

Across borders: An analysis of cross-border IPO trends

Press conference
13 July 2010

 **ERNST & YOUNG**
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Research objective and scope

Research objective:

- ▶ To identify historical cross-border IPO trends over the past 10 years on the four major stock exchanges globally.

Research scope:

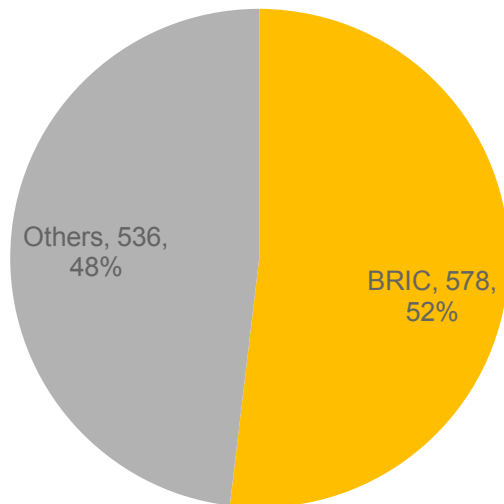
- ▶ The four major stock exchanges covered in this study:
 - ▶ Hong Kong Exchanges and Clearing (HKEx)
 - ▶ NYSE Euronext US (NYSE)
 - ▶ London Stock Exchange (LSE)
 - ▶ NASDAQ
- ▶ Cross-border IPOs for companies from Brazil, Russia, India and Chinese mainland (the BRIC countries) on the four major stock exchanges.

More than half of the cross-border IPOs on the 4 major exchanges were from the BRIC countries

- ▶ The BRIC countries accounted for 52% (578) of cross-border IPOs by number of deals, and 68% (US\$248 billion) by total funds raised on the four major exchanges in the past 10 years in total

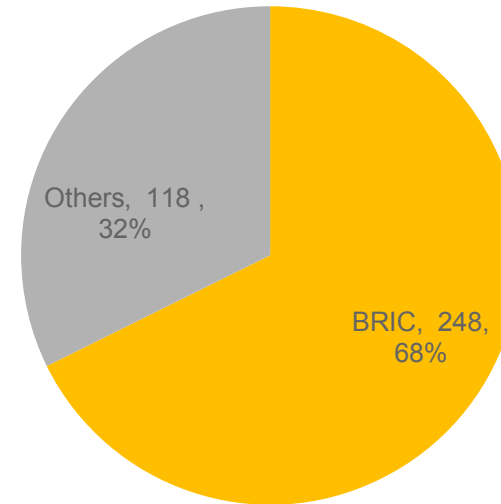
Cross-border IPOs: four major exchanges
Number of deals: 2000-1H2010

■ BRIC ■ Others



Cross-border IPOs: four major exchanges
Total funds raised (US\$B): 2000-1H2010

■ BRIC ■ Others

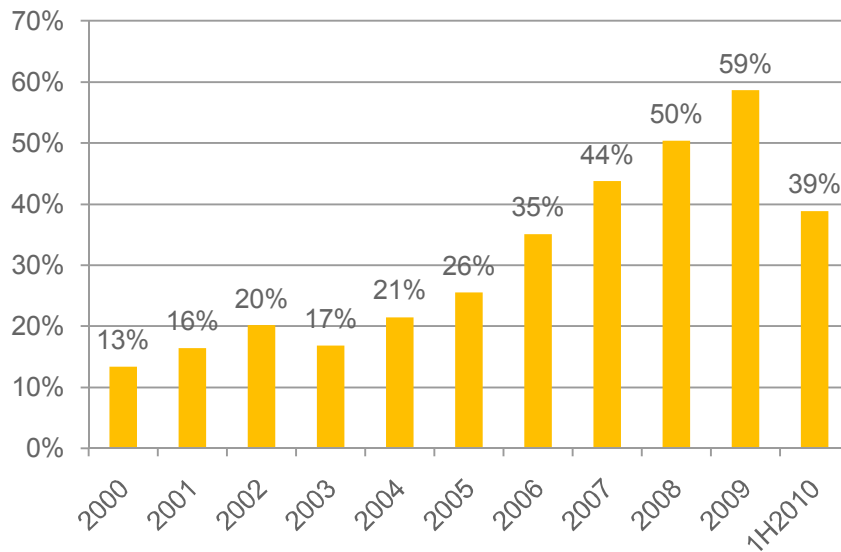


Source: Dealogic and Ernst & Young

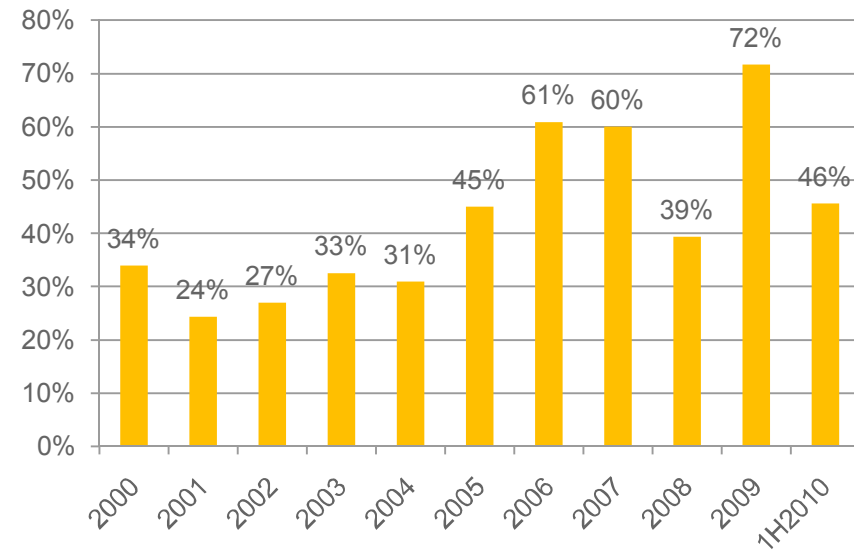
Cross-border IPOs have increased steadily over the last decade

- ▶ A rising trend in terms of number of deals and total funds raised

Four major exchanges combined
Number of deals (%): 2000-1H2010



Four major exchanges combined
Total funds raised (%): 2000-1H2010



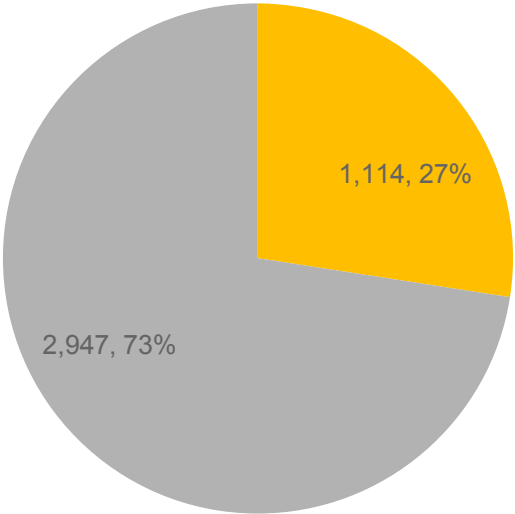
Source: Dealogic and Ernst & Young

Cross-border IPOs have increased steadily over the last decade – cont'd

- ▶ In total, there were 1,114 (27%) cross border IPOs with total funds raised of US\$366 billion (46%) on the four major exchanges combined over the past 10 years

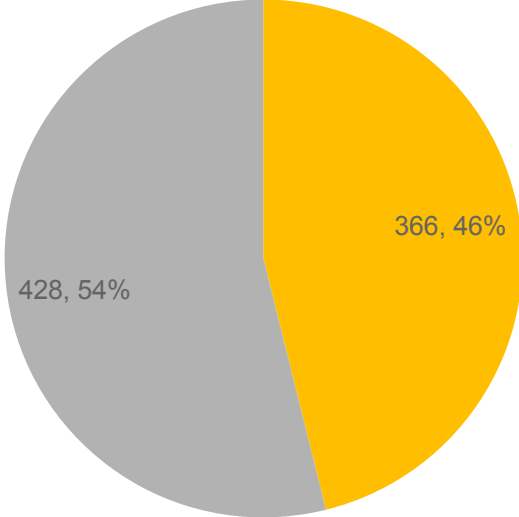
Four major exchanges combined
Number of deals: 2000-1H2010

■ Cross-border ■ Domestic



Four major exchanges combined
Total funds raised(US\$B): 2000-1H2010

■ Cross-border ■ Domestic

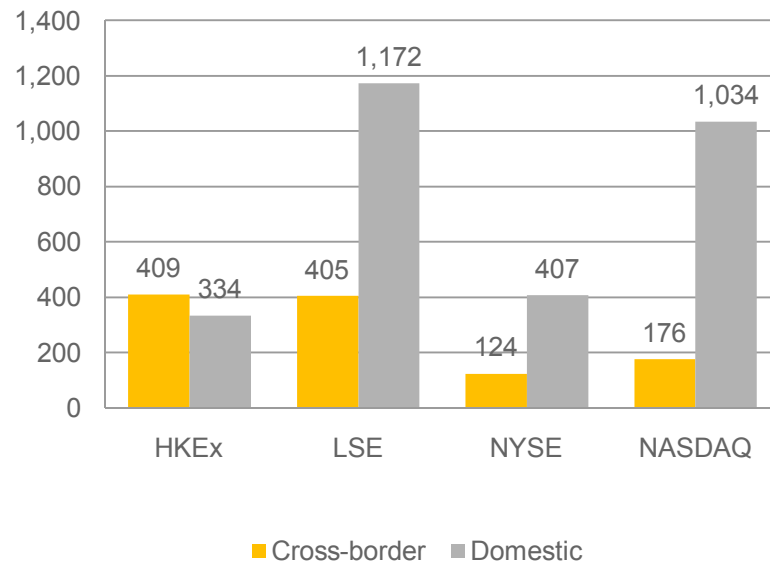


Source: Dealogic and Ernst & Young

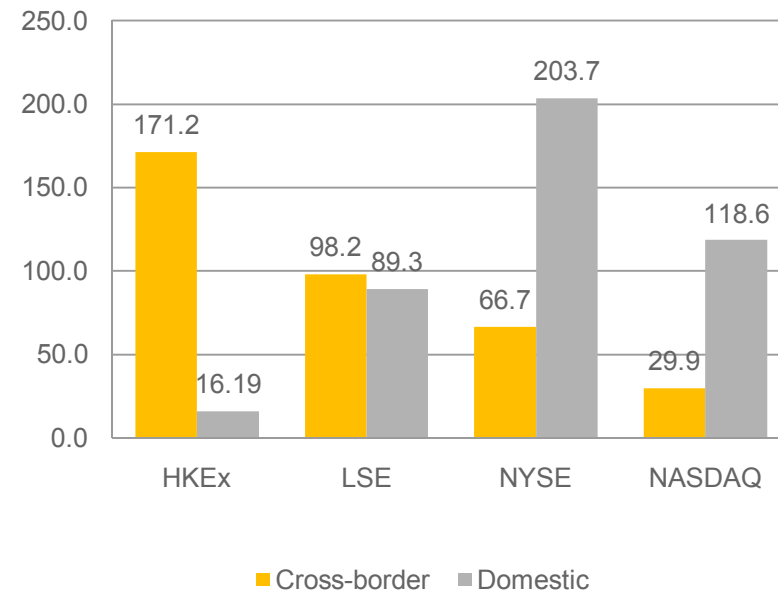
HKEx ranked first in cross-border IPOs

- ▶ HKEx attracted 409 cross-border IPOs raising US\$171.2 billion in total in the past 10 years

Four major exchanges IPOs
Number of deals: 2000-1H2010



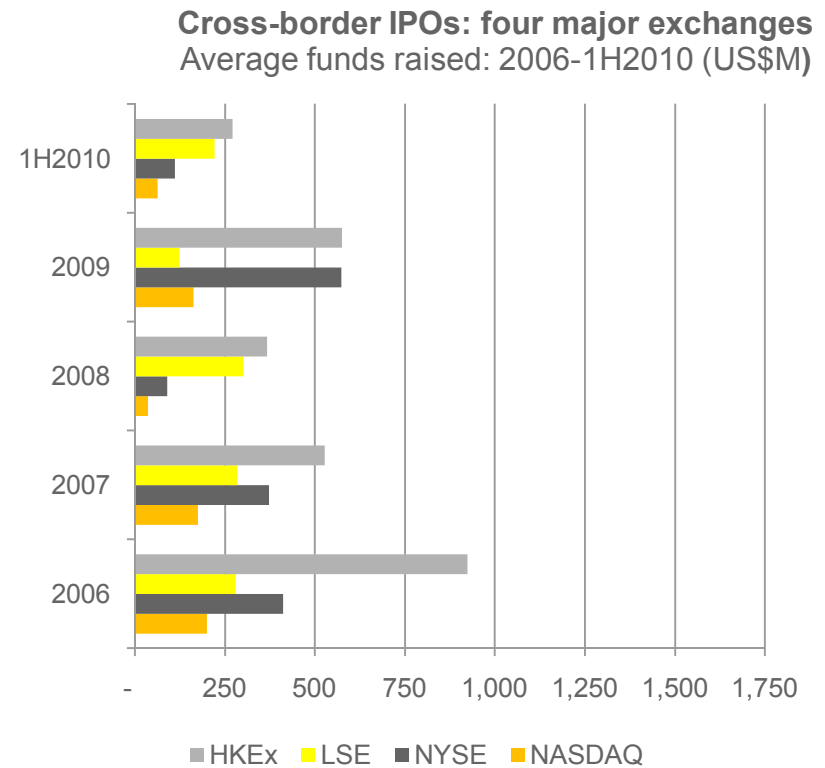
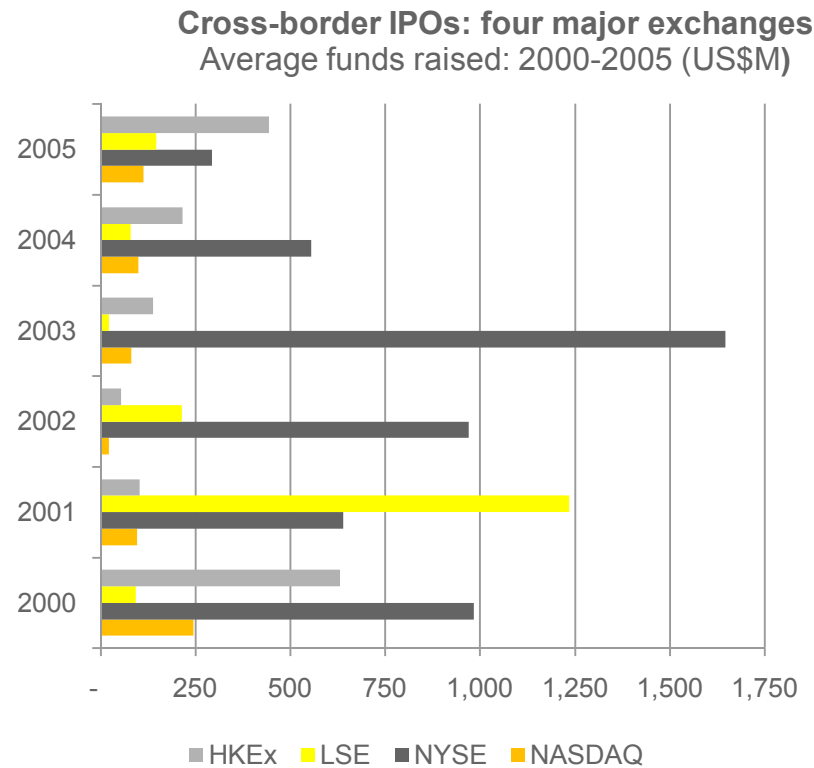
Four major exchanges IPOs
Total funds raised (US\$B): 2000-1H2010



Source: Dealogic and Ernst & Young

HKEx leads in average IPO size of cross-border IPOs since 2005

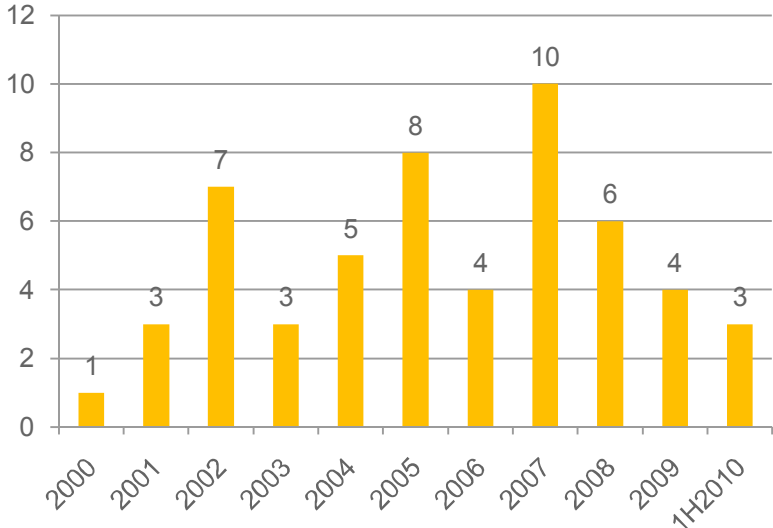
- ▶ HKEx leads in average funds raised for cross-border IPOs since 2005, overtaking NYSE, which was the leader before 2005



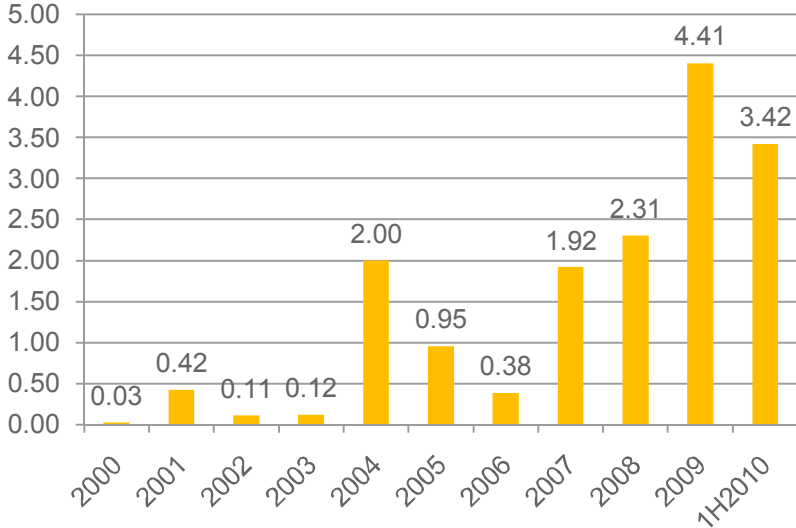
Source: Dealogic and Ernst & Young

Growth of non-Chinese mainland cross-border IPOs on the HKEx in recent years

Non-Chinese mainland IPOs on the HKEx
Number of deals: 2000-1H2010



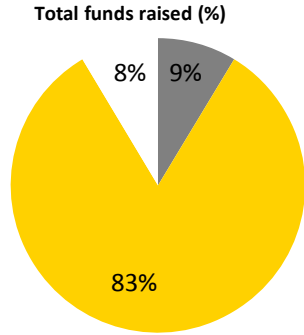
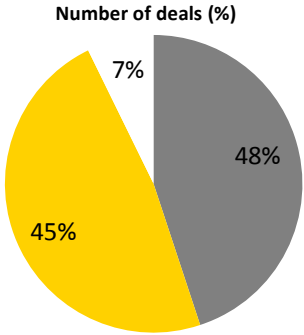
Non-Chinese mainland IPOs on the HKEx
Total funds raised (US\$B): 2000-1H2010



Source: Dealogic and Ernst & Young

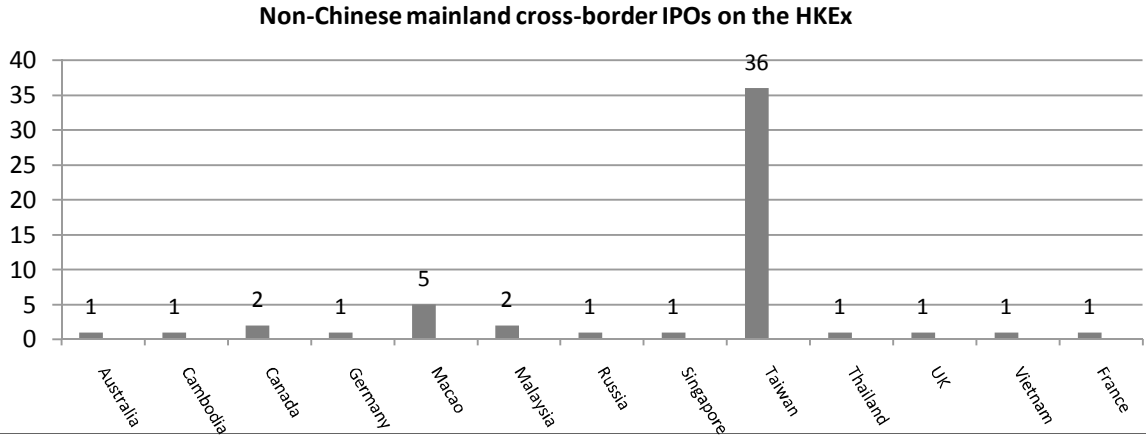
Non-Chinese mainland cross-border IPOs on the HKEx growing in recent years (con't)

Cross-border IPOs on the HKEx were mainly Chinese mainland companies, but non-Chinese mainland cross-border IPOs are growing



■ Domestic ■ Chinese mainland ■ Non-Chinese mainland ■ Domestic ■ Chinese mainland ■ Non-Chinese mainland

HKEx has great capacity to attract cross-border IPOs from other emerging markets

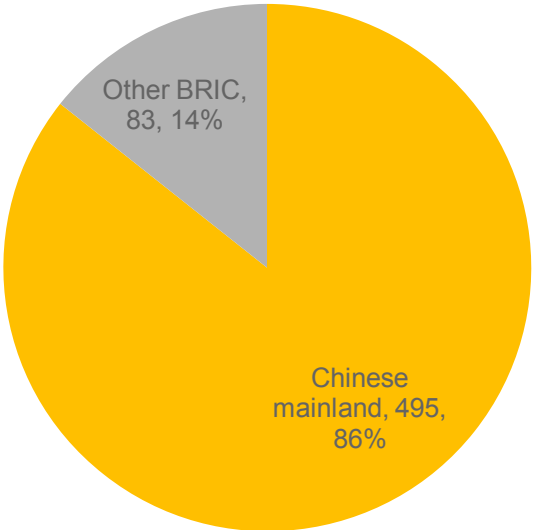


Chinese mainland companies ranked first in cross-border IPOs

- ▶ Chinese mainland companies led in both number of deals and total funds raised
 - ▶ There were 495 deals, and total funds raised of US\$188 billion in total since 2000

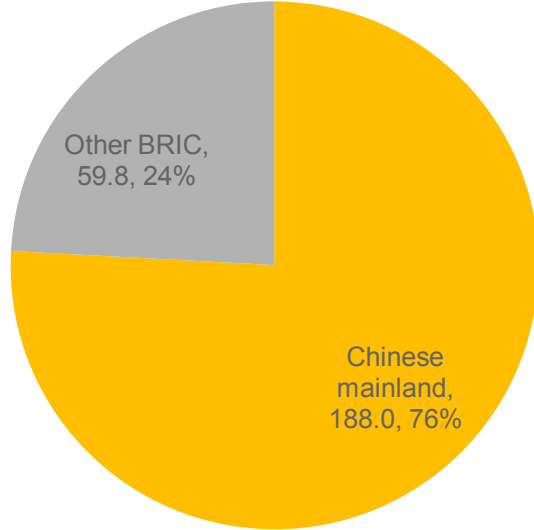
Four major exchanges combined
Number of deals: 2000-1H2010

■ Chinese mainland ■ Other BRIC



Four major exchanges combined
Total funds raised (US\$B): 2000-1H2010

■ Chinese mainland ■ Other BRIC



Source: Dealogic and Ernst & Young

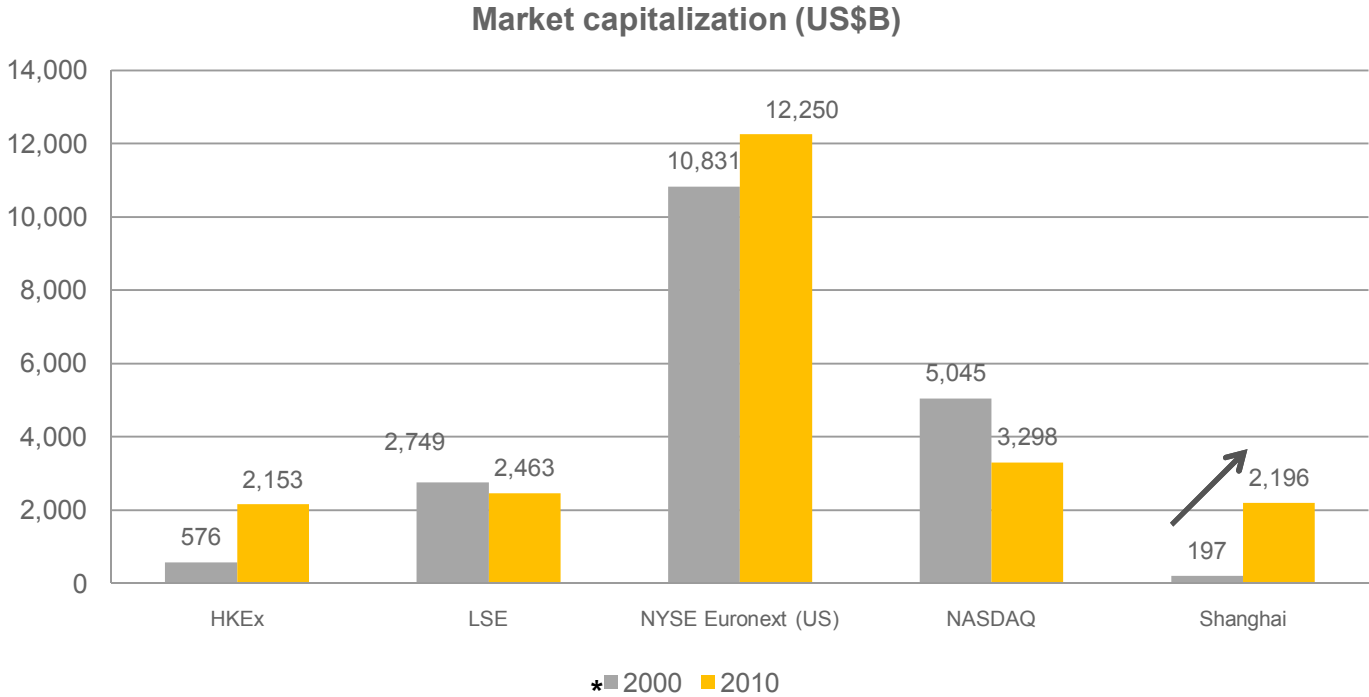
Russia ranked second in cross-border IPOs

- ▶ Among companies domiciled in the BRIC countries, Russia ranked second in cross-border IPOs both by number of deals and by total funds raised
 - ▶ There were 39 cross-border IPOs raising capital of US\$39.1 billion
- ▶ Of the Russian companies choosing to raise IPO funds overseas, the majority chose the LSE in the past decade
 - ▶ There were 33 cross-border IPOs on the LSE with total funds raised of US\$35.3 billion
- ▶ Russian companies are beginning to consider having IPOs in Hong Kong

Source: Dealogic and Ernst & Young

Shanghai Stock Exchange is growing fast

- ▶ The Shanghai Stock Exchange grew 1,015% in market capitalization in the past 10 years



Source: World Federation of Exchanges and Shanghai Stock Exchange

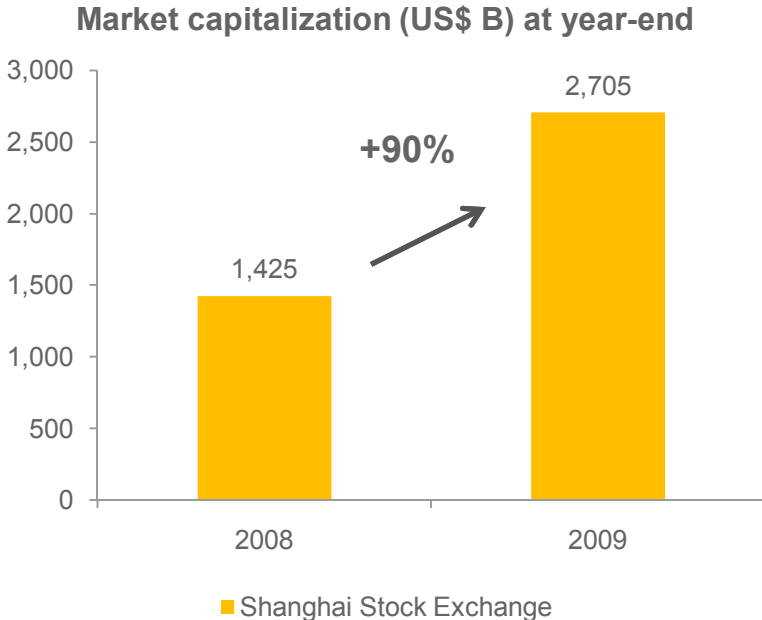
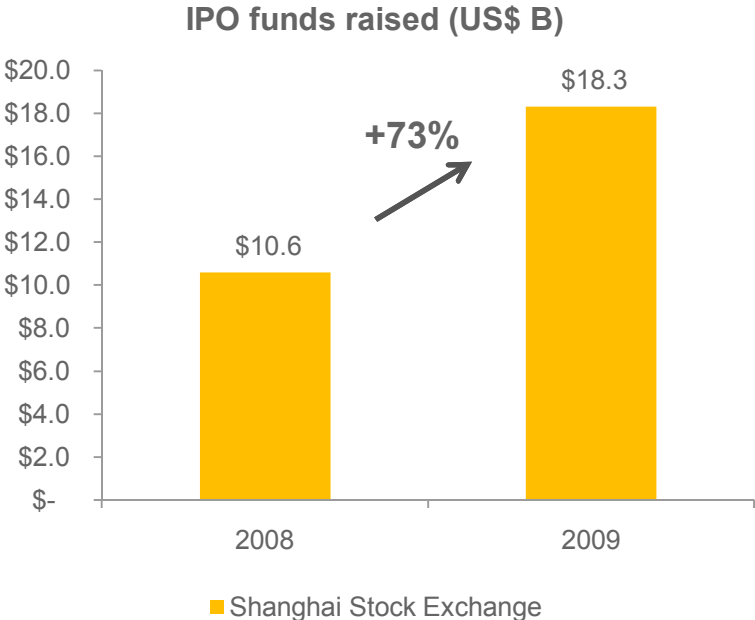
* Market capitalization as of 1/31/2000 and 5/31/2010

Shanghai Stock Exchange is growing fast (Con't)

In 2009, Shanghai Stock Exchange ranked:

2nd largest in IPO funds raised

6th largest stock exchange in market capitalization



Source: World Federation of Exchanges

International Board of the Shanghai Stock Exchange attracts different kind of company

- ▶ The Shanghai Stock Exchange is planning the launch of its International Board
- ▶ Currently, other than “red chips”, at least 23 global companies have publicly indicated their interest in listing on the proposed IB of the SSE
- ▶ Most of these global companies have a significant business exposure in the Chinese mainland
- ▶ Focus is different from HKEx

Research methodology

Research methodology and approach:

Data collection:

The data collected for analysis was selected to eliminate bias from real estate investment trusts and other holding companies that represent assets under management instead of core businesses.

Glossary of terms:

Cross-border listing: a company's initial listing in a stock exchange country that is different from that of a company's country of domicile. This includes listings through common stock, American Depository Receipt (ADR), Global Depository Receipt (GDR) in conjunction with capital-raising activities. Board-transfer and reverse take-over without concurrent capital-raising activities are excluded from this study. The listing of Chinese mainland companies on the Hong Kong Exchanges and Clearing is also covered.

Dual listings:

IPO funds raised in a dual-listing are allocated to the primary exchange unless funds are raised from the secondary exchange separately.

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FEA No. 03000552

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