



Hong Kong IPO Market Interim Review and Outlook - 2012

**National Public Offering Group
Deloitte China**

27 June, 2012



In 1H/2012, the capital market stumbles against the backdrop of the following dismal and jittery events:

- 1 • Mass credit downgrade in Eurozone countries
- 2 • Weakening China economy with growth target cuts to 7.5%
- 3 • Corporate governance issues of issuers
- 4 • Anxiety over election result in Greece
- 5 • Sluggish recovery of the U.S. economy

HK IPO Market plummeted in 1H/2012

32 new listings, raising HK\$ **30.6** billion* (↓84%)
(1H/2011: 38 new listings, raising HK\$187.2 billion*)

The **WORST** half-year performance in terms of
proceeds raised since financial tsunami in **2009**



Source: HKEx, Deloitte Estimate

* As of June, assuming the successful listing of China Nonferrous Mining Corp. Ltd. on 29 June, 2012 with pricing at the mid-point of the indicative range, and including proceeds raised from the offerings of H-Shares of Haitong Securities in 2012, and Hui Xian REIT, and the international offering of Glencore International Plc. in 2011

Overview of Hong Kong IPO Market – 1H/2012

IPO activities hampered amid market volatility

MB IPO Activity was Shutdown in May

- Market choppiness stymied IPO plans and led to a no-show of IPO on the Main Board (MB) in May 2012, the worst situation since 2004
- Market panic persists through June 2012 and market visibility was exceptionally poor

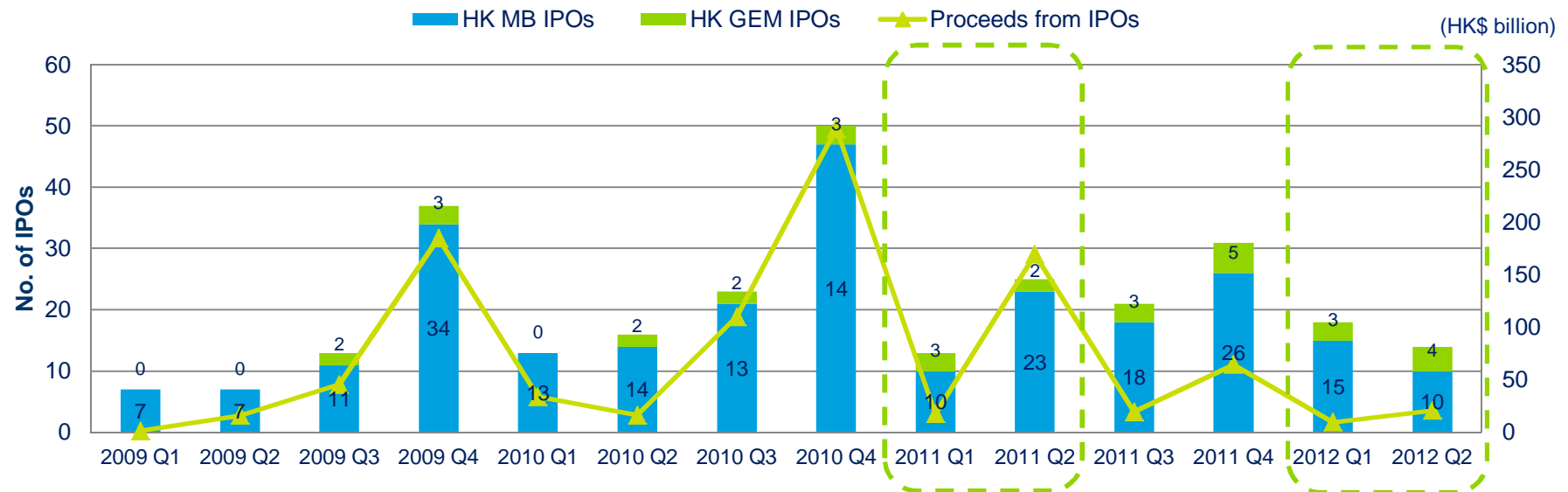
New Listing Applications Accepted by HKEx at All-time Low

- 47 listing applications for the MB and the GEM were received for the period from January to May 2012, down substantially from 99, or 47% y-o-y
- Active applications under processing were downward spiraling to 59, fell from 98, or 40% y-o-y

International Listings Shrunk Dramatically

- Deal activities were relatively quiet and declined sharply by 50% to two
- IPO volume shattered and dropped 96% to HK\$4.7 billion
- List of authorised jurisdictions for listing was expanding with the addition of Delaware, U.S.

Weakest Q2 deal flow since financial tsunami down from 25 to 14 y-o-y (↓44%)



Source: HKEx, Deloitte Analysis and Estimates; As of June, assuming the successful listing of China Nonferrous Mining Corp. Ltd. on 29 June, 2012 with pricing at the mid-point of the indicative range, and including proceeds raised from offerings of H-Shares of Haitong Securities in 2012, and Hui Xian REIT, and the international offering of Glencore International Plc. in 2011

Overview of Hong Kong IPO Market – 1H/2012

Doom and gloom valuation and returns

Mainland Companies Dominated in All Respects

- 21 out of 32 deals were from the Chinese Mainland, up from 58% to 66% y-o-y
- IPO volume picked up to HK\$24.8 billion, representing 81% (1H/2011: 28%) of the proceeds raised in the market

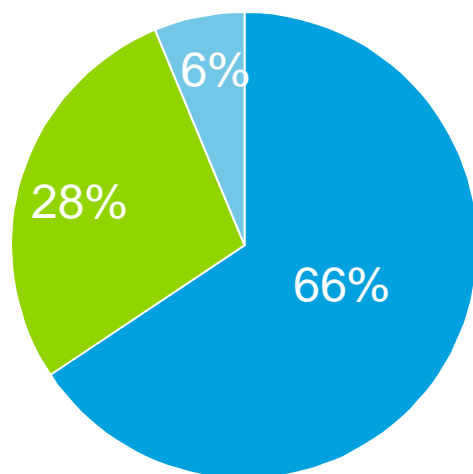
P/E Multiples of New Listings Hurt by Falling Market Valuation

- 18 deals or 64% of the listings had single-digit P/E multiples and two-third of them were in such middle range
- Health Care & Pharmaceutical sector ranked top with listing at 17 times multiples

IPO Average First Day Return Declined by a Quarter

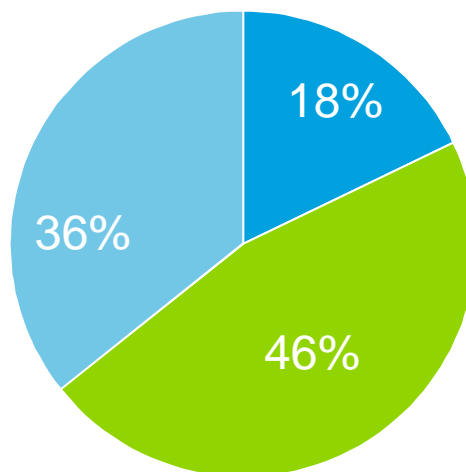
- Average performance of 5.4% approximates to inflation, and down 25% from the 7.1% return y-o-y
- Top and worst IPO performers on listing dates were both from the GEM, which generated a first day return of 59% and -27% respectively

Number of IPOs by Location of Issuer



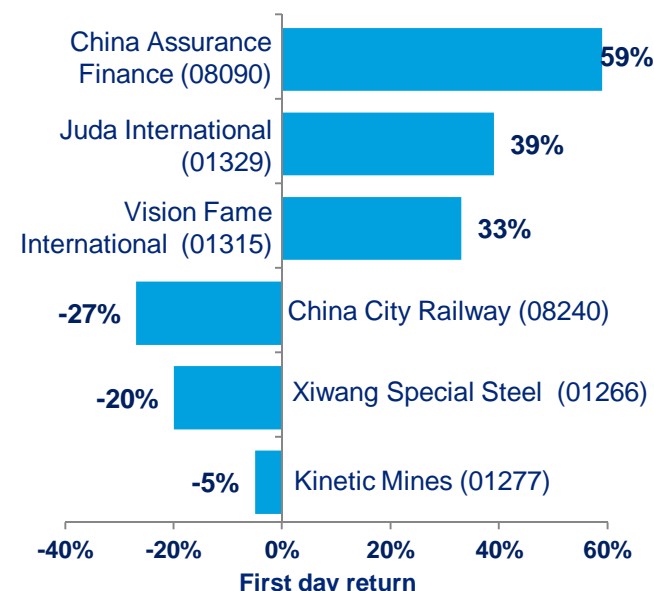
■ Chinese Mainland ■ Hong Kong ■ International

P/E Multiples of IPOs



■ x < 5 times ■ 5 times < x < 10 times ■ x > 10 times

IPO Top 3 Best/Worst Performers

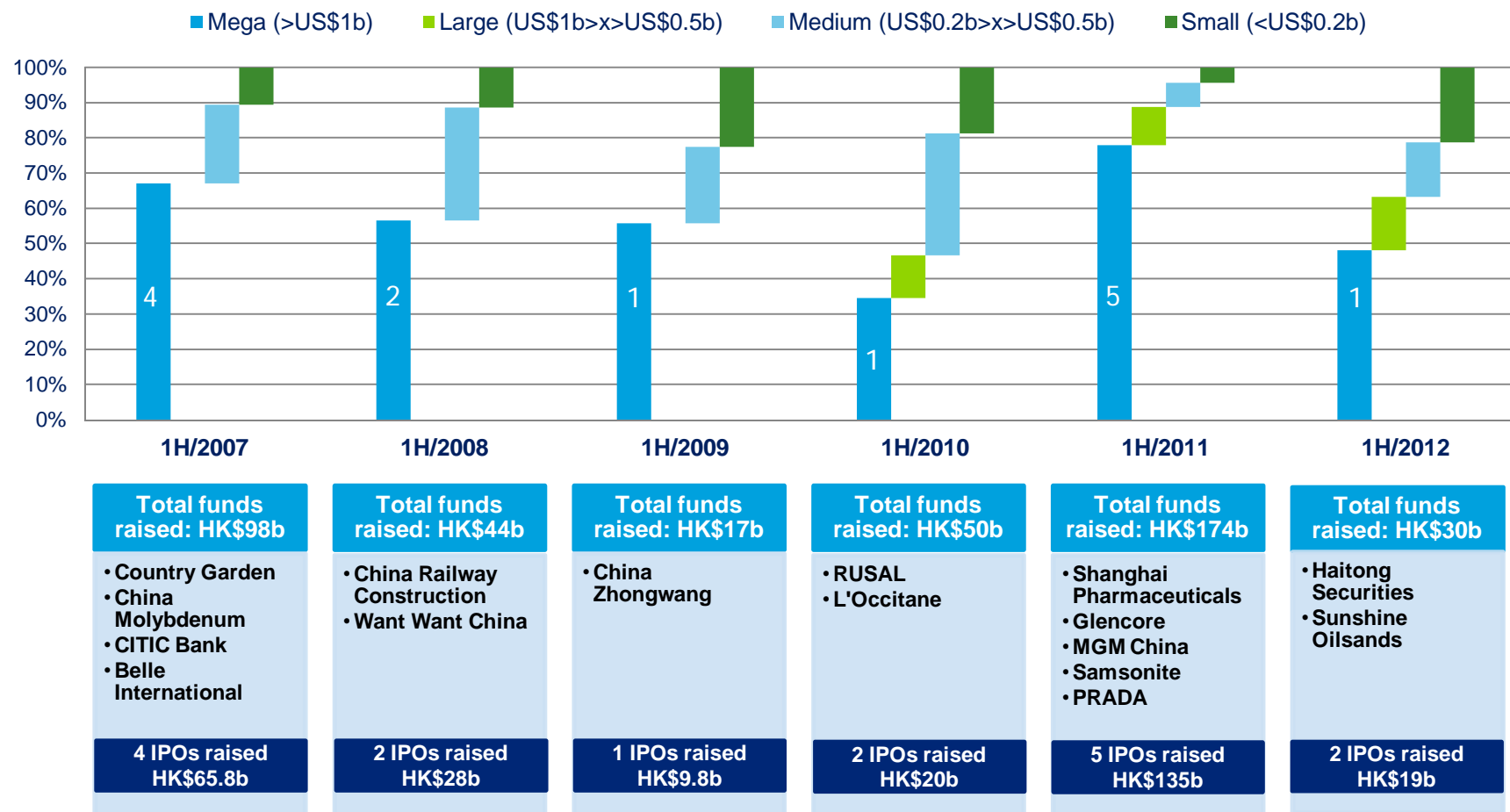


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HK IPO Deal Size Analysis

5 deals in 1H/2012 raised in aggregate HK\$24.8 billion and accounted for more than 80% of the total funds raised*

Deal size of HK Main Board IPOs

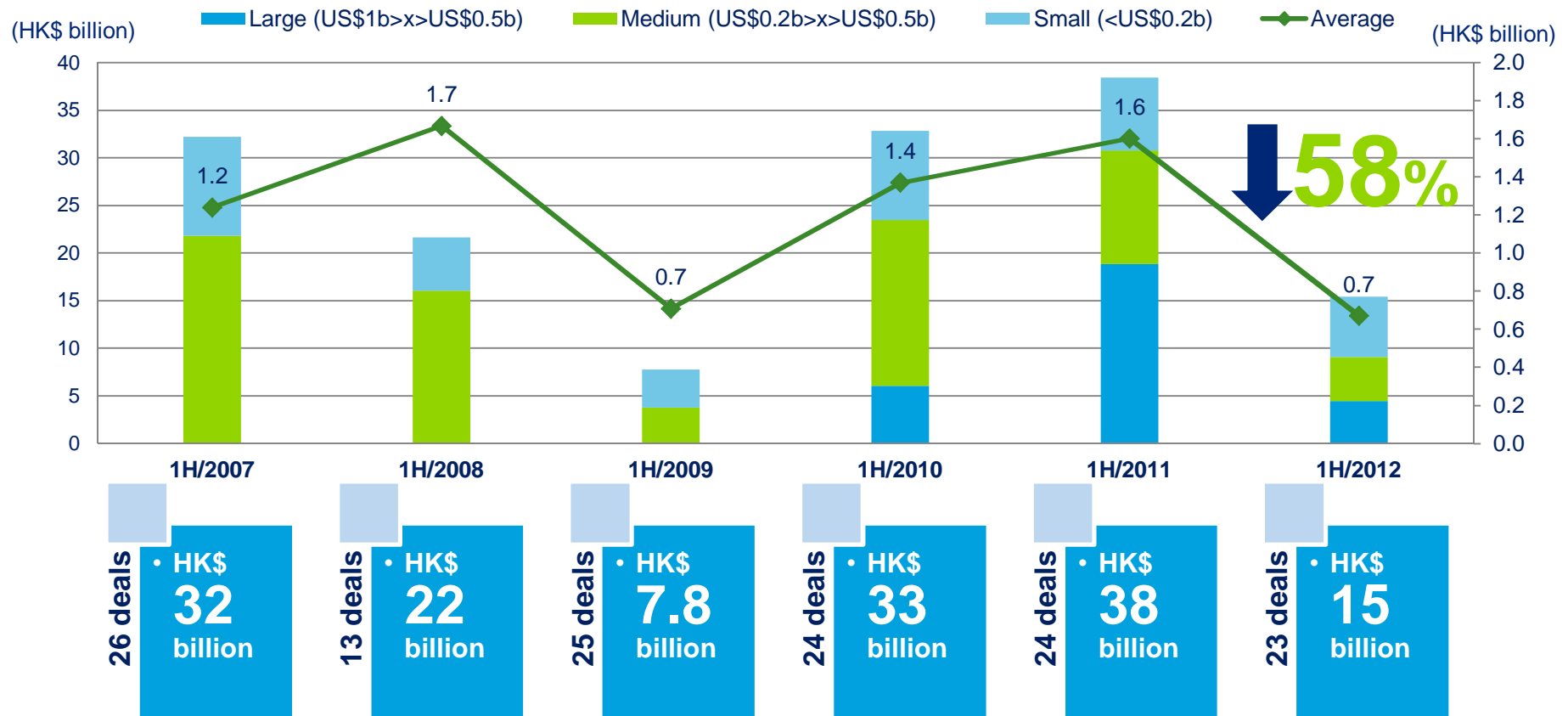


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HK IPO Deal Size Analysis

Average deal size was HK\$670 million for the Main Board and HK\$110 million for the GEM

Deal size of HK Main Board New IPOs (Excluding US\$1 billion mega-deals)

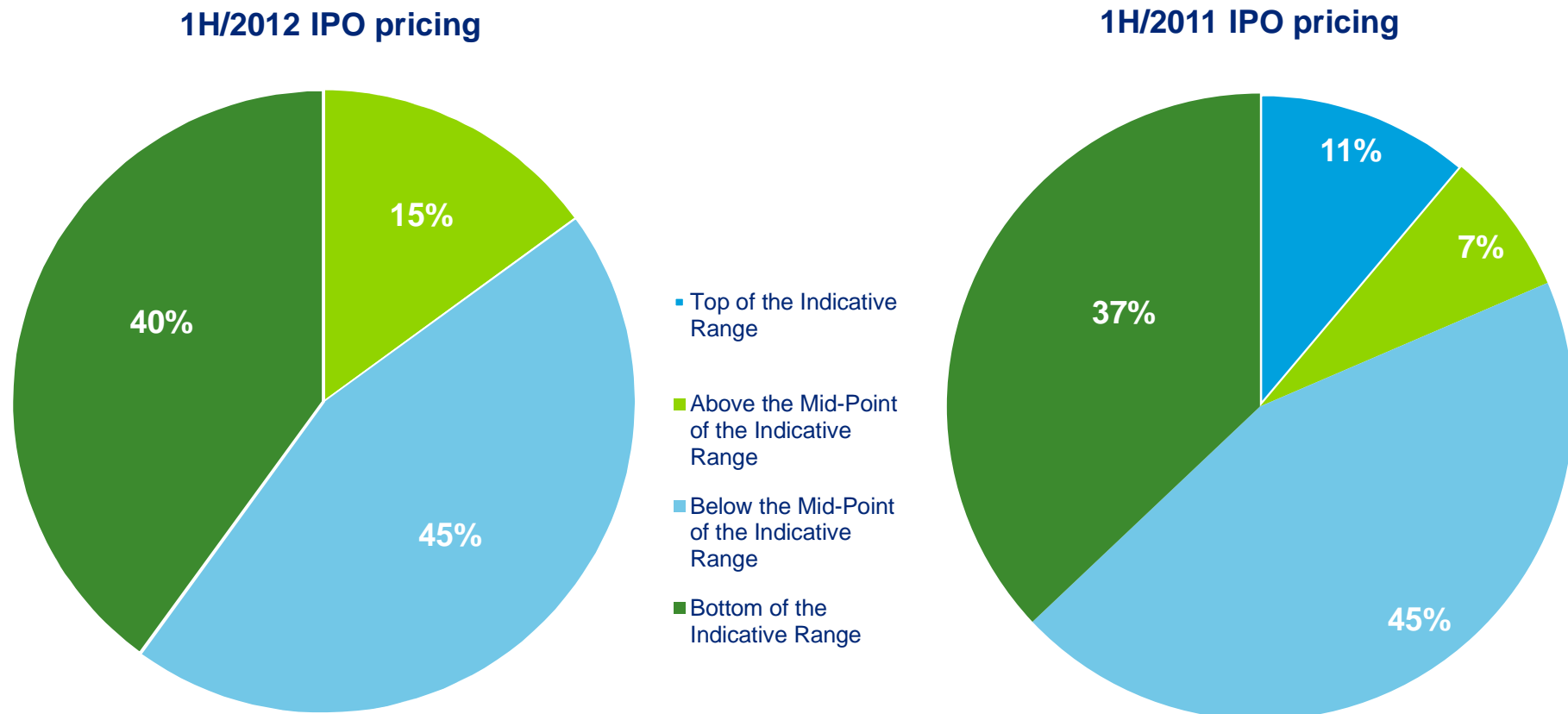


Drop in market valuation has adversely affected the average deal size

Source: HKEx, Deloitte Analysis; As of June, assuming the successful listing of China Nonferrous Mining Corp. Ltd. on 29 June, 2012 with pricing at the mid-point of the indicative range, and including proceeds raised from the offerings of H-Shares of Haitong Securities in 2012, and Hui Xian REIT, and the international offering of Glencore International Plc. in 2011

The analysis has excluded the listings by way of introduction and the transfer of listings from the GEM to the Main Board as no fund was raised during such listings.

85% of the IPOs that went ahead were priced below the mid-point with over one-third at the low-end of the range



Source: Deloitte Analysis and Main Board listings as of 27 June, 2012

Liquidity retreated amid weakened global economy and poor market visibility

39 (1H/2011: 20%)
% of the Main Board IPOs
launched were under-subscribed.

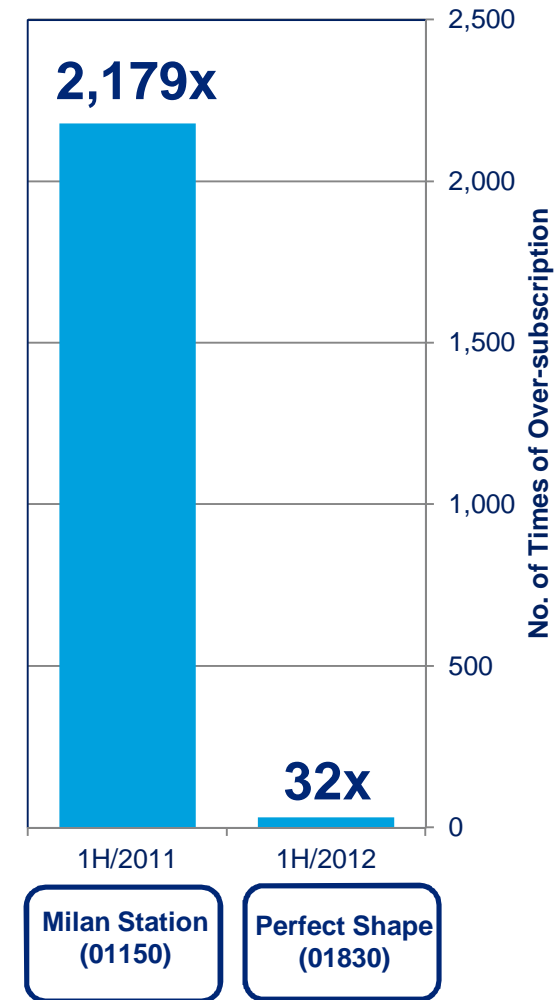
For the well-received ones,

86 (1H/2011: 50%)
% of them

have been over-subscribed for

less than **10** times.

Best-Received IPO in Terms
of Over-subscription Rate



Source: Deloitte Analysis

For some of the shelved IPOs in 2011, only three (3) managed to re-launch during the period

Galaxy Resources	Resourcehouse	Xing Yuan Power	China Everbright Bank
CT Environmental Group	China Shipping Nauticgreen	Trigiant Group	XCMG Construction Machinery
Sany Heavy Industry	Xiao Nan Guo	Xinyi Solar	Haitong Securities

Perfect Shape

and the rest still hold off until market direction becomes **CLEARER...**

Source: HKEx, Deloitte Analysis

More companies put off their IPOs and the number of shelved IPOs surged to a record-high

Fine
Holdings

China
Putian Food

China
Yongda
Automobiles

Graff
Diamonds

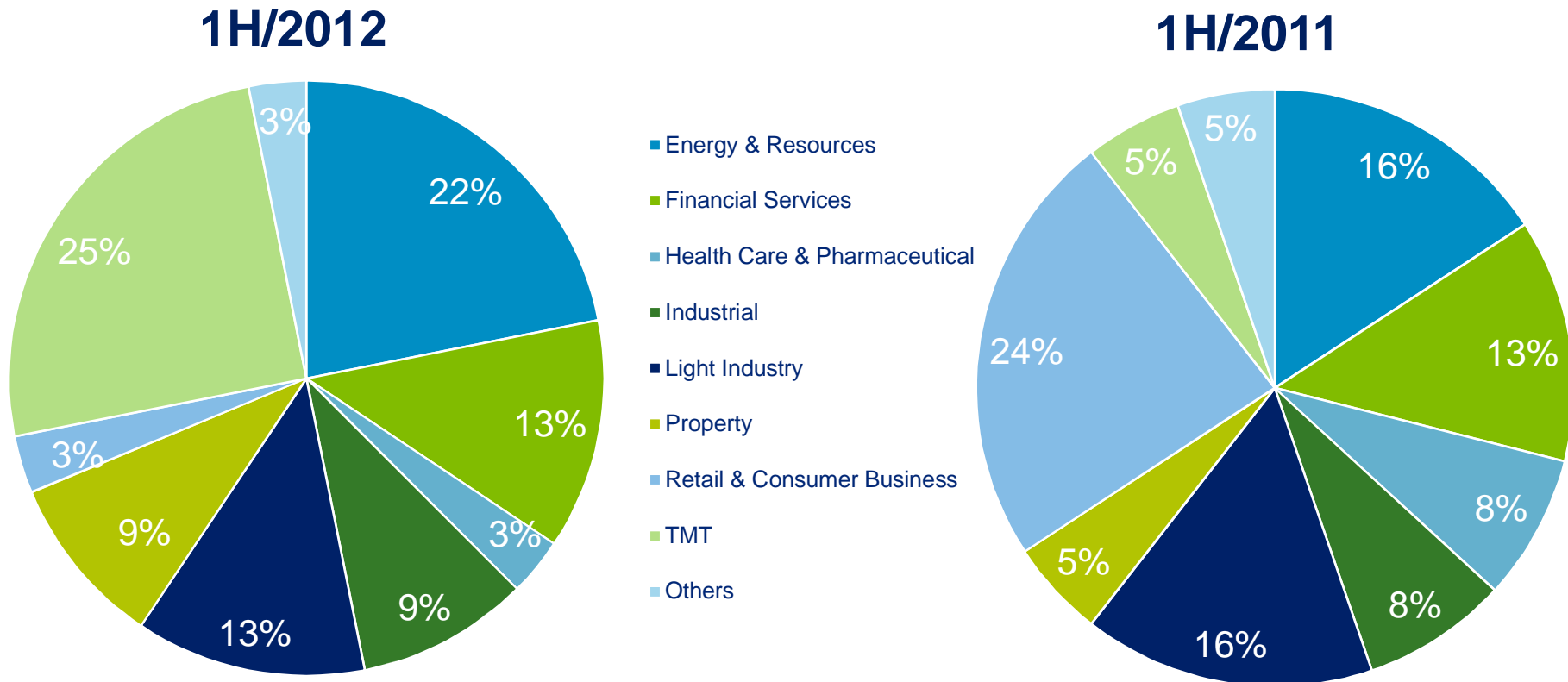
Inner
Mongolia
Yitai

and many more have obtained approval in principle for listing from HKEx but have not initiated any pre-marketing activities or roadshows for the offerings...

Source: HKEx, Deloitte Analysis

Number of IPOs by Industry

Technology, Media & Telecommunications (TMT) offerings made a comeback and topped the league

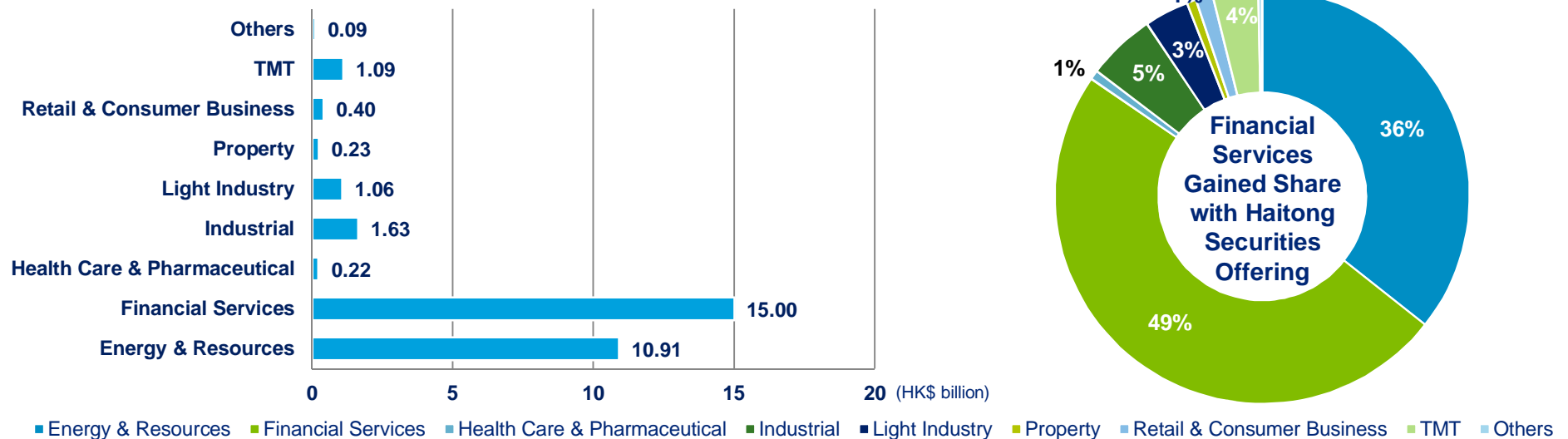


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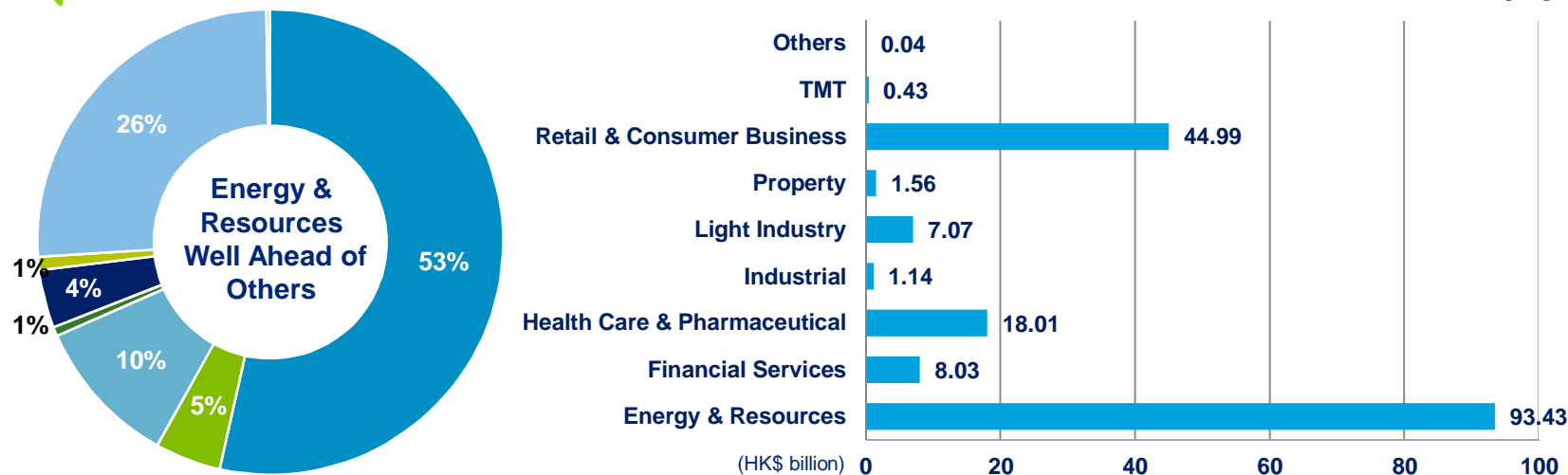
IPO Proceeds Raised by Industry

Proceeds raised by the Financial Services sector accounted for 49%

1H/2012



1H/2011



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Outlook – Challenges in 2H/2012

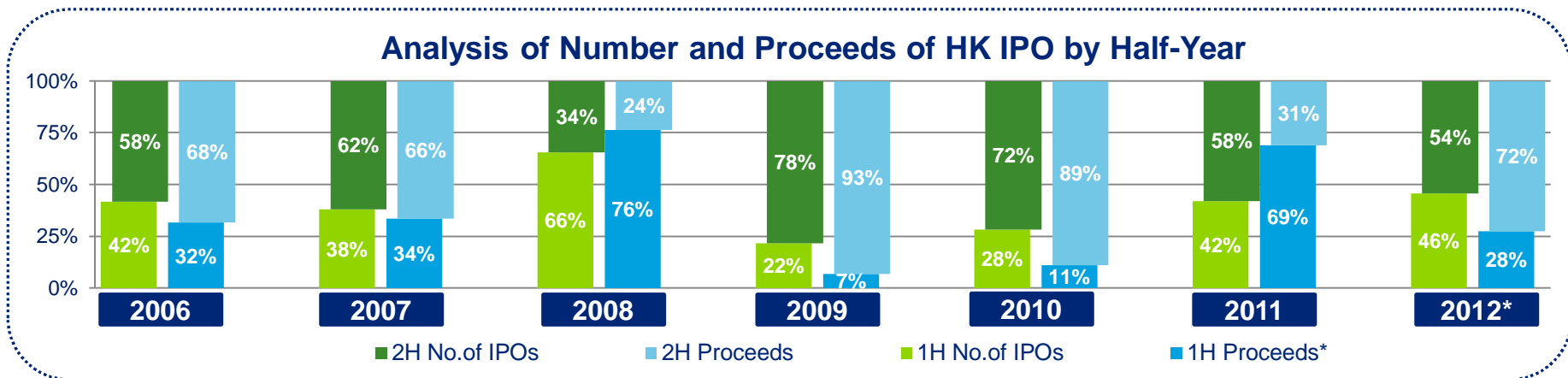


2H/2012 IPO Market is expected to remain challenging, but cannot be worse than 1H/2012

A huge IPO backlog has built up
but is only able to launch when the market is relatively stabilised..

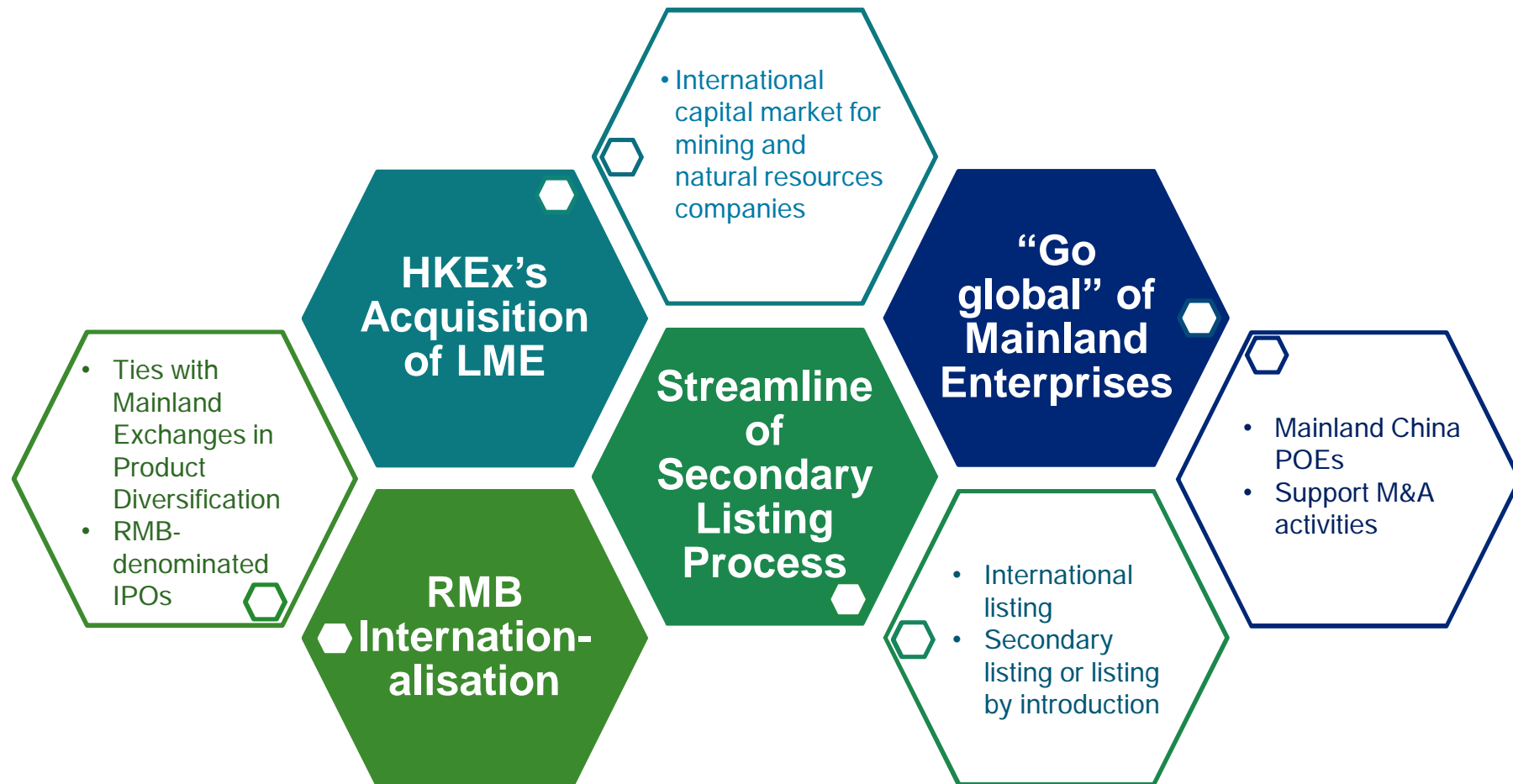
Around **80** (2011: 90, ↓ 11%) companies will be listed by the end of 2012, raising

(2011: HK\$271.4 billion*, ↓ 41%~60%)
approximately HK\$ **110~160** billion*



Source: Deloitte Analysis and Estimates; *Including proceeds raised from the offerings of H-Shares of Haitong Securities in 2012, and Hui Xian REIT, and the international offering of Glencore International Plc. in 2011

Outlook – Key listing trends in 2H/2012



Outlook - Sector allocation for IPO

Financial Services, Energy & Resources, and Retail & Consumer sectors will continue to be the focus

Financial Services – Banks & Insurance Companies

- Meet the higher capital and liquidity requirements under the Basel III effective 1 January, 2013
- Accelerate growth from expansion of QFII/RQFII quota and potential relaxation of insurance capital investment rules
- Expand products, business and international coverage

Energy & Resources

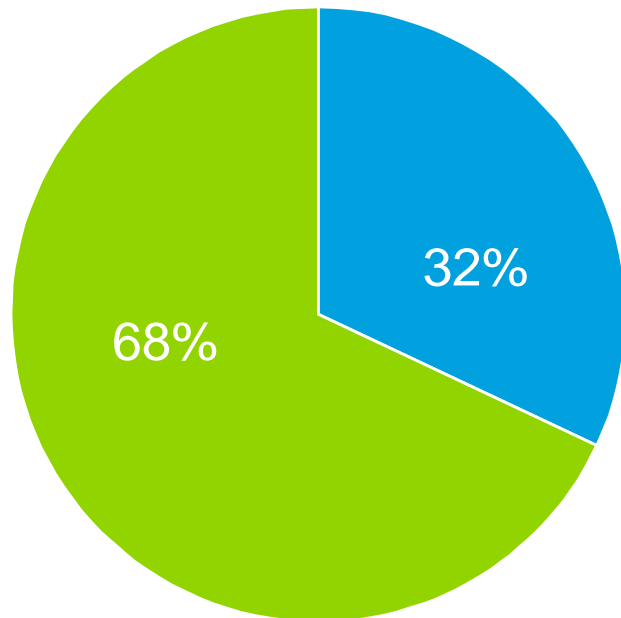
- Boosted by the policy moves on infrastructure projects to stabilise economic growth
- Tap into the growing Mainland market, the largest importer for commodities globally
- Expedite urbanisation under the current 12th Five-Year Plan

Retail & Consumer Business

- Funding for M&A activities to fuel expansion as valuation gets reasonable
- Take advantage of current 12th Five-Year Plan
- Tap into the Mainland market, the 2nd largest economy and luxury goods consumption market

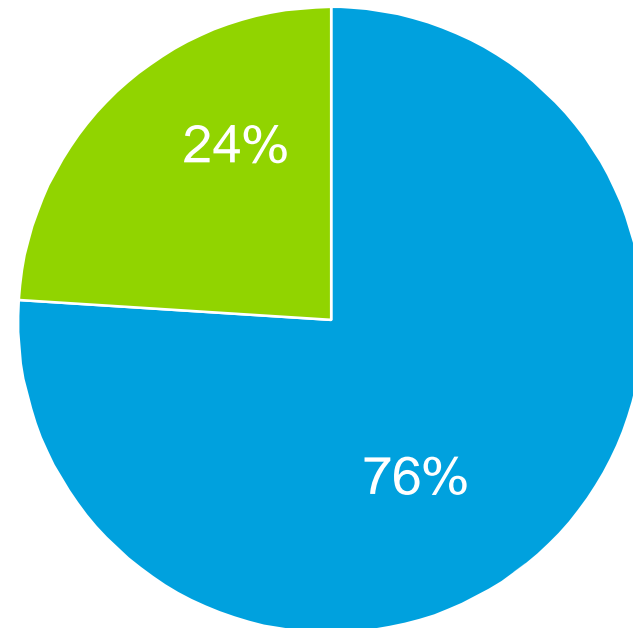
Deloitte leads in Hong Kong IPO listings

Number of IPOs*



■ Deloitte ■ Non-Deloitte

IPO Proceeds Raised*



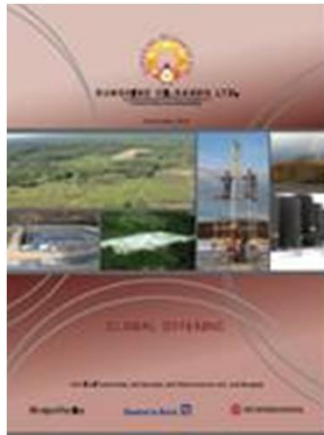
■ Deloitte ■ Non-Deloitte

Note: * Main Board listings as of 27 June, 2012, assuming the successful listing of China Nonferrous Mining Corp. Ltd. on 29 June, 2012 with pricing at the mid-point of the indicative range, and also including proceeds raised from the offering of H-shares of Haitong Securities

Source: HKEx and Deloitte Estimates

Deloitte is their reporting accountant

Major deals completed in 1H/2012*



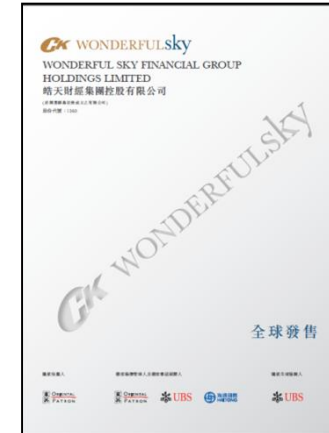
Sunshine Oilsands Ltd.

The largest holder of non-partnered Oil Sands Leases by area in the Athabasca oil sands region, Canada and is the largest international listing in 1H/2012 on HKEx, raising HK\$4.5 billion



Christine International Holdings Ltd.

A leading bakery chain operator in China



Wonderful Sky Financial Group Holdings Ltd.

The company is principally engaged in the provision of financial public relations services in Hong Kong



Jiangnan Group Ltd.

A leading manufacturer of wires and cables for power transmission, distribution systems and electrical equipment in China



Haitong Securities Co., Ltd.

A leading full-service securities firm in China with an integrated business platform, extensive branch network and substantial customer base. It is the largest IPO in Hong Kong in 1H/2012, raising HK\$14.4 billion.



China Nonferrous Mining Corporation Ltd.

The company is a leading, fast growing and vertically integrated copper producer, focusing on the mining, ore processing, leaching, smelting and sale of copper, and is based in Zambia.

Note: *Assuming the successful listing of China Nonferrous Mining Corp. Ltd. on 29 June, 2012

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Our China Practice

- Over 10,000 people in 16 offices
- Serving one-third of all companies listed on the Hong Kong Stock Exchange
- Leading position in public offering services in key capital markets and was the reporting accountant for the global largest IPOs in both 2010 (Agriculture Bank of China) and 2011 (Glencore International Plc)
- Advising the Ministry of Finance in the Chinese Mainland on the development of international accounting standards and tax systems since 1993

We have achieved many industry firsts:

- The first to co-sponsor a GEM listing on the Stock Exchange of Hong Kong
- The first to sponsor a Hong Kong Main Board listing
- The first to pioneer the listing of RMB-denominated REIT (Hui Xian REIT)
- The first to bridge the gap between Japanese Generally Accepted Accounting Principles and the IFRS and assisted the Hong Kong IPO of the first Japanese company (SBI Holdings, Inc.) on the Hong Kong Stock Exchange



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