



Fuelling the growth of Hong Kong's capital markets

**Leading the global IPO market,
20 years and beyond**

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Connecting with our market



Welcome to the second edition of IPO Express!

We have been extremely welcoming a host of new companies to our markets, a strong IPO pipeline, anniversary celebrations and many other enhancements to our listing platform, and have a lot of news to share with you.

In this issue of IPO Express we explore the benefits of the H share full circulation programme, given recent regulatory approval for the first applicants, and look at the growing trend of Mainland Chinese companies considering a dual share listing in Hong Kong. We are also very pleased to share a case study, which tells the story of Pharmaron Beijing Co. Ltd., exploring the benefits of their dual share listing.

We hope you enjoy reading IPO Express!

Leading the global IPO market, 20 years and beyond

This summer marks the 20th anniversary of our own listing which gives us an opportunity to reflect on our stellar growth in recent years. We are leveraging our unique strengths by exploring new frontiers and innovations that will help drive the continued growth of Hong Kong’s Initial Public Offering (IPO) franchise, which is crucial in maintaining our position as the premier international listing market.

Listed company market capitalisation

+10% CAGR

\$4,862bn (2000) ▶ \$33,985bn (2020)

Total IPO funds raised

HK\$3.9trn

(2000 - 2020)

No. of listed companies

+214%

790 (2000) ▶ 2,482 (2020)

Global leadership

No. 1 Global leading IPO centre in 7 of the last 11 years

No. 2 Global biotech fundraising centre



In focus: H share full circulation programme

To learn more about the impact of the H share full circulation programme, IPO Express sat down with Mao Zhirong, Head of Mainland Development at HKEX, who has been the roll-out of H share full circulation programme and proactively leading HKEX's communication and collaboration efforts with Mainland counterparties since 2014.



Mao Zhirong
HKEX Head of Mainland Development

The H share full circulation programme came into effect in November 2019. Market watchers expect the programme will provide significant benefits for Mainland Chinese issuers and investors, resulting in a new wave of H share listings in the Hong Kong market.

What benefits can the implementation of the H share full circulation programme bring to Hong Kong's capital market?

Mao: We believe the launch of the H share full circulation programme will further strengthen the attractiveness of Hong Kong markets to Chinese issuers. The programme brings several key benefits to H share listed companies, which includes the provision of an exit for Mainland investors, unifying shareholder interest for improved corporate governance, and increasing the percentage of shares in float and liquidity while enabling other capital market activities for these companies.

The growth potential for Hong Kong market's capitalisation and asset quality could also be considerable. Firstly, it results in an enlarged free float in Hong Kong. At the end of June, these unlisted domestic shares totalled around HK\$1.5 trillion, equivalent to 4%¹ of total Hong Kong capitalisation. It also encourages Chinese issuers to list in Hong Kong through the H share structure given its advantages in saving restructuring costs while maintaining the flexibility to access both international and China A share market. Lastly, it helps attract deeper global investment interest in H shares with new equity-related products offerings and development such as warrants and ETFs.

What are the regulatory compliance focus related to the H share full circulation initiative at the current stage?

Mao: There are two key aspects for regulatory compliance. Firstly, the programme should have a closed-loop system facilitating and tracking the offshore trading activities and fund flow back onshore. Secondly, applications to the programme should also be subject to the approval of local industry regulators and foreign investment requirements.

The successful completion of the three pilot cases in 2018 and the smooth development since the full launch of the programme are evidence that the above requirements have been satisfied.

Benefits of H share full circulation programme

Better alignment of shareholders' interests



New financing possibilities through H shares conversion from domestic shares



Setting valuation benchmark for China state-owned enterprise assets



Note 1: Data sourced from Wind and HKEX, as of 30 June 2020

A total of 16¹ listed issuers have submitted applications as of 15 July 2020. Do you expect many more applicants in the near future?

Mao: There are close to 160 H share listed companies with their domestic shares unlisted. With the H share full circulation programme in place, we expect to see more applications to come. So far six¹ listed applicants have received the approval from CSRC, and as that number rises it should help attract new applicants.

Mainland regulators recently approved the expansion of a registration-based IPO regime pilot from Shanghai Stock Exchange's (SSE) Star Market to Shenzhen Stock Exchange's (SZSE) ChiNext board. How do you expect the relationship between HKEX and Mainland stock exchanges will evolve in the future?

Mao: Hong Kong and Mainland China capital markets have been developing in a complementary way with its own advantages. China has entered a new era of innovative entrepreneurship, with the emergence of many new economy companies, and their development requires various financial support from both the domestic and the international market. Together with SSE and SZSE, HKEX will continue to foster collaboration and provide support to the development of China's companies.

Hong Kong offers a different proposition and many unique advantages that are attractive to issuers. The roll-out of a registration regime and other capital market reforms in Mainland China will help Mainland regulators and market participants better understand the dynamic financial system of Hong Kong, bringing more opportunities to cooperate in the future.

H share full circulation basics

The CSRC's H share full circulation programme, launched in November 2019, made previously non-tradable shares of Hong Kong-listed Mainland Chinese companies available for trading on the offshore market. The non-tradable shares, also called domestic shares, include the remaining shares held by domestic shareholders prior to the offshore listing, domestic shares offered after the offshore listing, and the unlisted foreign shares transferred from domestic shareholders to foreign shareholders. The previously non-tradable domestic shares can now be converted into tradable shares in Hong Kong, once certain approvals and procedures have been completed.

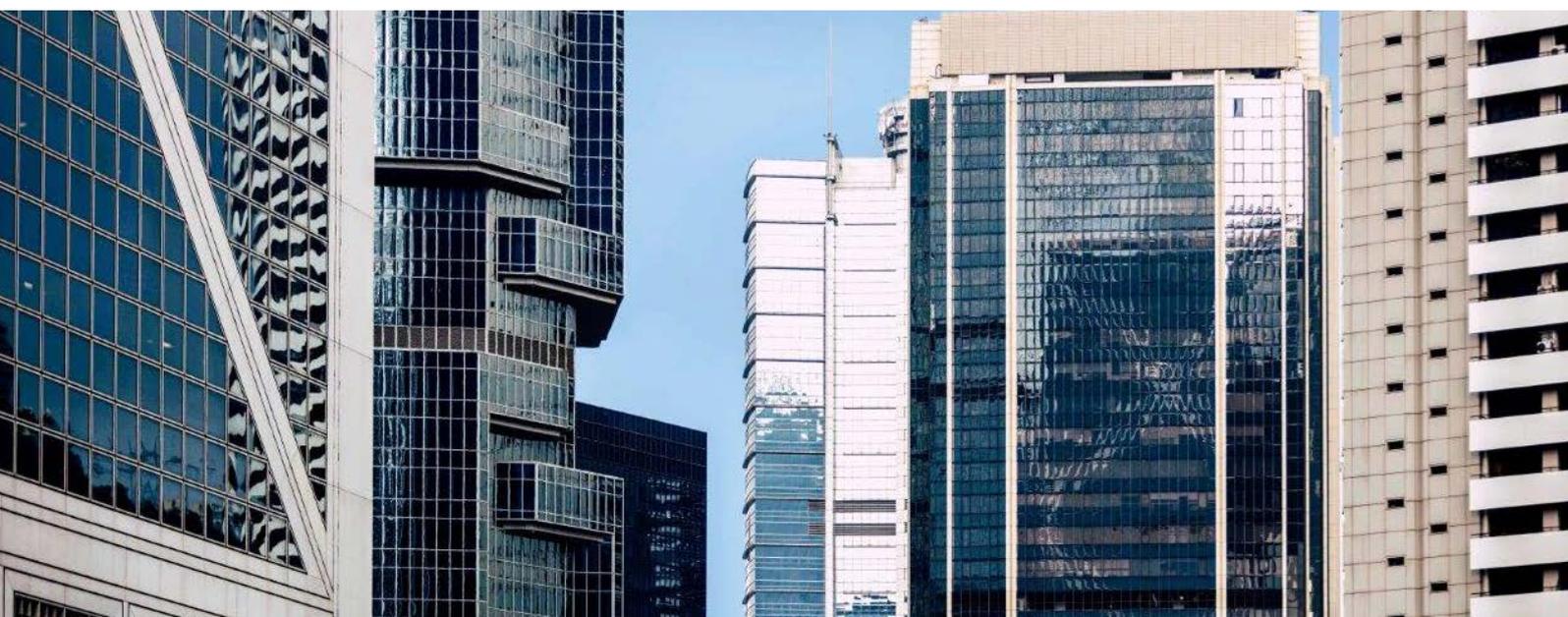


H share full circulation applications approved by CSRC¹

No.	Stock code	Company name	Approval date	Number of shares to be converted	% of total outstanding shares ²
1	1671	Tianbao Energy	18/05/2020	115,600,907	72.29%
2	1558	HEC Pharma	18/05/2020	226,200,000	51.41%
3	1818	Zhaojin Mining	17/06/2020	1,560,340,597	47.71%
4	2606	Justbon Services	17/06/2020	127,628,860	71.66%
5	3319	A-Living Services	24/06/2020	900,000,000	67.50%
6	2777	R&F Properties	09/07/2020	2,207,108,944	63.14%

Note :

1. Data sourced from corporate announcements, CSRC website and HKEXnews, as of 15 July 2020, not including the applications from unlisted H share companies
2. Total outstanding shares as of 30 June 2020



Growing interest in A+H share dual listings

HKEX has observed an increase in A share listed companies that are exploring the possibility of a dual A+H share listing. Meanwhile, several Hong Kong-listed H share companies have launched their proposals to be dual listed in A share markets. We have noted particular interest from companies in the healthcare and biotech sectors, which are experiencing dynamic growth in Mainland China, in part due to Covid19.

A-then-H listing & application (healthcare and biotech sector, 2020YTD)

Stock code - H share	Stock code - A share	Stock name	A share market	H share listing date
9989	002399	Hepalink Pharma	SME Board	Listed on 08/07/2020
N/A	300347	Tigermed	ChiNext	A1 submitted on 07/07/2020
N/A	688177	Bio-Thera	STAR Market	In Progress

H-then-A listing & application (healthcare and biotech sector, 2020YTD)

Stock Code - H share	Stock code - A share	Stock name	A share market	A share listing date
1349	688505	Fudan Zhangjiang	STAR Market	Listed on 19/06/2020
1877	688180	Junshi Biosciences	STAR Market	Listed on 15/07/2020
6185	N/A	Cansino Biologics-B	STAR Market	CSRC Registration Passed on 15/07/2020
2696	N/A	Henlius-B	STAR Market	In Progress
1858	N/A	Chunli Medical Instrument	STAR Market	In Progress
1093	N/A	CSPC Pharma	STAR Market	In Progress

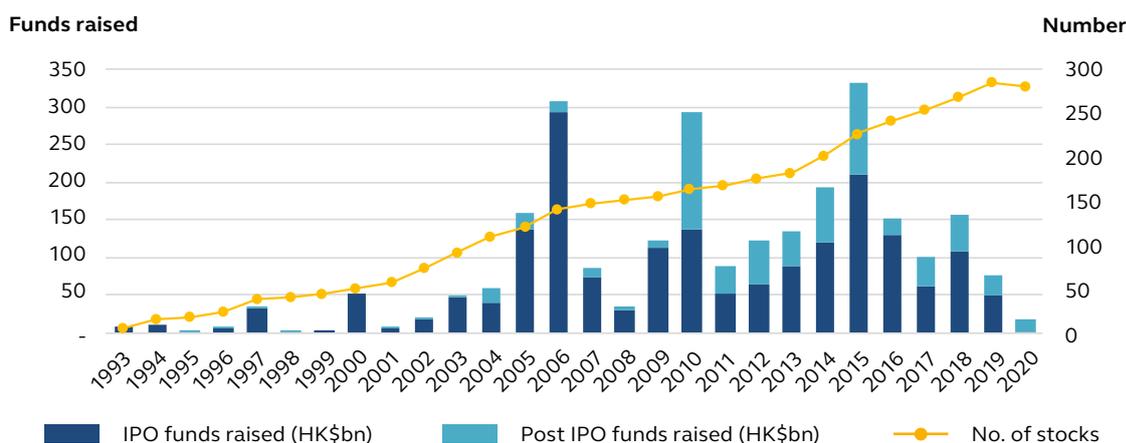
Data sourced from corporate announcements and HKEXnews, as of 15 July 2020

There has been a steady stream of Mainland Chinese issuers coming to Hong Kong, raising a total of HK\$7 trillion since 1993. As of the end of June 2020, a total 1,265 Mainland enterprises were listed in Hong Kong, of

which 281 are H share companies. These H shares account for about 15% of Hong Kong’s market capitalisation, and about 25% of turnover in 2020.

H share listed companies with substantial fundraising in Hong Kong

	2000	2005	2010	2015	2020
Total no. of listed H shares	50	120	163	229	281
Accumulated IPO funds raised (HK\$bn)	118	367	1,016	1,551	1,903
Accumulated follow-on funds raised (HK\$bn)	5	47	241	580	730



Note: Data from HKEX as of 30 June 2020

Benefits of an A+H dual share listing

Companies from Mainland China can enjoy access to international funding and a broader range of investors without changing the location of their incorporation by leveraging an H share listing. The Hong Kong market not only provides them with funding support but also the international standards and exposure they need as these companies expand their businesses.

H share listings do not require applicants to build overseas structures, which saves time and cost in preparing for a public offering, compared with to offshore incorporated Chinese companies, referred to as red-chips.

It is common for Chinese companies to desire both on-shore and off-shore capital platforms to meet their funding and business needs worldwide.

H share structure issuers are allowed to directly dual-list on the Mainland A share markets, including the National Equities Exchange and Quotations with no extra requirement on sector and market cap. H share structure issuers can choose the sequence of dual listing path (i.e. H-then-A or A-then-H), with reference to market conditions, approval mechanism and financing demands.

With automatic inclusion into Stock Connect, “A+H” issuers can enjoy full access to China A share investors while continuing to leverage Hong Kong as the international platform for global branding, M&A and multi-national business cooperation.

H share benefits

- Raise new capital and funds
- Increase the investor base for listed companies and gain more liquidity through the availability of a broad base of investors
- Allow investors the opportunity to take advantage of geographical diversity and better manage portfolio risk
- Facilitate international business cooperation and increase brand awareness



Dual listing case study Pharmaron Beijing Co., Ltd.

Pharmaron Beijing Co., Ltd., a fully-integrated pharmaceutical R&D service platform, in November 2019 conducted an H share listing on the Main Board of The Stock Exchange of Hong Kong, following its earlier A share listing on the Shenzhen Stock Exchange in January 2019. We spoke with Gilbert Li, CFO of Pharmaron, to hear about the company's experience of doing a dual share listing, and what benefits it offered them.



Gilbert Li
CFO of Pharmaron

What are some of the advantages of a Hong Kong listing versus your A share listing? How has this impacted your investor composition?

Gilbert: Listing in the A share market helped us exploit and increase our brand recognition in the domestic market while Hong Kong is an international platform, bringing us valuable additional exposure. Through our Hong Kong listing, we have connected with leading institutional investors, long-only funds, sovereign wealth funds and other international investment institutions. The better international understanding of our industry and capital needs helps us seize future opportunities and foster global collaboration.

What are the new opportunities and challenges of the healthcare industry brought about by Covid-19 pandemic?

Gilbert: Along with the greater attention paid to the healthcare industry, we see more companies, R&D labs and scientists dedicating themselves to the development of new drugs and antiviral vaccines. Although the epidemic has increased the uncertainty in the global economy, we expect investment in the healthcare industry will continue to grow, helping us to raise the standard for innovation, efficiency and globalisation. For example, Pharmaron is committed to creating an integrated service platform that helps expedite the process of new drug research and development.



What is the potential for biotech and life science in the 2020 Hong Kong capital market?

Gilbert: Even with the impact from the epidemic in the first half of 2020, Hong Kong capital markets demonstrated resilience through strong connectivity and alliance with Mainland China and the global market. The quality of the market was also reflected in the robust IPO activities, investor confidence and re-financing abilities in the first half of 2020.

“ Hong Kong has become the second largest biotech and healthcare fundraising hub in the world, and we are optimistic about the development of this sector. ”

Gilbert Li
CFO of Pharmaron



Connecting with our market

Thank you for joining us!

On 26 May, we hosted the first HKEX Biotech webinar with over 1,500 in attendance, discussing the latest trends in the biotech financing space. Bonnie Chan, Head of Listing at HKEX, also explored our new listing rules and guidance on the Biotech Chapter.

Another HKEX webinar was held on 21 July, which focused on secondary listings. Followed by a regulatory presentation on secondary market listing rules, Christina Bao, Head of Global Issuer Services at HKEX, joined a panel with issuers and investors to share the preparation process for a Hong Kong secondary listing, and the market trends in this exciting growth area. Thank you to the many interested market participants that tuned in!

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