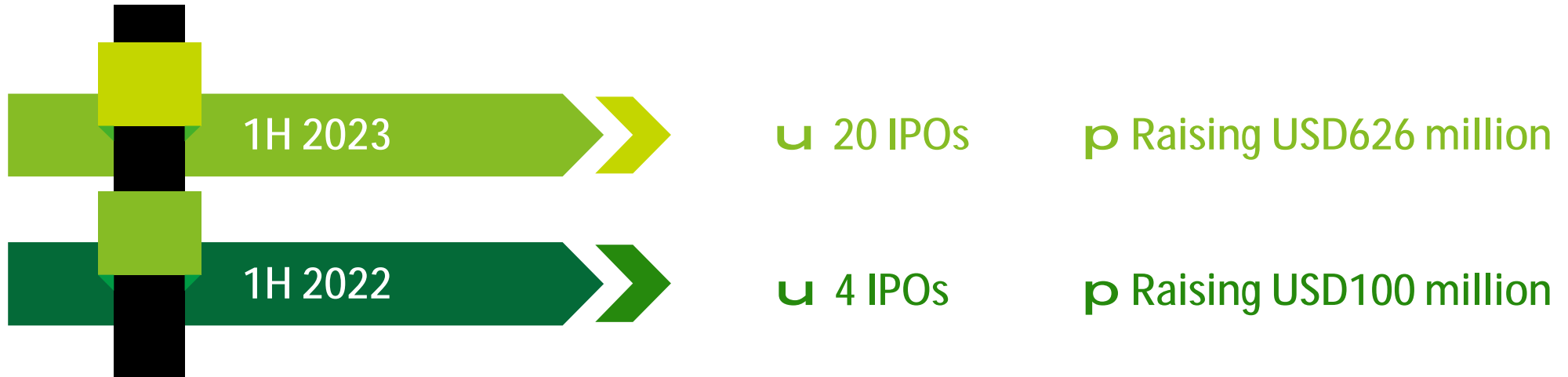


1H 2022



# Review of US IPO market in 1H 2023

## Chinese IPOs in the US continued to grow in 1H 2023, albeit at a slower rate



IPO volume and proceeds increased sharply

Number of IPOs up 400%  
IPO proceeds up 526%  
Average proceeds up 24%



China and the US have achieved positive progress in audit oversight cooperation

In December 2022, the PCAOB said it had completed its review of the audit papers of China concept stocks for the first time, easing concern about the delisting of China concept stocks



China's economy continued to recover

China's overall economy continued to recover in 1H 2023 as production and demand picked up



The US IPO market underperformed

Factors including domestic the banking crisis in March, Fed's continued rate hikes, and geopolitical tensions weighed on the US market

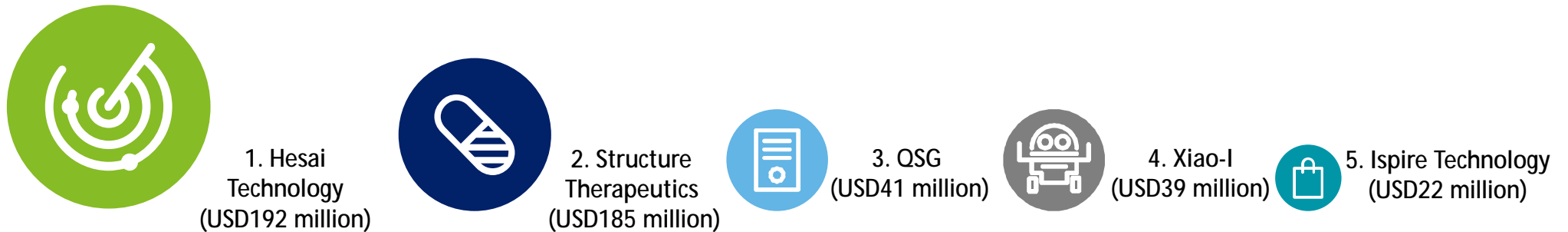
Source: NYSE, Nasdaq, Bloomberg, and Deloitte's analysis as of 30 June 2023.

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## Overview of US-listed Chinese companies – 1H 2023

Top 5 IPOs raised a total of USD479 million, compared to 4 IPOs raising just USD100 million in 1H 2022

### 1H 2023



### 1H 2022

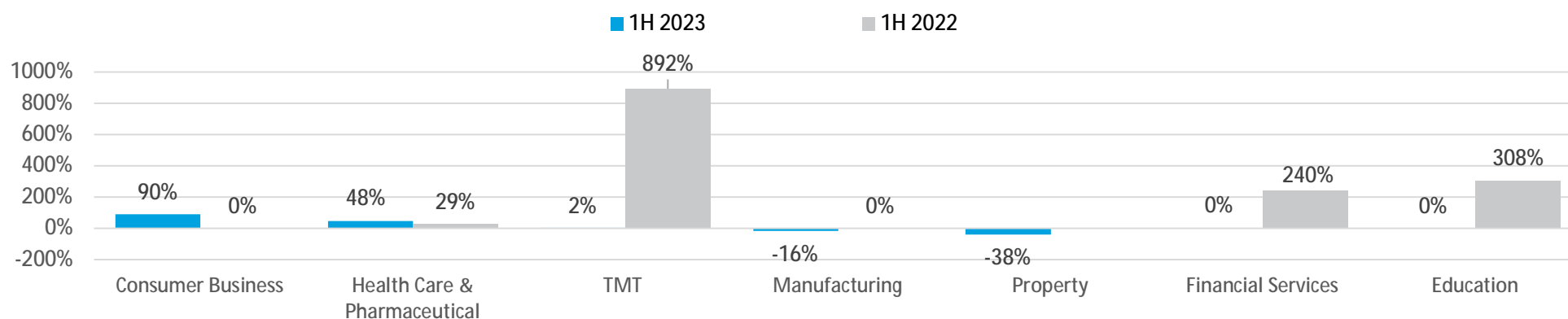


Source: NYSE, Nasdaq, Bloomberg, and Deloitte's analysis as of 30 June 2023

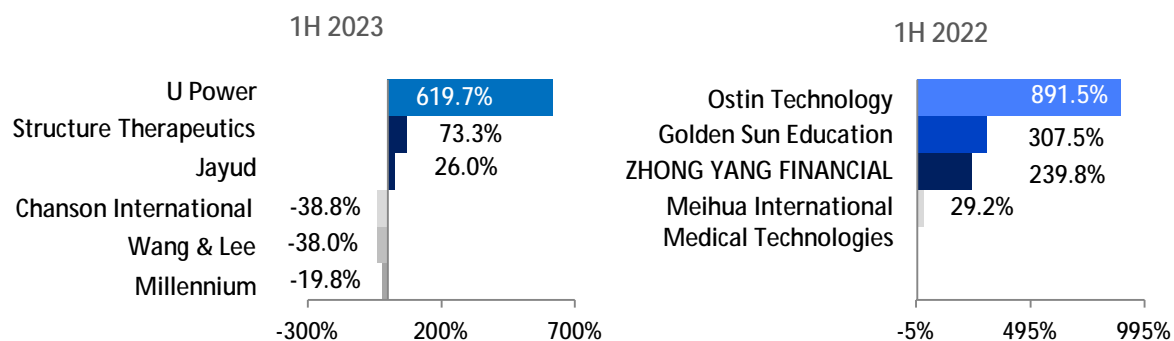
# Overview of US-listed Chinese companies – 1H 2023

## Consumer business and health care & pharmaceutical saw high first-day returns

Average first-day performance of US-listed China concept stocks



### 3 best/worst performing China concept stocks in the US



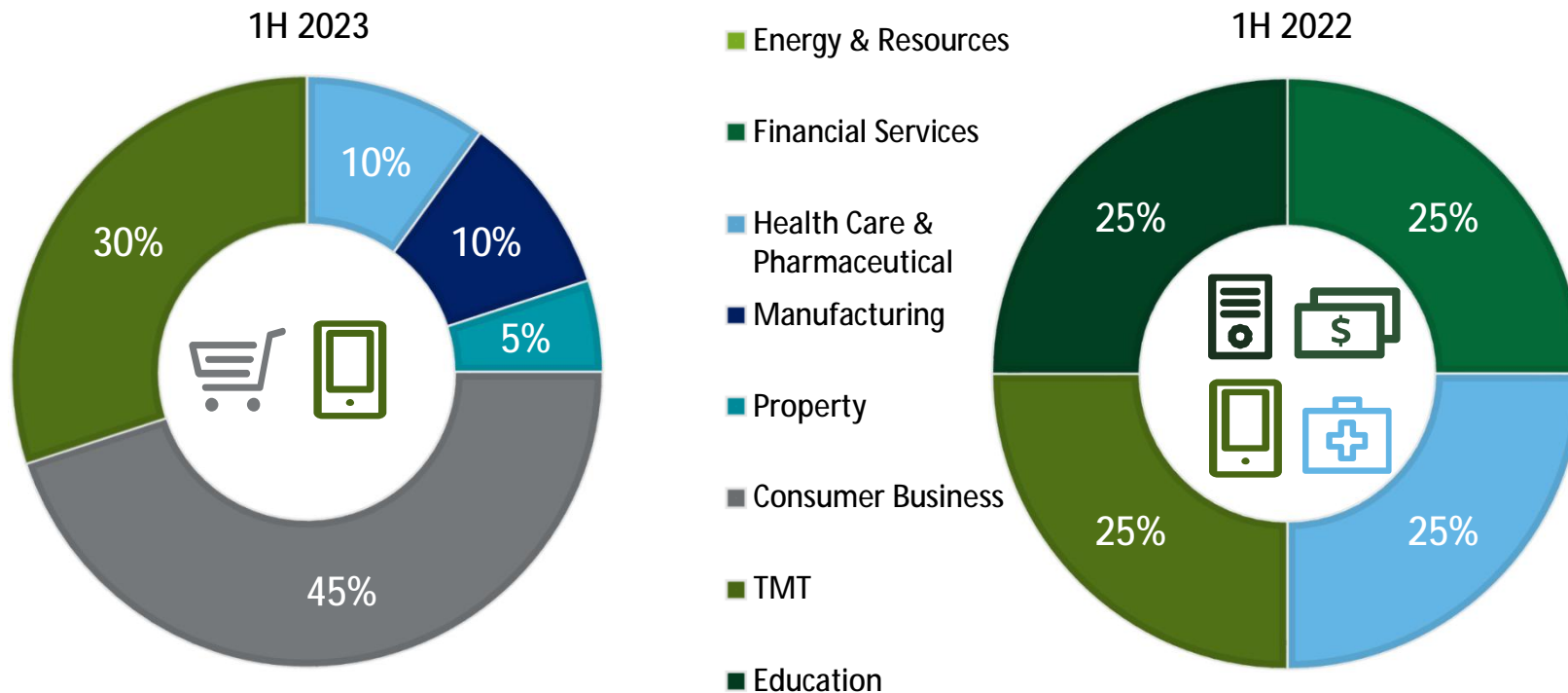
- The overall first-day return in 1H 2023 was 34%
- The best and worst performers both came from consumer business

Source: NYSE, Nasdaq, Bloomberg, and Deloitte's analysis as of 30 June 2023.

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## Industry distribution of US-listed Chinese companies in 1H 2023 (by number)

Consumer business took the lead, followed by TMT; financial services, health care & pharmaceutical, TMT, and education each recorded 1 IPO in 1H 2022

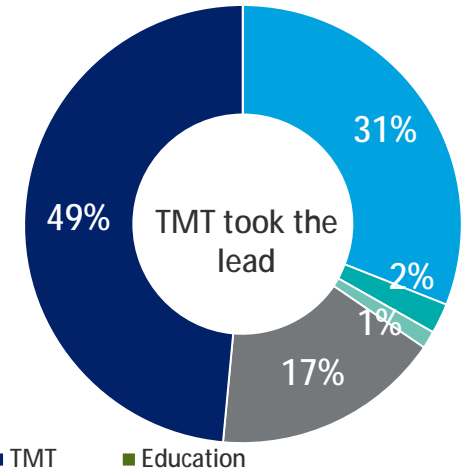
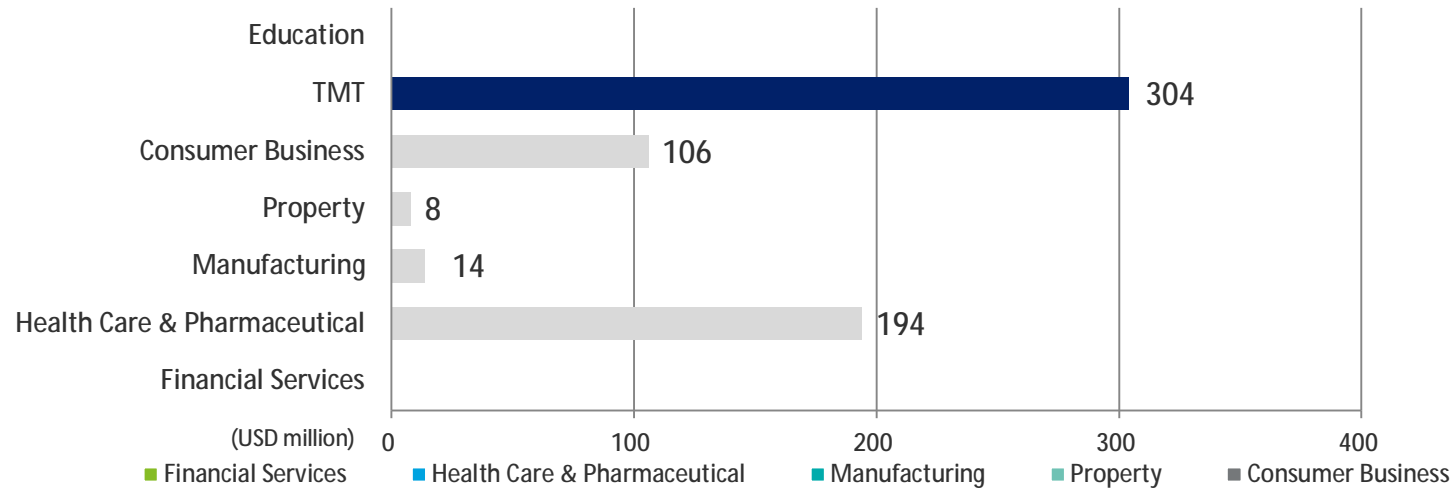


Source: NYSE, Nasdaq, Bloomberg, and Deloitte's analysis as of 30 June 2023.

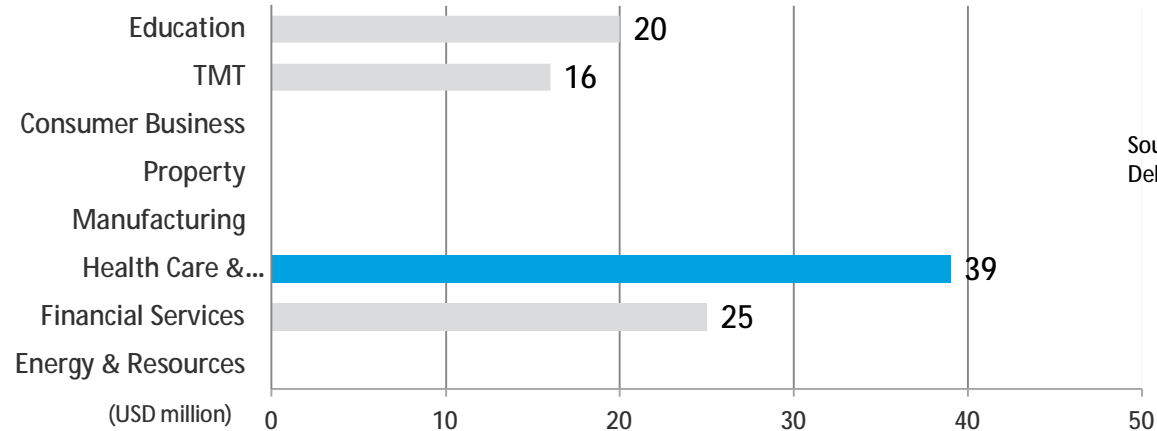
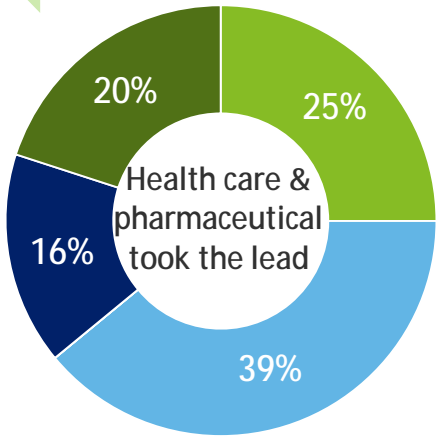
# Industry distribution of US-listed Chinese companies in 1H 2023 (by proceeds)

In IPO proceeds, TMT ranked first, taking the lead held by health care & pharmaceutical in 1H 2022

1H 2023



1H 2022



Source: NYSE, Nasdaq, Bloomberg, and Deloitte's analysis as of 30 June 2023.

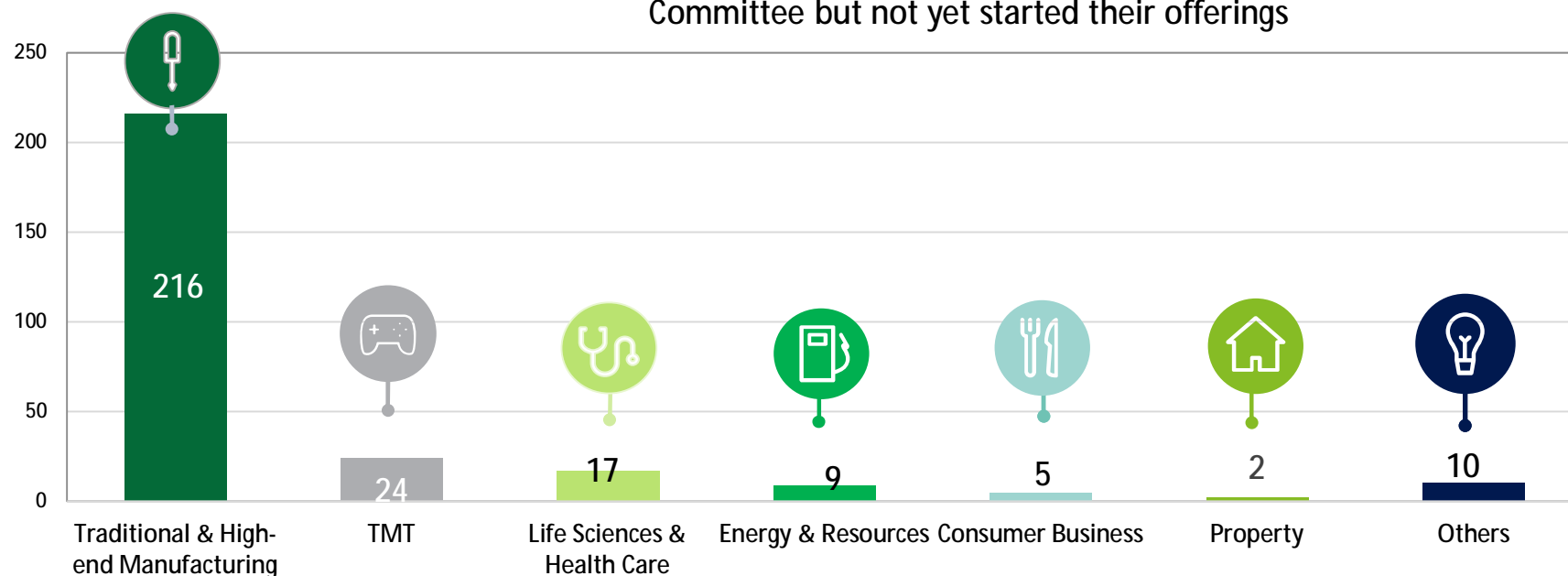
# Outlook for Chinese Mainland IPO market in 2H 2023



## Outlook for Chinese Mainland's IPO market – industry distribution of upcoming IPOs (by number)

As of 30 June 2023, 283 companies (including 186 to be listed on ChiNext, 23 on BSE, 47 on the SSE STAR Market, 19 on SH MB, and 8 on SZ MB) had been passed by the Public Offering Review Committee/Listing Committee but not yet launched their offerings, showing an increase compared to 232 (ChiNext 118, SSE STAR Market 76, BSE 11, SH MB 9, and SZ MB 18) in 1H 2022

Number of companies that have been passed by the Public Offering Review Committee/Listing Committee but not yet started their offerings



Source: CSRC, SSE, SZSE, BSE, Wind data, Deloitte's analysis as of 30 June 2023.

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## Regular IPO activities with continuous rise in proceeds are expected in the Chinese Mainland in 2023

Thanks to the economic policies aimed at "stabilized growth," and the full implementation of the registration-based IPO regime, the Main Boards, SSE STAR, ChiNext, and BSE are expected to see regular issuance and growing IPO volume in 2023

139 companies (including 108 on ChiNext, 8 on SZ MB, 6 on the SSE STAR Market, 12 on SH MB, and 5 on BSE) have passed meetings of the Public Offering Review Committee or Listing Committee

49 companies (25 on ChiNext, 13 on the SSE STAR Market, 6 on BSE, and 5 on SH MB) have submitted registrations and awaited listings

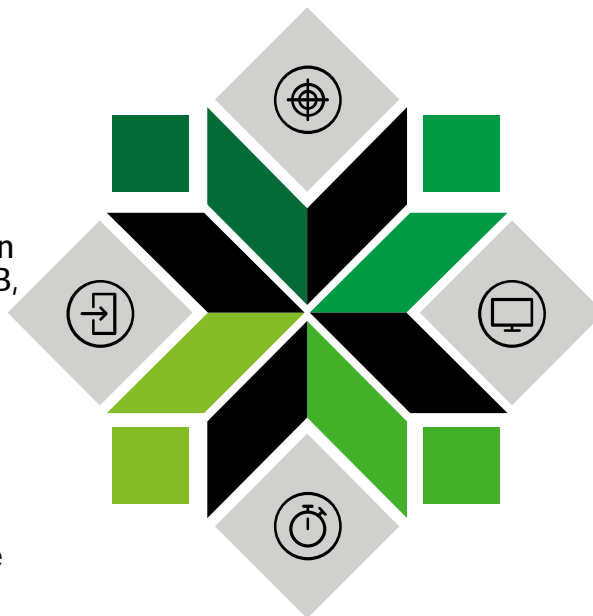
95 companies (53 on ChiNext, 28 on the SSE STAR Market, 2 on SH MB and 12 on BSE) have registered but not yet started offerings

287 main board (SSE and SZSE) listing applications remain active

114 SSE STAR listing applications remain active

292 ChiNext listing applications remain active

108 BSE listing applications remain active



**SSE STAR Market** is likely to have **120-140** new listings, with estimated proceeds of RMB**240-275** billion

**ChiNext** could have **150-170** new listings, with estimated proceeds of RMB**185-210** billion

**Shanghai and Shenzhen main boards** are likely to have **60-80** IPOs, with estimated proceeds of RMB**175-190** billion

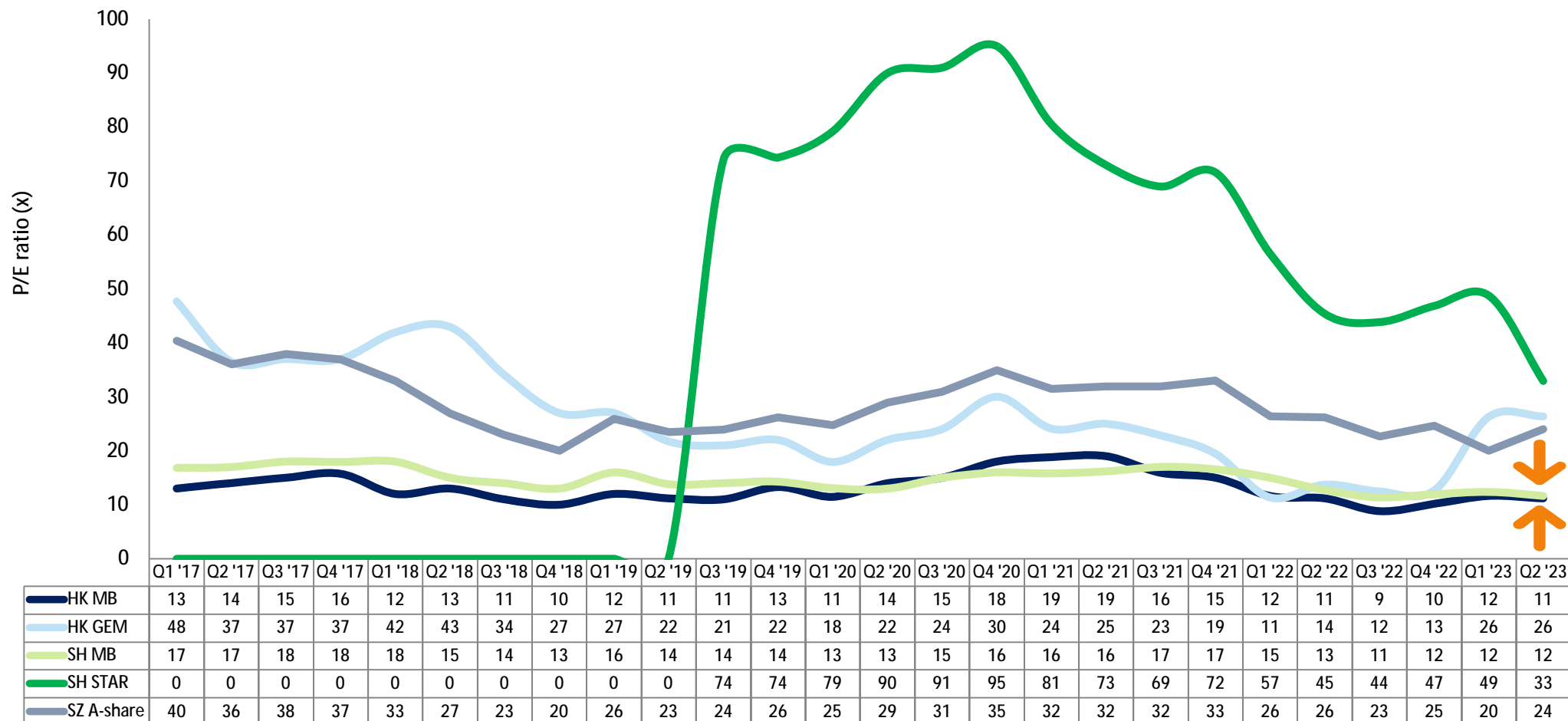
In 2023, **BSE** is expected to have **100-120** IPOs with estimated proceeds of RMB**20-24** billion

Source: CSRC, SSE, SZSE, BSE, and Deloitte's estimates and analysis.

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# Outlook for HK IPO market in 2H 2023

The P/E ratio of the HK MB has become slightly lower than that of SH MB, while SSE STAR Market P/E dropped further to reach the lowest point since its launch

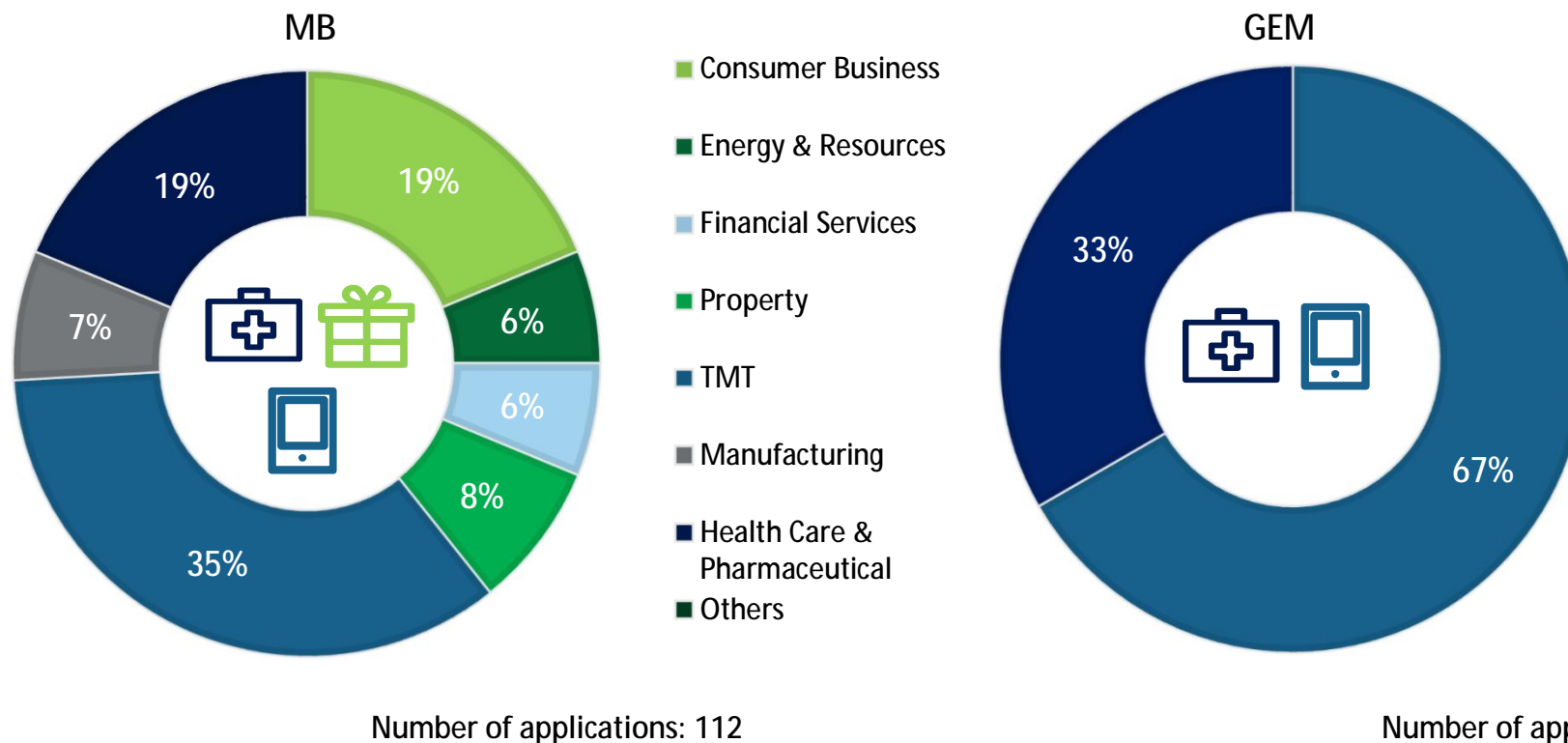


Source: HKEX, SSE and Deloitte's analysis as of 30 June 2023

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## Industry distribution of active HK listing applications in 1H 2023

There were fewer listing applications than 181 in 1H 2022, with TMT making up most of active MB listing applications, followed by consumer business and health care & pharmaceutical; GEM had only three active listing applications from the TMT and health care & pharmaceutical sector



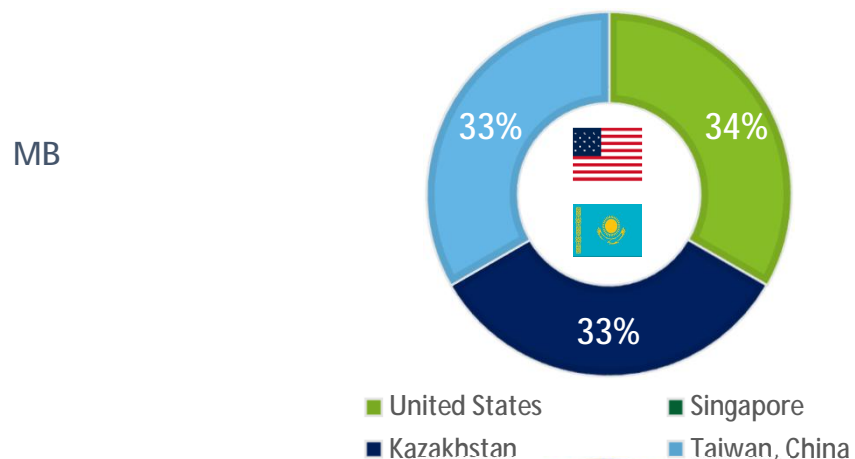
Source: HKEX, Deloitte's analysis as of 30 June 2023

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## Number of active HK listing applications from overseas companies in 1H 2023

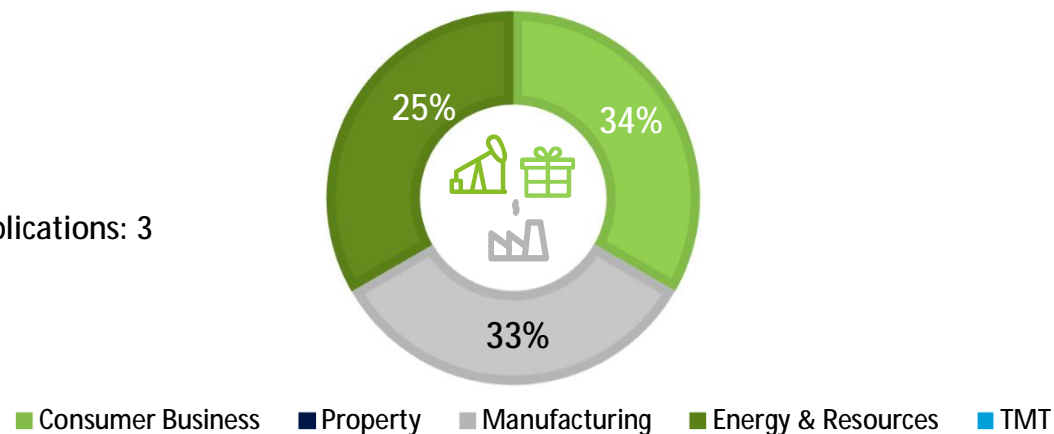
HK received fewer listing applications from overseas companies, with the MB recording three applications from consumer business, property, manufacturing, and energy & resources; GEM recorded a TMT application

Overseas applicants by country



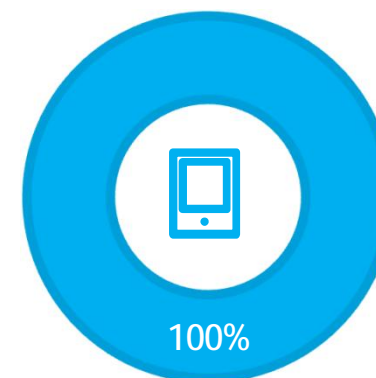
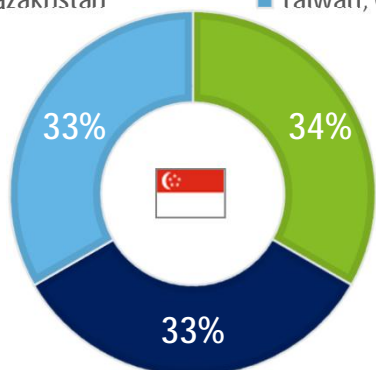
Number of applications: 3

Overseas applicants by industry sector



Number of applications: 1

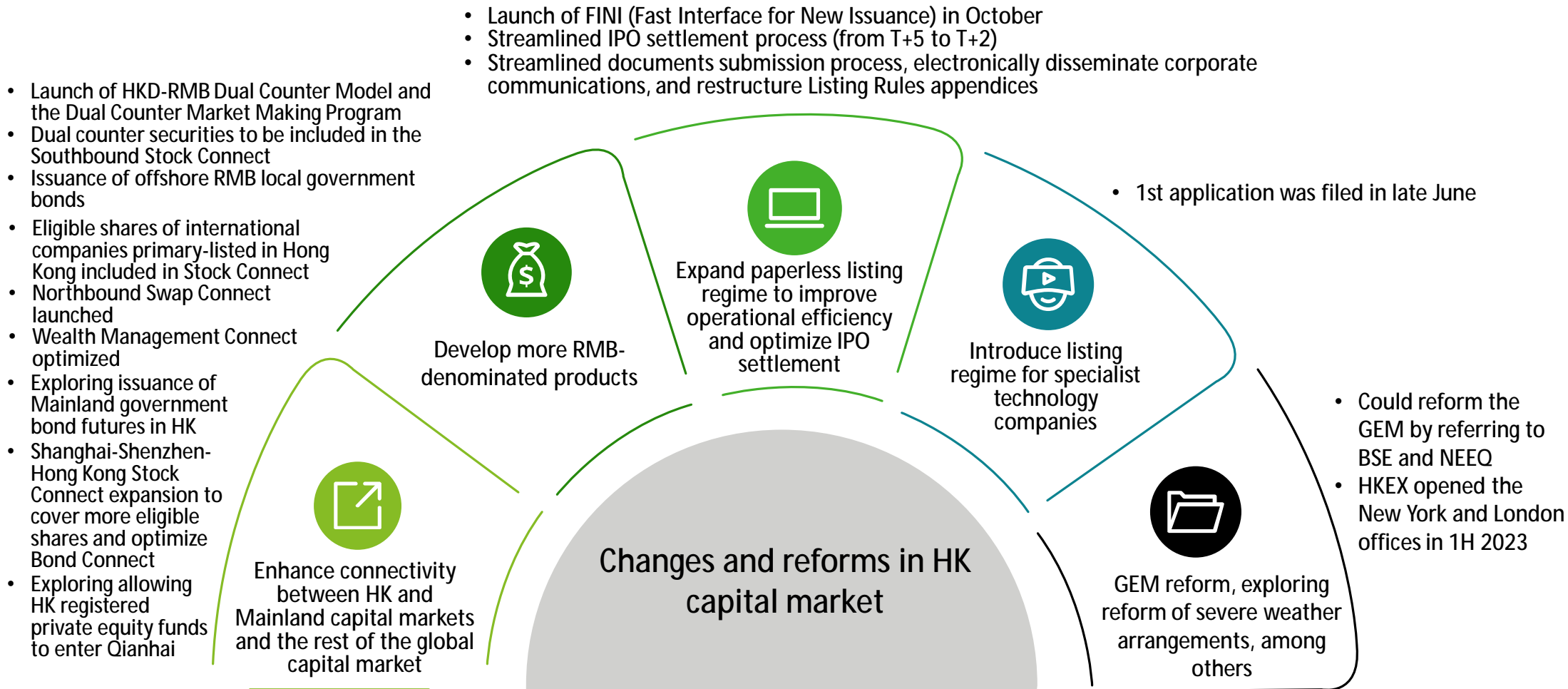
GEM



Source: HKEX, Deloitte's analysis as of 30 June 2023

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# Reform of the HK capital market is set to strengthen Hong Kong's role as a "superconnector" and the world's largest offshore RMB business hub



# HK IPO market activity is expected to become more vibrant by Q4 2023, supported by clear indication of US interest rates peaking and expectations of more Chinese economic stimulus and higher market valuations



Source: Deloitte's estimates and analysis.

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# Deloitte China's IPO services credentials

# Deloitte China pioneers in IPOs in the PRC, HK and the US

The 1st to pioneer the listing of RMB-denominated REIT (Hui Xian REIT)



The 1st Mainland-based largest death care service provider in HK (Fu Shou Yuan)



The 1st fixed single investment trust from HK's hospitality industry in HK (Langham Hospitality Investments)



The 1st Chinese private hospital operator in HK (Phoenix Healthcare)



The 1st state-owned distressed asset management company in HK (China Cinda)



# Deloitte China pioneers in IPOs in the PRC, HK and the US

The 1st nuclear power producer in China in HK (CGN Power)



The 1st 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 1st Chinese express company listed in the US (ZTO Express)



The 1st and leading assisted reproductive services provider in China and the US (Jinxin Fertility)



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The 1st overseas-registered red-chip enterprise filing for A-share IPO and the 3rd red-chip listed company in the A-share market; and, the 1st A-share listed company with a variable interest entity structure to issue China Depository Receipts (Ninebot)



The 1st metaverse IPO by a Chinese company in HK (Flowing Cloud)



The largest IPO in the energy industry after expanding the scope of pilot program for domestic listings of red chip enterprises (CNOOC)



# Deloitte is their reporting accountant HK IPOs completed in 2023

## Life science & health care industry



**Beijing Luzhu Biotechnology Co., Ltd. - H Share- B**

A biotechnology company that develops innovative human vaccines and therapeutic biologics to prevent and control infectious diseases and treat cancer and autoimmune diseases

## Property industry



**Easy Smart Group Holdings Ltd.**

A subcontractor that is specialized in passive fire protection works in Hong Kong

## TMT industry



**Edianyun Ltd.**

An office IT integrated solutions provider in China that engages in providing free margin machine service, IT service, SaaS software development and other office IT hosting services for small and medium-sized enterprises by means of circular subscription

## TMT industry

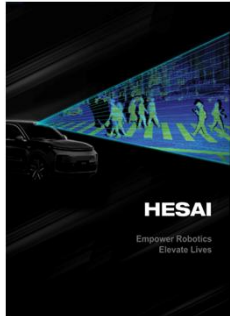


**YSB Inc.**

A digital pharmaceutical industry service platform that provides professional SaaS tools for all segments of the pharmaceutical industry

# Deloitte is their reporting accountant US IPO completed in 2023

TMT industry



Hesai Group

Global leader in three-dimensional light detection and ranging (LiDAR) solutions

## About CMSG

- A multidisciplinary group
- A multidisciplinary model



CMSG's Chinese website



CMSG's English website



- Helps Deloitte China's clients expand and excel through seamless capital market services and solutions, including initial public offerings and other fundraising activities in major global capital markets

- Provides on-site, rapid-response technical support
- Builds market eminence and delivers IPO and capital market-related services

• CMSG has core teams in four regions across the country, with around 100 partners from all other Functions, including Assurance, Consulting, Financial Advisory, Risk Advisory, and Tax.

• The majority of team members are dedicated to providing offering and technical services, supported by designated representatives from all other Functions and groups whose work is related to the ecosystem of capital market services offerings.

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