



CMSG
资本市场服务

Chinese Mainland and Hong Kong IPO Markets

2021 Review and 2022 Outlook

Capital Market Services Group, December 2021



Overview of global macroeconomic and geopolitical conditions in 2021

Impacted by two COVID-19 variants in 2021, and anticipation of the Fed's early tapering of bond purchases and interest-rate hikes in 2022 due to Q4 2021's continuous economic upturn in the US, concerns emerged about the global economic recovery and capital liquidity, leading to fluctuations in the global economy and capital markets, including regular downturns

Global



- Following the Delta variant, there has been a surge in the new Omicron COVID-19 variant, triggering panic about its impact on the economic recovery and border controls, and prompting a slump in global stock prices.
- The OECD has warned that Omicron threatens supply chains and is restraining demand, so will slow global economic growth.
- More than 80 countries and regions reported their highest inflation rates in nearly five years, with global inflation heading for a 10-year high of 4.3%.

China-US



- Sino-US relations remain strained. Although Xi and Biden held their first video meeting in mid-November, discussing several issues including the economy and trade, the US Securities and Exchange Commission (SEC) officially implemented the Holding Foreign Companies Accountable Act and some Chinese companies were blacklisted, further clouding the outlook for relations.

China



- China's economic growth is expected to have continued to slow in Q4 due to the impact of COVID-19, sluggish domestic demand, power shortages, and downside risks in the real estate sector.
- On 15 December, the People's Bank of China (PBOC) raised the reserve requirement ratio (RRR) for foreign currency deposits for the second time in 2021, causing the RMB to fall after a long period of gains. On the same day, PBOC cut for financial institutions' RRR by 0.5 percentage points.
- In November, PBOC kept 1- and 5-year loan prime rates unchanged for a 19th straight month and continued to conduct reverse repos. However, the one-year LPR was cut in December.
- China's official manufacturing PMI returned to expansion territory in November, but Caixin services PMI fell, having climbed for three months in a row, due to the spread of COVID-19, although it remained in expansion territory.
- In late November, local government debt outstanding hit a record high, with about 60% of new debt being used to repay previously issued debt.
- The central government has said that although China's economy faces downward pressure in 2022 and will focus more on steady growth, it will achieve major economic tasks including market- and law-based measures to boost fiscal and financial policy support for micro, small and medium-sized enterprises that provide a large number of jobs, and for individual businesses.

Impacted by two COVID-19 variants in 2021, and anticipation of the Fed's early tapering of bond purchases and interest-rate hikes in 2022 due to Q4 2021's continuous economic upturn in the US, concerns emerged about the global economic recovery and capital liquidity, leading to fluctuations in the global economy and capital markets, including regular downturns (cont'd)

United States



- The economy grew rapidly in the first half of 2021, thanks to the US Government's economic stimulus packages and high vaccination rates.
- A raft of economic stimulus packages were rolled out, including the USD3.5 trillion budget for 2022, USD1.9 trillion American Rescue Plan, USD2 trillion American Jobs Plan, USD1.8 trillion American Families Plan, and USD1 trillion Infrastructure Plan.
- The Fed passed a resolution at its mid-December meeting that it would not raise interest rates in 2021, but would accelerate the pace of tapering its monthly bond purchases. The bond-buying program is likely to end in the first quarter of 2022, and three rate hikes are expected in each of 2022 and 2023.
- Despite the highest inflation rate in 30 years, local consumer sentiment was buoyed by Thanksgiving and Christmas.
- The House of Representatives passed a bill to suspend the debt ceiling until after mid-term elections in December 2022 as it sought to avert a government shutdown at the end of September.
- The House of Representatives adopted a proposal to raise the top individual income tax and top corporate tax rates.

Eurozone and the UK



- With high vaccination coverage and ongoing stimulus policies from the European Central Bank, the European economy was on course for a robust recovery in Q2.
- The EU raised its expectations for economic growth in 2021.
- The European Central Bank decided in mid-December that the three major interest rates will remain unchanged, the Pandemic Emergency Purchase Program (PEPP) will end in March 2022, and bond purchases will be increased in the second and third quarters of 2022 before being pared back to the current monthly level in October 2022.
- The Bank of England decided to raise interest rates by 0.15% in a bid to keep inflation at 2% as the local labor market continued to tighten. This decision was not expected by the market.

Impacted by two COVID-19 variants in 2021, and anticipation of the Fed's early tapering of bond purchases and interest-rate hikes in 2022 due to Q4 2021's continuous economic upturn in the US, concerns emerged about the global economic recovery and capital liquidity, leading to fluctuations in the global economy and capital markets, including regular downturns

Global



- Rise of Omicron, new COVID-19 variant, following the Delta variant triggering panic about slowing down economic recovery and tighter border controls
- Reports of highest inflation rates in nearly last five years by over 80 countries and regions

China-US



- Strained Sino-US relations amid first video meeting of Xi and Biden in mid-November 2021
- Introduction of the final rules of the Holding Foreign Companies Accountable Act by the US Securities and Exchange Commission (SEC)

China



- Continuous slowdown in Q4 economic growth
- Rise in the reserve requirement ratio for foreign currency deposits by the People's Bank of China (PBOC) on 15 December
- Cut in LPR in December 2021 after the PCOB keeping the 1- and 5-year loan prime rates unchanged for 19 months
- Implementation of reserve repos
- Return of its official manufacturing PMI to the expansion territory in November
- Drop in Caixin services PMI, having climbed for three months in a row, though it remained in the expansion territory
- A record high in local government debt in late November
- Downward pressure for the Chinese economy in 2022 and a focus of more steady growth

Impacted by two COVID-19 variants in 2021, and anticipation of the Fed's early tapering of bond purchases and interest-rate hikes in 2022 due to Q4 2021's continuous economic upturn in the US, concerns emerged about the global economic recovery and capital liquidity, leading to fluctuations in the global economy and capital markets, including regular downturns (cont'd)

United States



- Rapid economic growth in 1H 2021
- Roll out of a raft of economic stimulus packages
- No interest rate hike in 2021, but the pace of tapering the Fed's monthly bond purchases was to speed up
- Positive local consumption sentiment for Thanksgiving and Christmas despite the highest inflation rate in 30 years
- Suspension of the debt ceiling until after mid-term elections in December 2022
- Raise in top individual income tax and top corporate tax rates

Eurozone and the UK

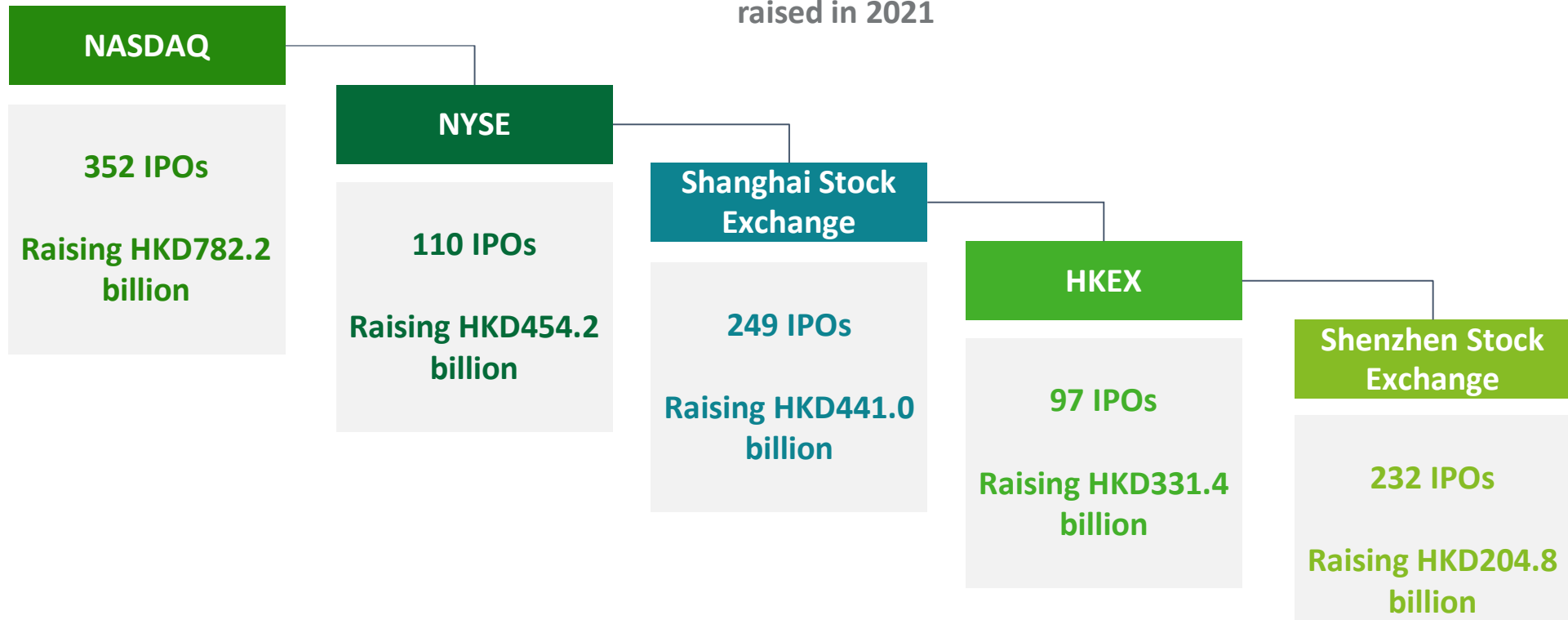


- A robust recover in Q1 following high vaccination coverage and ongoing stimulus policies from the European Central Bank
- Raised in EU's expectations for economic growth in 2021
- Announced of unchanged in three major interest rates; termination of the Pandemic Emergency Purchase Program in March 2022; increase in bond purchases in Q2 and Q3 2022 by the European Central Bank in mid-December 2021
- Rise in interest rates by 0.15% by the Bank of England in a bid to keep inflation at 2% as the local labor market continued to tighten

Review of IPO Market in 2021 – Global

NASDAQ, NYSE, and Shanghai Stock Exchange were the top 3 exchanges globally by IPO proceeds raised, followed by HKEX and Shenzhen Stock Exchange

Top 5 global stock exchanges by IPO proceeds raised in 2021



Source: China Securities Regulatory Commission (CSRC), NASDAQ, Hong Kong Stock Exchange (HKEX), New York Stock Exchange (NYSE), Bloomberg and Deloitte's analysis, as of 31 December 2021. 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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Proceeds raised by the top 10 global IPOs in 2021 were up 36% from 2020's level, with Chinese Mainland and HK IPOs dominating the lists for both years

2021

Rank	Company	Exchange	Proceeds (HKD100m)
1	Rivian Automotive	NASDAQ	1,069
2	China Telecom	SSE	576
3	Kuaishou Technology	HKEX	483
4	Coupang	NYSE	353
5	Didi	NYSE	344
6	InPost SA	AEX	304
7	Krafton Inc	KRX	300
8	JD Logistics	HKEX	283
9	CTGR	SSE	274
10	BeiGene	SSE STAR Market	271
		Total	4,257

2020

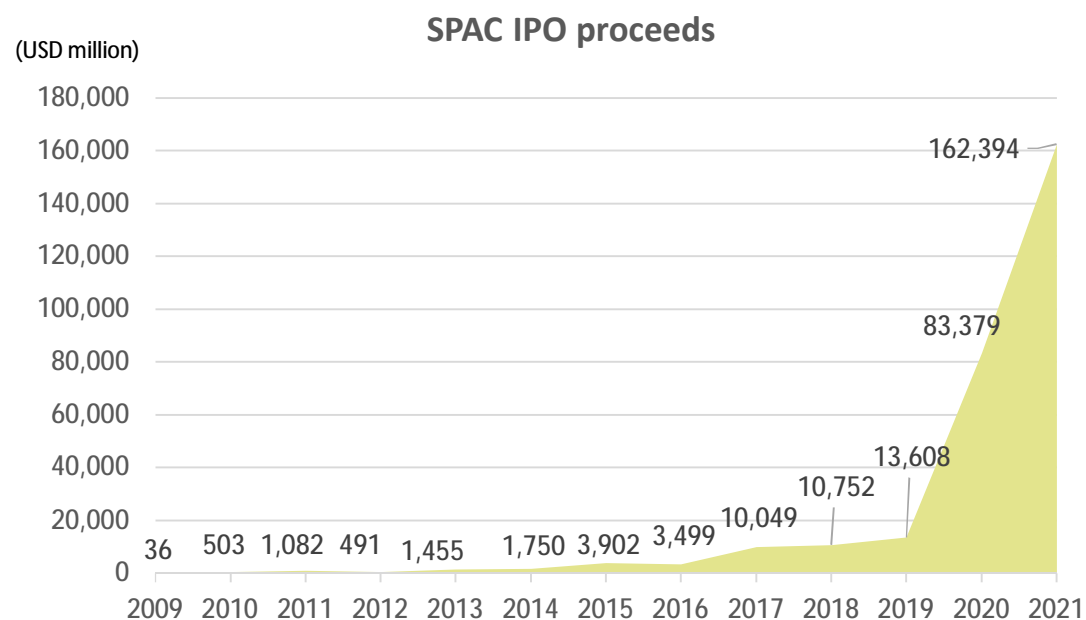
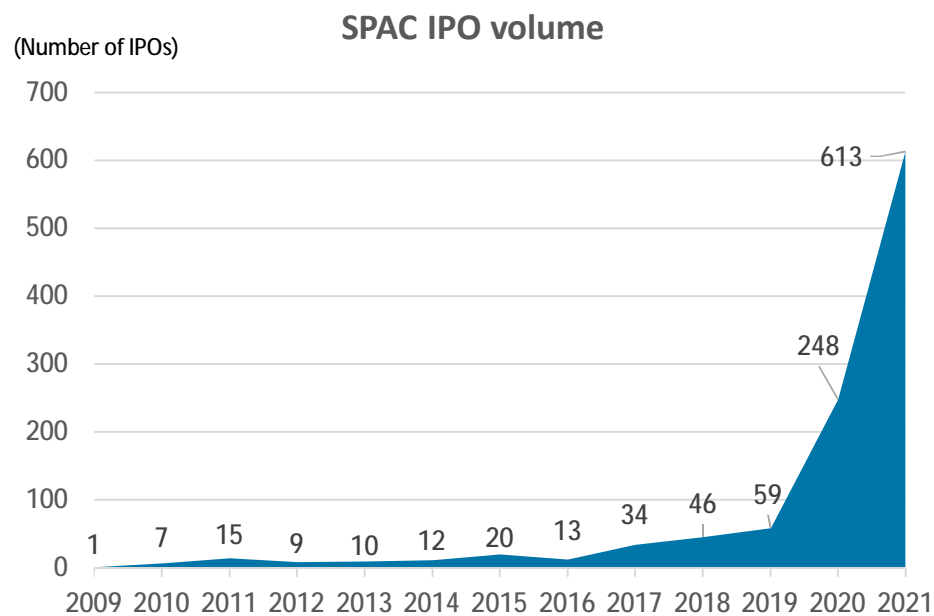
Rank	Company	Exchange	Proceeds (HKD100m)
1	SMIC	SSE STAR Market	588
2	JD.com	HKEX	346
3	Beijing-Shanghai High Speed Railway	SSE	344
4	JD Health International Inc.	HKEX	310
5	Snowflake	NYSE	299
6	Airbnb	NASDAQ	297
7	DoorDash	NYSE	261
8	NetEase	HKEX	243
9	JDE Peet's BV	AEX	219
10	Allegro.eu SA	GPW	218
		Total	3,125

Source: CSRC, HKEX, NYSE, NASDAQ, Amsterdam Stock Exchange (AEX), Korea Exchange (KRX), Warsaw Stock Exchange (GPW), Bloomberg and Deloitte's analysis, as of 31 December 2021.

Includes funds raised from listings of real estate investment trusts, but excludes proceeds raised from investment trust companies, closed-ended investment companies, closed-ended funds, and special purpose acquisition companies (SPACs).

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SPAC IPO volume and proceeds in the US in 2021 remained well above previous years' levels with continuous growth



- Supported by active capital markets and the Fed's continued monetary easing, SPAC transactions set high in 2021

Less time to list

More certainty than traditional
IPOs

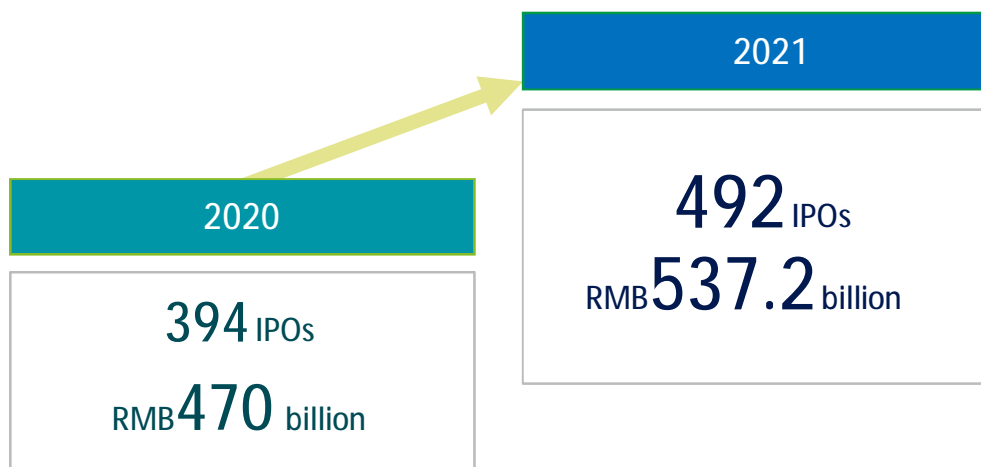
Low listing costs

Source: *SPACInsider*, as of 3 January 2022; includes additional proceeds from exercise of over-allotment options.

Review of IPO Market in 2021 – Chinese Mainland

Overview of Chinese Mainland IPO market – 2021

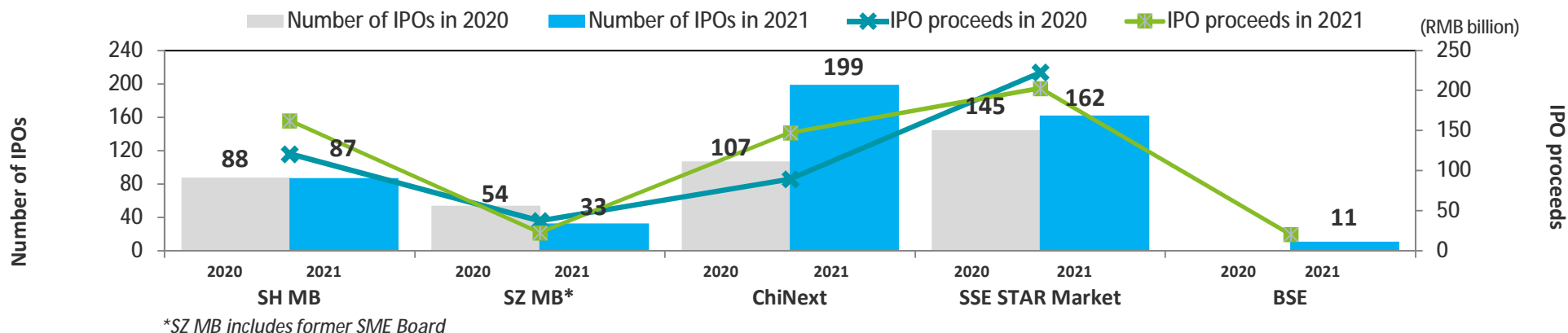
IPO pace picked up, and the number of IPOs rose sharply, although average proceeds edged down



↑ Number of IPOs
25%

↑ Proceeds raised
14%

- Registration-based reform of ChiNext benefited the A-share market
- The pace of IPOs on the SSE STAR Market and ChiNext accelerated steadily. ChiNext had the most IPOs and the SSE Star Market led in proceeds
- Beijing Stock Exchange (BSE) started trading, unleashing vitality



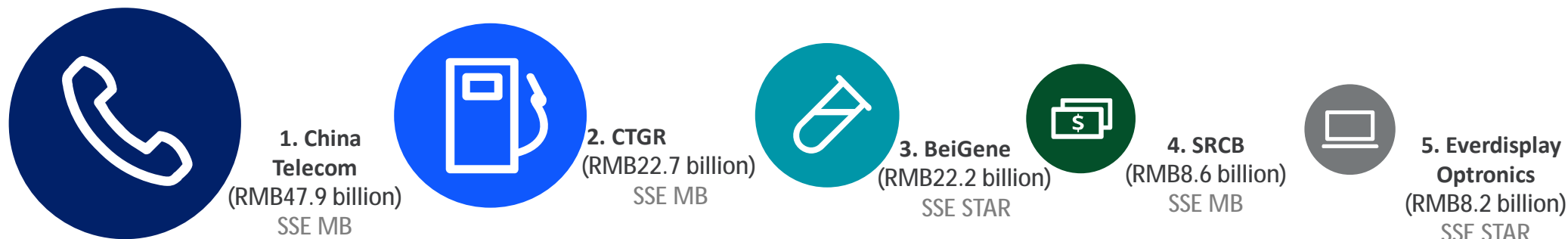
Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis as of 31 December 2021.

Note: Beijing Stock Exchange started trading on 15 November 2021 and has 11 IPOs included in these statistics.

Overview of Chinese Mainland IPO market – 2021

Top 5 IPOs raised a combined total of RMB109.6 billion, a decrease of 6% or RMB7.1 billion from 2020
Of the top 5 IPOs, 3 were on the SSE MB and 2 were on SSE STAR. The SSE MB had China's largest IPO of 2021, taking over the SSE Star Market's lead from 2020

2021



2020



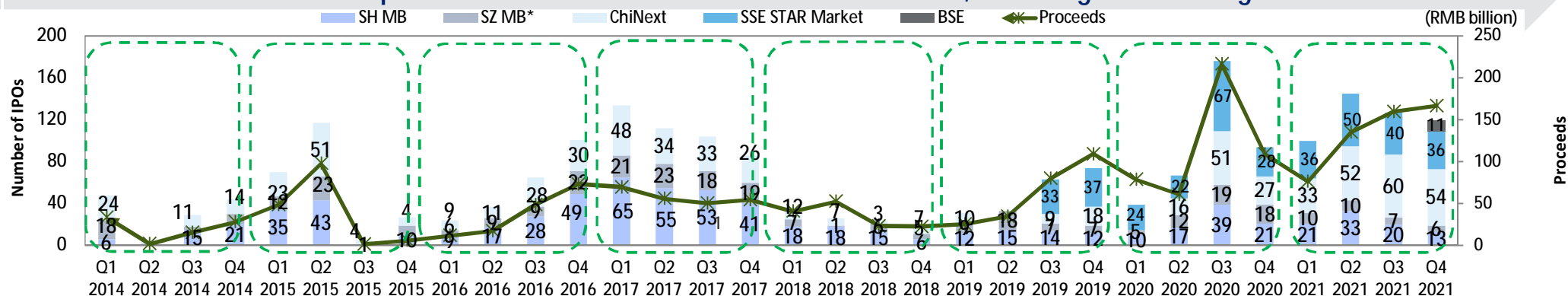
Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis as of 31 December 2021.

Overview of Chinese Mainland IPO market – 2021

The pace of IPOs accelerated steadily, and the number of IPOs hit a record high

Review of IPO applications	As of 31 December 2021, 450 companies (including 153 for the SSE STAR Market, 207 for ChiNext, and 4 for BSE) attended meetings of the Public Offering Review Committee. Of these, 411 were approved to list (SSE STAR Market 140; ChiNext 196; BSE 4), 29 were rejected (SSE STAR Market 8; ChiNext 8), 5 were disqualified (SSE STAR Market 1; ChiNext 2), 5 were pending a decision (SSE STAR Market 4; ChiNext 1), and none was deferred.
Listing applications	As of 31 December 2021, 857 companies have applied for listings (including 151 for the SSE STAR Market, 412 for ChiNext, and 63 for BSE), of which 24 were suspended (ChiNext 12; BSE 10).
51 were approved 112 submitted their registrations 29 were registered but not yet listed	As of 31 December 2021, 833 active applications were being processed (including 151 for the SSE STAR Market, 400 for ChiNext, and 53 for BSE), of which 51 had passed the Public Offering Review Committee (SSE STAR Market 10; ChiNext 28; BSE 2) and 112 had submitted their registrations (SSE STAR Market 48; ChiNext 62; BSE 2) and were awaiting listings. 29 were registered but not yet listed (SSE STAR Market 12; ChiNext 17).

Number of IPOs and proceeds raised in 2021 increased from 2020, reaching a record high



*SZ Main Board includes the former SME Board

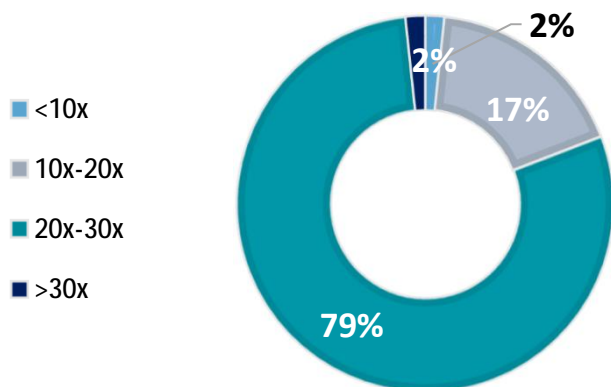
Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis as of 31 December 2021.

Note: Beijing Stock Exchange started trading on 15 November 2021 and has 11 IPOs included in these statistics.

Overview of Chinese Mainland IPO market – 2021

P/E ratios and average returns on day of listing

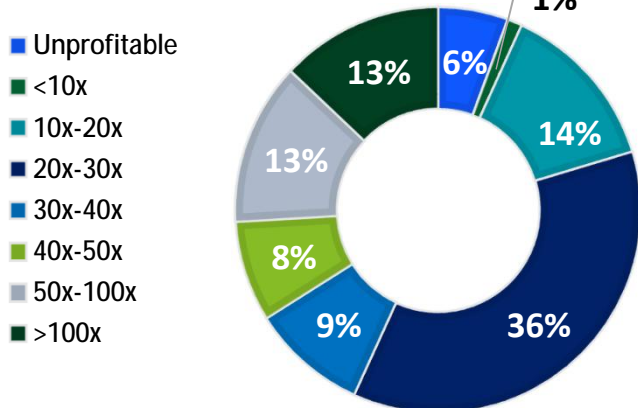
Main boards in Shanghai and Shenzhen*



Main boards in Shanghai and Shenzhen*

- The highest P/E ratio in 2021 was 51x and the lowest was 8x
- 79% of IPOs (95) were priced at P/E ratios of 20x-30x, vs. 88% in 2020
- 18% of IPOs (21) were priced at P/E ratios of 10x-20x, vs. 10% in 2020
- Average 1st-day return was 43%, meeting the requirement that A-share MB IPO stock prices rise on their day of listing. The difference in 1st-day returns was narrow, with the best performer up 44% and the worst gaining 13%

SSE STAR Market



SSE STAR Market

- 50% of IPOs (81) were priced at P/E ratios of 10x-30x, vs. 11% in 2020
- 43% of IPOs (70) were priced at P/E ratios of over 30x, vs. 77% in 2020
- 6% of IPOs (9) were unprofitable, vs. 12% in 2020
- The average 1st-day return was 188%. With 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 (NanoMicro) returned 1,274% and the worst (Chengda Biotechnology) lost 27%

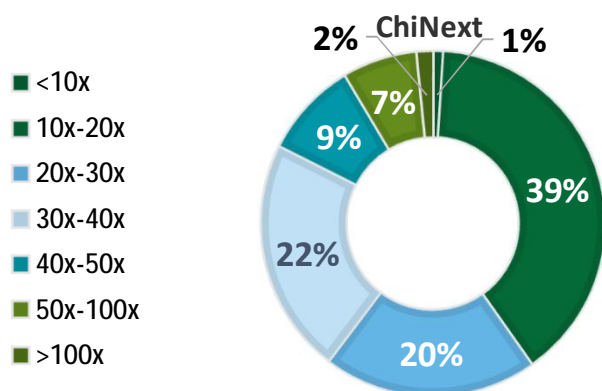
*SZ Main Board includes the former SME Board

Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis as of 31 December 2021.

Note: Beijing Stock Exchange started trading on 15 November 2021 and has 11 IPOs included in these statistics.

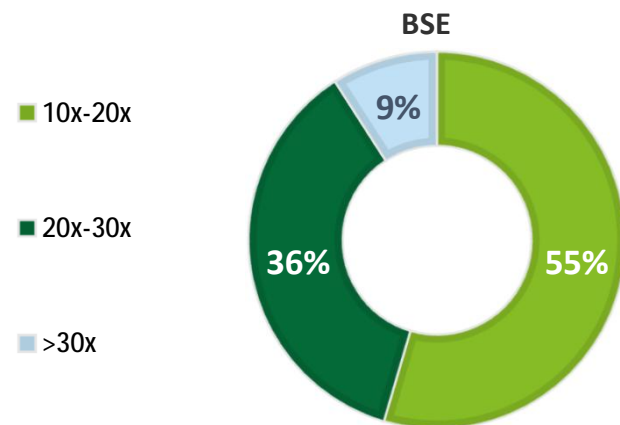
Overview of Chinese Mainland IPO market – 2021

P/E ratios and average returns on day of listing



ChiNext

- 59% of IPOs (118) were priced at P/E ratios of 10x-30x, vs. 40% in 2020 (after reform)
- 40% of IPOs (79) were priced at P/E ratios of more than 30x, vs. 60% in 2020 (after reform)
- The average 1st-day return was 219%. The end of limits on gains in the first five days of ChiNext listing after IPO regime reform boosted returns
- IPO returns varied significantly, with the best performer (Dook Media) returning 1,943% and the worst (Rumere) losing 13%



BSE

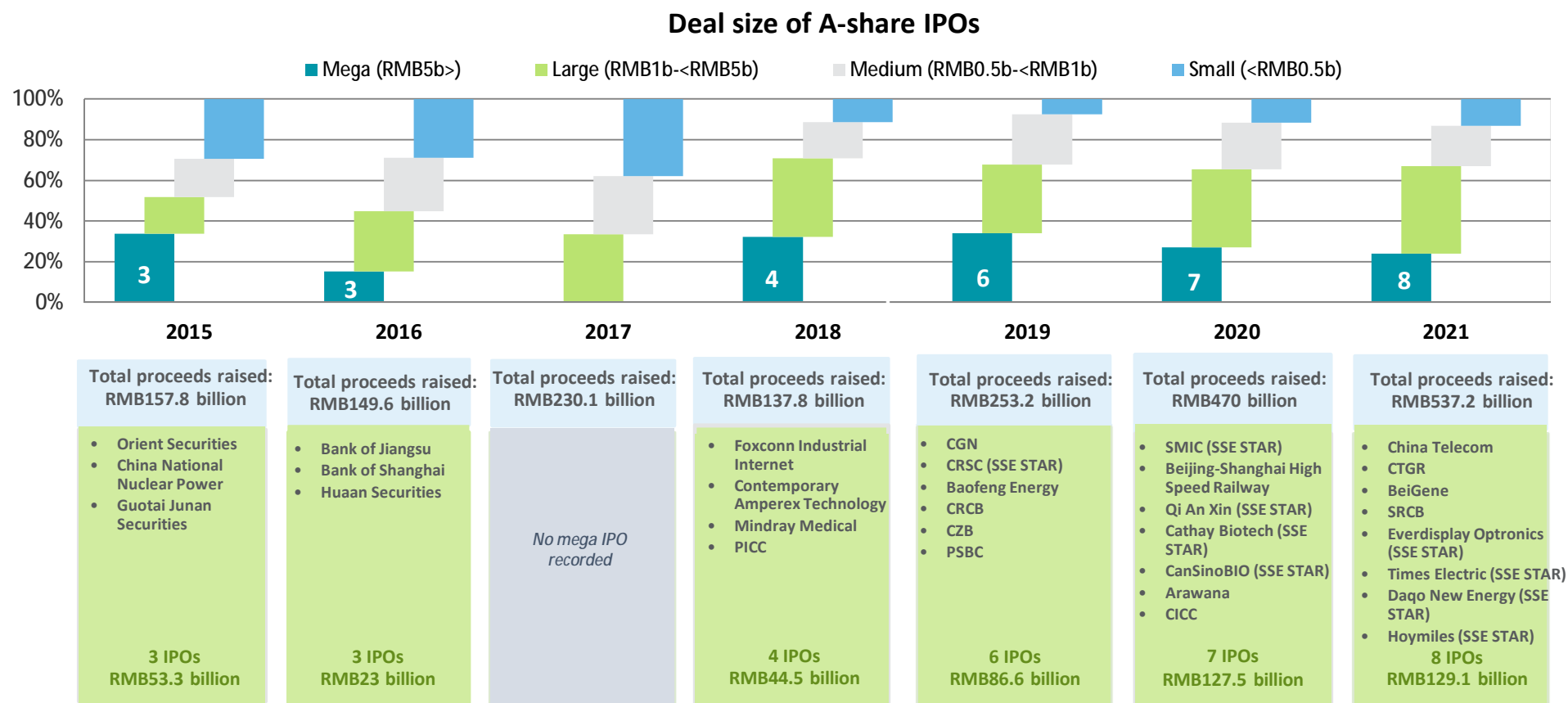
- 55% of IPOs (6) were priced at P/E ratios of 10x-20x
- 36% of IPOs (4) were priced at P/E ratios of 20x-30x
- 9% of IPOs (1) were priced at P/E ratios of over 30x
- The average 1st-day return was 200%. On BSE, returns were higher as there was no limit on gains on the day of listing and keen interest in its first batch of IPOs
- IPO returns varied slightly, with the best performer (Tongxin Transmission) returning 494% and the worst (Keda Automation Control) gaining 112%

Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis as of 31 December 2021.

Note: Beijing Stock Exchange started trading on 15 November 2021 and has 11 IPOs included in these statistics.

Chinese Mainland IPO deal size analysis – 2021

The deal size of mega IPOs held steady, and the number of large IPOs increased



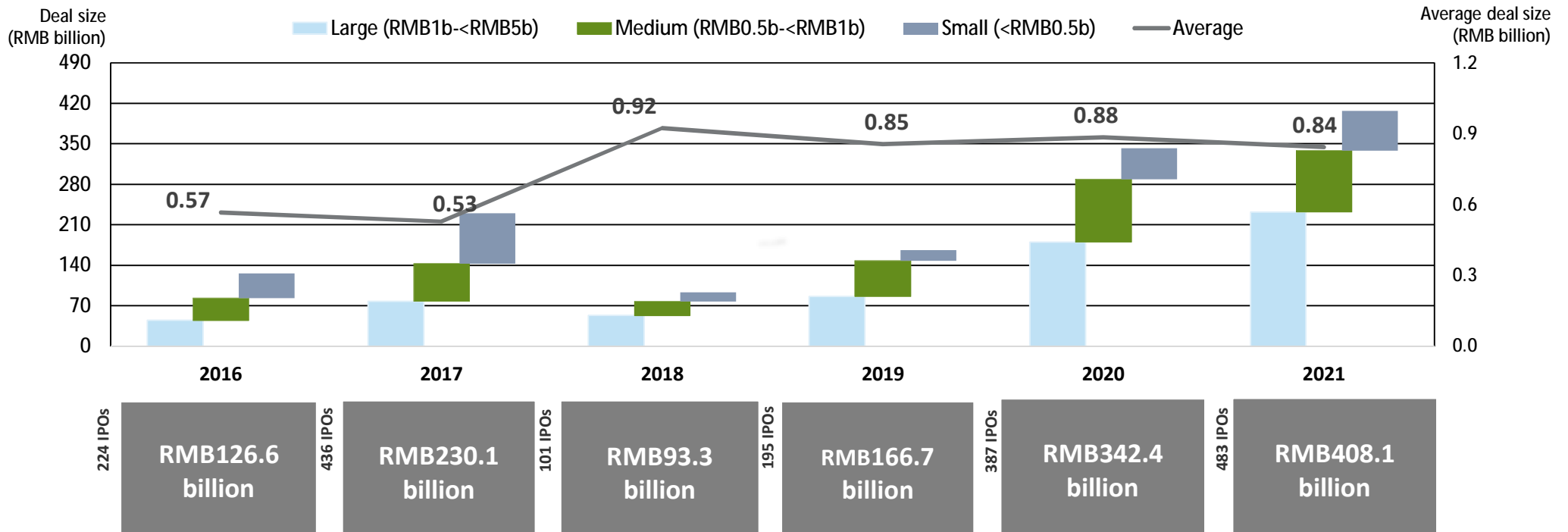
Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis as of 31 December 2021.

Note: Beijing Stock Exchange started trading on 15 November 2021 and has 11 IPOs included in these statistics.

Chinese Mainland IPO deal size analysis – 2021

Apart from mega deals that raised RMB5b or more, average deal size on the SH MB and ChiNext increased to RMB1 billion and RMB740 million from RMB890 million and RMB710 million in 2020; average deal size on the SZ MB and SSE STAR Market decreased to RMB670 million and RMB970 million from RMB690 million and RMB1.18 billion

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



Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis as of 31 December 2021.

Note: Beijing Stock Exchange started trading on 15 November 2021 and has 11 IPOs included in these statistics.

Chinese Mainland IPO subscription analysis – 2021

No sign of waning enthusiasm for subscriptions

100 (2020: 100%)
% of IPOs were over subscribed

Among the over-subscribed IPOs,

100 (2020: 100%)
% were over-subscribed by

over **100**x

Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis as of 31 December 2021.

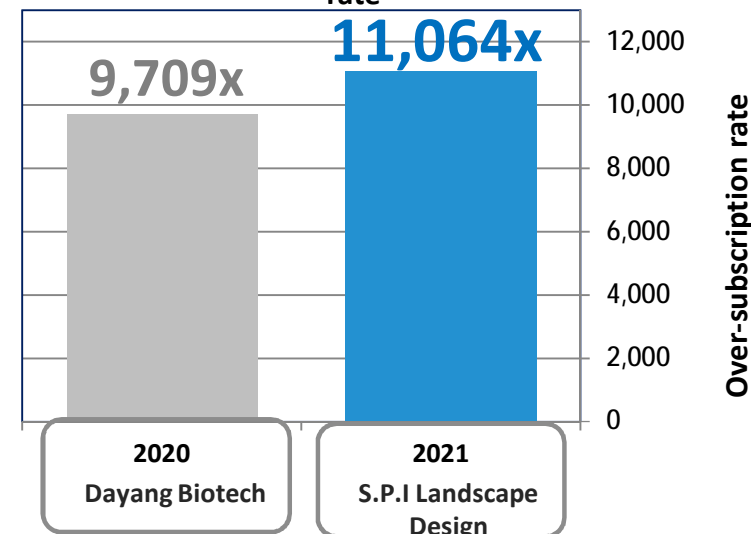
Note: Beijing Stock Exchange started trading on 15 November 2021 and has 11 IPOs included in these statistics.

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Top 5 over-subscribed IPOs in 2021

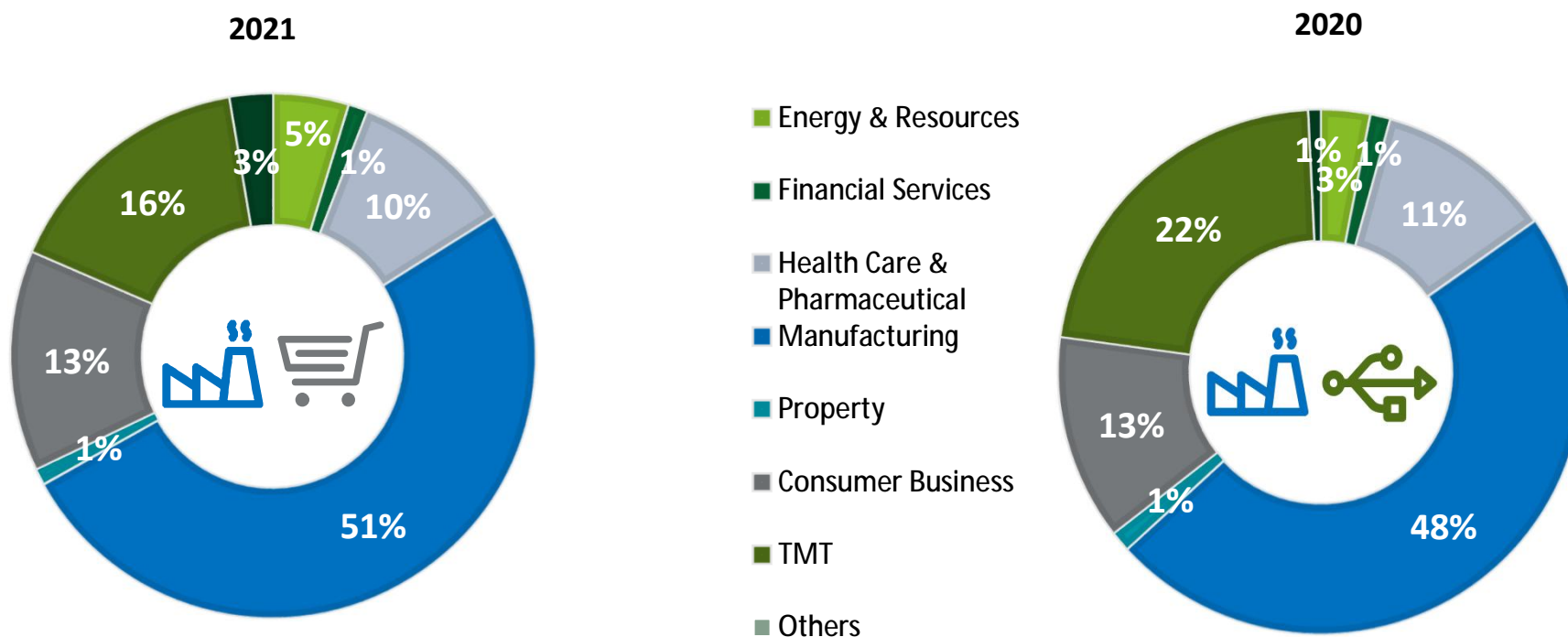
Issuer	Over-subscription rate
S.P.I Landscape Design	11,064x
Jiangnan Yifan	10,489x
Hyp-arch	10,385x
Fullink Technology	10,382x
Liliang Diamond	9,804x

Best performing IPO by over-subscription rate



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

Manufacturing and consumer business saw increases in share and TMT's representation declined

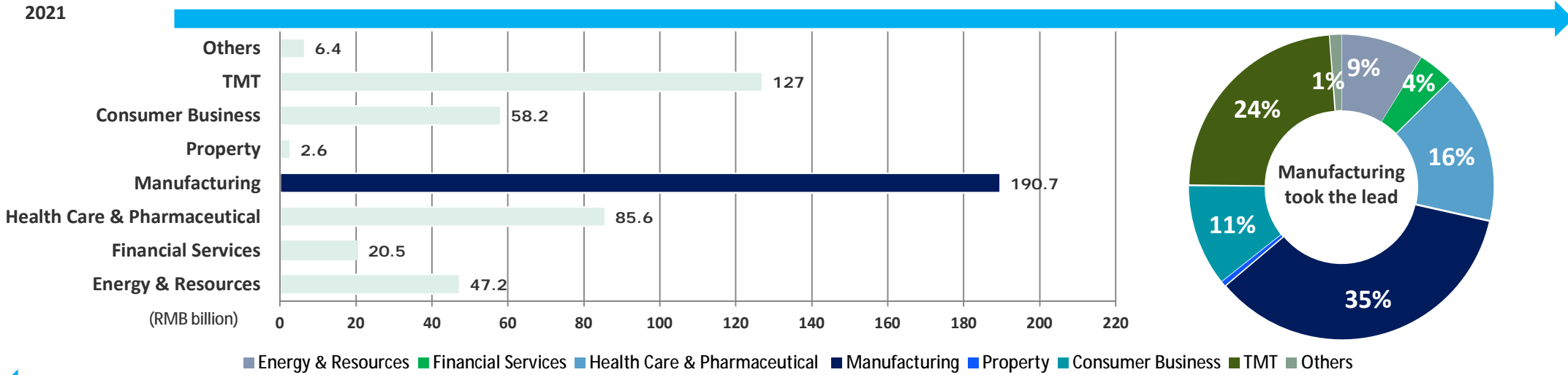


Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis as of 31 December 2021.
 Note: Beijing Stock Exchange started trading on 15 November 2021 and has 11 IPOs included in these statistics.

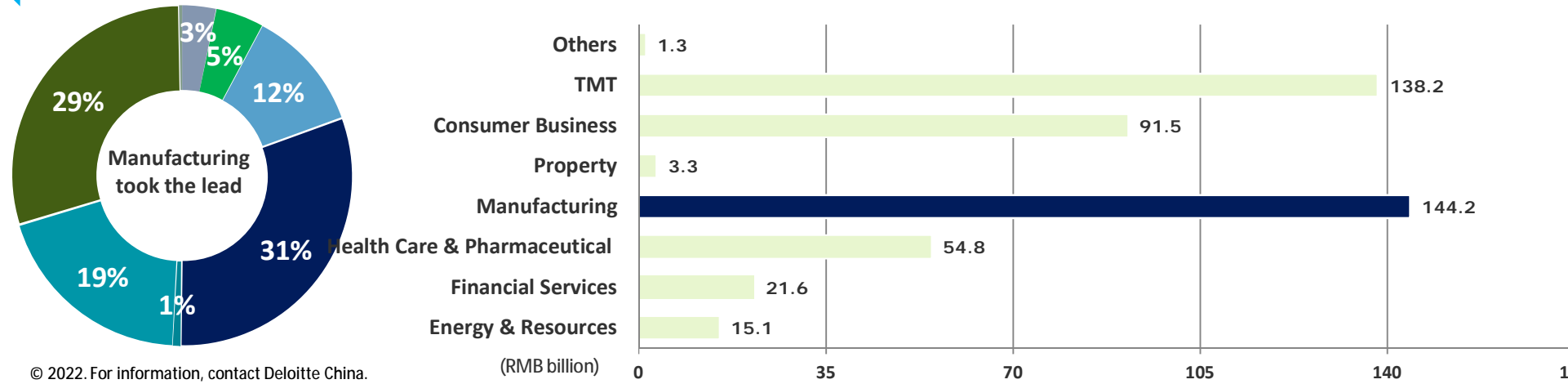
Industry distribution of Chinese Mainland IPOs – 2021 (by proceeds)

The manufacturing sector took an unassailable lead, followed by TMT

2021



← 2020

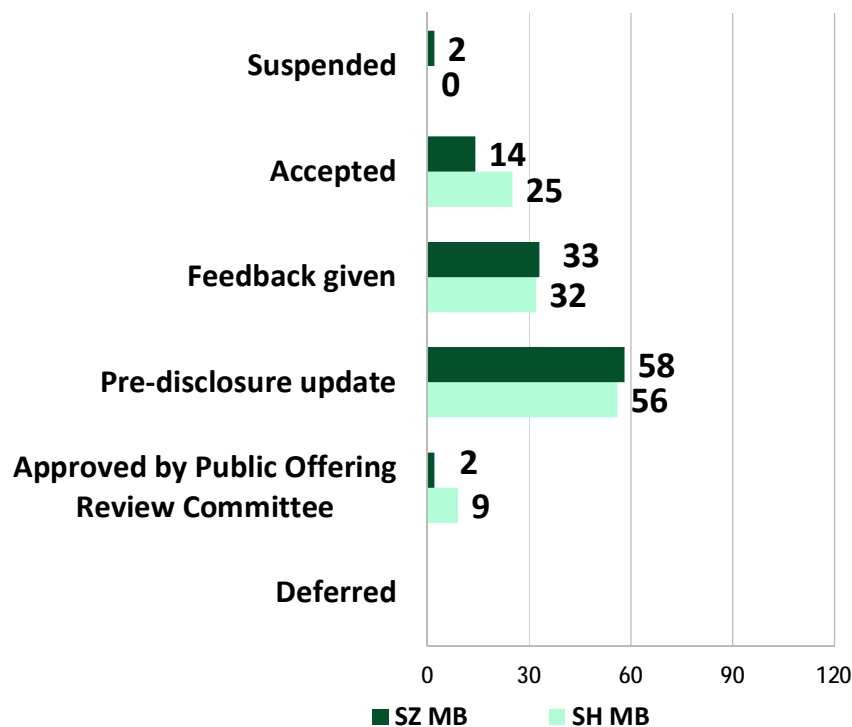


Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis as of 31 December 2021.
 Note: Beijing Stock Exchange started trading on 15 November 2021 and has 11 IPOs included in these statistics.

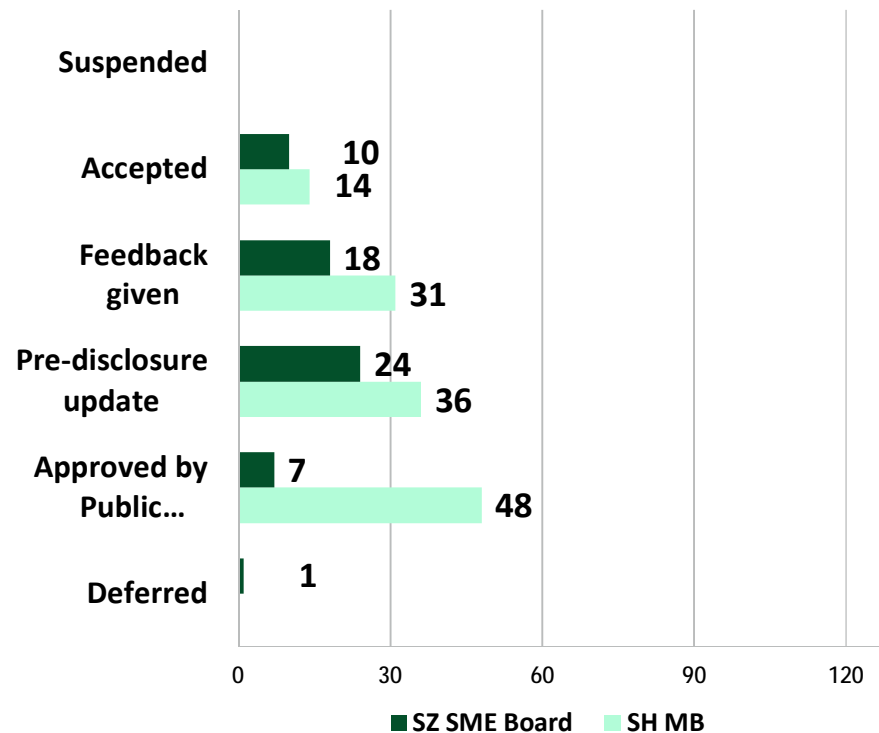
Analysis of review status of Mainland IPO applications on SH & SZ MBs – 2021

As of 31 December 2021, 229 applicants for SH and SZ MBs were under normal review status, 40 more than the 189 at the end of 2020; reviews of another 2 applications were suspended due to incomplete application documents, and should resume on submission of updated financials

Review status of IPO applications at the end of 2021



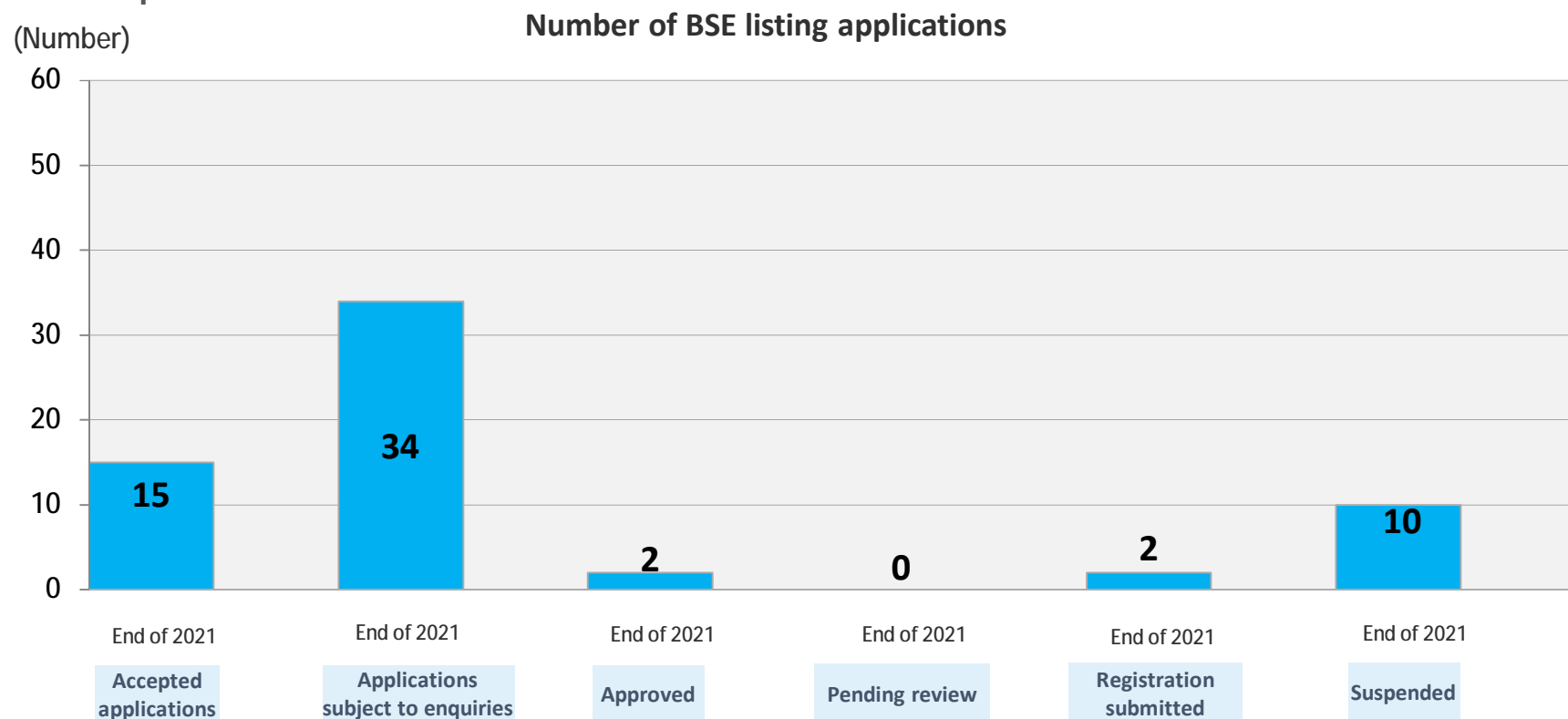
Review status of IPO applications at the end of 2020



Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis.
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Analysis of review status of Mainland IPO applications on Beijing Stock Exchange – 2021

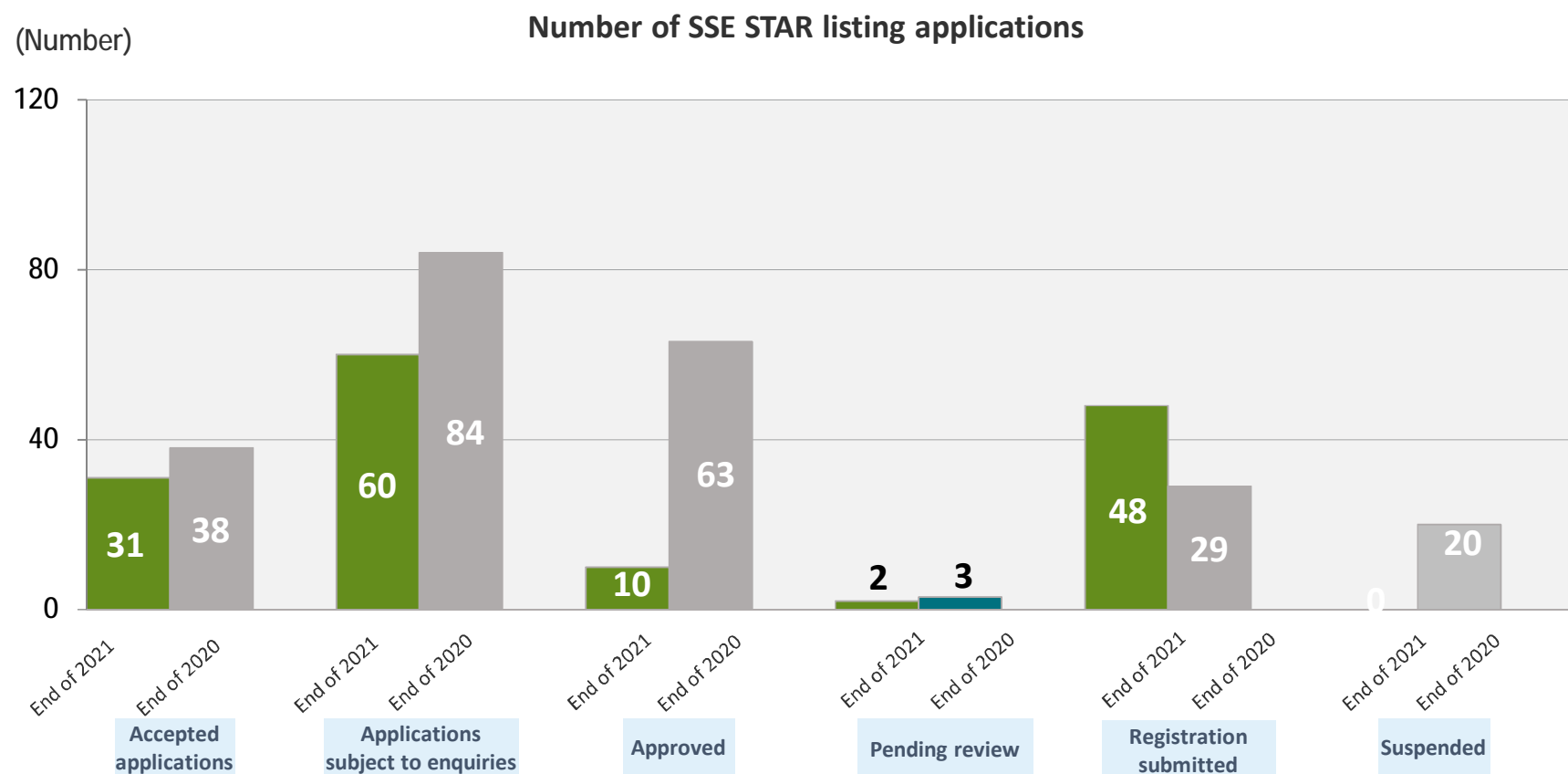
As of 31 December 2021, 53 applicants for BSE were under normal review status. Review of another 10 applications were suspended due to incomplete application documents, and should be resume on submission of updated financials



Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis.
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Analysis of review status of Mainland IPO applications on SSE STAR Market – 2021

As of 31 December 2021, 151 applicants for the SSE STAR Market were under normal review status, a sharp drop of 66 from 217 at the end of 2020;

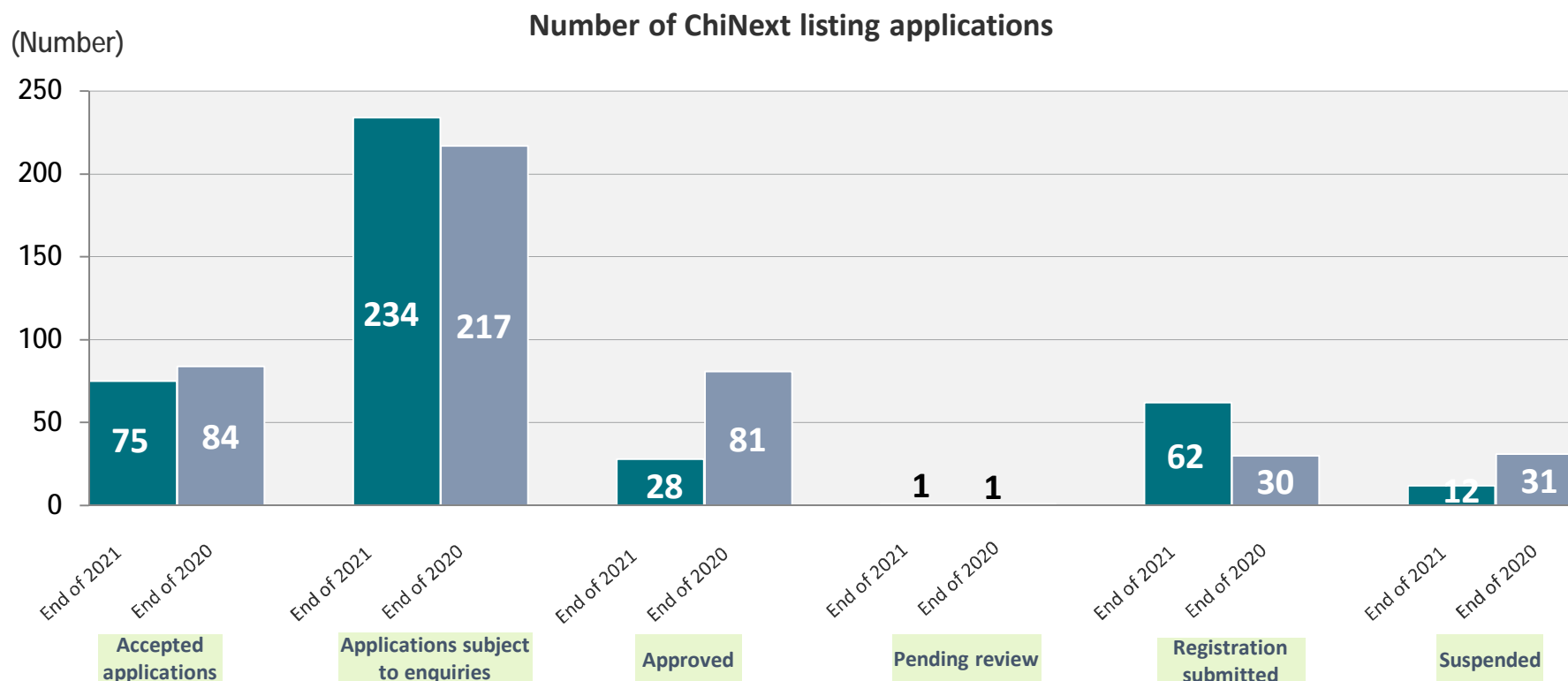


Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis.

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

As of 31 December 2021, 400 applicants for ChiNext were under normal review status, a decrease of 13 from 413 at the end of 2020; reviews of another 12 applications were suspended due to incomplete application documents, and should resume on submission of updated financials



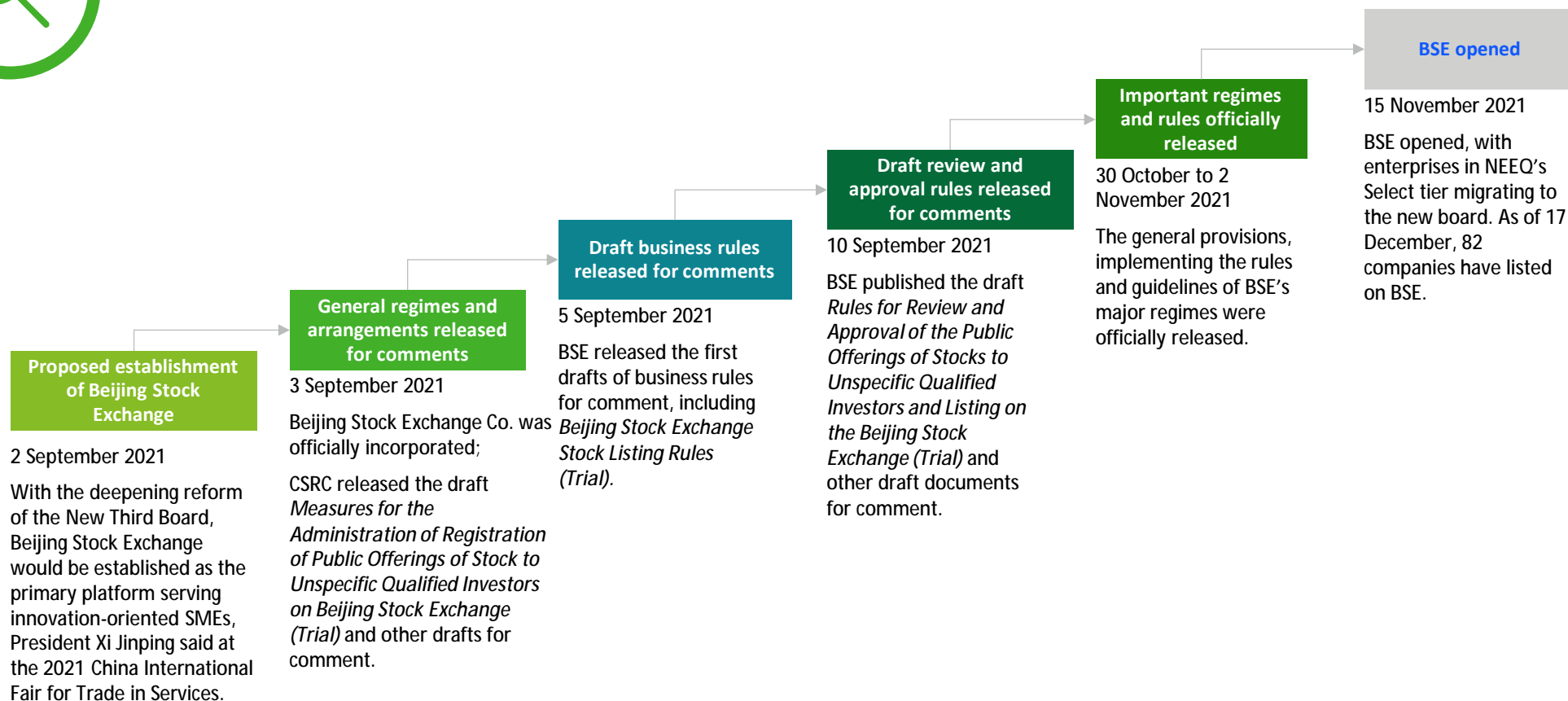
Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind data, Deloitte's analysis.

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Review of Chinese Mainland capital market – 2021



Deepening reform of the New Third Board and the establishment of the Beijing Stock Exchange



Review of Chinese Mainland capital market – 2021



Overall implementation of registration-based IPO regime

The annual Central Economic Work Conference was held in Beijing from 8 to 10 December 2021 when implementation of the registration-based IPO regime was proposed. The effective supervision of capital would be strengthened in accordance with the law to prevent the unchecked growth of capital, according to a statement released after the meeting.



SSE and SZSE modified business guidelines – financial indicators for delisting: operating income deduction

On 19 November 2021, SSE issued the *Guide to Self-regulation of Listed Companies No. 2 – Financial Indicators for Delisting: Operating Income Deduction* and the *Business Guide to Information Disclosure for the Companies Listed on the SSE STAR Market No. 9 – Financial Indicators for Delisting: Operating Income Deduction*. On 19 November 2021, SZSE published the *No. 12 Business Guideline for Listed Companies – Operating Income Deduction Matters* and *No. 13 Business Guideline for Listed Companies on the ChiNext Market – Operating Income Deduction Matters*.



Stronger oversight of offline inquiries under registration-based IPO regime

On 23 October 2021, to promote accurate understanding and application of the provision regarding the "significantly higher quotation consistency of offline investors" of Article 5 of the *Guidelines for Classification, Evaluation and Management of Offline Investors in Initial Public Offerings under the Registration-based IPO Regime*, and to clarify matters related to the criteria identifying "significantly higher quotation consistency of offline investors", the Securities Association of China published the *Opinions on the Application of Self-Regulatory Rules No. 3 – Opinions on the Application of Relevant Provisions of the Guidelines for Classification, Evaluation and Management of Offline Investors in Initial Public Offerings under the Registration-based IPO Regime (Trial)*.

On 28 October 2021, the Securities Association of China announced it had signed the *Memorandum of Understanding for Stronger Oversight of Offline Inquiry under the Registration-based IPO Regime* with SSE and Shenzhen Stock Exchange to jointly exercise stronger oversight of offline investor quotations under the registration-based IPO regime.

Review of Chinese Mainland capital market – 2021



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. Added the conventional indicator of new R&D personnel accounting for more than 10% to form the "4+5" evaluation indicators of science and technology innovation attributes;
- II. Defined and classified the industry sectors of the STAR Market as supported, restricted, and prohibited, and established a negative list system;
- III. Improved the expert pool and consultation system under the work rules of the Advisory Committee to realize supervision; and
- IV. Exchange to make comprehensive judgments in offering and listing reviews and approvals following the principle of substance over form.

On 16 April 2021, Shanghai Stock Exchange released a notice 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 the same day. It further specifies the standards for the **positioning of the STAR Market**, supporting and encouraging enterprises of key and core technologies to issue shares and list thereon, 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 a notice 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 the same day. The Guidelines specify the items and requirements for sustained information disclosure related to the science and technology innovation attributes of listed companies on the STAR Market, respect the law related to development of listed companies on the STAR Market, fulfill the requirements of establishing a concise and friendly rules system, avoid increasing the information disclosure cost of market entities, and clarify arrangements for disclosure exemption and voluntary disclosure.

Review of Chinese Mainland's capital market – 2021



Stronger on-site inspection of IPO applicants and the responsibilities of issuers and intermediaries to verify disclosures

On 29 January 2021, the CSRC issued the *Provisions on the On-site Inspections on IPO Enterprises* to regulate on-site inspections of IPO enterprises, strengthen the regulation of information disclosure by IPO enterprises, supervise the fulfillment of duties by intermediaries, and protect investors' 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*. On 23 July 2021, Shenzhen Stock Exchange issued and implemented the *Guidelines No.2 of Shenzhen Stock Exchange ChiNext Issuance and Listing Review Business – ChiNext Initial Public Offering Review Key Points*.

"Two Responsibilities"

Urge issuers to take primary responsibility for information disclosure

Urge intermediaries to shoulder the responsibilities of "gatekeepers"

On 3 February 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*. On 30 April, 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 become capital market "gatekeepers" with due diligence.

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

Review of Chinese Mainland's capital market – 2021



The oversight of information disclosure by IPO applicants was further strengthened, corresponding guidelines in response to problems emerging in the market were issued, and measures to administer information disclosure by listed companies and information disclosure guidelines for relevant industries were updated and amended:

On 11 January 2021, Shanghai Stock Exchange released a notice 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. Reiterates principles and requirements regarding the eligibility of issuers' shareholders

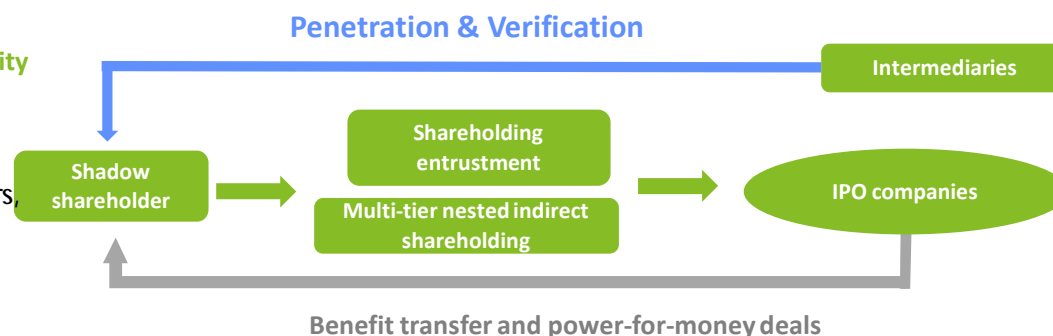
II. Strengthens supervision of the shareholding activities immediately before listing

In a provision on a 36-month share lock-up for new shareholders, the definition of a new shareholder is amended from "holding shares within 6 months" to "holding shares within 12 months"

III. Strengthens the penetration and verification of the information of natural person shareholders and multi-tier nested institutional shareholders with apparently abnormal shareholding transaction prices

IV. Raises intermediaries' sense of responsibility

V. Focuses on forming regulatory synergy.



On 19 March 2021, the CSRC issued the amended *Measures for the Administration of Information Disclosure by Listed Companies*, effective 1 May 2021.

I. Improves the general requirements for information disclosure; II. Improves the regular reporting system; III. Details the requirements for interim reporting; and IV. Improves the management system for information disclosure affairs.

Review of Chinese Mainland's capital market – 2021



The oversight of information disclosure by IPO applicants was further strengthened, corresponding guidelines in response to problems emerging in the market were issued, and measures to administer information disclosure by listed companies and information disclosure guidelines for relevant industries were updated and amended (continued):

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*:

Sets out and clarifies the types of "ultimate holders" during shareholder penetration and verification for IPOs. In addition to natural persons, ultimate holders also include:

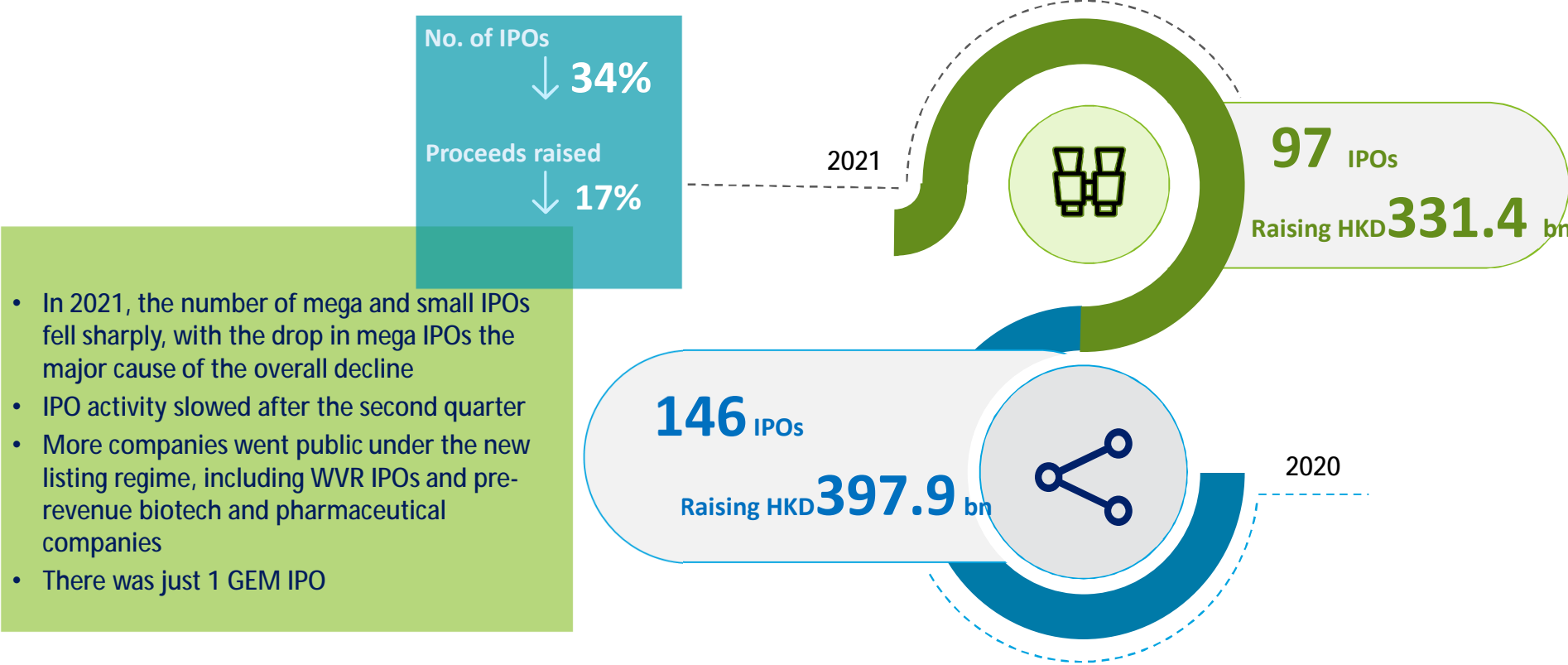
- **Listed companies (including those overseas)**
- **NEEQ-listed companies**
- **State held or managed entities (including industry funds controlled by public institutions and state-owned entities) and other collectively owned enterprises**
- **Foreign government investment, university endowment, pension,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

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



Review of IPO Market in 2021 – Hong Kong

Affected by regulations introduced for several Chinese Mainland industries, HK IPO proceeds raised declined by 17% in 2021 and the number of IPOs dropped by 34%

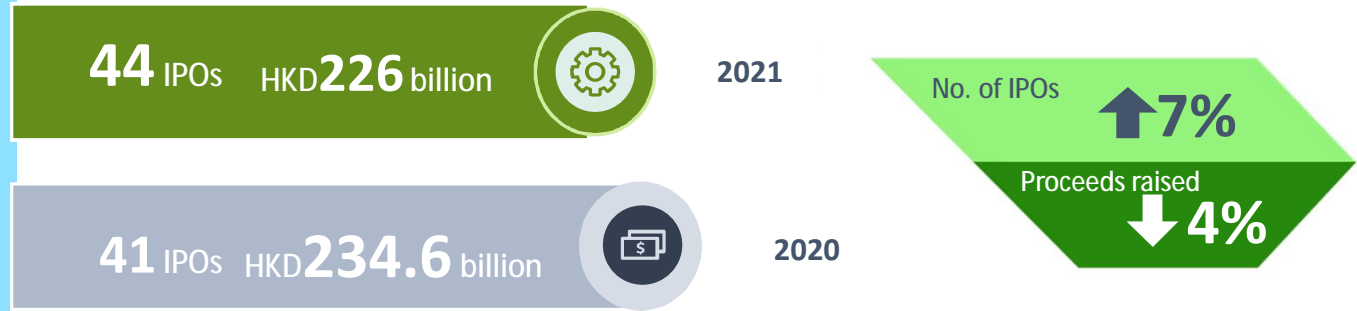


Source: HKEX, Deloitte’s analysis as of 31 December 2021.

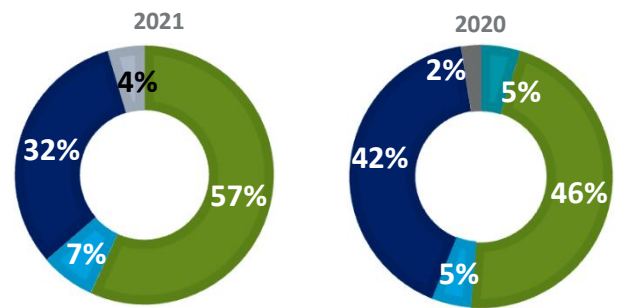
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There were a few more new economy IPOs in 2021 than there were in 2020, although proceeds raised edged down by 4%

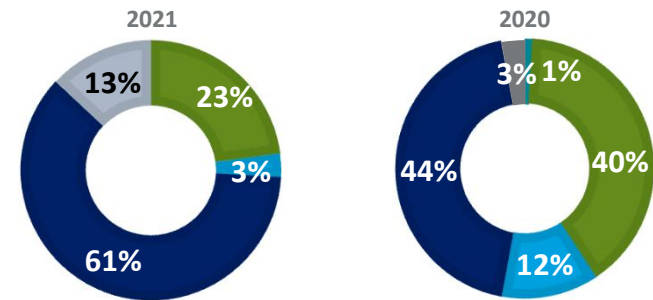
- The overall trend in new economy IPOs remained the same, with health care & pharmaceutical companies dominating volume and TMT taking the lead in proceeds raised
- Proceeds from 8 mega IPOs in TMT reached more than 60% of total proceeds, vs. 5 in 2020
- 20 pre-revenue biotech and pharmaceutical companies listed in 2021, vs. 14 in 2020



Industry distribution of new economy IPOs (by number)



Industry distribution of new economy IPOs (by proceeds)

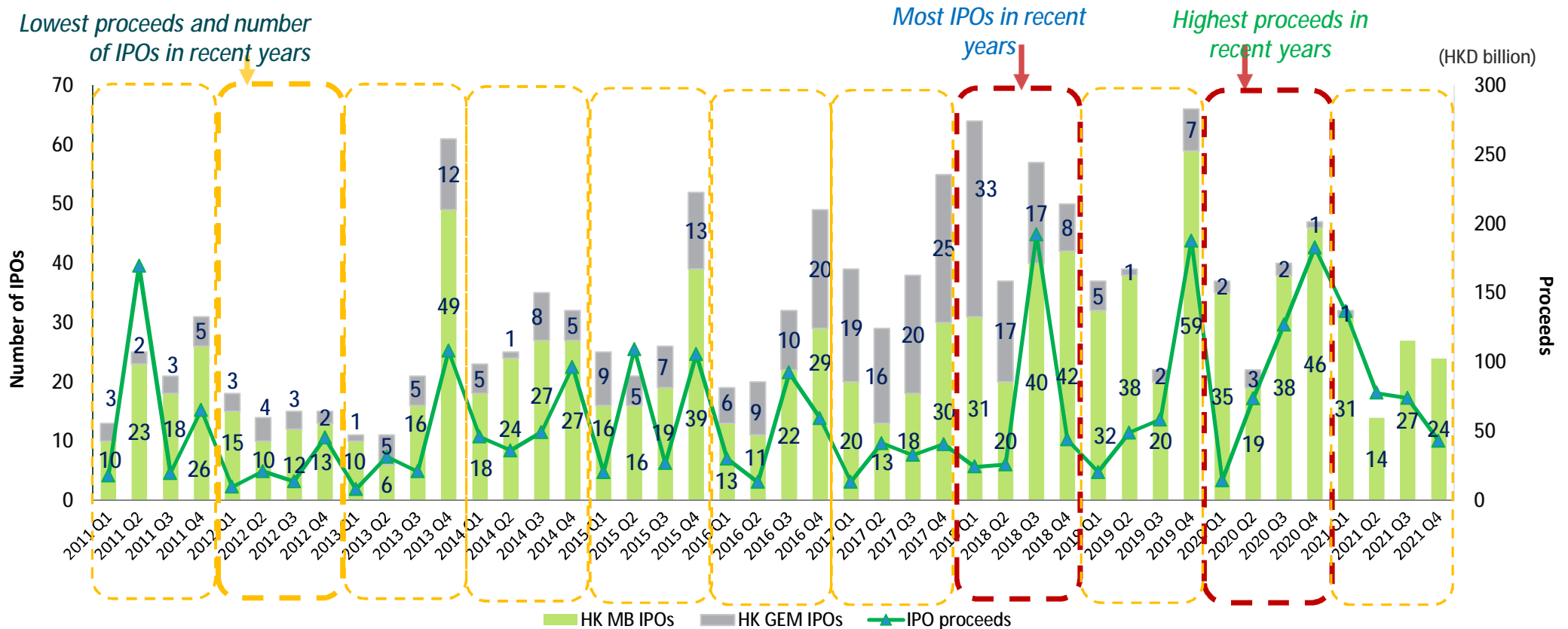


■ Financial Services ■ Health Care & Pharmaceutical ■ Consumer Business ■ TMT ■ Manufacturing ■ Property

Source: HKEX, Deloitte's analysis as of 31 December 2021.

Overview of HK IPO market – 2021

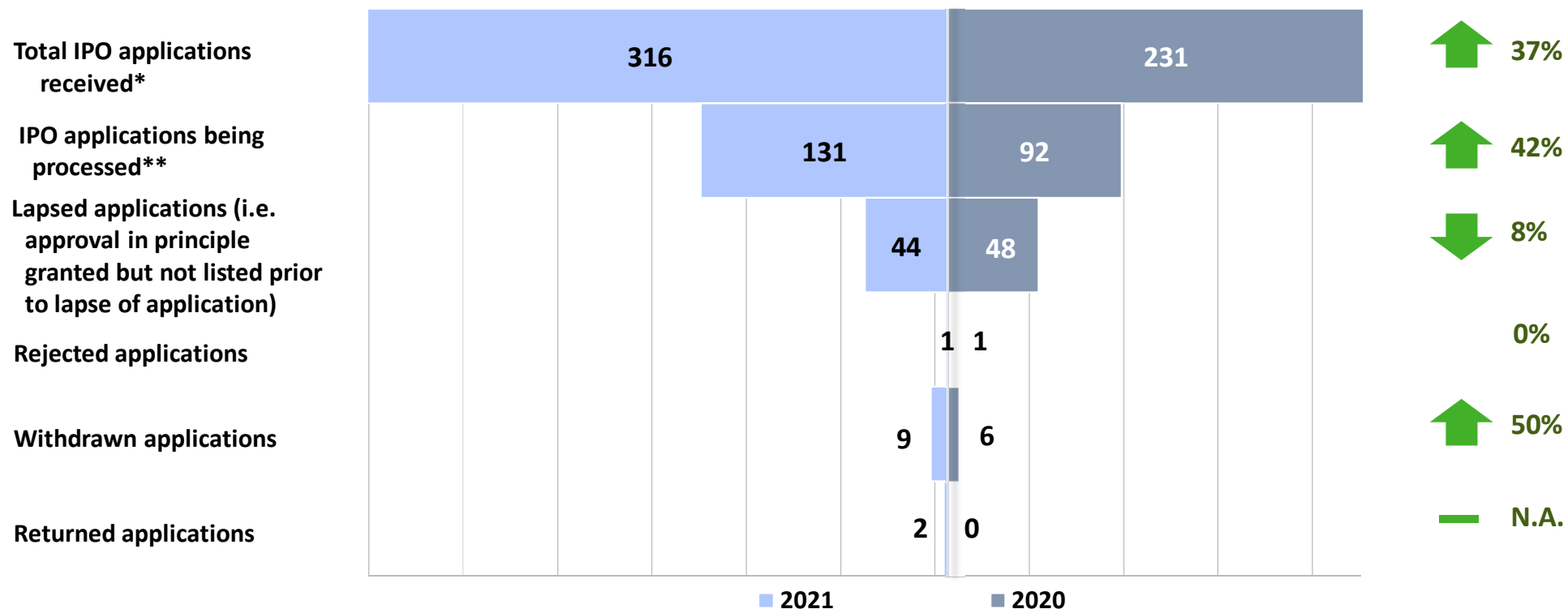
The number of IPOs in Q4 continued to drop, hitting a recent-year low since 2012; proceeds raised in 2021 failed to surpass 2020's level but still outperformed previous years



Source: HKEX, Deloitte's analysis as of 31 December 2021.

Overview of HK IPO applications – 2021

Total IPO applications received in 2021 were up 37% from the same stage in 2020; there were 8% fewer lapsed applications although withdrawn and returned applications increased



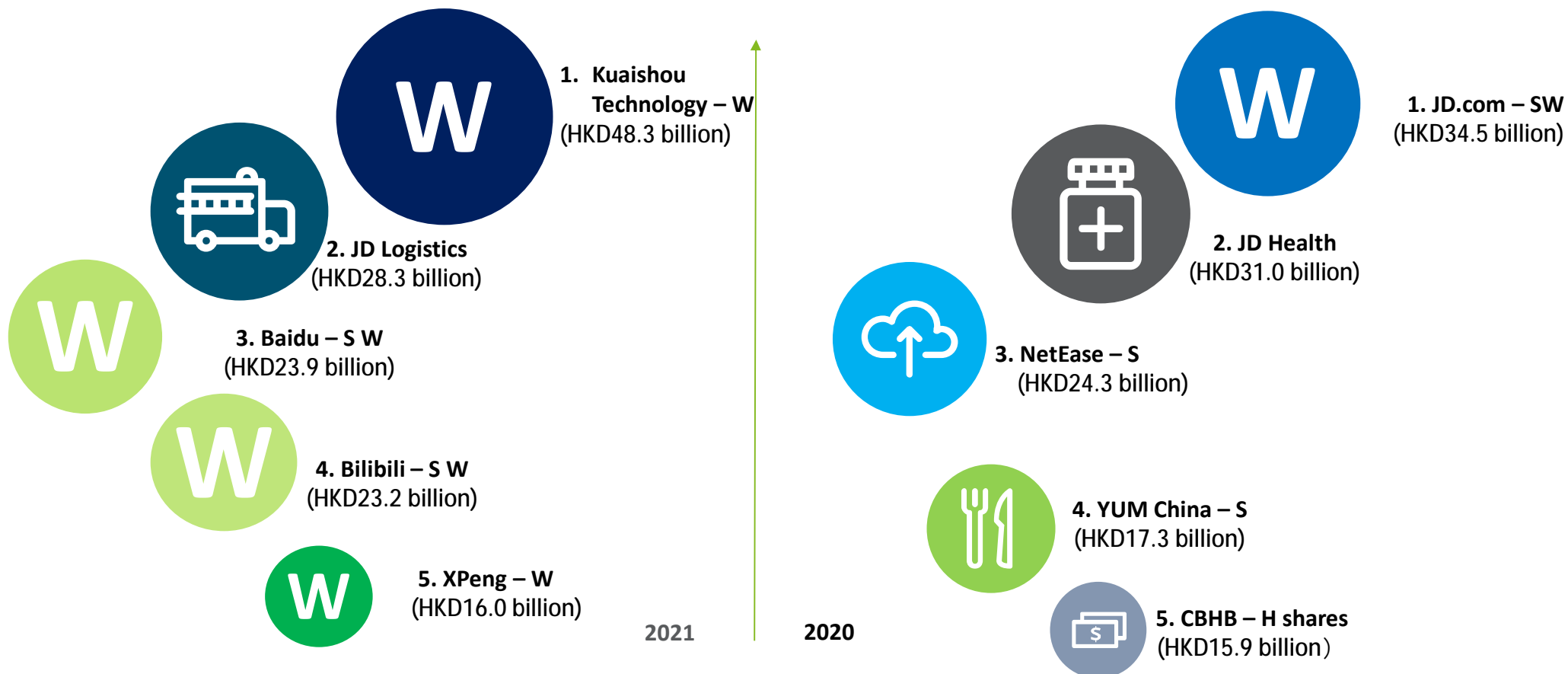
Source: HKEX, Deloitte's analysis, as of 31 December 2021.

*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 2020 and 2021 include IPO applications that were accepted between 1 January and 31 December in 2020 and 2021.

Overview of HK IPO market – 2021

Boosted by 5 mega IPOs (4 of which were new economy IPOs with WVR structures), proceeds raised by the top 5 IPOs increased by 14% to HKD139.8 billion from HKD123 billion in the same period of 2020

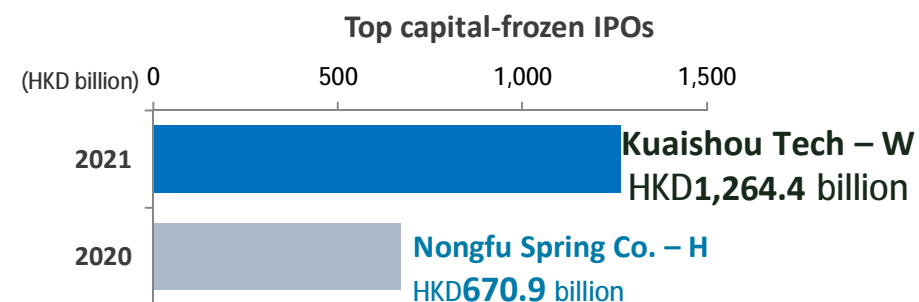
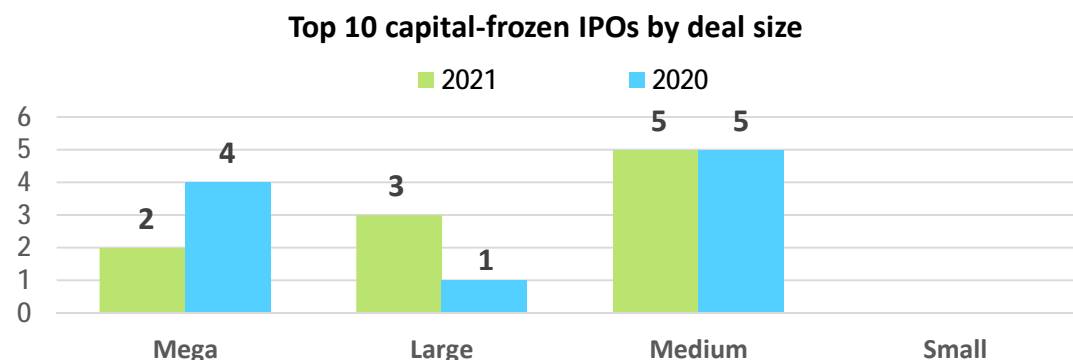
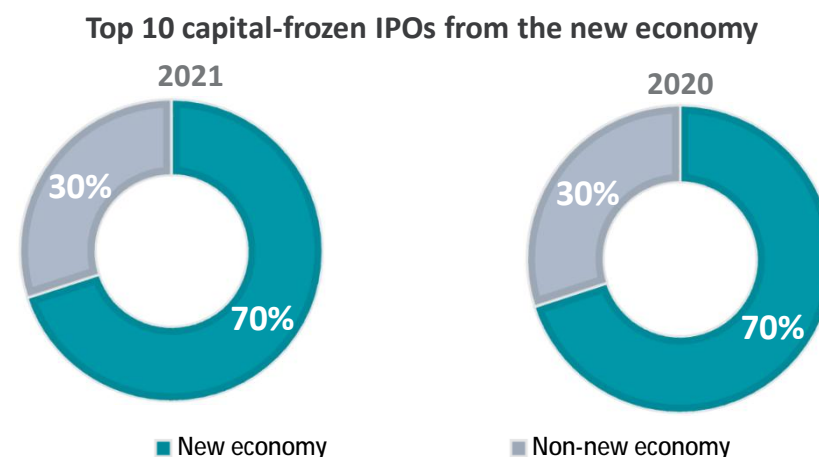
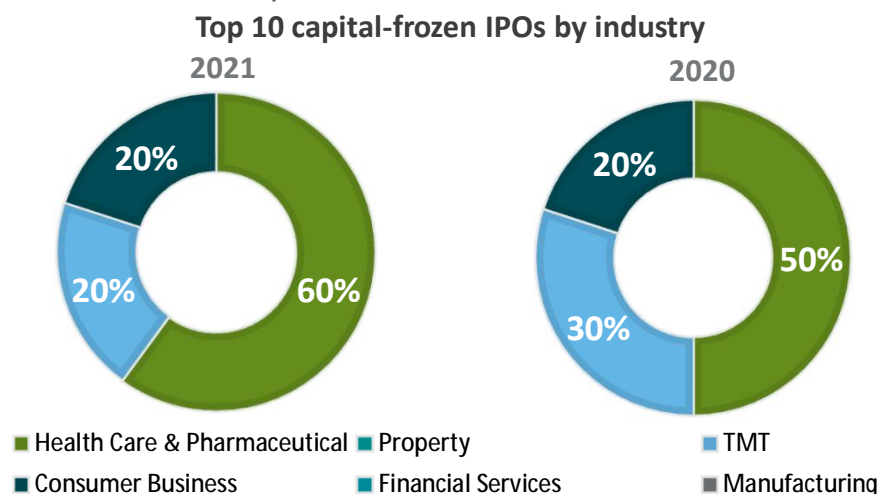


Source: HKEX, Deloitte's analysis as of 31 December 2021.

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HK's top 10 capital-frozen IPOs – 2021

The top 10 capital-frozen IPOs were mainly new economy companies in health care & pharmaceutical, with similar performance to that in the first three quarters of 2021 but the amount frozen surging to HKD5,154.0 billion from HKD3,739.7 billion in 2020



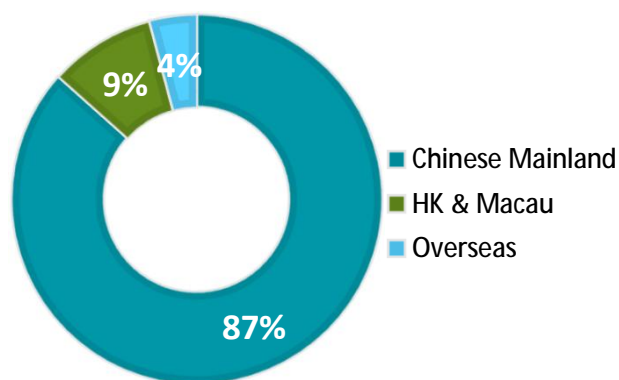
Source: HKEX, Deloitte's analysis as of 31 December 2021.

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Overview of HK IPO market – 2021

Chinese Mainland companies accounted for more than 80% of HK IPOs and over 90% of total proceeds; fewer overseas companies went public in HK; there were more loss-making IPOs due to an increase in pre-revenue biotech listings

Number of IPOs by location of issuer



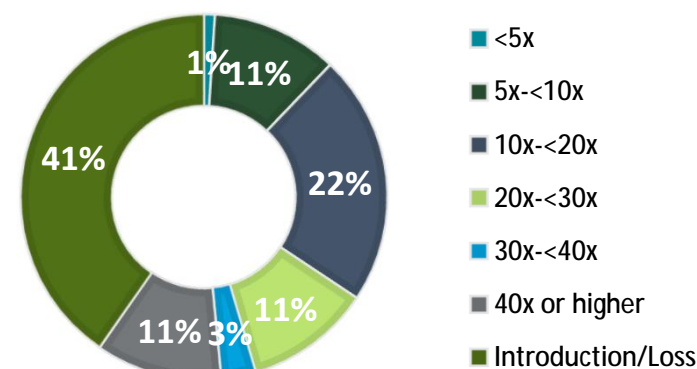
The share of IPOs and proceeds raised by Chinese Mainland companies continued to increase

- 87% of IPOs were from the Chinese Mainland, up 12 percentage points from 75% in 2020; 9% were from HK or Macau, down 7 percentage points.
- IPOs from Chinese Mainland companies contributed 97% of total proceeds raised in the HK IPO market (around HKD320.8 billion) compared with 98% (HKD391.7 billion) in 2020.
- 4 overseas IPOs from Singapore, Taiwan, Japan, and the US raised about HKD1.5 billion in total, a sharp drop from 14 IPOs (from Singapore, Malaysia and the United States) raising HKD3.1 billion in 2020.

Source: HKEX, Deloitte's analysis as of 31 December 2021.

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P/E multiples of HK IPOs

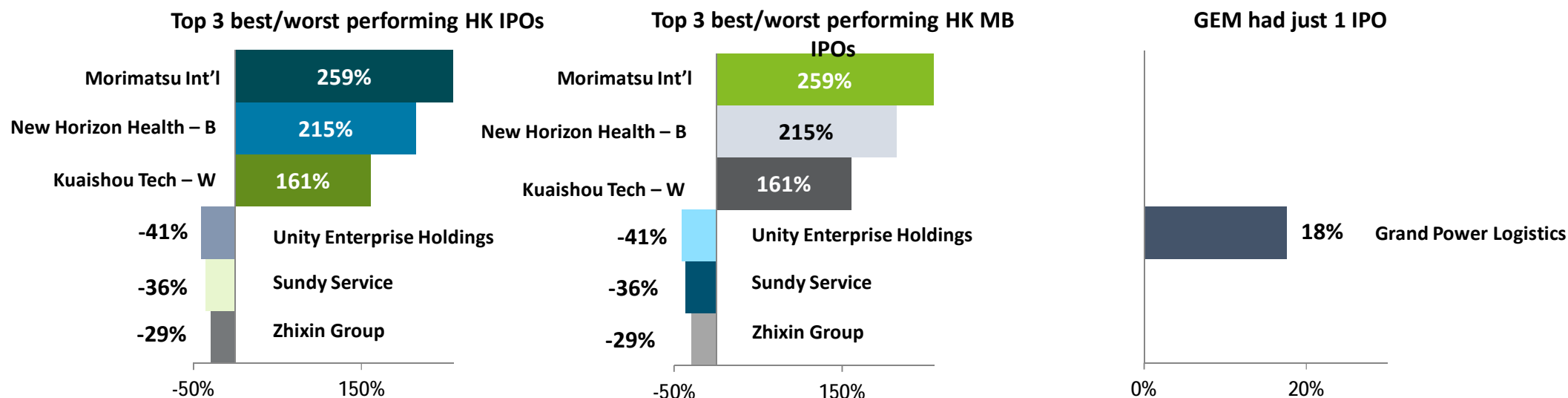


Loss-making IPOs increased sharply to reach nearly 40%, most of which were new economy IPOs

- 22% of IPOs were priced at P/E ratios of 10x-<20x, down 17 percentage points from 39% in 2020.
- Another 11% of IPOs were priced at 20x-<30x, up from 9% in 2020.
- The proportion of IPOs priced at 40x or more was 11%, down from 17% in 2020.
- Loss-making IPOs trebled to 40% from 13% in 2020.

Overview of HK IPO market – 2021

First-day performance of the 3 best performing IPOs was slightly better than it was in 2020, but average first-day return was far below 2020's level



- The first-day returns of the 3 best and 3 worst performing IPOs on MB were slightly better than they were in the same period of 2020.
- 2 of the 3 best performing IPOs were new economy listings from health care & pharmaceutical and TMT; all 3 of the worst-performing IPOs were from the property sector. Investors are now much more receptive to new economy IPOs.
- The overall average first-day return of MB and GEM IPOs declined to 15% from 25% in 2020.
- The average first-day return of MB IPOs was about 15%, vs. 25% in 2020.
- The average first-day return of GEM IPOs was 18%, a substantial decline from 29% in 2020 when there were 8 IPOs.

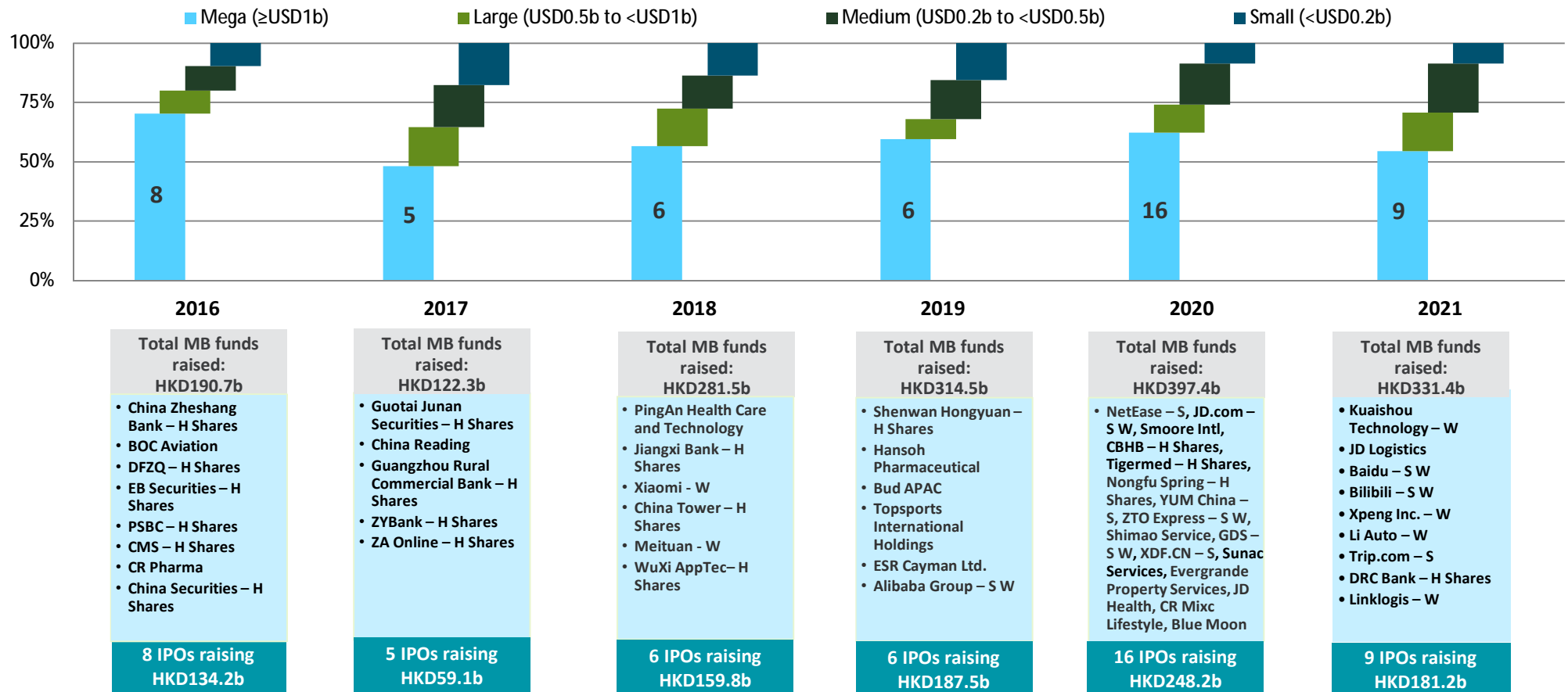
Source: HKEX, Deloitte's analysis as of 31 December 2021.

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HK IPO deal size analysis – 2021

Proceeds from the 9 mega IPOs accounted for about 55% of HK MB's total deal size, below the levels in 2020 and 2019

Deal size of HK MB's IPOs

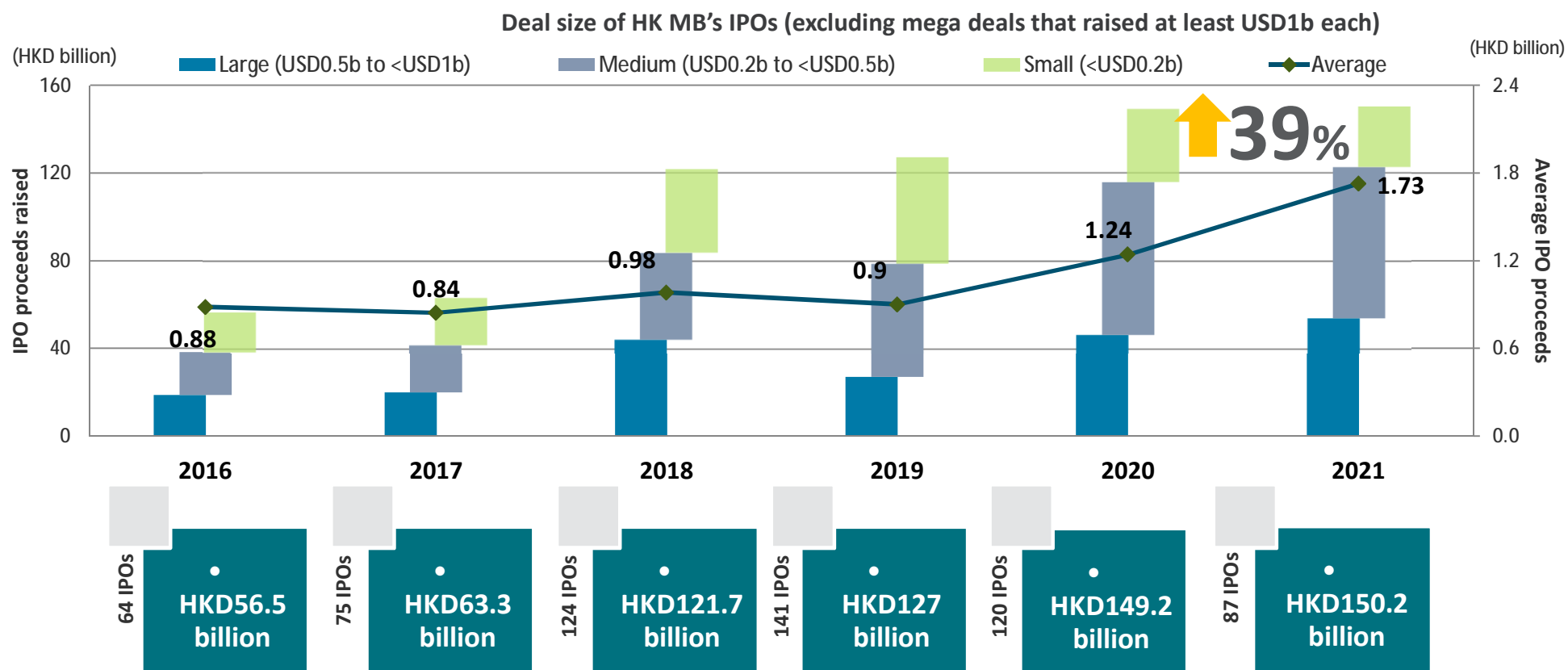


Source: HKEX, Deloitte's analysis as of 31 December 2021.

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HK IPO deal size analysis – 2021

Due to a sharp decline in the number of small IPOs, average MB deal size rose by 39% to HKD1.73 billion in 2021; with only 1 GEM IPO, average deal size fell by 20% to HKD55.5 million from HKD69.29 million

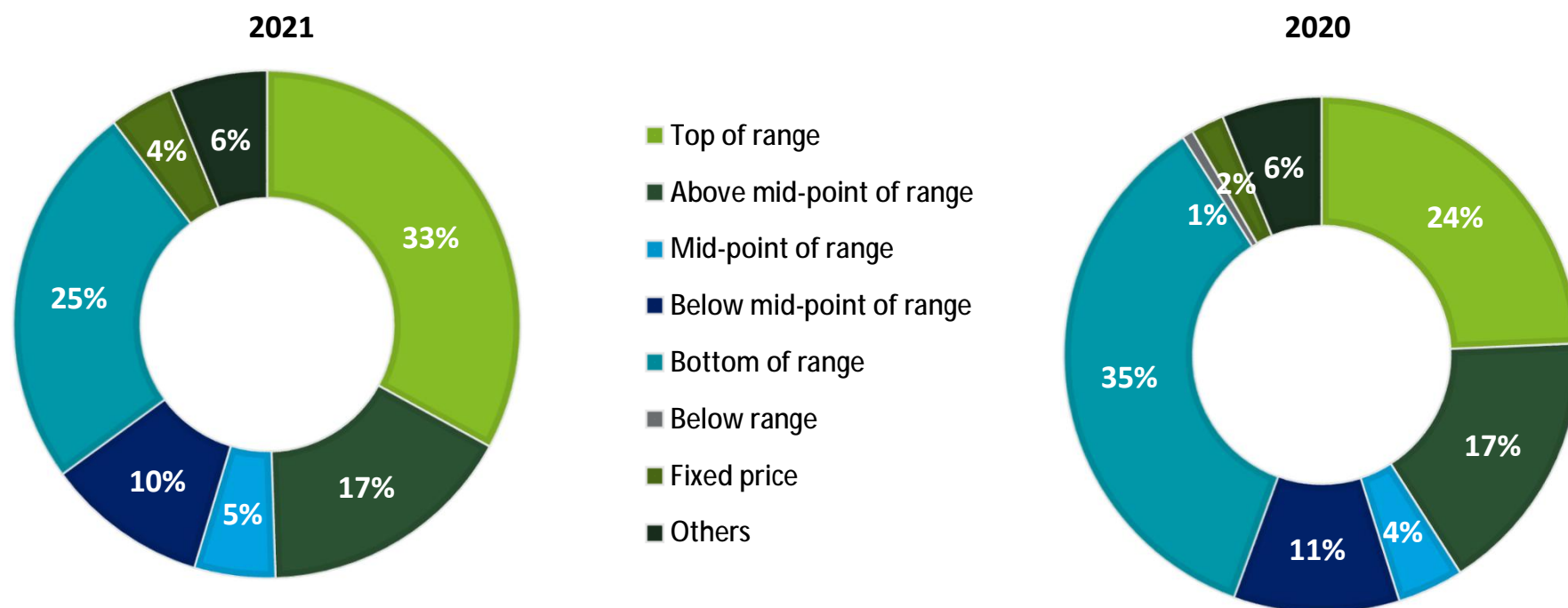


Source: HKEX, Deloitte's analysis as of 31 December 2021.

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HK IPO valuation analysis – 2021

Nearly half of IPOs were priced at above the mid-point of their indicative ranges, and 35% were priced below their mid-point, a decline of 12 percentage points from 2020's level



Source: HKEX, Deloitte's analysis as of 31 December 2021.

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Analysis of HK IPO's public offering subscriptions – 2021
 Public offering subscriptions were generally better than they were in 2020. The top 5 over-subscribed IPOs in 1H, most of them new economy companies, remained the top 5 at the end of the year

99% *(2020: 94%)* of IPOs over-subscribed

Among those over-subscribed,
56% *(2020: 58%)* were over-subscribed by

over **20x**

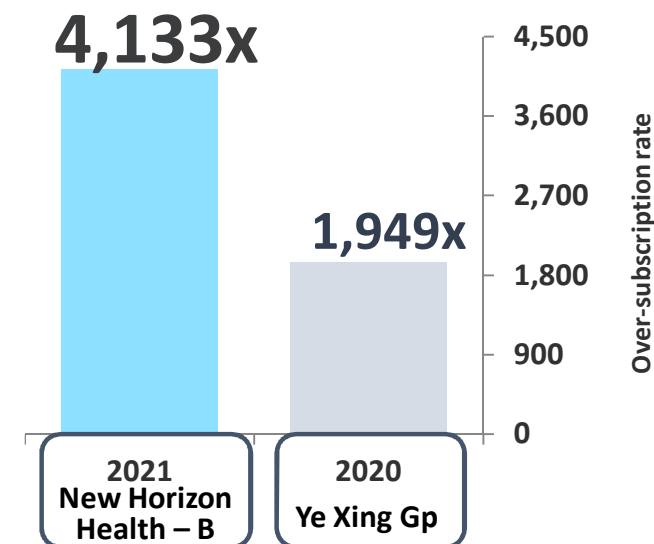
Source: HKEX, Deloitte's analysis as of 31 December 2021.

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5 most over-subscribed IPOs in 2021

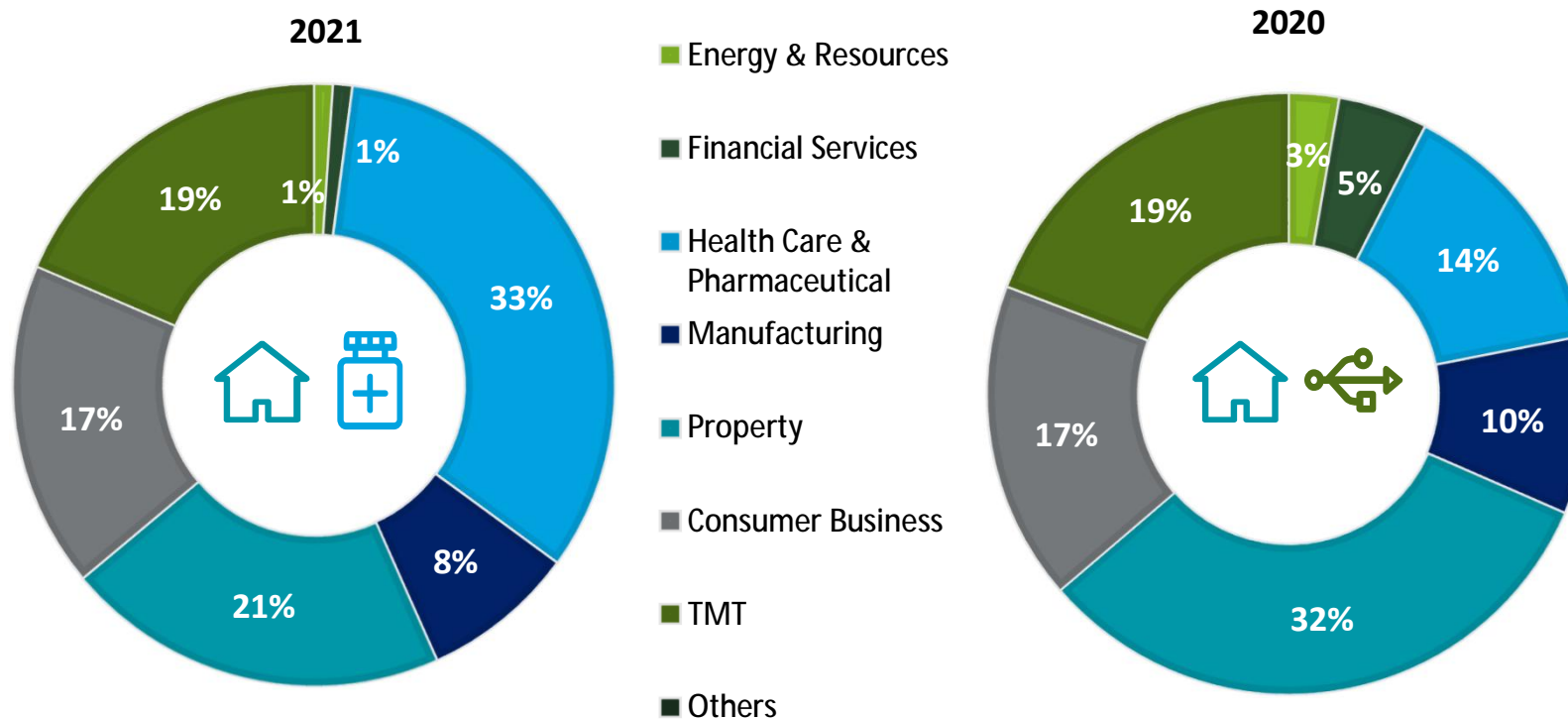
Issuer	Over-subscription rate
New Horizon Health – B	4,133x
Angelalign Technology	2,079x
Yidu Tech	1,634x
Cheshi	1,275x
Kuaishou Technology – W	1,204x

Best performing IPOs by over-subscription rate



Industry representation of HK's IPOs in 2021 (by number)

Health care & pharmaceutical and property took the lead, with representation of the former up sharply from 2020, resulting in varying reductions in the representation of nearly every other sector except consumer business

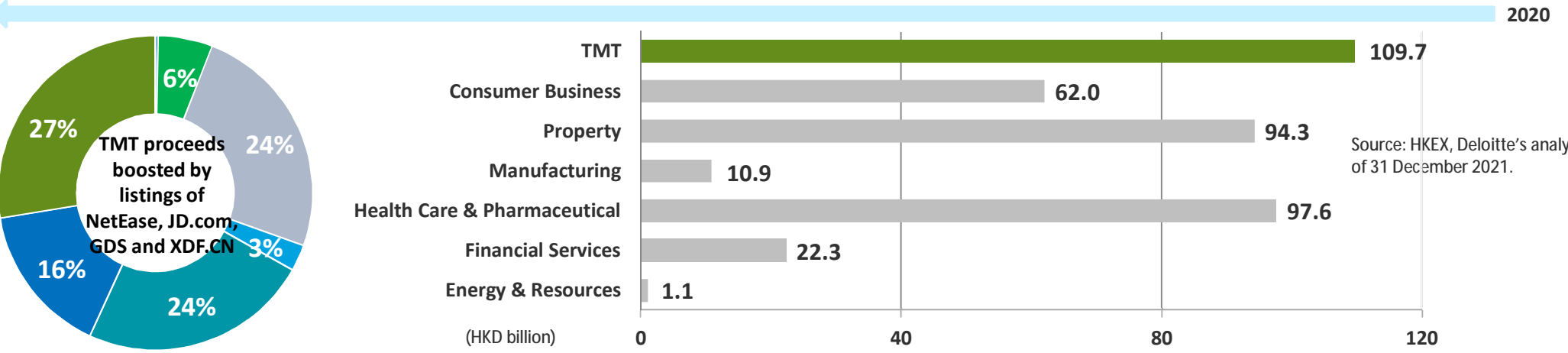
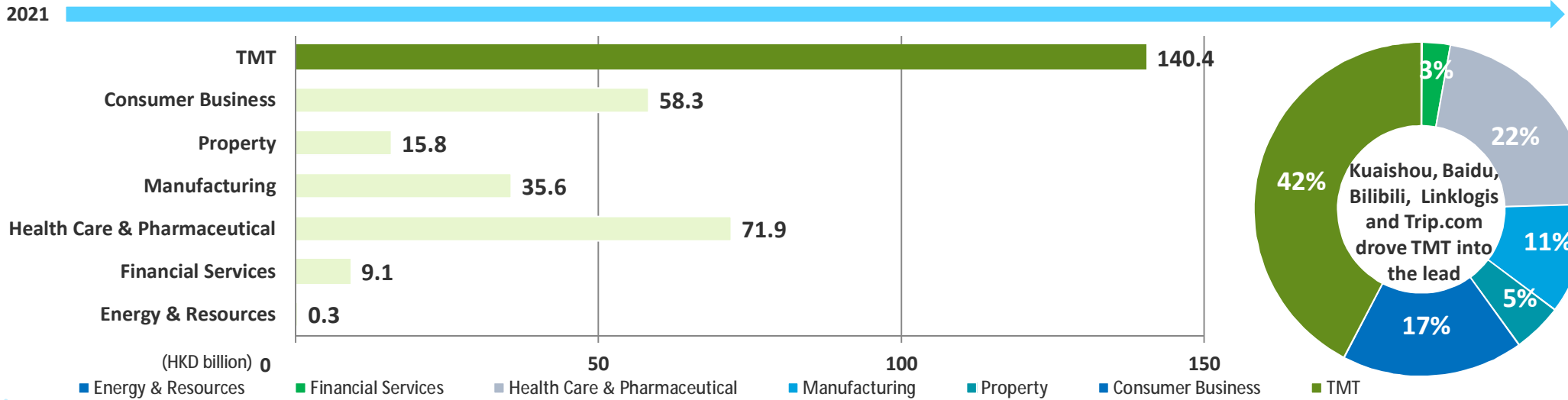


Source: HKEX, Deloitte's analysis as of 31 December 2021.

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

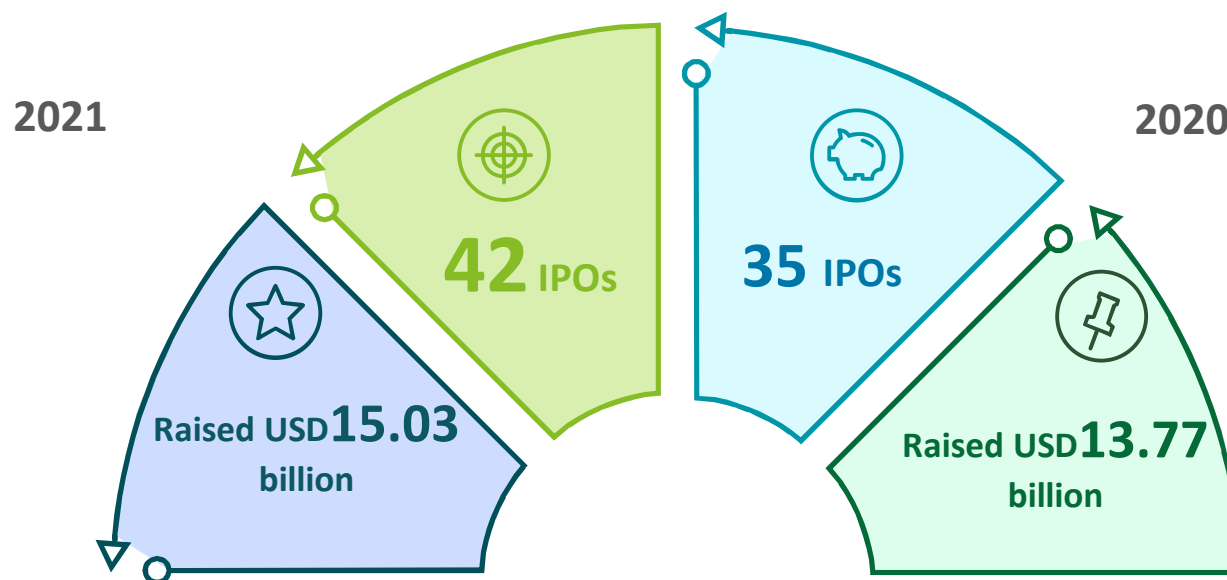
TMT was well ahead thanks to 7 large or mega IPOs, followed by health care & pharmaceutical



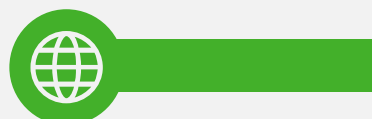
Source: HKEX, Deloitte's analysis as of 31 December 2021.

Review of IPO Market in 2021 – the US for Chinese Companies

Despite continued underperformance for IPOs of Chinese companies in the US market with only 4 IPOs in H2, 2021 still surpassed 2020 in IPO volume and value thanks to outperformance in H1



Number of IPOs increased by 20%



IPO proceeds increased by 9%



Average proceeds decreased by 8%



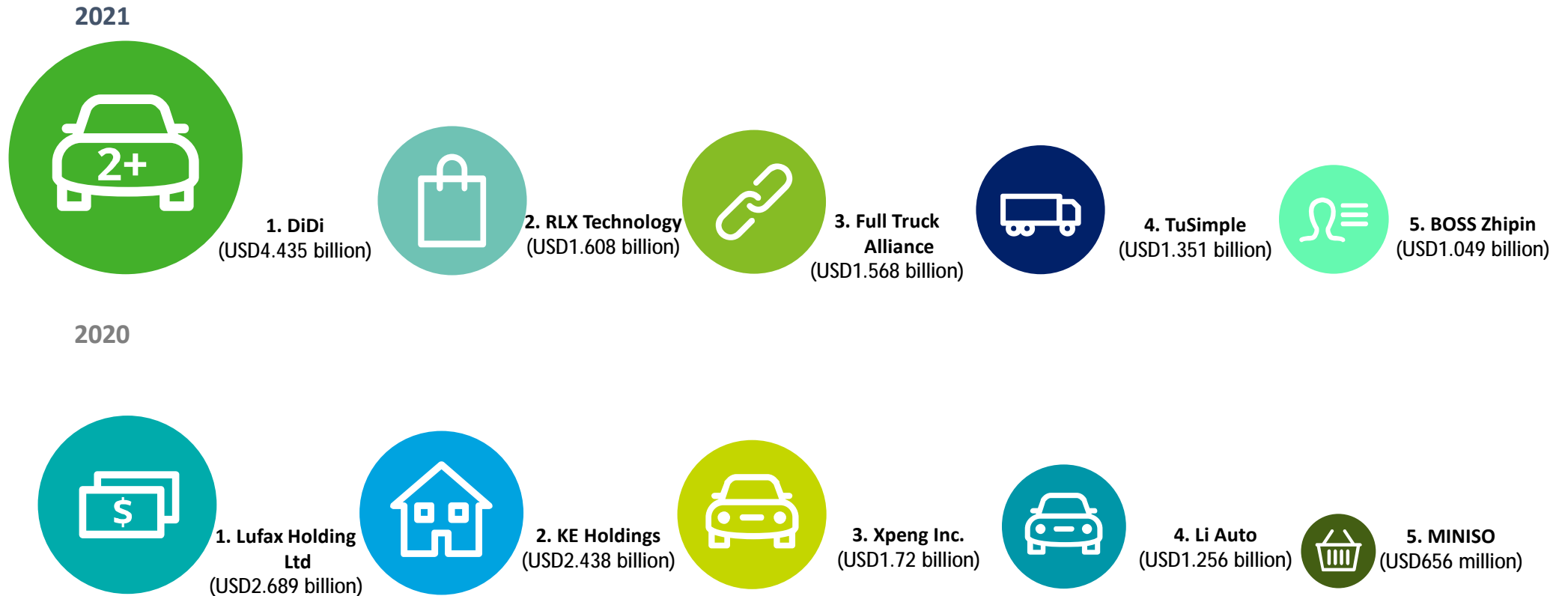
Because of regulatory hurdles including China's cybersecurity review measures and the reform targeted at tutoring service companies, as well as rules implementing Holding Foreign Companies Accountable Act adopted by US SEC, the number of Chinese IPO hopefuls substantially decreased

Source: NYSE, Nasdaq, Bloomberg, Deloitte's analysis as of 31 December 2021.

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Overview of US-listed Chinese companies – 2021

The top 5 IPOs were dominated by new economy companies in TMT and consumer business, and raised a total of USD10.011 billion, up 14% from USD8.759 billion in 2020

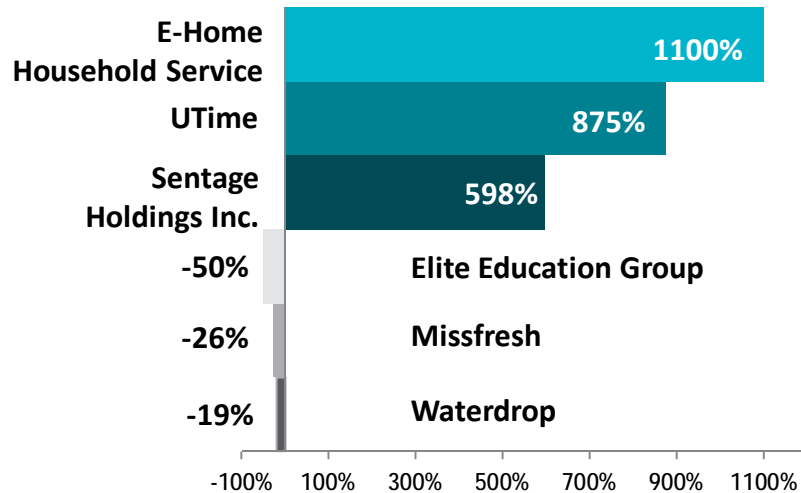


Source: NYSE, Nasdaq, Bloomberg, Deloitte's analysis as of 31 December 2021.

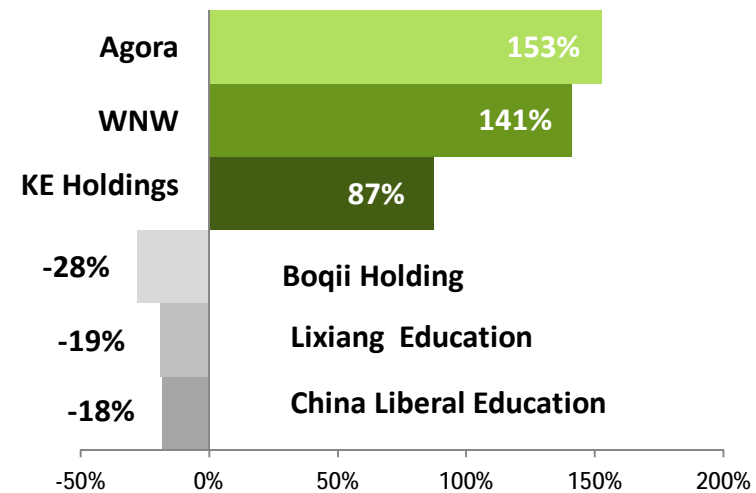
Overview of US-listed Chinese companies – 2021

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

3 best/worst performing China Concept Stocks in the US in 2021



3 best/worst performing China Concept Stocks in the US in 2020



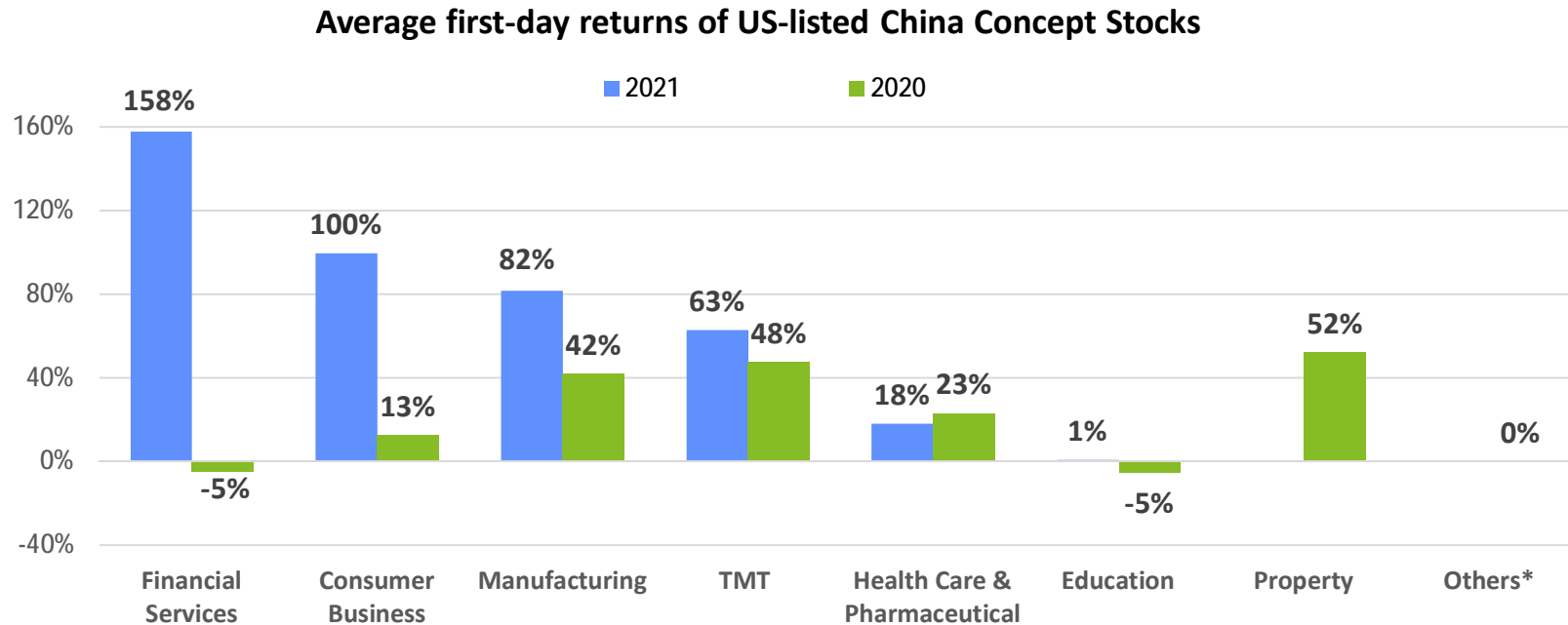
- Consumer business, TMT, and financial services each had one of the 3 best performing IPOs
- The 3 worst-performing IPOs were from the education, TMT and internet finance sectors
- In 2020, the TMT industry had most of the best performing IPOs, while the worst performing were mainly from the education industry

Source: NYSE, Nasdaq, Bloomberg, and Deloitte's analysis as of 31 December 2021.

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Overview of US-listed Chinese companies – 2021

Way ahead of other sectors, financial services, consumer business, manufacturing, and TMT saw much higher first-day returns than they did in 2020



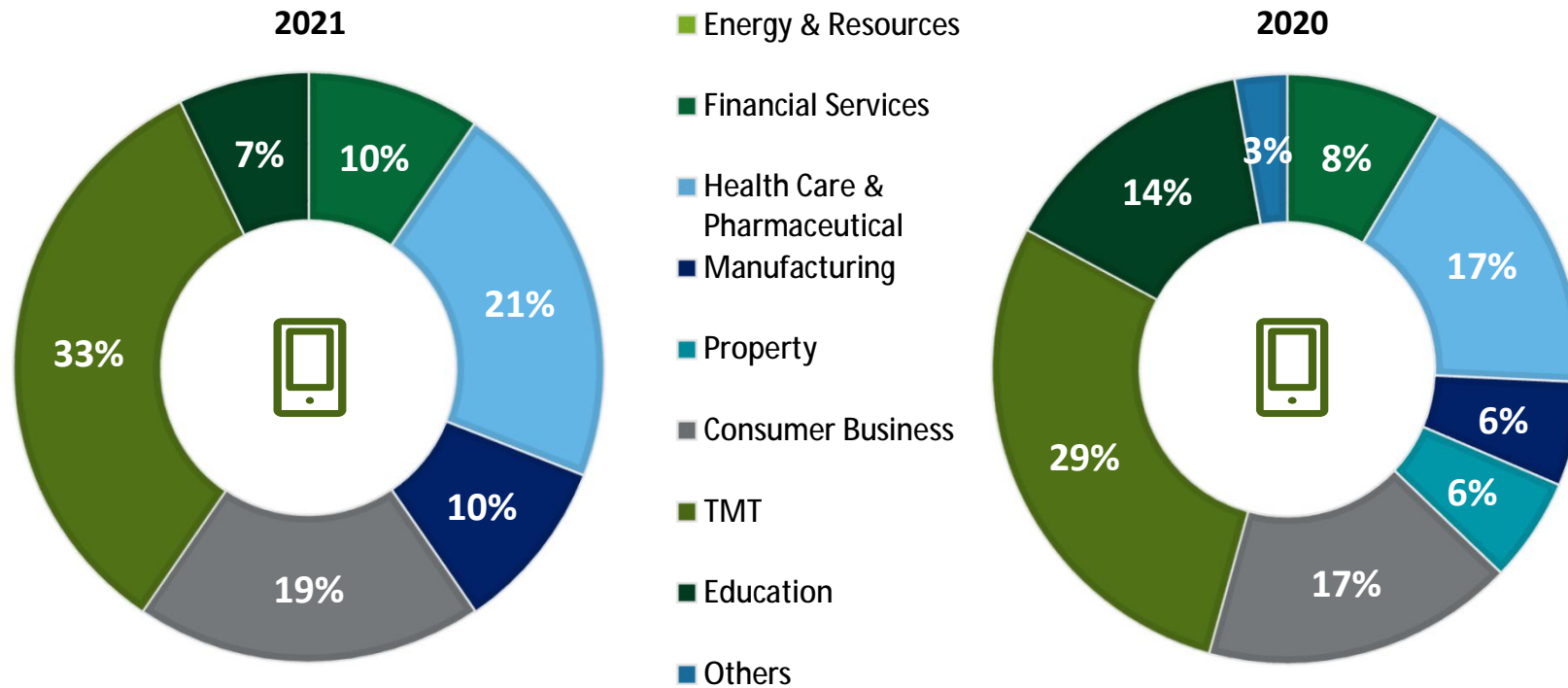
There were no IPOs for other industries in 2021 with only one in 2020.

Source: NYSE, Nasdaq, Bloomberg, and Deloitte's analysis as of 31 December 2021.

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

In terms of the number of IPOs, TMT took the lead in both 2020 and 2021, followed by consumer business and health care & pharmaceutical

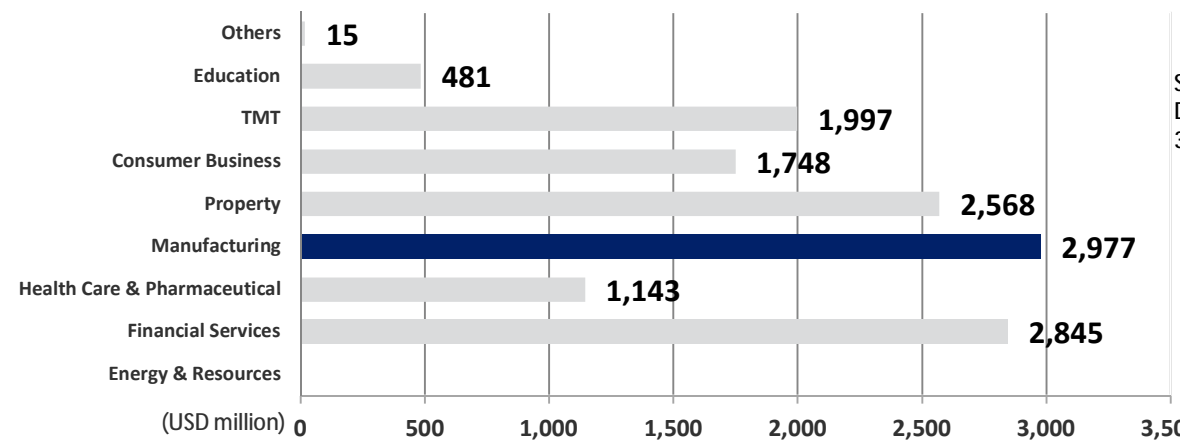
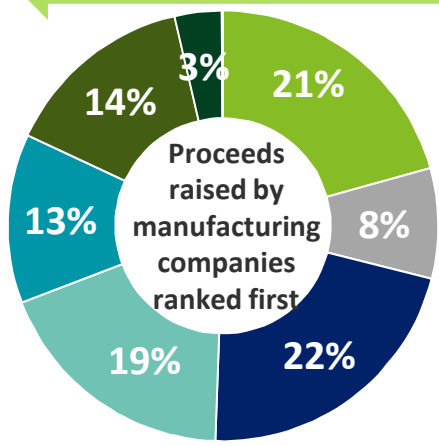
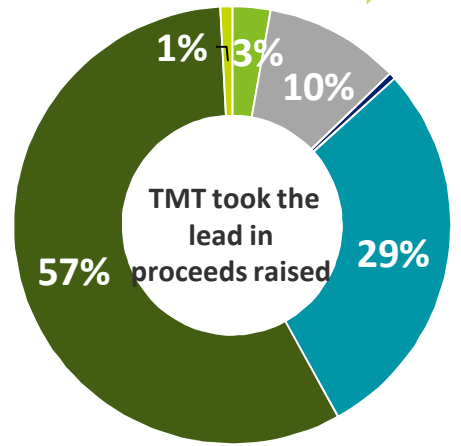
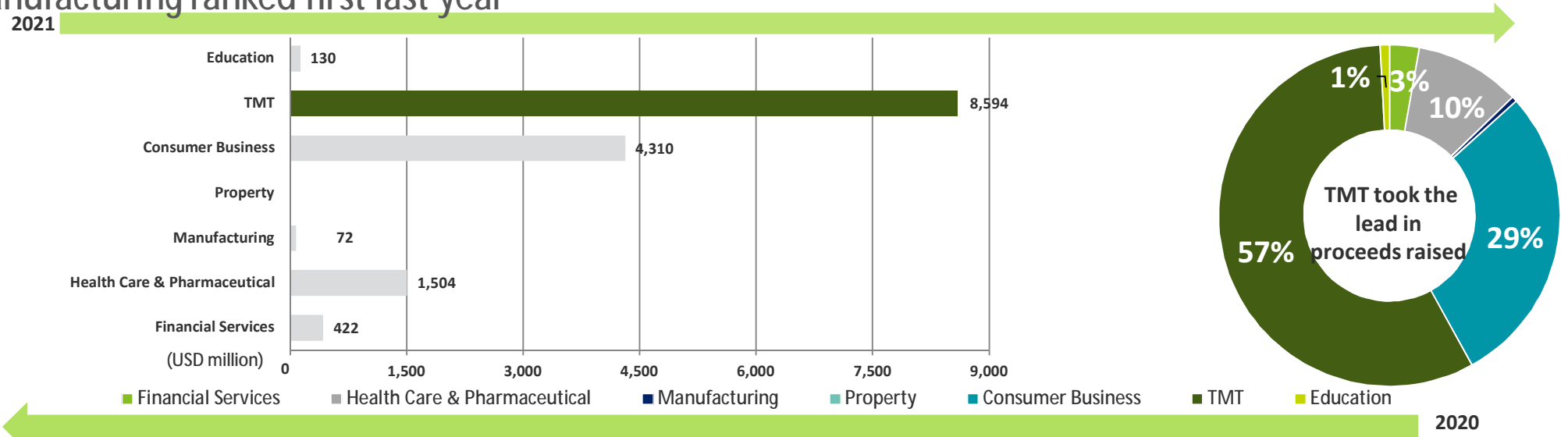


Source: NYSE, Nasdaq, Bloomberg, Deloitte's analysis as of 31 December 2021.

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

In terms of IPO proceeds, TMT held the lead with a larger number of IPOs and two mega IPOs, while manufacturing ranked first last year

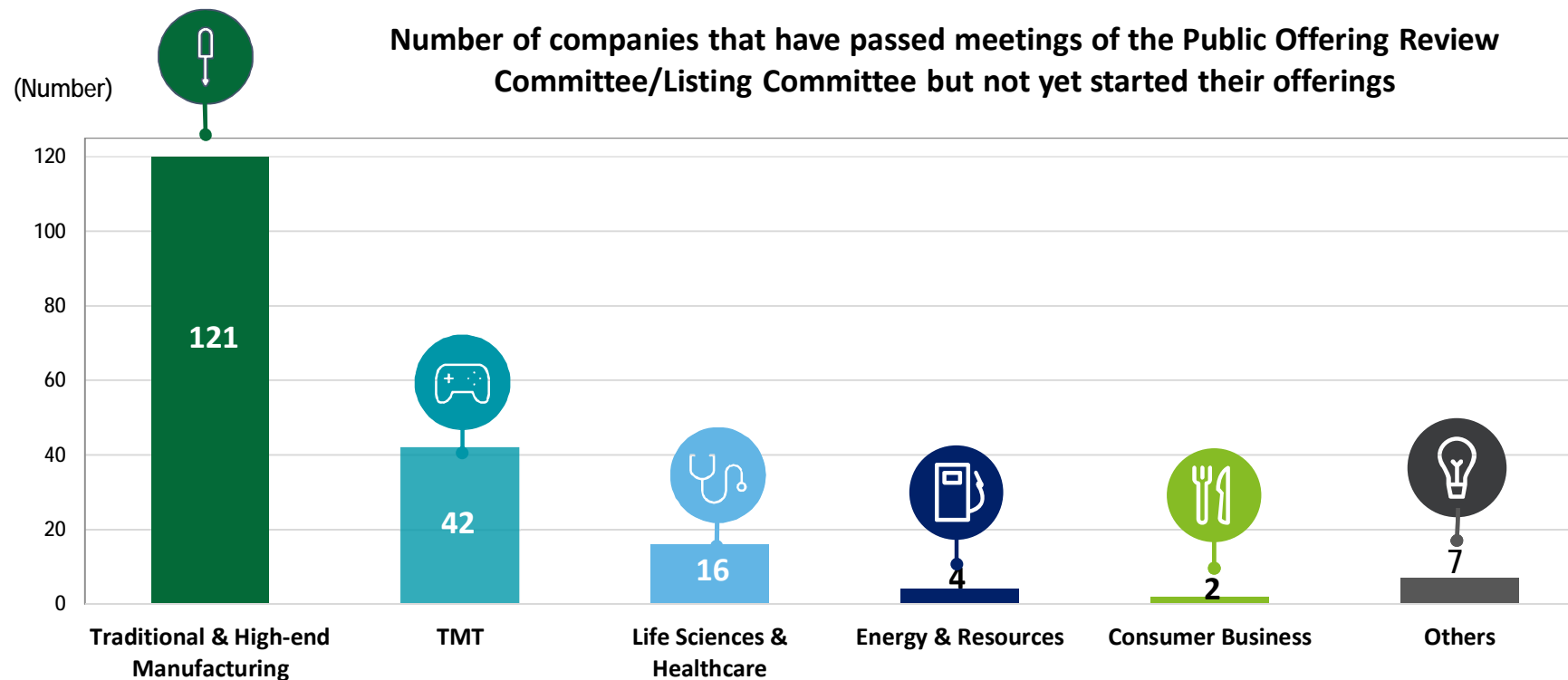


Source: NYSE, Nasdaq, Bloomberg, Deloitte's analysis as of 31 December 2021.

Outlook for IPO Market in 2022 – Chinese Mainland

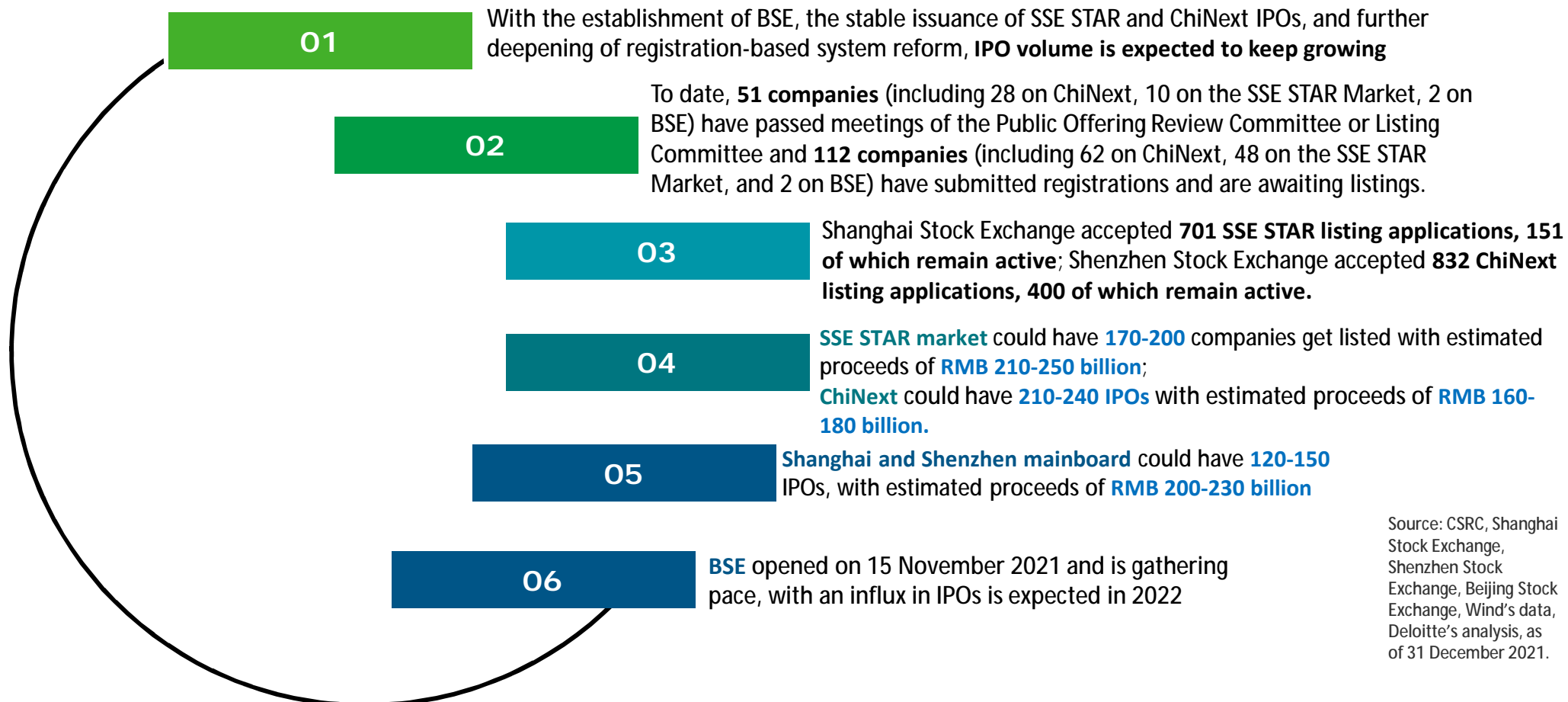
Outlook for Chinese Mainland's IPO market – industry distribution of upcoming IPOs (by number)

As of 31 December 2021, 192 companies (including 107 to be listed on ChiNext, 70 on the SSE STAR Market, and 4 on BSE) have passed meetings of the Public Offering Review Committee/Listing Committee but not yet launched their offerings, down from 258 (ChiNext 111 and SSE STAR Market 92) at the end of 2020



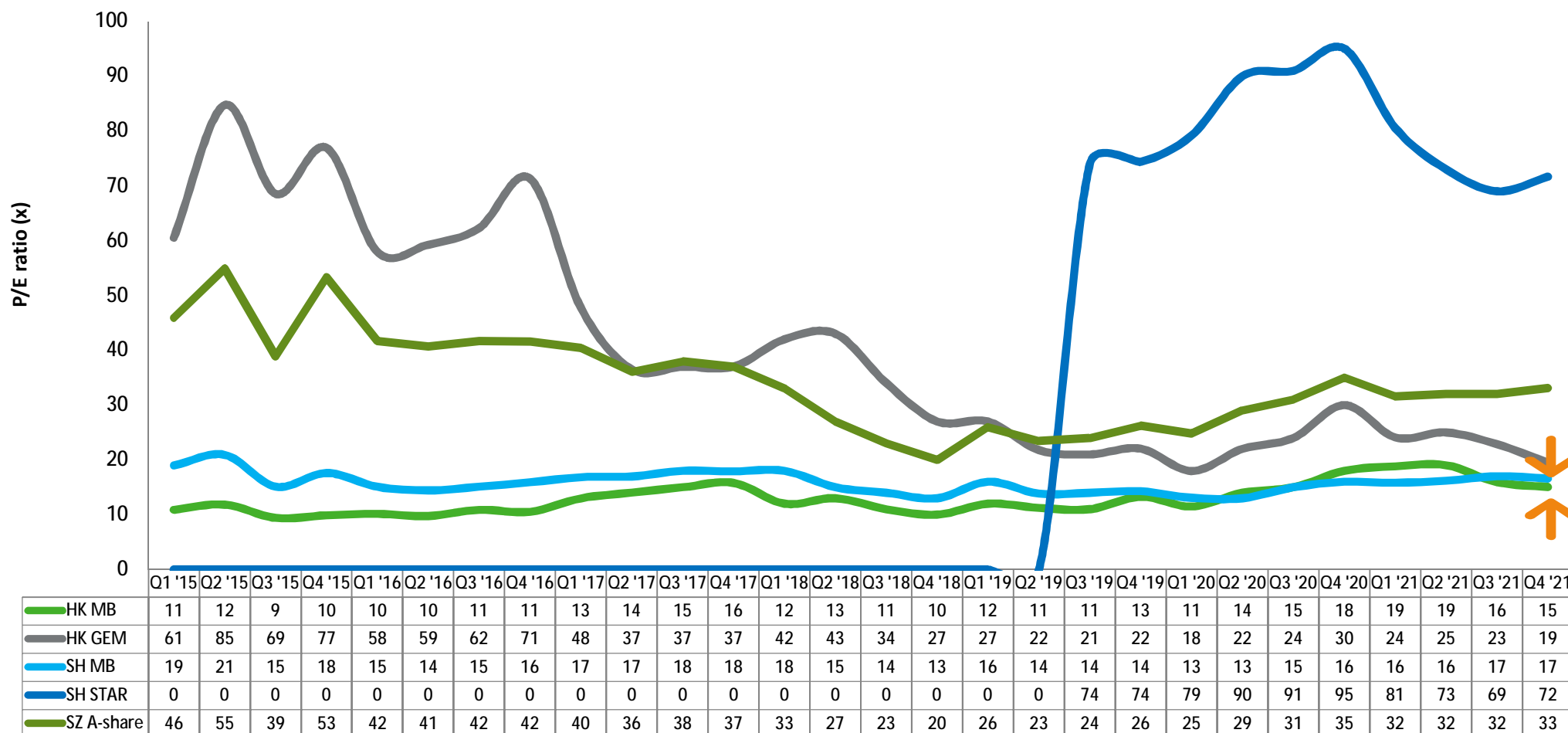
Source: CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, Wind's data, Deloitte's analysis.
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Chinese Mainland IPO activity is expected to continue to accelerate in 2022, with the number of IPOs on the SSE STAR Market, ChiNext, and BSE continuing to rise



Outlook for IPO Market in 2022 – Hong Kong

The SH MB again recorded a higher average P/E ratio than the HK MB in Q3 and Q4 2021, and the average SSE STAR Market P/E ratio rose to almost return to its level when the market was launched

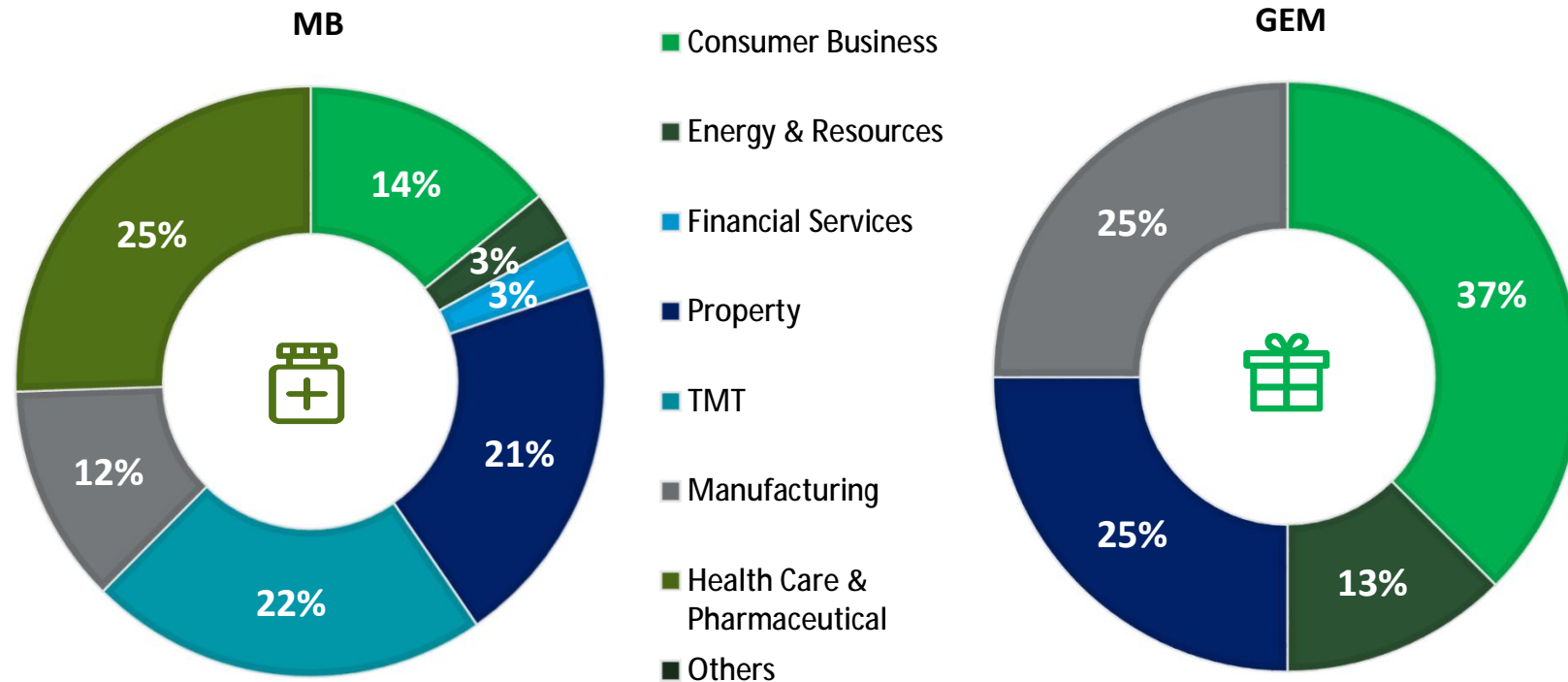


Source: HKEX, SSE and Deloitte's analysis, as of 31 December 2021.

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Industry distribution of active HK listing applications in 2021

There were around 58% more active MB listing applications in 2021 than in 2020, mostly from health care & pharmaceutical, followed by TMT and property; GEM continued to be dominated by consumer business, with a further reduction in the number of applications



Number of applications: 141

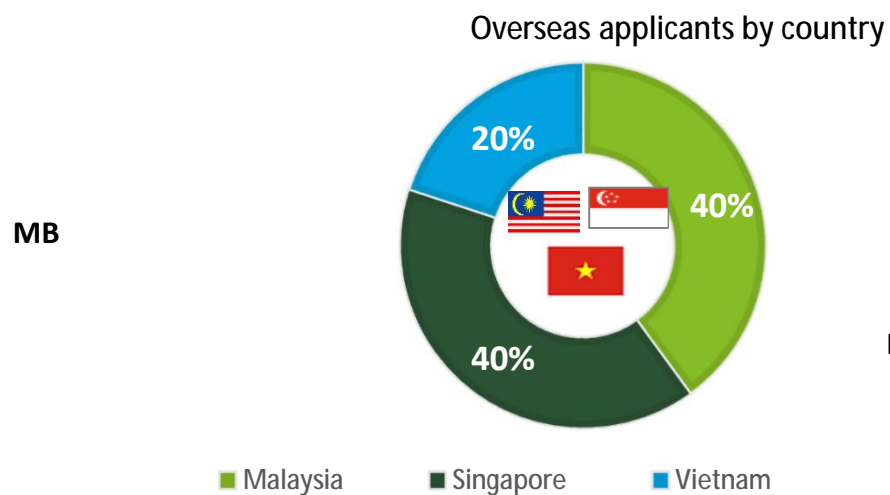
Number of applications: 8

Source: HKEX, Deloitte's analysis, as of 31 December 2021.

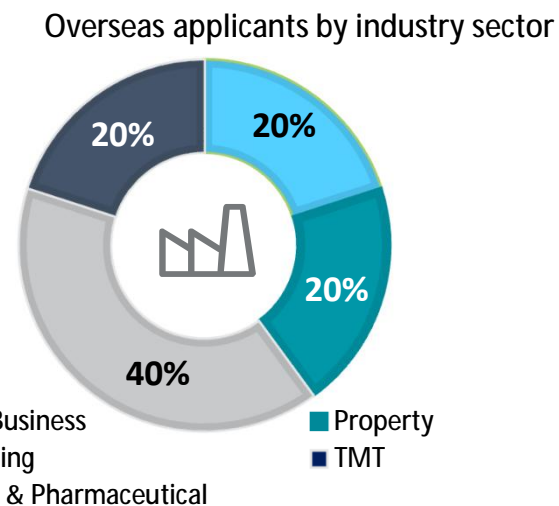
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Number of active HK listing applications from overseas companies in 2021

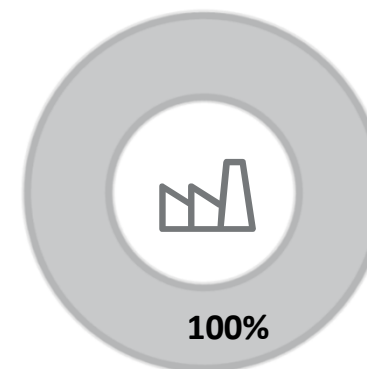
Malaysian companies dominated HK listing applications from overseas businesses, and most overseas applicants were manufacturing companies



Number of applications: 5



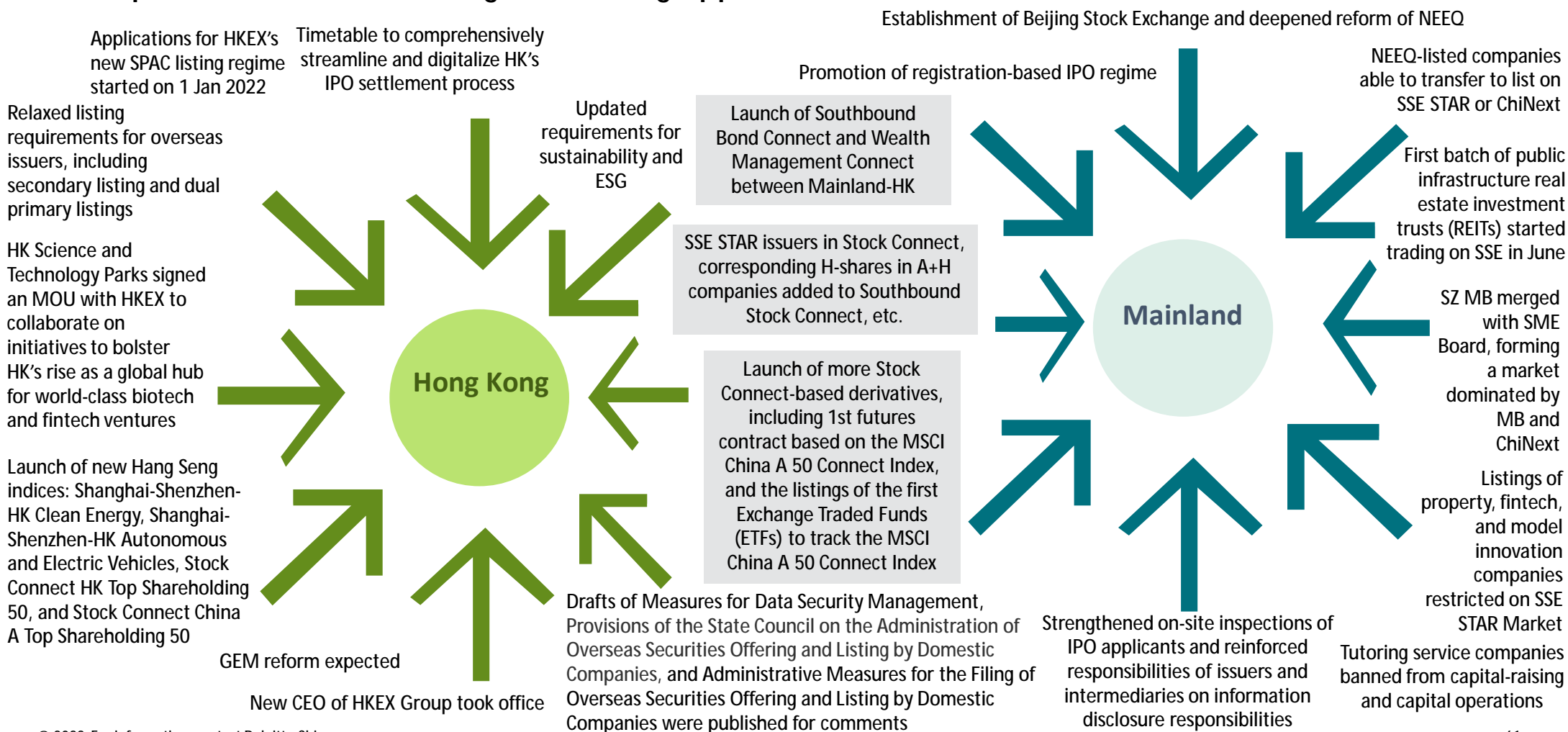
Number of applications: 1



Source: HKEX, Deloitte's analysis, as of 31 December 2021.

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In 2021, extensive reforms successively introduced in Mainland and HK capital markets created a new landscape and extended the range of funding opportunities for businesses



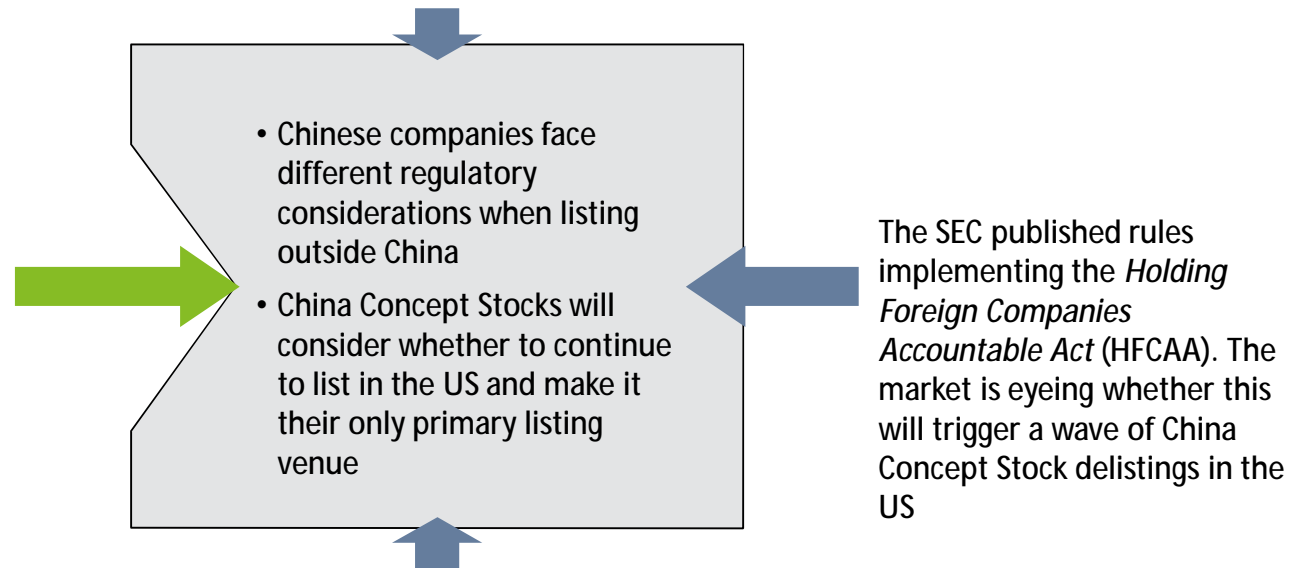
More Chinese companies and China concept stocks to seek HK listings

CSRC clarified market misunderstandings and misinterpretations, expressly stating that it was open to and fully respected enterprises' independent choice of overseas listing venues in accordance with law and regulations

CSRC reiterated positive progress made with US Securities & Exchange Commission, Public Company Accounting Oversight Board, and other regulators. The two sides maintained cooperation in China Concept Stock audit and supervision and explored effective approaches to partnership. This laid a good foundation for cooperation

To capitalize on the Greater Bay Area opportunity, HKEX will continue to build the market ecosystem and infrastructure and launch a series of derivative instruments

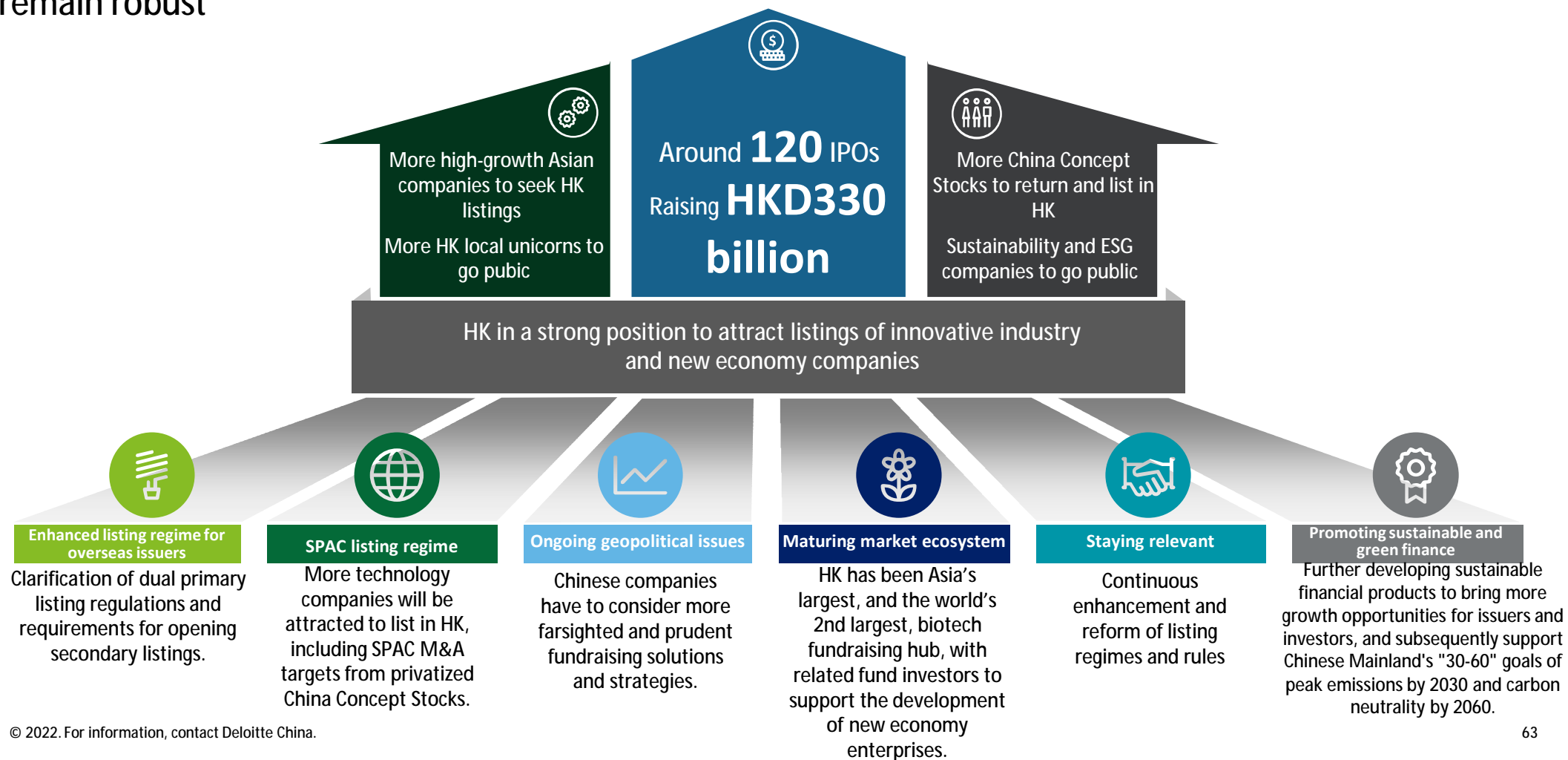
If any Mainland-based enterprise processing sensitive data intends to go public outside China or in HK, which would affect national security, the enterprise is required to apply for cyber security review



The SEC published rules implementing the *Holding Foreign Companies Accountable Act* (HFCAA). The market is eyeing whether this will trigger a wave of China Concept Stock delistings in the US

According to market rumors, enterprises with variable interest entity (VIE) structures will be prohibited from overseas listings, which will drive the delisting of US-listed China Concept Stocks

In 2022, the HK market's liquidity will be affected by the Fed's balance sheet reduction and interest rate hikes, and China concept stocks will accelerate their HK listings, with overall performance expected to remain robust



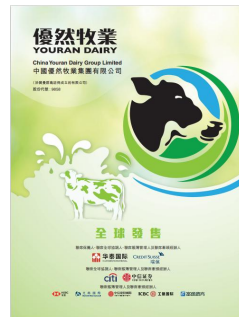
IPO Service Credentials - Deloitte China

Deloitte is their reporting accountant IPOs completed in HK in 2021



JD Logistics, Inc.

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



China Youran Dairy Group Ltd.

It is a home dairy upstream integrated products and services provider.



Cheerwin Group Ltd.

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



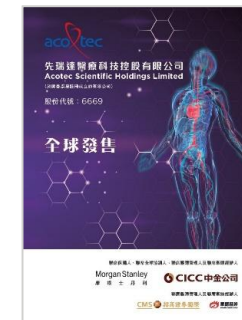
Bii Biosciences Ltd. - B

It is a biotechnology company headquartered in China and the U.S.



New Horizon Health Ltd. - B

It is a cancer screening company.



Acotec Scientific Holding Ltd. - B

It is a leading interventional medical device company in China.

Deloitte is their reporting accountant IPOs completed in HK in 2021



E-Star Commercial Management Company Ltd.

It is a commercial property operational service provider.



Transcenta Holding Ltd. – B

It is a clinical stage bio therapeutics company that fully integrates antibody-based bio therapeutics discovery, development and manufacturing.



Sirnaomics Ltd. - B

It is an RNA therapeutics biopharmaceutical company with product candidates in preclinical and clinical stages.



Legion Consortium Ltd.

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

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



China Telecom Co., Ltd.

It is a large-scale and leading integrated intelligent information services operator in the world.



Shanghai Rural Commercial Bank Co., Ltd.

It is a bank that provide corporate banking, personal banking and financial market services.



Zhuzhou Zhong CRRC Times Electric Co., Ltd.

It is an enterprise focused on research development and manufacturing of propulsion and control systems for train.



Xinjiang Daqo New Energy Co., Ltd.

It is a company focused on research development, production and marketing of high purity crystalline silicon.



China Railway Construction Heavy Industry Co., Ltd.

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



Henan Lantian Gas Co., Ltd.

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

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



Jiangsu Chuanzhiboke Education Technology Co., Ltd.

It is an IT online
education platform.



Zhengzhou Qianweiyangchu Food Co., Ltd.

It is a company committee
to providing
comprehensive supply
solutions for catering,
hotels and group canteens.

Deloitte is their reporting accountant IPOs completed in US in 2021



Full Truck Alliance Co. Ltd.

It is the world's largest digital freight platform.



Waterdrop Inc.

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



AiHuiShou International Co. Ltd.

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



Zhangmen Education Inc.

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

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)

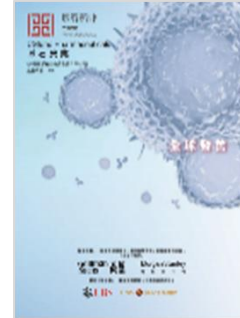


Our outstanding performance in IPO services for biotech companies



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 31 December 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



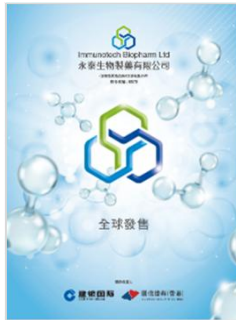
Zai Lab Ltd. - S B

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



Ocumension Therapeutics - B

An ophthalmic pharmaceutical platform company



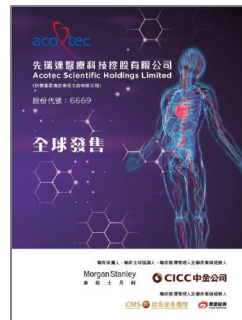
Immunotech Biopharm Ltd. - B

A leading cellular immunotherapy biopharmaceutical company



New Horizon Health Ltd. - B

A cancer screening company



Acotec Scientific Holding Ltd. - B

A leading interventional medical device company in China



Brie Biosciences Ltd. - B

A biotechnology company headquartered in China and the US.

Source: HKEX, Deloitte's analysis as at 31 December 2021, based on the cumulative IPO statistics of pre-revenue biotech companies since 30 April 2018.

Our outstanding performance in IPO services for biotech companies



Transcenta Holding Ltd. – B

A clinical stage bio therapeutics company that fully integrates antibody-based bio therapeutics discovery, development and manufacturing



Sirnaomics Ltd — B

A RNA therapeutics biopharmaceutical company with product candidates in preclinical and clinical stages

Source: HKEX, Deloitte's analysis as at 31 December 2021, based on the cumulative IPO statistics of pre-revenue biotech companies since 30 April 2018.

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