

CHARLTONS

SOLICITORS



Hong Kong

January 2019

HONG KONG TOPS IPO FUNDRAISING IN 2018

The Hong Kong Stock Exchange (**HKEx**) was the world's top IPO fundraising market in 2018,¹ for the sixth time in the last ten years. According to market statistics² published by HKEx for the period from 1 January 2018 to 14 December 2018, Hong Kong IPOs raised HK\$277,848.5 million (US\$35,580 million), the highest amount since 2010. The New York Stock Exchange ranked second with IPO funds raised of US\$28,574 million. HKEx also saw record highs in securities market turnover and derivatives market volume in 2018.

IPO Funds Raised – January to 14 December 2018

Rank	Exchange	IPO Equity Funds Raised (US\$ million)
1	HKEx	35,580
2	NYSE	28,574
3	Nasdaq - US	23,668
4	Deutsche Boerse AG	13,916
5	Shanghai Stock Exchange	12,703
6	LSE Group	9,311

7	Shenzhen Stock Exchange	7,419
8	NSE and BSE India	5,043
9	Japan Stock Exchange	4,012
10	SIX Swiss Exchange	3,548

Source: HKEx and Dealogic

HKEx 2018 Securities Market Statistics

HKEx's top ranking in 2018 was attributable to its adoption of new listing rules from 30 April 2018 which allow pre-revenue biotech companies and tech and other "innovative" companies with weighted voting rights structures to list on HKEx. The biggest change to the listing rules in twenty-five years aims to attract listing applicants from the high-growth tech and other new economy sectors and diversify a market long dominated by old economy, low-growth sectors such as the financial and property sectors. Allowing new economy companies with weighted voting rights to list, as an exception to the "one share one vote" principle, is targeted primarily at the new generation of Chinese tech companies which in the past listed on NYSE and Nasdaq, which have allowed weighted voting rights structures for years.

¹ https://www.hkex.com.hk/News/News-Release/2018/181221news?sc_lang=en

² <https://www.hkex.com.hk/-/media/HKEX-Market/News/News-Release/2018/181221news/181221news.pdf?la=en>

The financial requirements for listing on HKEx have acted as a bar to listing biotech companies in Hong Kong because their R&D costs typically mean that they do not make profits for some time. With the new listing rules for listing pre-revenue biotechs, HKEx hopes to overtake Nasdaq within 5 years in terms of the number and market capitalisation of Chinese biotech listings.³

Three mega IPOs in the technology, media and telecom sector – China Tower, Xiaomi Corporation and Meituan Dianping, raised a total of HK\$134.55 billion in 2018, more than the total IPO funds raised on HKEx for the whole of 2017. The listing of telecoms tower operator, China Tower, was the world's largest IPO for two years.

Ten Largest IPO Fund Raisings by Companies Listed on HKEx in 2018

Rank	Company	IPO Funds Raised (HK\$ billion)
1	China Tower Corporation Ltd (H shares)	58.80
2	Xiaomi Corporation	42.61
3	Meituan Dianping	33.14
4	Ping An Healthcare and Technology Co Ltd	8.77
5	Jiangxi Bank Co Ltd (H shares)	8.60
6	WuXi AppTec Co Ltd	7.92
7	Haidilao International Holding Ltd	7.56
8	BeiGene Ltd	7.08
9	Bank of Gansu Co Ltd (H Shares)	6.84
10	Shandong Gold Mining Co Ltd (H Shares)	5.25

³ SCMP. "Hong Kong plans to overtake Nasdaq as listing destination of choice for Chinese biotech firms". 22 March 2018. <http://www.scmp.com/business/money/markets-investing/article/2138478/hong-kong-plans-overtake-nasdaq-listing-destination>

Source: HKEx

Beijing-based smartphone maker, Xiaomi Corporation, was the first company to list on HKEx with a weighted voting rights structure. Meituan Dianping, a Chinese food delivery service platform, also listed with a weighted voting rights structure.

Ascletris Pharma, maker of HIV, cancer and liver disease drugs was the first pre-revenue biotech company to list under the new listing rules, raising HK\$3,138 million in August 2018. Nasdaq-listed Chinese biotech BeiGene raised HK\$7.08 billion in the second pre-revenue biotech listing on HKEx and first dual listing under the new listing rules.

Total market capitalisation of the HKEx securities market reached a record high of HK\$37,715.7 billion on 26 January 2018 and stood at HK\$30,369.8 billion on 14 December 2018. There were 207 newly listed companies in 2018 (including 10 that transferred their listings from GEM to the Main Board). Post-IPO fund raising also remained strong with HK\$243,067 million raised in 2018.

The securities market's average daily turnover in 2018 was HK\$109,322 million, while total equity turnover reached a record high of HK\$19,075.2 billion.

For a detailed discussion of HKEx's new listing regimes for pre-revenue biotech companies and for innovative companies with weighted voting rights structures, please see our April 2018 newsletters "New Rules for Listing Biotech Companies on the Hong Kong Stock Exchange"⁴ and "Consultation Conclusions on WVR Listings"⁵.

HKEx 2018 Derivatives Market Statistics

2018 also saw record high derivatives market volume. Between January and November 2018, Hong Kong was the world's largest trading centre for securitised derivatives (including warrants and callable bull/bear contracts), with total turnover of securitised derivatives of US\$689,883 million, easily surpassing other exchanges. The Tel-Aviv Stock Exchange ranked second with total turnover of US\$39.219 million. A total of 11,485 derivative warrants and 25,977 callable bull/bear contracts newly listed on HKEx in 2018.

⁴ Charltons. At <https://www.charltonslaw.com/new-rules-for-listing-biotech-companies-on-the-hong-kong-stock-exchange/>

⁵ Charltons. At <https://www.charltonslaw.com/consultation-conclusions-on-wvr-listings/>

A record 286,656,880 futures and options contracts were traded as of 14 December 2018. Total futures turnover amounted to 124,050,821 contracts, surpassing 2016's record of 84,100,129 by 47.5%. Turnover records were set for a number of futures, including Hang Seng Index Futures at 55,715,588, Hang Seng China Enterprises Index Futures at 35,710,128 and USD/CNH Futures at 1,712,723.

2018 Mainland Enterprises Statistics

As of 14 December 2018, 1,137 Mainland enterprises (including H-share companies, Red Chips and Mainland private enterprises) were listed on the HKEx, accounting for almost half of all listed companies by number and 68% of total market capitalisation. Mainland enterprises brought in 95% of the IPO funds raised in 2018, or HK\$264.2 billion, and accounted for 80% of average daily equity turnover. Since January 1993, Mainland enterprises have raised HK\$6,258.6 billion in equity funds, 62% of the total equity funds raised on the HKEx in that period.

Hong Kong-China Stock Connect

Total trade on Shanghai Stock Connect in 2018 was RMB2,578 billion in northbound trading and HK\$1,797 billion in southbound trading. Shenzhen Stock Connect saw RMB1,956 billion in northbound trading and HK\$997 billion in southbound trading. Tencent was 2018's most highly traded southbound stock on both Shanghai Stock Connect and Shenzhen Stock Connect.

HKEx IPOs: the Year Ahead

According to HKEx Chairman, Charles Li, there is a strong pipeline of companies seeking a Hong Kong listing in 2019. KPMG has predicted that this and continued interest from tech and other innovative companies will put Hong Kong on track to raise over HK\$200 billion from 200 IPOs in 2019.⁶ Deloitte also expects IPO funds raised on HKEx in 2019 to fall short of the HK\$277.85 billion raised in 2018, and predicts IPO proceeds of around HK\$180 – 230 billion for the year. New listings forecast to attract the most market attention are those by new economy, including technology, pharmaceutical and pre-revenue biotech companies, as well as education companies.⁷

⁶ KPMG. "Mainland China and Hong Kong 2018 IPO Review". 11 December 2018.

⁷ Deloitte. "2018 review and 2019 outlook for the Chinese Mainland and Hong Kong's IPO Markets".

CHARLTONS

Boutique Transactional Law Firm of the Year 2017

Asian Legal Business Awards

This newsletter is for information purposes only.

Its contents do not constitute legal advice and it should not be regarded as a substitute for detailed advice in individual cases.

Transmission of this information is not intended to create and receipt does not constitute a lawyer-client relationship between Charltons and the user or browser.

Charltons is not responsible for any third party content which can be accessed through the website.

If you do not wish to receive this newsletter please let us know by emailing us at unsubscribe@charltonslaw.com

Hong Kong Office

Dominion Centre

12th Floor

43-59 Queen's Road East

Hong Kong

Tel: + (852) 2905 7888

Fax: + (852) 2854 9596

www.charltonslaw.com