China Renaissance 华兴资本

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Strategy Focus

Strategy – Market Reform

An evolving storm on Chinese ADRs: 6 Q&As

- **Newly passed US Senate bill to delist Chinese ADRs reflects Sino-US tensions.**
- **The issue of audit working papers remains at center of the dispute, but there may be more pressure on China during US presidential election period.**
- **China's cooperation and capital markets reform may mitigate the tension. We remain medium-term bullish on Chinese equities and list 36 ADRs that would qualify for a secondary listing in Hong Kong.**

On May 21, the US Senate passed the *Holding Foreign Companies Accountable Act* (S.945), which would: 1) increase oversight of foreign companies listed on US exchanges; and 2) ban trading for firms that have three "non-inspection years" (e.g. US regulators unable to inspect the company's auditor). In this report, we explore six key questions on the increasingly contentious debate over Sino-US financial links:

1) What are the recent pressures from US legislators on Chinese ADRs? It will take time for the bill to become law. Yet the unanimous approval from the Senate indicates cross-party consensus to put more pressure on China (p2).

2) How accessible are offshore-listed Chinese companies' underlying audit papers? Overseas auditors can only be allowed to access such papers if they partner with Chinese accounting firms and comply with confidentiality requirements. Overseas regulators, except Hong Kong's, have very limited access so far (p2).

3) What is the timeline of the contentious debate over Sino-US financial links? In the past several months, US politicians proposed to delist Chinese companies from US stock exchanges with different criteria, and cap Americans' exposure to the Chinese market. We expect the debate to remain among the top topics of the 2020 US presidential election (p4).

4) How can Chinese authorities exert influence over offshore-listed companies? Various authorities can work with overseas regulators for cross-border enforcement. We think they will only investigate offshore-listed companies with discretion (p6).

5) How has the Chinese government prepared for a worst-case scenario? By introducing a series of capital markets reforms and cooperating with Hong Kong to embrace emerging tech trends (*2020 China Macro and Equity Outlook*, Jan 6, 2020) (p7).

6) Among Chinese ADRs, which would qualify for a secondary listing in Hong Kong? We list 36 names (p10). We think Hong Kong may see a wave of listings of Chinese new economy companies, thanks to the new listing regime and the pro-new economy indexes (see *Hang Seng Indexes revamp: Seize China's new economy dynamism*, May 18, 2020).

We remain medium-term bullish on Chinese equitiesgiven their growth potential, favorable FX movement and global investors' asset allocation demand. In the near term, Chinese ADRs will likely face continued pressure on both sentiment and valuation. We expect structural capital markets reforms to accelerate in China, helping to reshape the investment landscape for new economy stocks listed both on the A-share market and offshore markets, and further spur a recovery in sentiment.

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Q1: What are the recent pressures from US legislators on Chinese ADRs?

On May 20, 2020, the US Senate unanimously approved the *Holding Foreign Companies Accountable Act* (S.945) that requires companies listed in the US to certify they are not under the control of a foreign government. If the Public Company Accounting Oversight Board (PCAOB) is not able to inspect the company's audit firm for three consecutive years, the company's securities would be banned from US exchanges.

In a sign of broad support for the measure, a companion bill has been introduced in the US House of Representatives' Financial Services Committee (Bloomberg, "*Senate passes bill to delist Chinese companies from exchanges*", May 21, 2020). We note:

- It will take time for the House of Representatives to discuss its own version of the bill, and for a Conference Committee between the House and the Senate to reconcile potential differences between two versions of the bill.
- The US President is required to sign a bill passed by Congress before it becomes law. President Trump recently said in an interview with FOX News, for Chinese companies that trade on the NYSE and Nasdaq but do not follow US accounting rules, he is "looking at that very strongly". However, he said that cracking down could backfire and simply result in the firms moving to exchanges in London or Hong Kong (Bloomberg, "*Trump says U.S. is looking at Chinese companies on exchanges*", May 14).
- The unanimous approval by the Senate shows bipartisanship support, with common ground over putting more pressure on China amid increasingly tense Sino-US relations.

Q2: How accessible are offshore-listed Chinese companies' underlying audit papers?

For overseas auditors

Overseas auditors can only access the underlying audit working papers of offshore-listed Chinese companies if[1]:

- They have a partnership with a Chinese accounting firm.
- They access and review the audit working papers only when in mainland China.
- They must strictly comply with confidentiality requirements. Mainland companies and overseas accounting firms must follow restrictions on taking Chinese audit papers out of mainland China. The accounting records (including audit working papers) of Chinese companies may be subject to claims of state secrecy under Chinese law and consent of the relevant authorities is required before they can be taken outside mainland China.

[1] For details, please see *Interim Provisions on Accounting Firms' Provision of Auditing Services for the Overseas Listing of Enterprises in Chinese Mainland* (Chinese version of Announcement on Accounting Issues No. 9 [2015], Ministry of Finance, published May 26, 2015 and came into force July 1, 2015) and *Provisions on Strengthening the Relevant Confidentiality and Archives Management Work Relating to the Overseas Issuance of Securities and Listing* (Chinese version of Announcement No. 29 [2009], CSRC, National Administration for the Protection of State Secrets and State Archives Bureau).

For overseas regulators

According to Article 177 of the 2020 revised *Securities Law*, China reiterates that without approval from Chinese authorities, no entity or individual in China may provide documents and information relating to securities business activities to overseas regulators.

When the listing of a mainland China company becomes the subject of a legal action or other matter, and an overseas judicial or regulatory authority requires access to the audit working papers in respect of that company, or where an overseas regulatory authority requires access to the audit working papers for a mainland China company, access should be sought in accordance with the relevant supervision agreement entered into between the regulatory authorities of mainland China and the relevant overseas jurisdiction.

The restriction on taking Chinese audit papers out of China creates problems for accountants, and IPO sponsors and regulators that want to see the papers. In recent years, some overseas regulators have sought access to Chinese audit working papers. Cross-border cooperation of enforcement is sought on a case-by-case basis.

In July 2019, China's Ministry of Finance (MOF), the China Securities Regulatory Commission (CSRC) and Hong Kong's Securities and Futures Commission (SFC) entered into a Memorandum of Understanding (MoU) concerning the obtaining of audit working papers in mainland China arising from the audits of Hong Kong-listed mainland companies. Under the MoU, the SFC is granted access to audit working papers – signed by Hong Kong accounting firms, while created and kept in the Mainland – when conducting investigations into mainland-based issuers or listed companies, and their related entities or persons. Under the MoU, the MOF and the CSRC will provide the fullest assistance in response to the SFC's requests for investigative assistance regarding the provision of audit working papers.

The PCAOB is still unable to inspect audit working papers in mainland China

The PCAOB, which was set up by the 2002 Sarbanes-Oxley Act and is overseen by the US Securities and Exchange Commission (SEC), is tasked with policing the accounting firms that sign off on the books of the nation's listed companies.

According to a joint statement issued by the SEC and the PCAOB, the PCAOB still lacks access to the work of PCAOB-registered accounting firms in China (including Hong Kong, to the extent their audit clients have operations in China) with respect to their audit work on US reporting companies. The regulators said that about 95% of firms whose financials can't be reviewed use Chinese auditors (see SEC and PCAOB, "*Emerging market investments entail significant disclosure, financial reporting and other risks; remedies are limited*", April 21, 2020).

Even when the auditor signing the audit report is not based in China, if the reporting company has operations in China, significant portions of the audit may have been performed by firms in China, and the PCAOB may be unable to access such audit working papers.

The SEC and the PCAOB require issuers with operations in China to make clear disclosures regarding these risks, including highlighting these limitations as a risk factor in their listing filings.

Q3: What is the timeline of the contentious debate over Sino-US financial links?

Early in the series of squabbles over Sino-US financial links, we highlighted there may be a potential risk from "another type of 'war'", whereby the US administration may limit US investors' exposure to Chinese assets (see *Embrace the New China*, Oct 21, 2019). The debate is immersed in the Sino-US tensions, which we have expected will last at least until November's US presidential election (see *2020 China Macro and Equity Outlook*, Jan 6, 2020). Threats, escalations, and retaliations could be among the top topics during the US presidential election period, in our view. Tensions have developed as follows:

- In December 2018, the SEC and the PCAOB issued a joint warning to investors about the challenges American regulators face when attempting to conduct oversight of US-listed companies whose operations are based in China and Hong Kong.

- In May 2019, the White House's former Chief Strategist Steve Bannon said he would dedicate his time to shutting Chinese companies out of US capital markets (Bloomberg, "*Bannon Urges Trump to 'Go All the Way' in China Trade War"*, May 28, 2019. The issue has been discussed among political commentators since then.

- According to media reports, from September 2019, the US administration considered to limit US investors' exposure to Chinese assets (Bloomberg, "*White House Focuses on China Stock Limits in Retirement Fund*", October 8, 2019; "*White House Weighs Limits on U.S. Portfolio Flows into China*", September 27, 2019).

  Potential options reportedly include: delisting Chinese companies from US stock exchanges, capping Americans' exposure to the Chinese market through government pension funds and putting limits on the Chinese companies included in stock indexes managed by US firms. However, a US Treasury official reportedly said the administration was not considering blocking Chinese companies from listing shares on US stock exchanges "at this time" (Bloomberg, September 29, 2019). Nevertheless, the media reports did not rule out the possibility of other types of regulation.

- In November 2019, an Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act is introduced to the US Senate. The Act proposed to force Chinese companies that are traded on US stock markets – there are more than 150, with a combined capitalization of more than USD1.2trn – to adhere to American accounting standards, or be delisted.

- A separate bill, the Taxpayers and Savers Protection Act (TSP) Act, has been submitted to the US House in November 2019. The Act proposed to block a key federal pension fund from investing in Chinese companies that have been accused of stealing intellectual property or are under sanctions imposed by the US government.

- In February 2020, the SEC released a statement regarding the difficulties US regulators face when auditing US-listed companies based in China, and how over the past decade US investors, and the US capital markets more generally, have become more exposed to companies with significant operations in emerging markets, including China, the largest emerging market economy.

- According to a Wall Street Journal report on May 14, 2020, the White House is considering forcing Chinese companies to report their figures based on US Generally Accepted Accounting Principles (GAAP) if they want access to US exchanges, although it also recognized this might force firms to move to other countries in response. It is unknown by what mechanism this requirement would be enforced (Wall Street Journal, "*Trump May Push for Chinese Companies to Follow US Accounting Rules for Stock Listings*", May 14, 2020).

  Many Chinese companies listed on US exchanges already use GAAP, and those with multiple listings – most of which are SOEs and old economy stocks – commonly adopt the International Financial Reporting Standards Foundation (IFRS), which the SEC currently allows them to use.

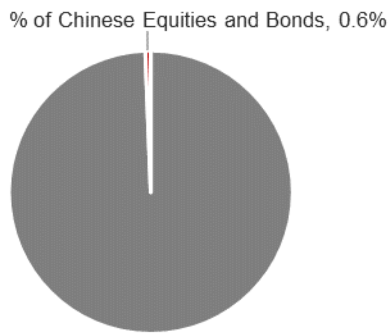
Exhibit 1: Most Chinese ADRs adopting non-US-GAAP accounting standard are old economy companies

Stock Code	Name	Sector	Accounting Standard
CXDC US	China XD Plastics	Consumer Discretionary	CN GAAP
CHL US	China Mobile	Telecommunication Services	IAS/IFRS
PTR US	PetroChina	Energy	IAS/IFRS
LFC US	China Life Insurance	Financials	IAS/IFRS
SNP US	China Petroleum & Chemical	Energy	IAS/IFRS
CEO US	CNOOC	Energy	IAS/IFRS
CHA US	China Telecom	Telecommunication Services	IAS/IFRS
CHU US	China Unicom Hong Kong	Telecommunication Services	IAS/IFRS
CEA US	China Eastern Airlines	Industrials	IAS/IFRS
HNP US	Huaneng Power International	Utilities	IAS/IFRS
ZNH US	China Southern Airlines	Industrials	IAS/IFRS
ACH US	Aluminum Corp of China	Materials	IAS/IFRS
SHI US	Sinopec Shanghai Petrochemical	Energy	IAS/IFRS
DAO US	Youdao	Consumer Discretionary	IAS/IFRS
GSH US	Guangshen Railway	Industrials	IAS/IFRS
HKIB US	AMTD International	Financials	IAS/IFRS
HLG US	Hailiang Education Group	Consumer Discretionary	IAS/IFRS
SVM US	Silvercorp Metals	Materials	IAS/IFRS
QK US	Q&K International Group	Real Estate	IAS/IFRS
CYD US	China Yuchai International	Industrials	IAS/IFRS
ATIF US	ATIF Holdings	Industrials	IAS/IFRS
SOL US	ReneSola	Information Technology	IAS/IFRS
CHNR US	China Natural Resources	Materials	IAS/IFRS
DXF US	Dunxin Financial Holdings	Financials	IAS/IFRS
CCCL US	China Ceramics	Industrials	IAS/IFRS
KBSF US	KBS Fashion Group	Consumer Discretionary	IAS/IFRS
WSG US	Wanda Sports Group	Consumer Discretionary	IAS/IFRS

Source: Bloomberg, SEC, CRSHK

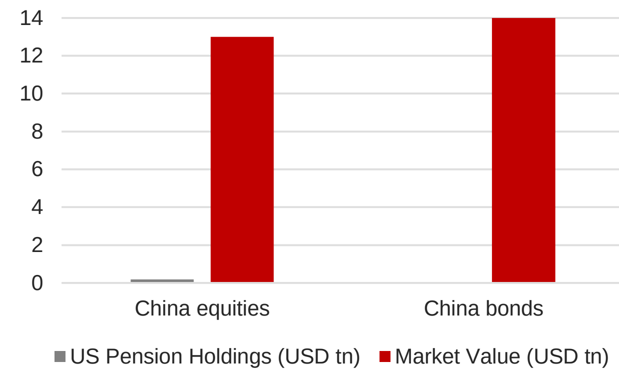
- On May 12, 2020, US President Trump confirmed that his administration has asked for the withdrawal of "billions of dollars" in American pension fund investments in China, and that other similar actions were under consideration (New York Times, "*Trump pressures federal pension to halt planned Chinese stock purchases*", May 12, 2020).

Exhibit 2: Chinese equities and bonds accounted for only 0.6% of total US Retirement Assets AUM in 2019



Source: Bloomberg, CRSHK

Exhibit 3: Total holdings of US pension funds in Chinese equities and bonds were relatively small in 2019



Source: Bloomberg, CRSHK

- On May 19, 2020, Nasdaq announced new rules that would make initial public offerings (IPOs) more difficult for some Chinese companies. The proposed regulations include requiring companies from certain countries to raise at least USD25m in their IPO, or alternatively, an amount equal to at least a quarter of their post-listing market capitalization, according to Nasdaq filings with the SEC. Of the 29 Chinese companies that went public on Nasdaq last year, 10 raised less than USD25m, according to data compiled by Bloomberg (Bloomberg, "*Nasdaq set to tighten listing rules, impacting Chinese IPOs*", May 19, 2020).

Q4: How can Chinese authorities exert influence over offshore-listed companies?

According to Article 2 of China's 2020 revised Securities Law, any security offering or trading activity outside the territory of the People's Republic of China that disturbs the domestic market order of the PRC, damages the legitimate rights and interests of domestic investors, and shall be dealt with and subject to legal liabilities in accordance with the applicable provisions of the law. According to Article 177 of the 2020 revised Securities Law:

- The CSRC can cooperate with overseas regulators to establish cross-border enforcement.
- Without the approval of its securities regulator and various components of the Chinese government, no entity or individual in China may provide documents and information relating to securities business activities to overseas regulators.

Details on how to implement these articles is not yet clear, given that the revised Securities Law just came into effective on March 1, 2020.

However, the CSRC "strongly condemned" the recent allegations of accounting fraud by a Chinese ADR company in a statement on April 3, saying that "regardless of where a company is listed, the company should strictly abide by market laws and rules and perform its duty to disclose real financial reports", and "the CSRC will investigate the situation with a resolution to crack down on securities fraud to protect investors' rights and interests." The CSRC also lead a multi-agency investigation when Chinese investigators raided the offices of the company (Bloomberg, "*Luckin Offices Raided by Chinese Regulators as Scandal Widens*", April 27, 2020).

In practice, we note that other Chinese authorities also have power in regulating and penalizing offshore-listed Chinese companies; these include the MOF, the State Taxation Administration (STA), the State Administration for Market Regulation (SAMR), the Ministry of Public Security (MPS), the National Development and Reform Committee (NDRC) and the Ministry of Commerce (MOC).

We think the above articles of the Securities Law do not mean that the Chinese authorities will start to proactively initiate investigations or directly impose sanctions against fraudulent conduct relating to the issuance or listing of China-based stocks in overseas markets, considering:

- There are two preconditions regarding the CSRC's application of the Long-arm Jurisdiction clause: "disturbing the domestic market order" and "damaging the rights and interests of domestic investors." Neither the PRC legislature nor the CSRC has clarified whether these conditions have to be met simultaneously or only alternatively in order to trigger the application of the Long-arm Jurisdiction Clause. As for conduct "disturbing the market order", based on previous administrative sanction decisions made by the CSRC, for the most part it refers to conduct relating to the fabrication of rumors by the concerned parties, which, objectively speaking, disrupts the securities market.

- If the Chinese authorities investigate offshore-listed Chinese companies with discretion and flexibility, in our view this could help prevent potential issues regarding overseas regulators exercising Long-arm Jurisdiction on onshore-listed Chinese companies as well.

Q5: How has the Chinese government prepared for a worst-case scenario?

In the past two years, the Chinese government has launched a series of capital markets reforms, leading to several changes in market structure that have helped to reshape the investment landscape for stocks listed both on the A-share market and on offshore markets:

- China has launched a home-grown ADR equivalent, the Chinese Depository Receipt (CDR). On June 17, 2019, the CSRC and the Financial Conduct Authority of the United Kingdom (FCA) released a joint announcement of their approval in principle of the establishment of the Shanghai-London Stock Connect. On the same day, the London Stock Exchange (LSE) held the launch ceremony for the westbound business of Shanghai-London Stock Connect and the listing of global depositary receipts (GDRs) issued by Huatai Securities Co., Ltd., a company listed on both the Shanghai Stock Exchange (SSE) and the Hong Kong Stock Exchange (SEHK). Huatai is the first A- + H-share company to issue GDRs on the LSE.

- China's NASDAQ-style tech board, the Sci-Tech Innovation Board (the STAR Market) of the Shanghai Stock Exchange (SSE) was launched in July 2019. The STAR Market offers a new funding platform for Chinese start-ups, helping China sustain economic growth by funding more technological innovation, together with infrastructure spending. Eligible equities on the STAR Market could be included in the MSCI Global Investable Market Indexes (GIMI), as well as other China-related indexes in the MSCI index family, if certain requirements are met, in our opinion.

- The Shanghai Stock Exchange, Shenzhen Stock Exchange and Stock Exchange of Hong Kong have agreed on criteria for Hong Kong-listed companies with weighted voting rights (WVR) to be included for the first time in southbound trading of the Stock Connect Scheme, starting October 28, 2019. Most companies adopting WVR are new economy firms.

- The revised Securities Law has been approved by the Standing Committee of the National People's Congress (NPC), China's top legislature, and took effect from March 1, 2020. The revisions provide legal grounds for a registration-based IPO approval system across the entire A-share market, remove all arrangements for the approval-based system currently in use, and enhance enforcement against market violations, including compulsory de-listing procedures (see *2020 China Macro and Equity Outlook*, Jan 6, 2020).

- In late-April 2020, China announced a plan to launch a US-style registration-based IPO system on its Nasdaq-like start-up board ChiNext in Shenzhen, about one year after introducing the system on the STAR market, which also focuses on high-tech industries. Companies seeking listings need approval from the CSRC, greatly shortening the waiting period.

- On May 14, 2020, the People's Bank of China, the central bank, and regulators of the banking, insurance, securities and FX sectors jointly issued 26 new measures, policies and pilot programs to promote the financial opening-up and integration in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), as part of the efforts to help the area play a lead role in the nation's economic development and financial reform. The regulators vowed to maintain and further enhance Hong Kong's position as an international financial center. We think the GBA could form a first-class innovative capital funding center with each city bringing its advantages into play, such as Hong Kong's IPO market, Shenzhen's high-tech industries, and the Guangdong Pilot Free Trade Zone.

- On May 18, 2020, Hong Kong's stock index compiler announced that weighted voting rights (WVR) companies and secondary listed companies from the Greater China region will be added into the Hang Seng Index and the Hang Seng China Enterprises Index (HSCEI), subject to a 5% weighting cap. With HKEx's new listing regime effective from 2018, more and more China tech giants are considering a secondary listing or even a primary listing in Hong Kong. The Hang Seng Indexes revamp also reflects changes in the Hong Kong market's investment landscape. We estimate that HKEx may lift the percentage share of new economy stocks (based on market cap) to 30-35% in the next five years, up from 26% now (see *Hang Seng Indexes revamp: Seize China's new economy dynamism*, May 18, 2020).

Q6: Among Chinese ADRs, which would qualify for a secondary listing in Hong Kong?

We screened for stocks meeting all of the following criteria:

- Listed on the NYSE, Nasdaq or Main Market of the London Stock Exchange.
- Established for more than two years with good record of regulatory compliance in their listed market.
- Operating in new economy sectors: Sectors of IT, Communication Services, Healthcare, Consumer Discretionary, as well as the sub-sector of Commercial & professional services in the industrial sector.
- Market capitalization ⩾HK$40bn; or market capitalization ⩾HK$10bn and FY2019 revenue ⩾HK$1bn.

Our screen results are presented in the two tables below.

In our view, these stocks may have a greater probability of seeking a secondary listing in Hong Kong, given they would qualify based on HKEx's current listing rules. We think those listed before December 15, 2017 may find it more convenient to file secondary listing applications, according to HKEx's requirement, given they are not obligated to amend constitutional documents to meet extra criteria, such as the key shareholder protection standards (KSPS) (see *Hang Seng Indexes revamp: Seize China's new economy dynamism*, May 18, 2020).

However, we think only Chinese ADR companies with large market caps would consider a secondary listing in Hong Kong, given the cost and relative advantage of such a move. For Chinese ADR companies with comparatively smaller market caps that are considering listing in Hong Kong or mainland China, we believe the best option for them may be a voluntary delisting from the US before a primary listing in Hong Kong, or on the A-share market.

Exhibit 4: Chinese ADRs that would qualify for a secondary listing in Hong Kong under the revised rules (listed before December 15, 2017)

Ticker	Name (EN)	Name (CH)	Listing date before Dec 15, 2017	GICS Level III Sector	Price	Mkt cap (HKD bn)	2019A Revenue (HKD bn)	2021E PE
JD US	JD.com	京东	Y	Internet & Direct Marketing	54.3	618.2	654.5	28.4
NTES US	NetEase	网易	Y	Entertainment	390.3	390.7	67.2	20.2
BIDU US	Baidu	百度	Y	Interactive Media & Services	108.5	289.9	121.9	13.1
TAL US	TAL Education	好未来	Y	Diversified Consumer Services	54.6	250.4	25.6	62.1
ZTO US	ZTO Express	中通快递	Y	Air Freight & Logistics	34.3	208.3	25.1	26.8
EDU US	New Oriental Education	新东方	Y	Diversified Consumer Services	120.6	147.5	24.3	27.5
YUMC US	Yum China	百胜中国	Y	Hotels, Restaurants & Leisure	49.5	144.4	68.8	24.3
TCOM US	Trip.com	携程网	Y	Internet & Direct Marketing	25.7	118.2	40.5	20.3
VIPS US	Vipshop	唯品会	Y	Internet & Direct Marketing	15.2	79.2	105.5	10.3
HTHT US	Huazhu	华住酒店集团	Y	Hotels, Restaurants & Leisure	34.3	78.9	12.7	32.5
ATHM US	Autohome	汽车之家	Y	Interactive Media & Services	82.6	76.2	9.6	17.9
GDS US	GDS	万国数据	Y	IT Services	63.0	74.2	4.7	N/A
WB US	Weibo	微博	Y	Interactive Media & Services	34.3	60.2	13.8	13.0
YY US	JOYY	欢聚	Y	Interactive Media & Services	65.8	40.1	29.0	12.4
MOMO US	Momo	陌陌	Y	Interactive Media & Services	21.7	35.1	19.3	7.9
JOBS US	51job	前程无忧	Y	Professional Services	65.2	33.8	4.5	22.4
CBPO US	China Biologic Products	泰邦生物	Y	Biotechnology	109.0	32.5	3.9	21.0
HCM US	Hutchison China MediTech	和黄医药	Y	Pharmaceuticals	22.2	23.7	1.6	N/A
BEST US	BEST	百世集团	Y	Air Freight & Logistics	5.2	15.7	39.9	23.7
SINA US	Sina	新浪	Y	Interactive Media & Services	33.6	15.0	16.9	11.6
BZUN US	Baozun	宝尊电商	Y	Internet & Direct Marketing	29.2	14.3	8.3	16.9
VNET US	21Vianet	世纪互联	Y	IT Services	15.5	13.6	4.3	125.2

Note: Price as of the market close on May 20, 2020. 2021E P/E based on Bloomberg consensus estimates. Companies selected based on CRSHK assessment of HKEX's current listing rules. Source: Bloomberg, CRSHK analysis

Exhibit 5: Chinese ADRs that would qualify for a secondary listing in Hong Kong under the revised rules (listed after December 15, 2017)

Ticker	Name (EN)	Name (CH)	Listing date before Dec 15, 2017	GICS Level III Sector	Price	Mkt cap (HKD bn)	2019A Revenue (HKD bn)	2021E PE
PDD US	Pinduoduo	拼多多	N	Internet & Direct Marketing	60.9	565.3	34.2	90.1
TME US	Tencent Music	腾讯音乐	N	Entertainment	12.2	158.6	28.9	24.1
IQ US	iQIYI	爱奇艺	N	Entertainment	16.8	95.3	32.9	N/A
BILI US	Bilibili	哔哩哔哩	N	Entertainment	32.7	83.2	7.7	N/A
GSX US	GSX Techedu	跟谁学	N	Diversified Consumer Services	30.6	56.6	2.4	37.6
OCFT US	OneConnect Financial	金融壹账通	N	Software	15.5	44.4	2.6	N/A
HUYA US	HUYA	虎牙直播	N	Entertainment	19.2	32.6	9.5	19.1
KC US	Kingsoft Cloud	金山云	N	Software	20.3	32.2	4.4	N/A
NIO US	NIO	蔚来	N	Automobiles	3.5	28.7	8.9	N/A
DOYU US	Douyu	斗鱼	N	Entertainment	8.1	20.0	8.3	14.4
FUTU US	Futu Securities	富途证券	N	Capital markets	15.2	14.7	1.1	28.4
DNK US	Phoenix Tree	蛋壳公寓	N	Hotels, Restaurants & Leisure	9.4	13.3	8.0	N/A
LX US	LexinFintech	乐信	N	Consumer Finance	9.2	12.8	12.0	4.1
QFIN US	360 Finance	360 金融	N	Consumer Finance	9.0	10.3	10.5	2.9

Note: Price as of the market close on May 20, 2020. 2021E P/E based on Bloomberg consensus estimates. Companies selected based on CRSHK assessment of HKEX's current listing rules. Source: Bloomberg, CRSHK analysis

Appendix A

Analyst Certification

We, Bruce Pang, PhD, Melody Lai and Blanco Zhou, certify that the views expressed in this research report accurately reflect our personal views about any and all of the subject securities or issuers featured in this report. Furthermore, no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report.

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