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China Brokers | Asia Pacific

STAR Board IPO Scan 2026: What's Different?

Hard core in innovation, higher strategic value, stronger capital backing, rising R&D and capex intensity – that's what sets current IPOs apart from those just four years ago. On the flip side, current firms are less commercially proven. Capital markets are therefore critical to help them scale up.

Our deep dive into 229 IPO prospectuses across 2022 and 2026 shows rising innovation leadership, with more companies tackling China's chokepoints or contributing to supply chain self-sufficiency. Notably, 20% of the 2026 firms, up from 8% in 2022 (STAR Board's IPO volume peak), are addressing technology bottlenecks centered around the semiconductor tool chain, which is broadening beyond chip development into upstream equipment, materials, subsystems and critical components, with China facing increasing foreign export controls. As a comparison, 16% more firms in 2022 were making incremental improvements to a matured technology and process. The strategic importance and innovation leadership is backed by a bigger share of national strategic funds, prominent private equity/venture capital (PE/VC) funds and industry capital in the companies' major shareholder base.

Capital demand is driven by a genuine need to invest in R&D and capex, which will help innovation to scale and reach better profitability. On average, 2026 IPO firms spent double in both total R&D and on a per employee basis, than 2022 firms, generating twice as many patents. Capex intensity also rose notably from 2022 to 2026. In particular, IPO firms in semi value chains have now shifted towards the manufacturing-end, and are more exposed to semi production and AI infrastructure. Annual capex pre-IPO for 2026 firms stood at Rmb716mn, four times the 2022 firms' average of Rmb174mn. However, 2026 IPO companies have less dominant market positions, with more uneven profitability, and their median ROE is 10ppts lower than 2022 firms. We think this is likely due to pre-scale nature of the 2026 firms, rather than weaker pricing power.

Quality flagship IPOs are evidence of the continued upgrading of China's capital market ecosystem, despite potential short-term liquidity overhangs, according to our China strategist, who sees the new listings creating a redistribution of liquidity as portfolios rotate away from adjacent high beta names temporarily. Over the longer term, a high quality IPO upcycle could progressively re-engineer the composition of the A-share market, bringing a deeper set of globally competitive technology companies, and enhancing the attractiveness of the A-share market to both domestic and international long-term investors. As such, we expect a positive feedback loop between fundraising and investor returns to translate into sustainable financing activity. This could benefit leading Chinese brokers that consolidate underwriting shares by bridging true innovators with capital markets.

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Industry View **Attractive**

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Executive Summary

As of mid-2026, the capital intensity of the current innovation cycle – spanning LLMs, semiconductors, robotics, renewable energy, and commercial aerospace – looks set to rise further. These sectors require significant investment in both capital and talent, making capital markets a critical channel for directing resources toward areas with the potential to generate meaningful productivity gains. We think we are still at a very early stage of a multi-year IPO upcycle. However, the market is also concerned about rising fund raising activity, in particular fearing a drain on liquidity that could lead to weaker stock market performance later on.

This leads to our bottom-up analysis of 229 IPO deals on the STAR Board in 2022 and 2026, including those already listed and those currently in the pipeline (cutoff at mid-July 2026). We choose 2022 because that year is the peak of STAR Board's IPO volume, at around Rmb252bn, since its launch in 2019. We analysed each of the prospectuses, drew comparisons, and reviewed each firm on its strategic importance, level of innovation, market position, shareholder structure, capex and R&D spending, as well as a range of financial metrics. It revealed a clear distinction in structure and quality of IPO firms between those in 2022 and those in 2026, which makes us confident that the current pipeline looks healthy and sustainable.

At a high level, while both years' IPO firms are heavily concentrated in the semi sector, the focus has shifted from the design-end and direct consumer exposure towards the manufacturing-end of value chain (65% in 2026, vs. 40% in 2022), with more exposure to semi production and AI infrastructure.

Strategic value has risen: 20% of 2026 firms are tackling technology chokepoints faced by China, up from 8% in 2022. From 2022 to 2026, the chokepoints changed from diversified strategic goods to the semiconductor tool chain, which is also broadening beyond chip development toward the upstream equipment, materials, subsystems, and critical components required to manufacture chips, as China faces increasing foreign export controls. In addition, 60% of firms in 2026 contributed to China's self-sufficiency in supply chains, compared to 41% in 2022.

As such, the current IPO firms are likely to receive more government resource allocation and financing support, which could pave the way for a fast-track listing process. This is evidenced by the fact that **2026 IPO firms show notably stronger capital backing:** The presence of national strategic funds, prominent PE/VC funds and industry capital in the top 10 shareholders rose by 5%, 14%, 11% respectively in 2026 over 2022.

On technology innovation, the current IPO companies in general are more hard core, as well as operating in more frontier areas. This fits better into the framework of the STAR Board, compared to a bigger portion of the 2022 firms that were making incremental improvements to a matured technology and process. **Backed by real dollars spent in R&D:** Our comparison shows that both average and median R&D budget per R&D personnel in 2026 firms are more than double those of 2022 firms, which also generated twice as many patents per R&D employee than 2022 firms.

As a result, we believe current fund raising demand is driven by a genuine need to invest in R&D and capex, because the current IPO candidates are notably more capex-

heavy due to their positioning on supply chains, as well as the stage of their innovation now generally demands a meaningful scale-up into production, sales, profit and shareholder returns. Leveraging capital markets provides an ideal way for these companies to scale up, which will feed positively into trading activity and more interest in future listings. The flagship IPO of CXMT (covered by our Asia Technology analyst Charlie Chan, see his recent initiation on CXMT) shows the capital market not only helps to finance CXMT's own capacity expansion, as our Tech analyst expect its DRAM capacity to increase from 180kwpm at end 2025 to 500kwpm by 2028, but also accelerates upstream localization where domestic Chinese equipment vendors continue improving and replacing US suppliers across several process steps, with the exception of DUV lithography tools.

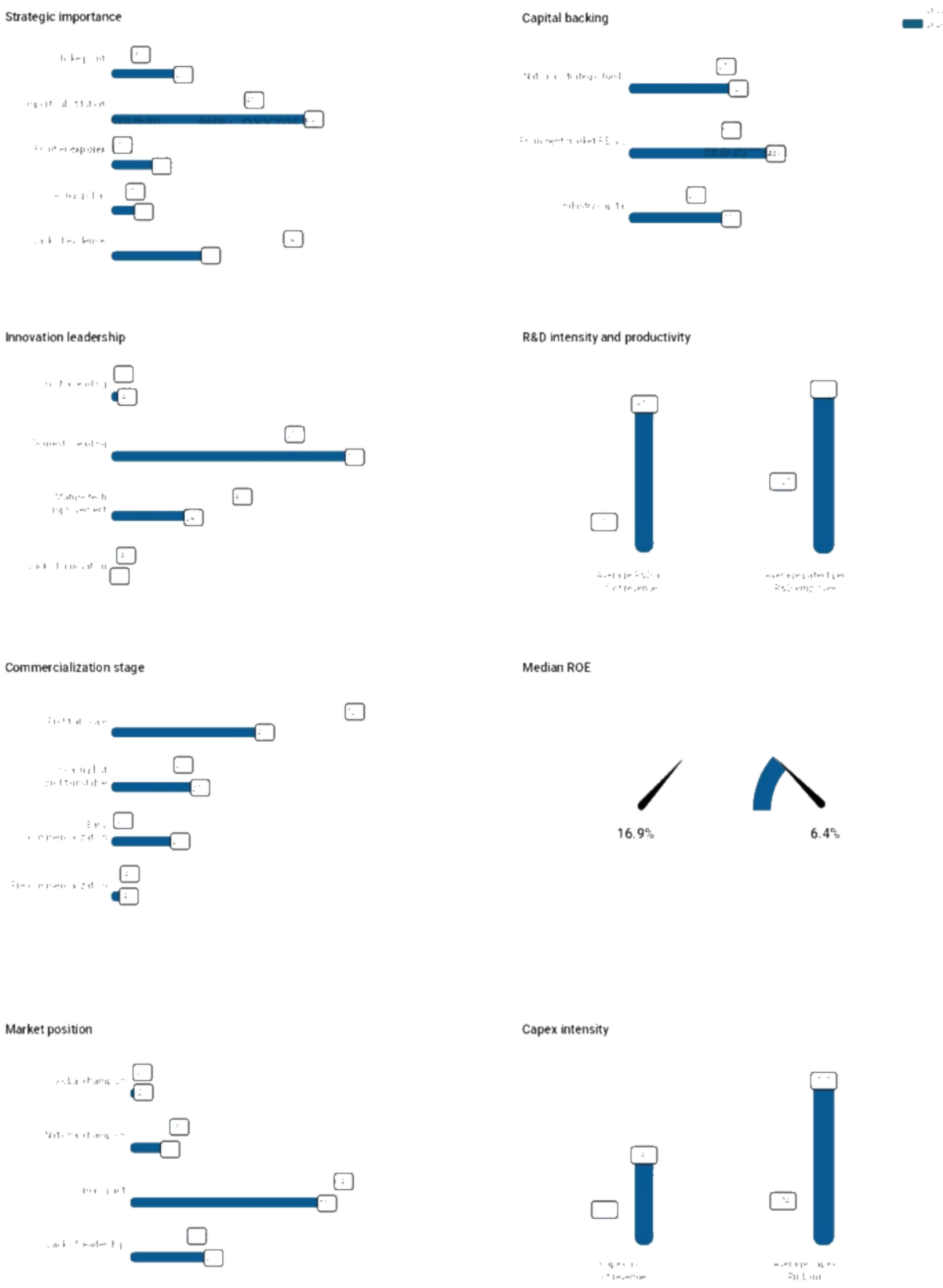
We believe regulators have been preparing guardrails to ensure fund raising needs can be met in a sustainable way. Since 2023, the CSRC has devoted significant efforts to refining existing regulations and introducing new rules covering listings, trading, investor protection, shareholder returns, and fraud prevention. These initiatives have resulted in meaningful progress in building a stronger long-term regulatory framework (please see: China – Brokers: Rebalancing fundraising with shareholder return: the effects (21 Aug 2024)). We believe appropriate long-term rules are critical to sustaining a slow-bull A-share market and lasting fund raising flows, as they help strike a better balance between fund raising and investor returns.

There are also risks. Despite leading in innovation, the 2026 companies appear less dominant in market positions with more uneven profitability, suggesting they are less proven commercially. Only 46% of the 2026 firms are making a profit at scale, down from 72% in 2022, and the median ROE is 10% lower, while average ROE is >17% lower compared to the 2022 batch of firms. We think eventually it is commercial validation that will drive post-IPO performance and investor interest in new IPOs. Positively, the early stage of profitability is more likely due to pre-scale nature of 2026 firms, rather than weaker pricing power, as we've observed stable gross margin for key sectors across the years. This highlights the importance of leveraging capital markets to help innovating firms scale up.

Bridging the true innovators to capital markets will be a key role and opportunity for leading Chinese brokers. The underwriting market landscape has already consolidated notably from 2022 to 2026. Top 5 sponsors' share by fund raising volume has risen to 85% in 2026, from 69% in 2022. The trend will continue. In fact, as policy makers have repeatedly advocated the goal of building leading investment banks on a global scale, we think serving and growing along with an innovative Corporate China, is a key part in achieving that goal.

Key Comparison – Dashboard

Exhibit 1: How the STAR Board IPOs in 2026 stack against their 2022 counterparts



Same Semi-Value Chain Focus, but More Manufacturing Footprint and AI Exposure

Overall, we think the electronics industry's rising profits in 2026 bodes well for a rise in STAR Board IPOs. Semi company IPOs in 2026 are increasingly concentrated in the capex-heavy part of the value chain.

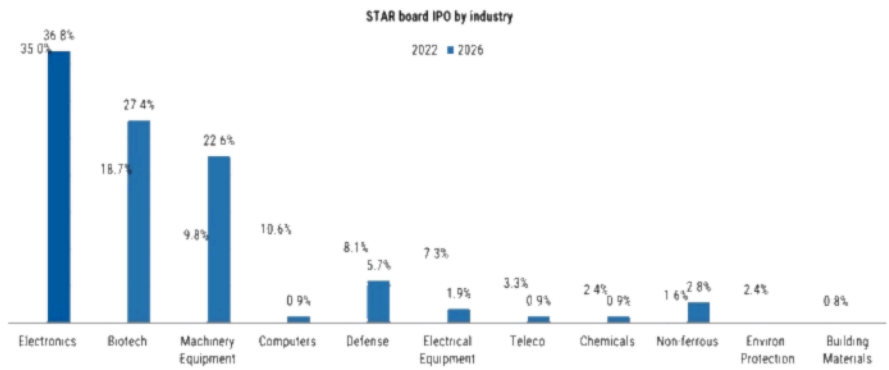
Our comparative analysis, covering a total of 229 IPO companies, focuses on STAR Board IPOs listed in 2022 and the current pipeline of IPOs as of July 15th 2026 (including those already listed after June 2025). We choose 2022 because that year is the peak of STAR Board's IPO volume, at around Rmb252bn, since its launch in 2019.

Exhibit 2: Framework of analyzing IPO prospectuses



In general, China's STAR Board – the equivalent of the NASDAQ in the US – has a strong preference for hard tech, semiconductors, biotech, new energy, new materials, and high-end equipment manufacturing companies. This hasn't changed from 2022 to 2026: at a high level, industry mix for 2022 listed firms and 2026 pipelines doesn't look too different. The most dominant industry remains electronics, making up 35-36% of the total. This is followed by biotech which was 18.7% in 2022 and 27.4% in 2026. The machinery industry's mix more than doubled to 22.6% in 2026, while the 2022 batch was more dispersed in another nine industries.

Exhibit 3: STAR Board IPO industries are now concentrated in electronics, biotech and machinery



Profitability landscape more supportive in 2026 for the biggest industry, electronics (>90% are semi companies). The industry profit almost doubled YoY in 1H26 after a 19.5% increase in 2025, whereas in 2022 the sector profit dipped 13.1% following a 38.9% climb in 2021. The electronics industry has also been experiencing better pricing trends, evidenced by a rebounding PPI since end-2025, helped by rising global AI related capex, as well as China's domestic anti-involution efforts. In 2022 the industry was seeing moderating PPI from January to December.

Exhibit 4: The electronics industry profit almost doubled YoY in 1H26 after a 19.5% increase in 2025

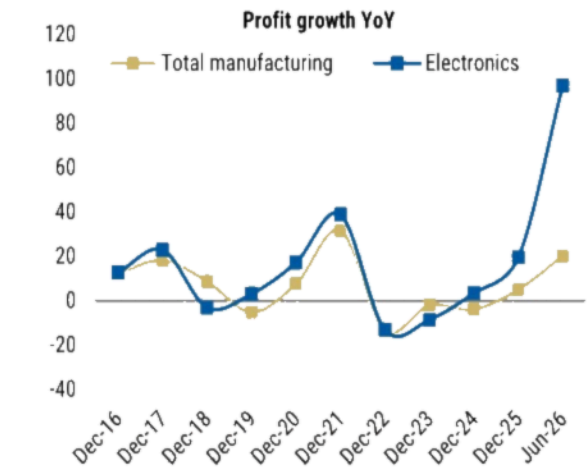
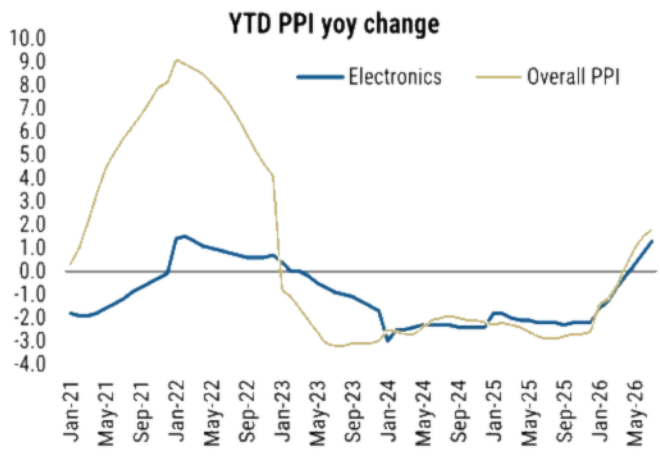


Exhibit 5: PPI of the electronics industry is also improving in 2026



Semi company IPOs showed a notable shift towards the manufacturing end of the value chain

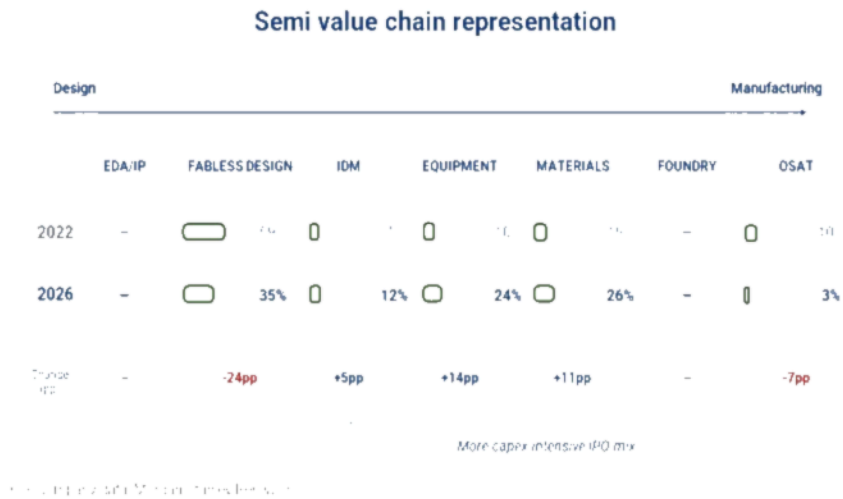
Fabless chip design accounted for 59% of the 41 semi companies IPO'd in 2022 on the STAR Board, while the proportion declined to 35% in 2026. This is replaced by rising representation of the more capex-heavy part of value chain, evidenced by:

- Semi equipment company IPOs rose to 24% in 2026 from 10% in 2022;
- Semi material company IPOs rose to 26% in 2026 from 15% in 2022;

- IDM IPOs increased to 12% in 2026 from 7% in 2022.

The 2026 batch of semi IPO companies are thus more weighted toward the physical semiconductor production process, with more producers of wafers, substrates, process materials, equipment, test hardware, advanced packaging and more IDM / manufacturing-heavy models where the company owns fab or production capacity.

Exhibit 6: Semi company IPOs showed a notable shift towards the manufacturing end of the value chain



Product exposure in IPO companies moving from consumer electronics-oriented to more production and AI infrastructure-oriented

Semi companies' product composition has shown a diversification away from analog, power and mixed signal products. Over one-third of the IPO companies' products were analog, power and mixed-signal integrated circuits in 2022, while this group is absent in 2026. Instead, semi materials, equipment, test and packaging firms together rose to 53% of total in 2026, up from 31% in 2022. Additionally, while fabless design companies are mostly concentrated in analog in 2022, the percentage of firms designing compute and AI chips doubled from 7.3% in 2022 to 14.7% in 2026.

The changing product mix also reveals a decreasing direct exposure to consumer electronics. Based on disclosed end-market applications, approximately half of the 2022 IPO companies had meaningful direct exposure to consumer electronics. We estimate the equivalent proportion for the 2026 cohort has dropped to around 20%. Notably, over 70% of the companies producing analog, power and mixed signal ICs in 2022 are selling directly to consumer electronic customers, who are making smartphones, charging, batteries, displays, appliances, wearable devices, etc.

This was replaced by more direct exposure to semiconductor fabrication and packaging, AI and computing capabilities, etc in 2026 IPOs, which has seen accelerated demand growth in the last two years.

Exhibit 7: Product structure of IPO semi firms changed from 2022 to 2026



Source: Company data, Morgan Stanley Research

The mix of machinery company IPOs more than doubled in 2026, concentrated in the core components to the semi and robotics production

In 2026, 24 IPO firms are machinery companies, a notable increase from 12 in the 2022 listed cohort. The sub-industries cluster shows more distinction:

The 2026 machinery makers are notably more concentrated in semiconductor equipment (33% of total) and robotics (25%). This includes a variety of manufacturers of critical components and key subsystems to semi and robotics production, such as:

- Precision motion platforms – a critical component in lithography and inspection, and thus in the chip production process.
- RV (Rotary Vector) reducers – high-precision reduction gearboxes commonly used in robot joints to reduce motor speed, increase torque, and enable precise motion control.

As a comparison, the 2022 IPO firms spanned a wider range of sub-industries, including general factory automation, testing equipment, consumer electronics manufacturing, cars, mining, and railways. Similar to the semi firms, 2022's machinery firms are also more exposed to consumer electronics and 3C products, including some Apple-supply chain firms.

Exhibit 8: The 2026 IPO machinery makers are notably more concentrated in semiconductor equipment (33% of total) and robotics (25%)



Fewer software company IPOs in 2026 suggest STAR Board's preference for hard tech companies

In 2022, 13 IPO firms (10.6%) were in the computer software sub-industry, including enterprise solutions/integration providers, etc. These companies are generally less capex-heavy. In 2026, there is only one software company. This could also be an indicator that the current phase of tech innovation is predominately focused in hard tech areas, which has also been encouraged by policy makers in the past three years. However, we've seen an increasing number of breakthrough LLM companies in China in 2026, and capital market regulators in 2026 have introduced more reforms in the STAR Board to accommodate LLM company IPOs. Therefore we think the soft part of innovation could also translate into more in the IPO pipeline in the near future.

Our methodology

We studied 229 STAR Board IPO prospectuses, comprising 123 companies listed in 2022 + 106 currently in the pipeline and listed since June-2025. We primarily focused on the below sections in a prospectus: Overview, Business and Technology, Financials and Management Discussions.

Industry categorization for each company is sourced from WIND, based on Shenwan industry level 1 and level 2. For some pipeline companies without an existing industry category, we categorized them based on information from the prospectus on their main business and products.

Drilling down into the standard industry category, we group electronics and manufacturing companies by 5-8 clusters based on each company's main products and their position on the supply chain, which provides more granular comparison beyond a standard industry category.

IPO Companies Are Rising in Strategic Value and More Leading in Innovation

Notably more IPO companies in 2026 are helping domestic supply chains to reduce import reliance, or tackling chokepoint issues. A bigger portion of the firms are leading innovation domestically, rather than merely improving a matured technology. Stronger external capital support is evidence of such leadership.

Exhibit 9: Framework we use to assess the quality and differentiation of STAR Board IPOs



Strategic importance of IPO firms is increasing, as China faces more external export controls along the semi value chain

Strategic importance is typically revealed by the IPO company's industry and its role within the value chain. We think a company bears strategic value if:

- It is meaningfully helping the domestic market to reduce import reliance, in

particular it addresses a chokepoint technology in a supply chain critical to the country (such as high-end computing chips); or
- it is exploring a frontier area where the global market landscape is not yet settled, and the company competes to set standards (such as humanoids); or
- it is taking meaningful global shares backed by technology or cost efficiency (such as renewable energy);

Higher strategic importance is typically associated with a more concentrated resources allocation from the government and stronger external financing support, which could potentially put the company in a more advantageous competitive position.

Based on our assessment, the 2026 IPO companies bear notably higher strategic importance. Roughly 70% of the IPO firms in 2026 have at least one strategic value, vs. around half in 2022. In particular:

21 firms, or 20% of the total, from the 2026 IPO batch operate in some kind of chokepoint areas. This number rises from 10 firms, or 8.1% of total for 2022 IPOs. Examples:

- A domestic GPU company that develops domestic AI chips and computing clusters, with the US export controls limiting Chinese companies' access to advanced AI GPUs. It also develops its own software to be an alternative to NVIDIA's CUDA ecosystem which dominates the market.
- A company from the 2022 IPO batch produces semi-insulating silicon-carbide substrates which are subject to embargo from the Wassenaar Arrangement and US export bans. The company has achieved mass supply of this material in recent years.

Of the 2026 IPO firms, 60.4% have an import substitution role, 18.9 percentage points higher than the 2022 batch. Examples:

- A company developing automotive manufacturing machine vision, which used to be dominated by foreign suppliers. It has #1 market share (22.5%) domestically in 2024 in auto OEM manufacturing machine vision.
- A company is the #1 domestic supplier of the optical-communication and semiconductor test equipment segment with ~10% market share in 2024, replacing high-end US and Japanese instrument makers which still occupy >80% market share in China.

Of the 2026 IPO firms, 14 or 13.2% compete in the most frontier areas to be future standard setters, rising from 4 (3.3%) in 2022. Examples:

- A company developing patents, standards proposals, and national projects of 6G communication infrastructure.
- A commercial aerospace company testing new technology in reusable methane rockets, which remains an unproven area, as safe recovery and low-cost repeat launches are difficult.

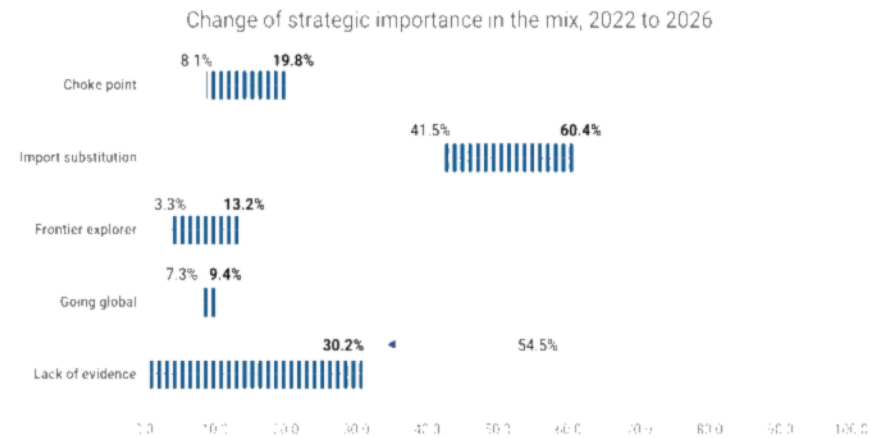
The percentage of firms actively competing for global share rose slightly by 2.1% in 2026. Examples:

- A solar modules company selling into more than 160 countries and operating

overseas factories, with the majority of revenue contributed by global sales.

- A semi equipment maker that ranked number two globally in both dry-strip and rapid-thermal-processing equipment in 2023. Its tools had entered the supply systems of the world's top-ten chip manufacturers, with more than 4,600 installed units.

Exhibit 10: 24% more IPO firms in 2026 bear some kind of strategic value



A larger share of 2026 IPO firms are addressing chokepoint technologies across the semi supply chains

By sector, electronics are the most concentrated area for chokepoint technology: Seven out of the 10 chokepoint companies in 2022 are from the electronics industry. In 2026, a similar 71% (15) of the chokepoint firms come from the electronics industry. On the other hand, 19% (4 firms) from 2026 chokepoint firms come from the machinery industry, compared to none in 2022.

Exhibit 11: 70% of chokepoint addressing firms in 2022 came from the electronics incustry .

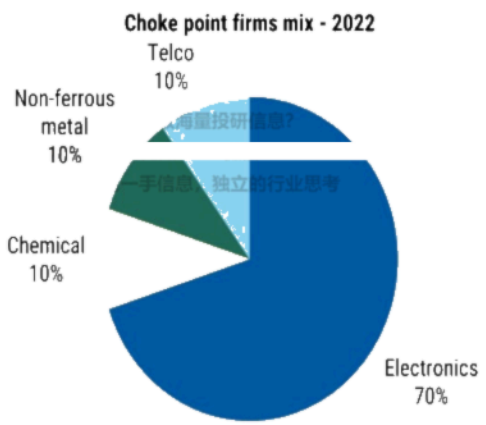
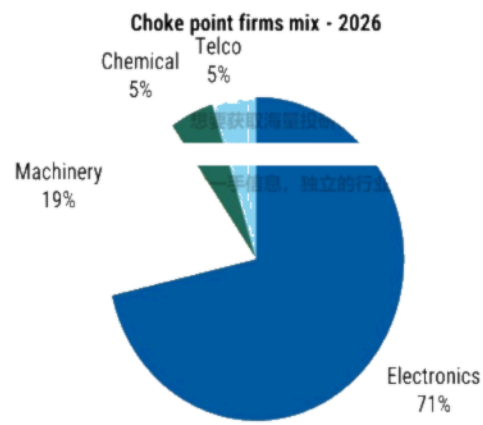


Exhibit 12: . which is similar in 2026, while 19% now comes from the machinery industry



The chokepoint firms also shift from diversified strategic goods to highly

concentrated on semiconductor tool chain. For the 2022 IPO batch, the chokepoints are wider in product sectors, including aerospace/defense advanced materials, finished CPUs, semi tools and materials. For the 2026 batch, 19 of 21 firms sit inside the semiconductor supply chain, including the 4 manufacturing firms.

Within the semiconductor value chain, the 2026 IPO chokepoint firms are also extending deeper into the subsystems and core-components, covering plasma power, excitation systems, precision motion and positioning platforms, wafer-handling and bonding modules, electrostatic chucks, and semiconductor test-interface hardware. As a comparison, the 2022 IPO chokepoint electronics companies are more focused on complete tools and chips.

This suggests **while the chokepoints are increasingly focusing on the semi industry, within the semi supply chain it is actually broadening beyond chip development toward the upstream equipment, materials, subsystems, and critical components required to manufacture chips.**

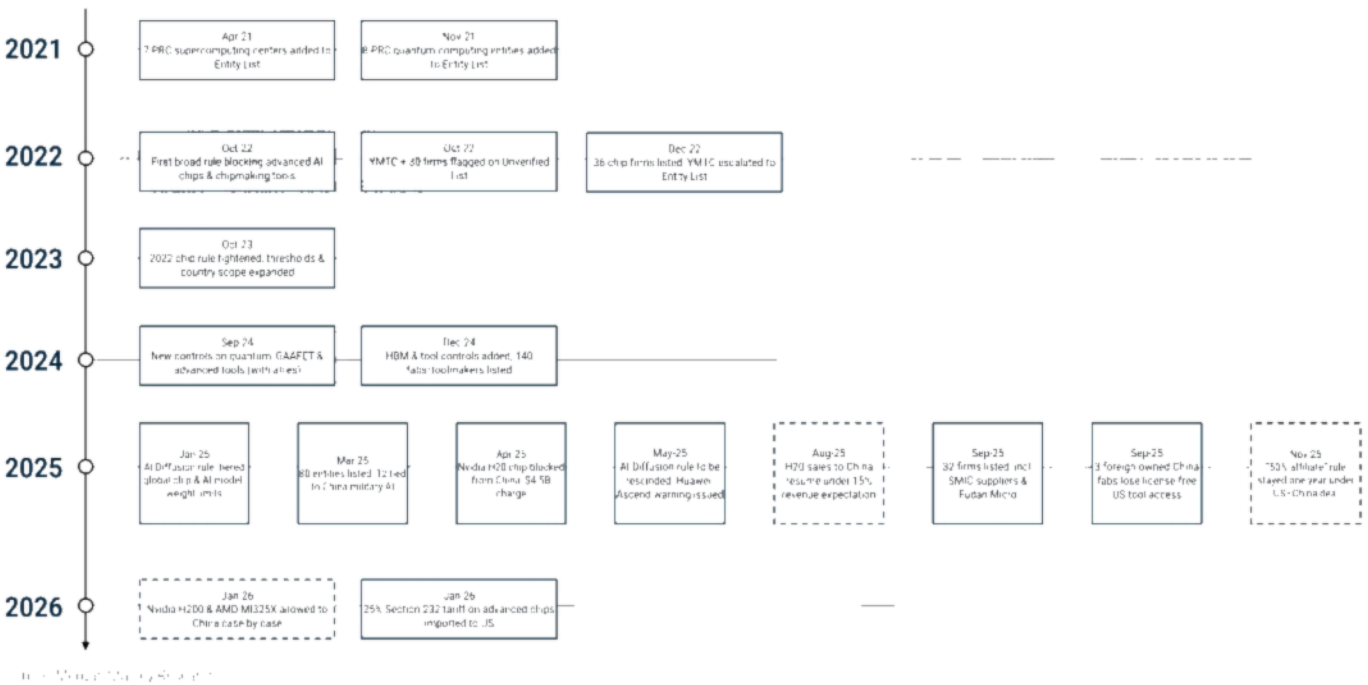
Consequently, the strategic value of IPO companies actively addressing a chokepoint area is high, especially **as China has been faced with rising export controls imposed by the US since 2022.** Over the years, the controls have broadened from advanced chips and advanced-node fabrication end-uses into a wider portion of the manufacturing ecosystem. In particular, in Sept 2024 and Dec 2024, the US expanded export controls to additional types of semiconductor manufacturing equipment, HBM, selected software tools and added >140 Chinese entities, targeting fabs, toolmakers, and investment firms.

In other words, as the chokepoints expanded in the past 3-4 years, more domestic companies become dedicated in those areas and by 2026 some of them have grown to a stage ready to tap into the capital market to further scale up.

However, we've seen signs of relaxation in export controls in some cases, such as allowing some high-end GPU sales to China again since late-2025. Interestingly this coincided with a wave of Chinese domestic GPU companies going public onshore or in HK in late 2025 and early 2026.

Exhibit 13: From 2021 to 2026, the US has broadened export controls on China from advanced chips and advanced-node fabrication end-uses into a wider portion of the manufacturing ecosystem

U.S. Controls Affecting China Advanced Technology (2021–2026)



Companies substituting imports have become more concentrated in electronics, machinery and biotech in 2026. Among our studied 229 IPO cases, in 2022 the electronic and biotech industries together accounted for 69% of this import substitution category, while the rest is spread across six sectors such as computer software, machinery, power equipment, defense, etc. In 2026, the import substitution firms are more concentrated in three sectors: electronics (51%), machinery (23%) and biotech (19%), suggesting increasing competitiveness of Chinese firms in these three industries.

Frontier exploring companies expanded in number and industry presence in 2026, suggesting the STAR Board has become more accommodative for companies and industries that are still evolving. There are four frontier explorers in 2022: comprising two in next-gen communication equipment and in two biotech platforms. 14 frontier explorers emerged in the 2026 IPO batch, covering AI computing and infrastructure, commercial aerospace, embodied intelligence and robotics, new materials, etc. The strategic value of these companies could be also high because these industries are still evolving quickly in the technology and competitive landscape, where future standard setters could potentially emerge from the current explorers.

More overlap between frontier explorers and companies gaining global share in 2026. Robotic, drone, and unmanned vehicle companies account for five (four of which are also frontier explorers) out of the 10 IPO companies in 2026 we labeled as going global. This suggests Chinese firms' efforts to explore the frontier areas is partially translating into higher global sales share. On the other hand, only one out of the 9 going global companies in 2022 is also a frontier explorer. The global share gains for 2022 firms, including a few renewable energy (PV makers) and semi companies, were more likely driven by a combination of tech improvements, cost and scale advantages.

Exhibit 14: IPO Frontier explorers are expanding into new materials, aerospace, robotics and AI areas in 2026

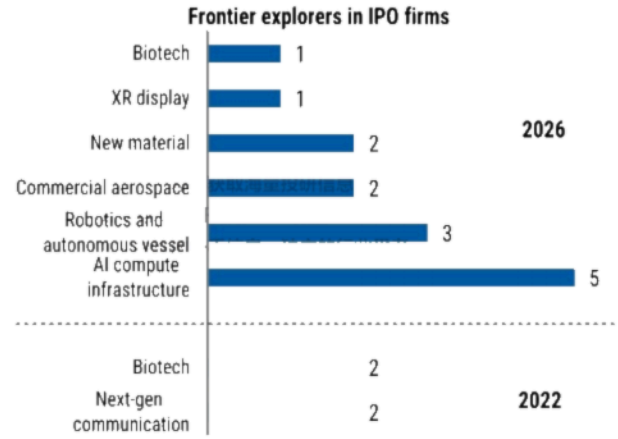
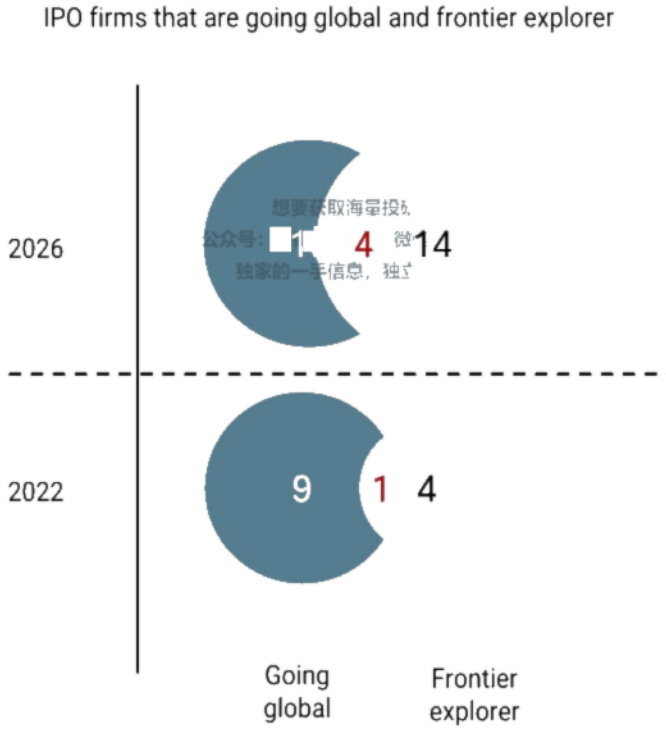


Exhibit 15: We saw more overlap between IPO frontier explorers and companies gaining global shares in 2026



Our methodology

We assess the strategic importance of an IPO company based on its industry, product, services, customer adoption, while accounting for its competitive position globally as well as domestic policies, export-control regulations and overseas policies. Our decision is supported by both prospectus disclosure and industry knowledge as well as public policy and industry documents.

We include below strategic importance tags and allow multiple choices:

- Chokepoint;
- Import substitution;
- Frontier explorer;
- Going global;
- Lack of evidence.

We consider an IPO company is addressing a chokepoint issue if:

- the technology and product is critical to domestic supply chains (such as energy security, agriculture self-sufficiency, defense, high-end manufacturing, etc);
- the segment is either: 1) subject to documented foreign export restrictions, supply cutoffs, or sanctions; or 2) faces such risk of disruption as core components or technologies are dominated by a small number of foreign player.
- the company needs to be among the domestic breakthrough providers and

recognized as breaking foreign technological dominance.

We consider an IPO company has an import substitution role if its products are displacing foreign suppliers in a domestic market historically dominated by foreign players. However, there is no evidence of overseas export control or criticalness to domestic supply chains to be considered as chokepoint.

We consider an IPO company is a frontier explorer if it operates in a sector where technology route, product form, or competitive landscape remain unresolved globally. At the same time, the company needs to demonstrate progress in specific technology and end-customer validation, rather than only through R&D investment.

Going global is self-explanatory: the IPO company's products and services need to demonstrate strong global competitiveness in technology or cost competitiveness, has meaningful overseas distribution networks, and has visibly rising global revenue contribution.

Current IPO companies are more hard core and frontier in terms of innovation

STAR Board by design is positioned as a listing venue for companies driving innovations in emerging frontiers. We assess the genuineness and significance of an IPO firm's technology innovation on both global and domestic context, as well as judging whether it represents a new breakthrough or an improvement of an existing matured process.

Example of a global frontier innovation:

- A company producing advanced superconducting tape at industrial scale – one of only a few companies globally are able to make this material reliably for fusion power and ultra-efficient electricity systems.
- A company making high-performance quadruped and humanoid robots from demonstrations to large-scale sales, including overseas.

Example of domestic leading innovation:

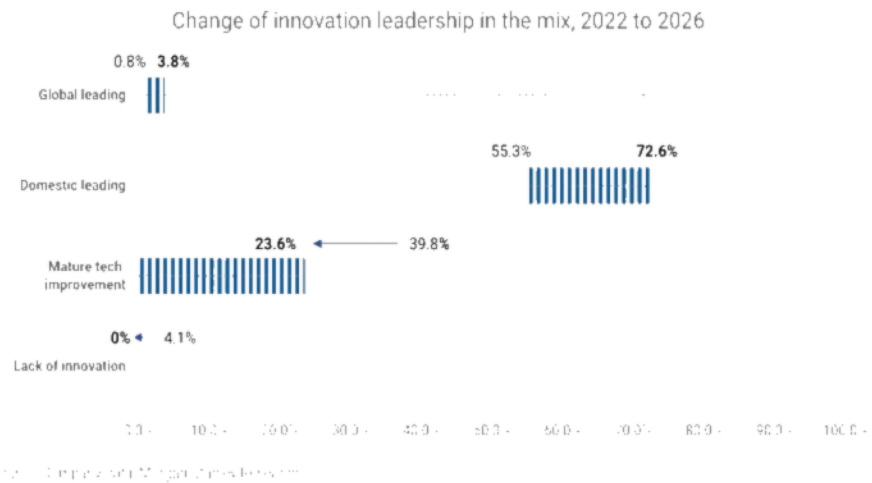
- A company designing Chinese CPUs and its own instruction-set architecture, but still trails Intel and AMD in performance, software compatibility, and developer ecosystem.
- A leading CMP-equipment supplier who is the first domestic company to mass-produce 12-inch commercial polishing machines and deploy them in major chip fabs; however, US and Japanese suppliers still lead at the most advanced process nodes.

Example of mature technology with incremental improvement:

- A renewable energy company who improved wind turbines through larger models, better components, lower costs, and more efficient installation.
- An electronics company that optimized test methods and automation to tests

chips more efficiently and accurately.

Exhibit 16: IPO companies who are leading innovation domestically rose from 55% in 2022 to 72% in 2026



Notably, 72.6% of the 2026 IPO firms could be categorized as having domestic leadership in innovation (although still a follower globally), up 17.4% vs. 2022 IPO firms. On the other hand, 16.3% fewer companies in 2026 are seen as making incremental improvement to a mature technology.

This means the current IPO companies are materially more hardcore and frontier on the tech innovation front, compared to 2022. Notably, electronics, biotech and machinery equipment industries account for 39%, 30% and 18%, respectively, of the firms that have domestic tech leadership in 2026, similar to the mix of high strategic importance industries. This is evidence that strategic importance is to some extent translating into progress of technology innovation.

Importantly, we don't think the change in innovation profile is necessarily a reflection of more electronics and machinery companies in the mix. Because within electronics and machinery companies, roughly 50% of the 2022 cohort was in the domestic leadership, and the other half in mature tech category; while for the same categories of companies in 2026, 70% of them are now in domestic tech leadership position. This shows genuine innovation is accelerating among more electronics and machinery equipment companies now vs. 2022.

Exhibit 17: IPO leaders in domestic innovation are also concentrated in electronics, biotech and machinery

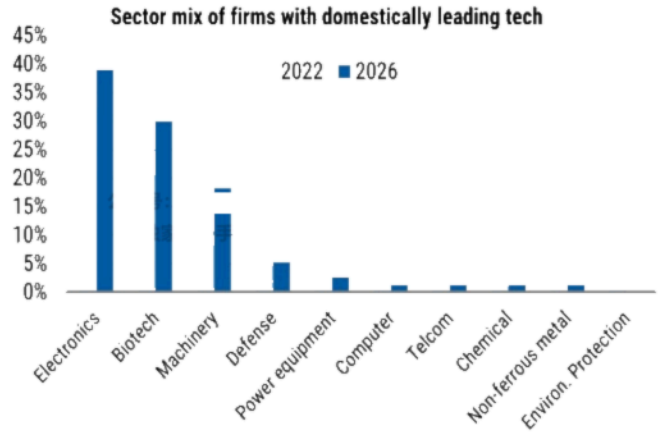
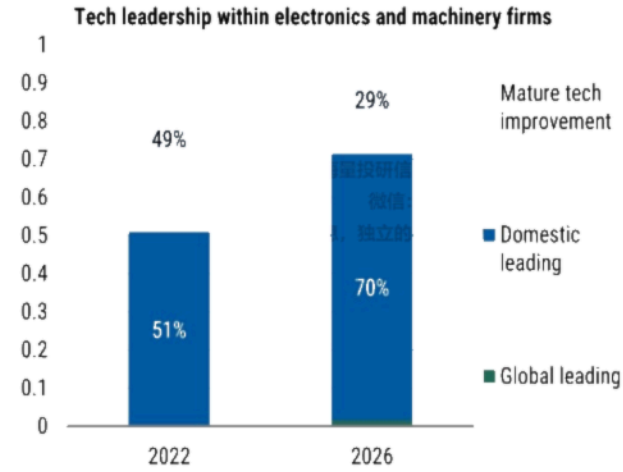


Exhibit 18: 70% of electronics and machinery IPO firms are leading innovation in 2026, up from 51% in 2022



Our methodology

We evaluate a company's technological capability, irrespective of commercial success, with four tags:

- **Globally leading innovation**: The company's core technology operates at or near the global technological frontier. This includes globally first-of-its-kind innovation, world-leading technical performance, globally recognized technological breakthrough, or technology shaping future industry direction. A few humanoid companies qualify as globally leading, for example, in our view.
- **Domestically leading innovation**: The company belongs to the leading domestic tier but remains behind the global frontier. There is typical evidence of observable gap versus international leaders. We think the GPU companies in the IPO firms are an example of this category.
- **Improvement on matured technology:** This means innovation mainly comes from engineering improvement, process optimization, manufacturing know-how, or product enhancement, rather than breakthrough innovations.
- **Limited genuine innovation.**

The decision is based on both prospectus claims (which tend to be generous) and industry knowledge as well as public external industry analysis.

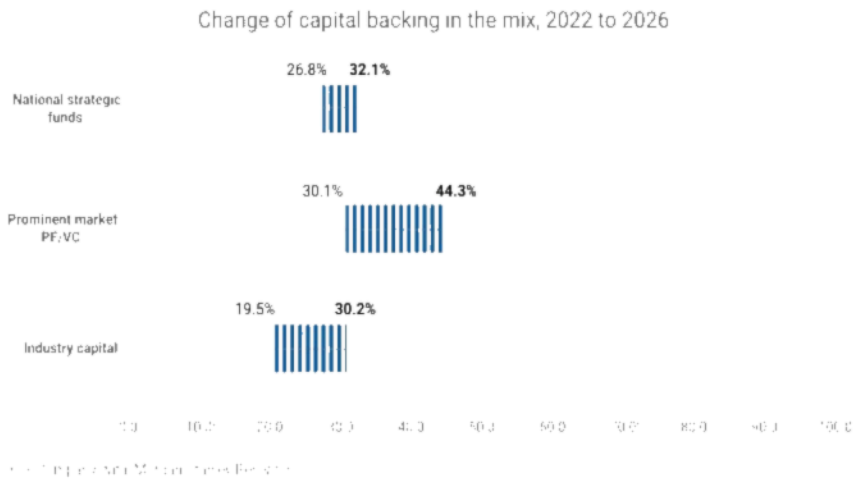
Rising presence of prominent investors backs higher strategic importance and innovation leadership

The top 10 shareholders of each IPO firm in 2022 and 2026 showed a notably stronger capital backing behind the IPO firms in 2026, which could be a testimony of better quality in general.

Among the 2026 IPO firms' top 10 shareholders:

- 34, or 32.1% have national strategic funds present, up 5.3% from 2022;
- 47, or 44.3% have prominent market oriented PE/VC funds, up 14.2% from 2022;
- 32, or 30.2% have external industry capital present, up 10.7% from 2022.

Exhibit 19: The percentage of firms seeing prominent market PE/VC among top 10 shareholders has risen from 30% in 2022 to 44% in 2026



The national funds' presence underscores where the strategic focus is going. Their investments are heavily focused on electronics and machinery sectors in 2026, in line with our discussion on sector strategic importance earlier. This is understandable as predominantly the national level funds are set up around semiconductor and high end manufacturing areas. Notably, one-third of machinery IPOs and 44% of electronics IPOs in 2026 have national strategic funds among top 10 shareholders. This compares to the fact that none of the machinery IPOs in 2022 had national strategic funds as top 10 shareholders.

Increasing bet by market-oriented PE/VC funds on electronics firms suggests potential commercial values are also attractive, in addition to strategic values. While these PE/VC funds showed a clear preference for biotech firms: roughly 59% of biotech IPOs in 2026 were backed by at least one prominent PE/VC fund. However, their presence also increased in electronics IPOs from 2022 to 2026: the PE/VC funds were in one-third of electronics IPOs in 2022, and the presence increased to 41% in 2026.

Increasing industry capital backing could bring closer supply chains collaboration and more potential synergies. Industry capital's interests increased notably among machinery and electronics firms: 8.3% of machinery firms and 30.2% of electronics firms in 2022 have industry capital backing, while the ratio went up to 25% and 48.7%, respectively, in 2026.

Exhibit 20: The e ectronics IPOs has seen notably higher interest from market PE/VC and industry capital .

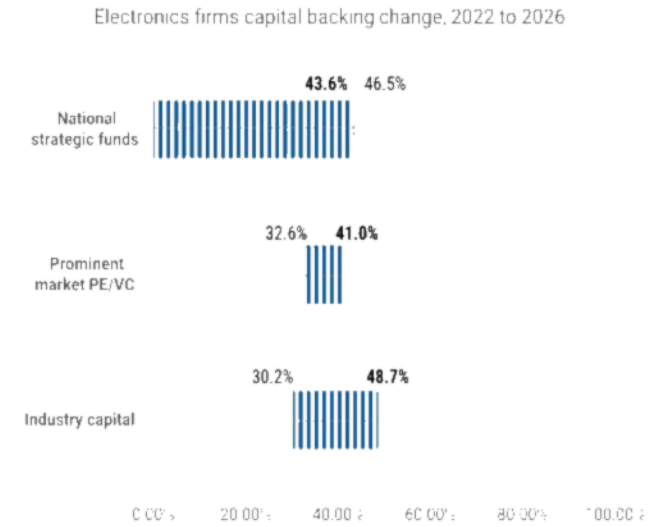


Exhibit 21: . while one-third of machinery IPOs in 2026 have national strategic funds presence in their top 10 shareholders, compared to none in 2022

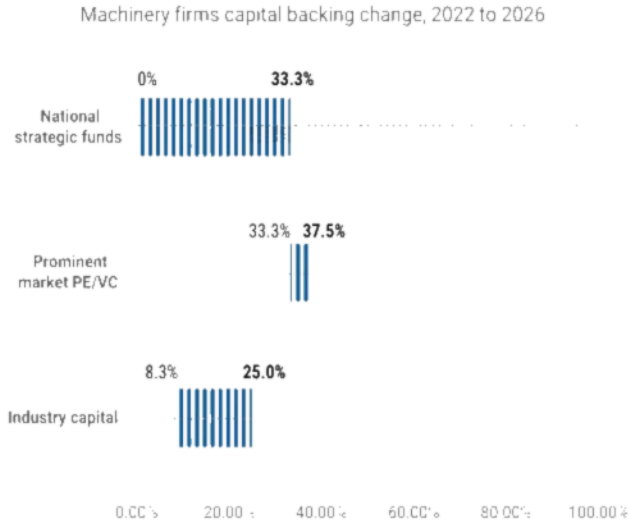
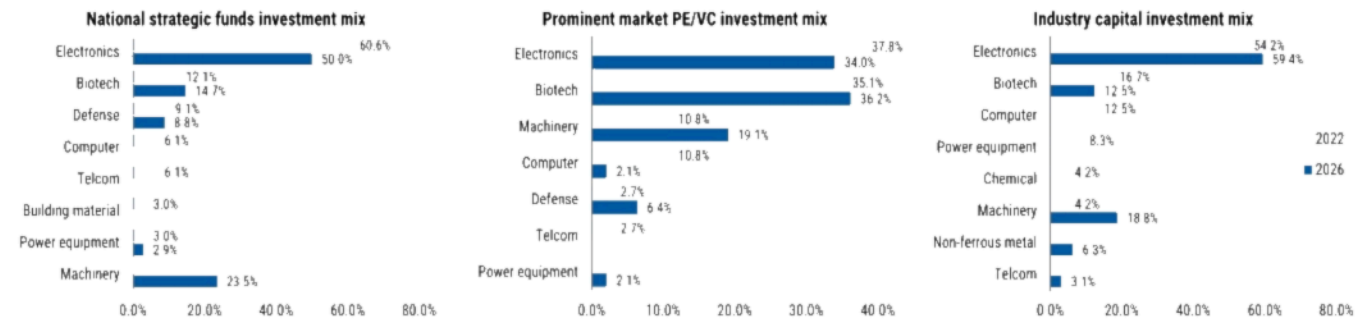


Exhibit 22:

Sectors allocation mix by different types of investors



Our methodology

We examined each company's pre-IPO top 10 shareholders to see if any of below investors are present:

- National strategic funds;
- Prominent market oriented PE/VC funds;
- Industry capital.

The assessment is largely quantitative. For national funds and prominent PE/VC funds, we map the shareholder list to a fixed list.

National strategic funds example: National Integrated Circuit Industry Investment Fund (or sometimes referred to as Big Funds, including phase I, II, III), National Manufacturing Transformation and Upgrading Fund, National Advanced Manufacturing Industry Investment Fund, National Strategic Emerging Industries Development Fund, National SME Development Fund, etc. We also included some

investment vehicles which can be penetrated to national strategic funds as ultimate investors.

Prominent market oriented PE/VC funds example: roughly 250+ names such as Sequoia, Hillhouse, IDG, Qiming, CDH, PAG, Hopu, Carlyle, KKR, etc. as well as various variants of their fund names.

Industry capital: This is determined case-by-case and we eventually identified 66 unique industry capital investors appearing 80 times across 56 IPO companies. It needs to be an external company, hence, not part of the same group of companies, while being relevant for the IPO firm's own supply chain.

R&D and Capex Intensity is Stepping Up

The 2026 IPO firms are generally spending much more heavily in R&D which has translated into more patents and higher productivity per employee. Capex intensity also increasing due to the shift in value chain positioning, and the need to scale tech innovation into mass production. This will lead to sustainably increasing capital demand.

The 2026 IPO firms spend more heavily on R&D both by absolute and relative size – with visibly higher output

The 2022 group of IPO companies appear to have higher R&D density by head count: The average and median ratio of R&D employees over total head count stood at 35.3% and 30.5%, respectively, in 2022, which is 2.4% and 3.8% higher than 2026's group. However, we think R&D head count alone might not reveal the full picture, especially as STAR Board listing explicitly requires a certain R&D head count ratio.

More importantly, the 2026 group of companies clearly spend more heavily on R&D both by absolute and relative size:

For the three years proceeding the IPO (or before 2026 for the current pipeline companies), the 2026 group companies spent on average Rmb967mn in total R&D (three year cumulative), which is more than double the average spending of Rmb458mn by 2022's companies.

As a percentage of revenue (we exclude biotech firms because many of these are pre-commercial and generating no meaningful revenue, for both groups), the 2026 group also leads with a mean of 87%, vs. 17% of 2022 companies, or a median of 15.5% vs. 10.3% of 2022 companies.

Exhibit 23: The average ratio of IPO firm R&D employees over total head count stood at 35.3% in 2022, which is 2.4% higher than 2026 group

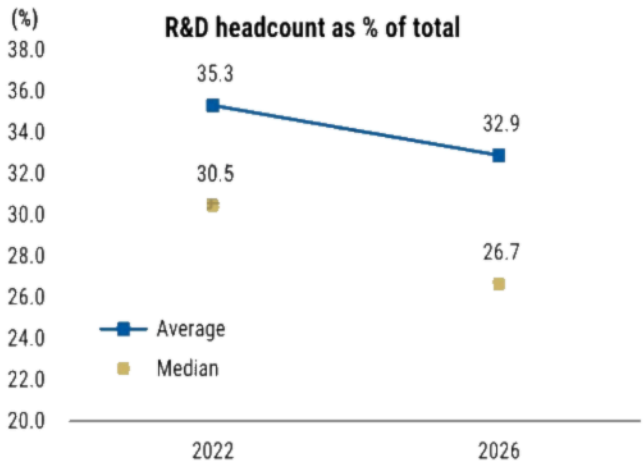
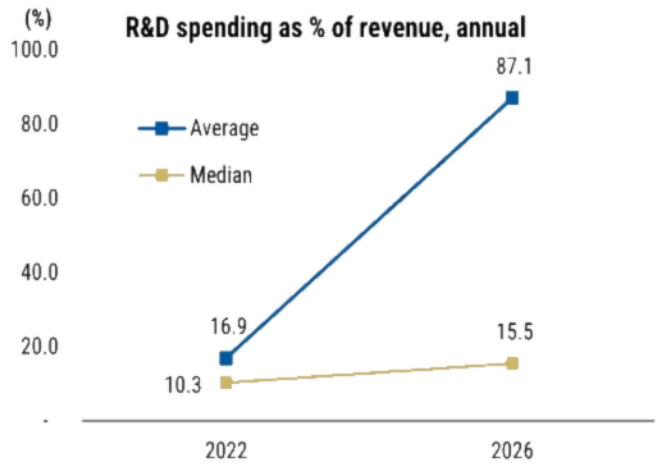


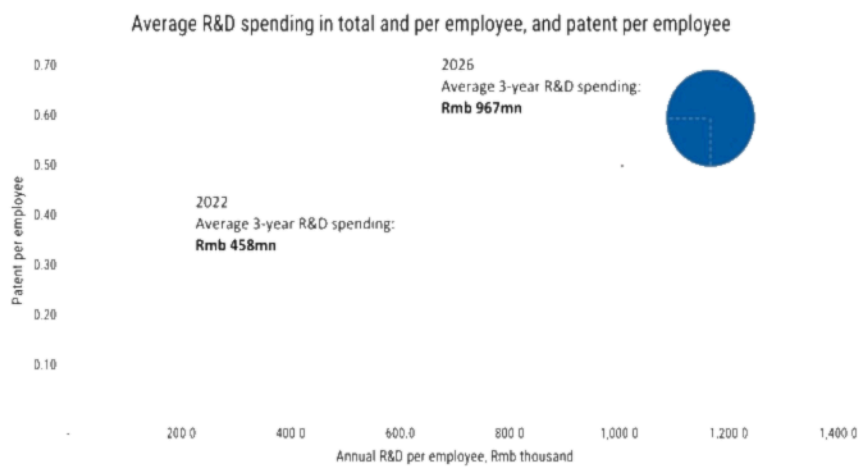
Exhibit 24: The 2026 IPO group spent on average 87% of revenue in R&D, vs. 17% of 2022 companies, or a median of 15.5% vs. 10.3% of 2022 companies



The heavier R&D spending combined with less denser R&D head count translates into notably higher annual R&D budget per R&D personnel for the 2026 companies: with a mean of Rmb1.2mn (vs. Rmb 0.47mn in 2022) and a median of Rmb0.75mn (vs. Rmb0.3mn in 2022).

The higher dollar spending also turned into differentiating productivity measured by patent count (we use the definition of patents related to revenue-generating business whenever possible): the 2026 IPO companies were able to produce twice as many patents per R&D employee than the 2022 companies, measured either by mean or median.

Exhibit 25: With a doubling of average R&D budget, the 2026 IPO companies were able to produce twice as many patents per R&D employee than the 2022 companies



Interestingly, despite a larger amount of total R&D investment, the spending efficiency actually improved from 2022 to 2026 IPO companies: the average three year R&D spending to generate one patent is Rmb7.2mn in 2026, down 26% from Rmb9.7mn in

2022; the median three year R&D spending to generate one patent is Rmb3.3mn in 2026, down 45% from Rmb5.9mn in 2022 (this excludes biotech IPO companies again). We believe it's a good sign the R&D efforts are scaling in the latest IPO companies.

The heavier R&D investments explains well why the machinery equipment sectors in 2026 climbed up the ladder on tech innovation:

- The median machinery IPO companies in 2026 spent almost triple that of the median 2022 machinery companies by R&D revenue ratio;
- The median machinery IPO companies in 2026 generated over four times more patents per R&D employee than the median 2022 company, while it cost 48% less to generate one patent.

These are the biggest improvements among all industries from 2022 to 2026.

Exhibit 26: The average three year IPO company R&D spending to generate one patent is Rmb7.2mn in 2026, down 26% from Rmb9.7mn in 2022

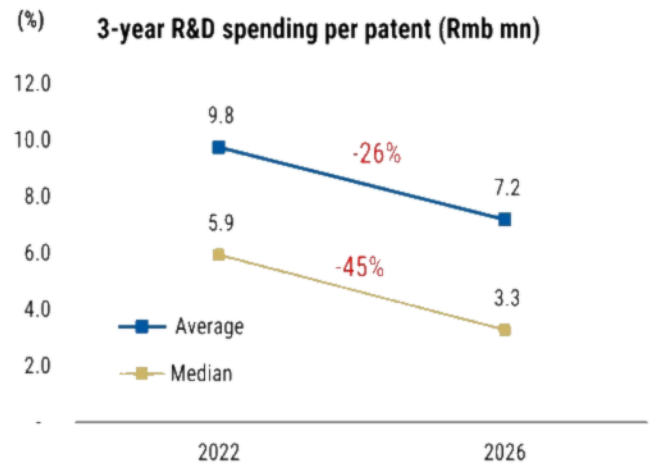
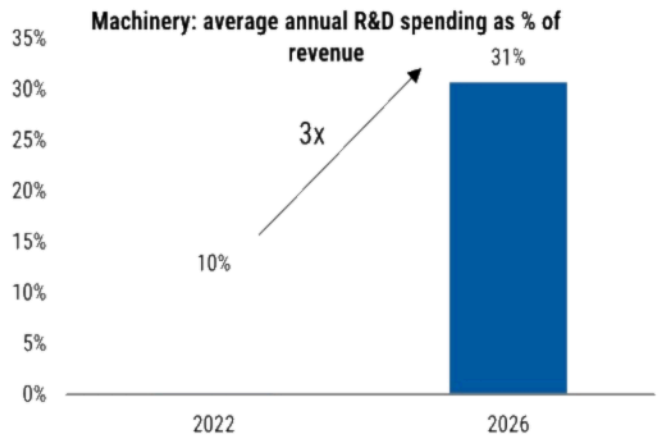


Exhibit 27: The median machinery IPO company in 2026 spent almost triple that of the median 2022 machinery company by R&D revenue ratio



Ramping up capex is necessary to turn innovation to production and commercial value, and eventually market position

The 2026 group of IPO companies are notably heavier on capex on average than 2022 companies, in particular driven by a few capex-intensive memory makers and aerospace companies.

This is evidenced by the fact that both batches have similar median capex per year at roughly Rmb50.1mn, while the 2026 batch's average annual capex stood at Rmb716mn per company, over four times the average of 2022 companies' at Rmb174mn. As percentage of revenue (ex. bitotech firms), the capex intensity shows a similar picture: the 2026 group is 2.8x of 2022 group by mean, while 28% higher by median.

Overall, we believe the heavy capex is needed in order to scale the innovation leadership into commercial values and potentially bigger market positions. It could be also related to

the shift of semi companies' positions to closer to manufacturing part on the supply chain, as discussed earlier. The continued investments in R&D and progress made in innovation will create a steadily increasing capital demand for the IPO market, supporting our constructive view on fund raising activity in A shares in the next 3-5 years.

Exhibit 28: The 2026 IPO batch's average capex stood at Rmb716mn per company, over four times the average in 2022

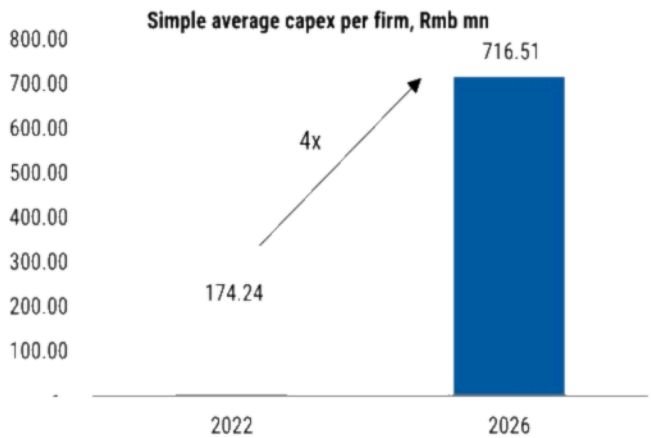
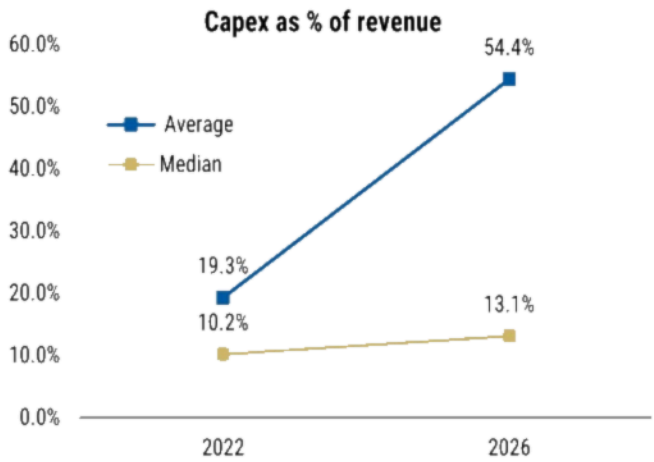


Exhibit 29: As percentage of revenue (ex biotech firms), the IPO capex intensity shows a similar picture: the 2026 group is 2.8x of 2022 group by mean, while 28% higher by median



In line with higher capex intensity, we also found the 2026 IPO companies are more leveraged compared to the 2022 companies. The average interest bearing debt to asset ratio rose from 8.5% to 14.7% from 2022 to 2026, while median rose from 2.8% to 7.2%. This is not so much due to the IPO mix shifting to more capital heavy sectors by itself, because within electronics companies the capital intensity also rose notably. However, as we discussed earlier, the mix of companies within electronics are becoming more diversified across the semi value chains and especially more towards manufacturing which drives up the capex intensity. At the same time, Chinese banks ramped up credit support to hard tech and high-end manufacturing companies generally from 2022 to 2025.

Exhibit 30: The average interest bearing debt to asset ratio rose from 8.5% to 14.7% from 2022 to 2026, while the median rose from 2.8% to 7.2%

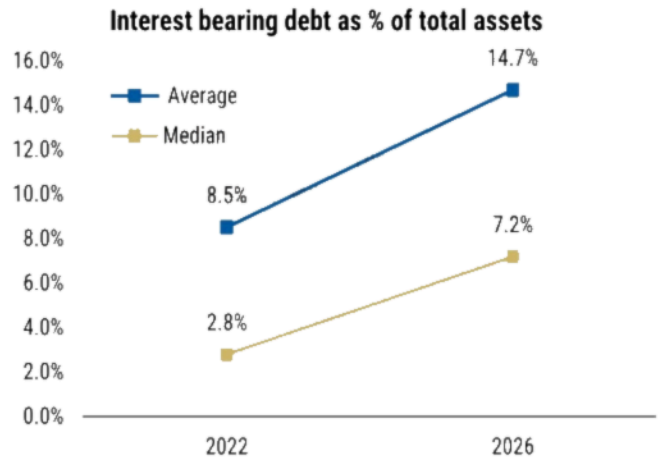
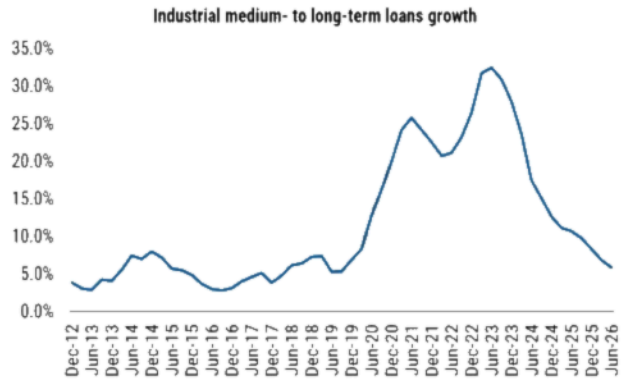


Exhibit 31: Banks' mid-to-long term loans lent to industrial sectors grew >30% in 2023



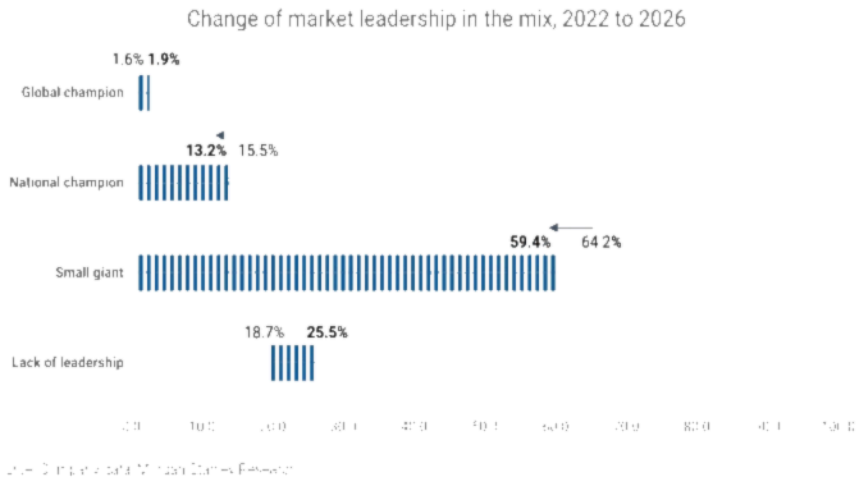
A Visible Gap between Leading in Innovation and Being Commercially Proven

Compared to the 2022 IPO companies, the 2026 companies have less dominant market positions with more uneven profitability, most likely because they have not yet scaled up, despite leading in innovation. We think this should be seen as an opportunity from their leveraging of capital markets to grow their businesses into a bigger commercial success, rather than a risk.

Contrary to the leadership in innovation and strategic importance, 2026 IPO firms are generally weaker in terms of market position than 2022 IPO firms. According to our market leadership assessment:

- 13.2% of 2026 firms are seen as national champions, 2.2% less than 2022;
- 59.4% of 2026 firms are small giants in a niche area, 4.8% less than the 2022 firms;
- firms that shows no evidence of meaningful market leadership rose 6.8% in 2026 to 25.5%, compared to 2022.

Exhibit 32: Firms that show no evidence of meaningful market leadership rose to 25.5% in 2026, from 18.7% in 2022

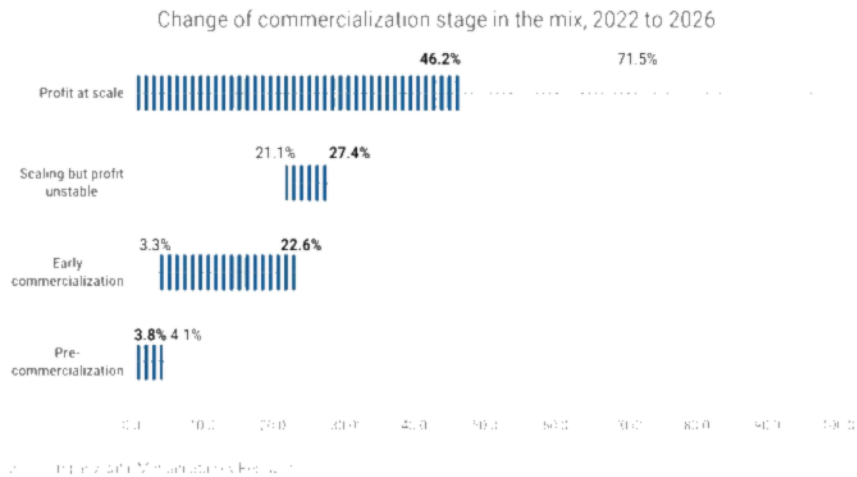


At the same time, 2026 IPO firms are showing less proven track records of profitability compared to the 2022 firms:

- 46.2% of 2026 firms are making profits at scale, notably down from 71.5% in 2022;
- 27.4% of 2026 firms' revenue is already scaling but profit is still not stable – the ratio was lower at 21.1% in 2022;
- 22.6% of 2026 firms are in the early commercialization stag
  2022;
- The portion of pre-commercial firms is similar at ~4% for 20
  mostly biotech firms.

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Exhibit 33: The percentage of firms that make profits at scale declined from 71% in 2022 to 46% in 2026



This paints a distinct picture about the 2022 IPO firms and 2026 IPO firms:

A bigger portion of 2022 firms were operating in more matured technologies and delivering incremental improvements, which helped them to generate stable profits and strengthen existing market positions. Whereas in 2026, a bigger portion of IPO firms are emerging players trying to crack more frontier areas in terms of tech innovation, which are currently dominated by stronger global players. Therefore, 2026 companies will need more time for their tech innovation leadership to become commercially established and to evolve into dominant industry players.

We believe the commercial validation of 2026 IPO firms' main product offerings is therefore key to delivering sustainable shareholder returns, and attracting investor interest in new IPOs.

Our methodology

Based on prospectus and external reports verification, we assess a company's market leadership qualitatively based on below categorization:

- **Global leader**: the company's main product has a top-3 global position with a minimum of 10% market share (to avoid overly fragmented markets).
- **National champion**: the company has top 3 market share in China by the main product or widely recognized as the leading player in a main sector (meaning a major product category within an industry or a sub-industry, such as carbon fiber in advanced material, UAV in defense-equipment market, or electronic measurement instruments within electronics industry).
- **Small giant**: the company holds a strong position within a specific niche, but its influence remains largely confined to that segment. The national-level "Little Giant" designation used by the government for elite SMEs is one piece of evidence we use.
- **No apparent leadership**: insufficient evidence to support any of above.

We assign a qualitative profitability tag to each company based on:

- **Profit at scale**: the company has positive audited revenue and net profit across reported periods, together with products already delivered or sold at scale (meaning the main revenue source comes from product sales rather than non-operating activities, such as subsidies or investments).
- **Revenue scaling but profit not stable**: the company is generating substantial revenue from product sales, but still has unstable or negative profit or weak cash conversion.
- **Early commercialization stage**: the company is showing some initial sales or customer validation, but revenue still not stable and meaningful.
- **Pre-commercial**: not generating any revenue (i.e., pre-revenue biotech companies and high-tech firms working on strategic innovations).

Quantitative analysis confirms generally more uncertain profitability at the 2026 firms but mostly due to pre-scale nature rather than weaker pricing power

Our quantitative study confirms generally smaller median revenue, profit and operating cash flow at 2026 IPO firms, vs. the 2022 companies at the time of their IPO. Based on financial numbers at the pre-IPO year:

- 2026 companies' mean revenue is 16% higher than 2022, but this is skewed by one company (CXMT, which benefited from a memory upcycle). Excluding CXMT, mean revenue for 2026 companies is 37% lower than 2022;
- 2026 companies' median revenue is 5.3% lower than 2022;
- 2026 companies' mean operating profit is 85% lower than 2022, even including CXMT, while the median is 31.2% lower than 2022.
- 2026 companies generated negative 1.3-1.4% ROE on average (with or without CXMT), vs. 16.3% in 2022; median ROE also lower at 6.4% in 2026 vs. 16.9% in 2022. The difference in median and mean ROE at 2026 companies is likely impacted by a few heavier loss-making companies in frontier areas, such as commercial aerospace.
- Net operating cash flow for 2026 companies is negative on average (excluding CXMT), vs. positive Rmb82.9mn for 2022 on average.

Exhibit 34: Average pre-IPO year revenue of 2026 firms is slightly higher than 2022 firms, however, excluding CXMT the average is 37% lower in 2026

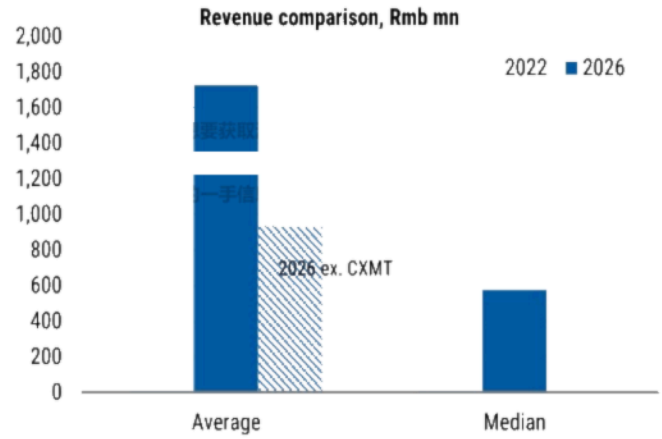


Exhibit 35: The 2026 companies' mean operating profit is 85% lower than 2022, even including CXMT, while the median is 31.2% lower than 2022

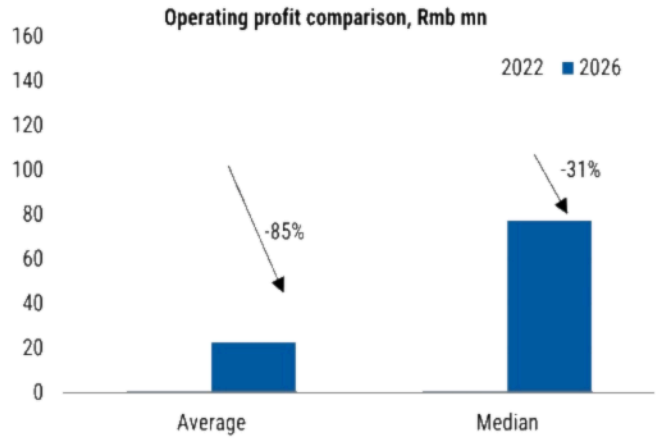


Exhibit 36: The 2026 companies generated negative 1.3-1.4% ROE (with or without CXMT) on average, vs. 16.3% in 2022

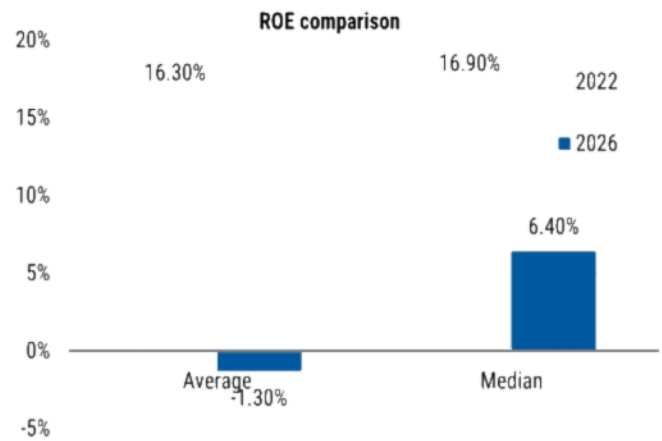
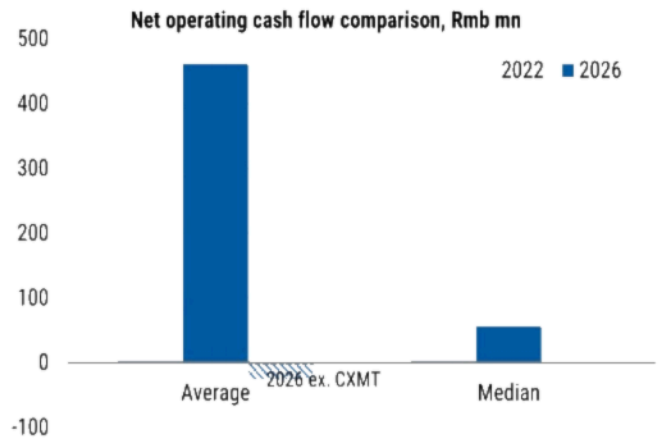


Exhibit 37: Net operating cash flow for 2026 companies is negative on average (excluding CXMT), vs. positive Rmb82.9mn for 2022 on average



On the positive side, gross margin is largely similar between 2022 and 2026 companies at median level: at 43.6% in 2022 and 40.3% in 2026, although 2026 has seen wider divergence evidenced in lower mean gross margin at 30.7%.

Importantly, for the two major industries where we've seen the biggest leap in tech innovation – electronics and machinery – gross margin is largely similar across 2022 and 2026 at 40-45%. This could imply that 2026 companies' technology leadership is partially validated by the pricing of their products. Therefore the main reason for weaker profitability is likely the fact that many of the 2026 firms have not yet reached suitable scale. This again is supported by the fact that these companies in general are still investing more heavily in capex to grow. Capital markets are therefore ideal to help them scale.

Exhibit 38: Median gross margin of 2026 firms is 40.3%, vs 43.6% median for 2022 firms

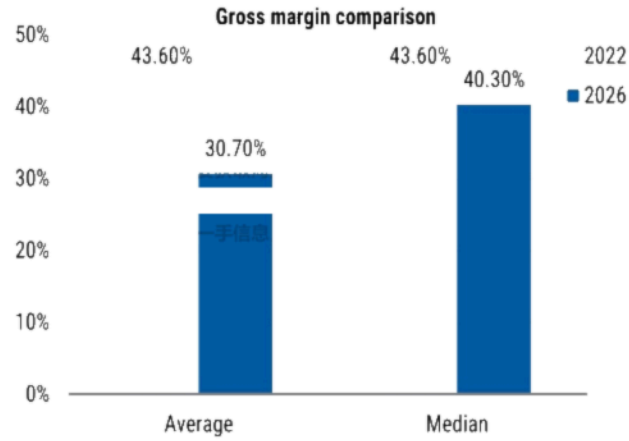
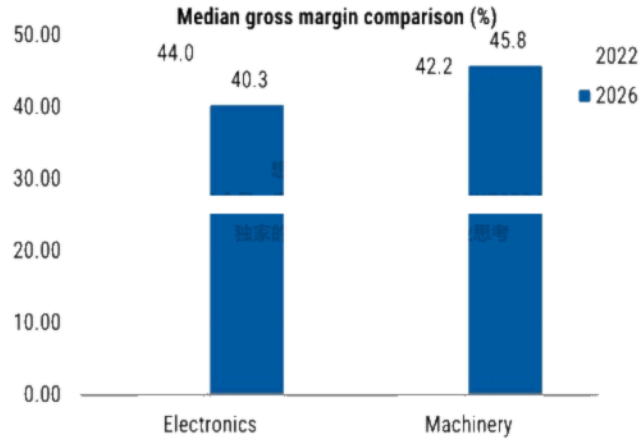


Exhibit 39: For electronics and machinery industries, gross margin is largely similar across 2022 and 2026 at 40-45%



Implications: A Lasting IPO Renaissance

Our comparative study shows 2026 IPO firms are generally more technology focused, strategically important and backed by stronger shareholders. Their capital demands are likely driven by a genuine need to invest in R&D and capex, which could potentially scale their businesses to achieve better shareholder returns in the future.

Strategic importance, innovation leadership and market dominance can help distinguish better quality IPO firms

In China – Brokers: Potential IPO Renaissance Could Trigger Select Re-rating (21 May 2026), we argued that Rmb250-300bn in A-share IPOs could be in store over the next 12 months, a sharp rise from Rmb132bn IPO fundraising volume in 2025.

However, the market is debating whether an increase in IPO fundraising will drain liquidity. In particular, the performance of the 123 STAR Board firms listed in 2022 has hardly been satisfying: the median post-IPO performance up till early July 2026 is about zero, underperforming the SSE index by 19% during the same period (from July 2022 to July 2026).

Investor disappointment over the perceived general IPO quality (including those from STAR Board) has prompted regulators to roll out more reforms and effectively tighten IPO activities since 2023. This led to 39% fall in IPO fund raising in 2023, and another 81% decline in 2024, before seeing 96% rebound in 2025 off a very low base.

In our view, it is the quality of IPO firm that determines whether an IPO drains liquidity or attracts liquidity. We think strategic importance, technological innovation and market leadership can provide some color in separating out the better quality IPOs (returns below are based on 2022 IPO firms since IPO).

Strategic importance:

- Notably, chokepoint firms outperformed strongly: these 10 firms had a median relative return at 141% and average return at 278%. 70% of them outperformed index.
- Import substitution firms represent a better subset: among the 51 import substitution firms, the median relative return was 8.3%, 27% higher than the median of all firms.
- Lacking strategic importance correlates to weaker performance: these 67 companies had a notably lower median return at -31.9%.

Technology innovation:

- Domestic technology leader has been a better subset: these 68 firms had a median relative return of -2.7%, 16% higher than the median of all firms.

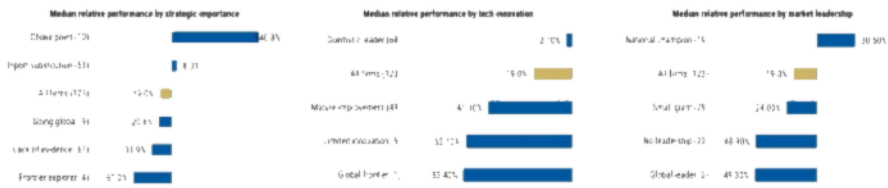
- Having mature technology or limited innovation has been punishing: these two groups showed worse median relative returns at -41% and -52%, respectively.

Market leadership:

- National champions clearly outperformed: the 19 national champions had a median relative return of 30.5%.
- Being a small giant has not been a positive driver in general: median relative return of -24%.
- Lacking a clear leadership position has been a bad sign: these 23 firms had a median relative return of -49%.

In conclusion: **higher strategic importance, more leading innovation and more dominant market positions should generally translate into higher investor confidence in IPO firms compared to those without**, although this is no guarantee of post-IPO performance, which can be impacted by other factors, such as IPO valuation.

Exhibit 40: Median relative return of sub group of 2022 IPO firms



We expect sustainable capital demand and positive feedback to investor returns

We are likely still at the early stage of a multi-year IPO upcycle. In China Financials: Further de-leveraging or positive development loop? How to invest? (9 Jul 2026), we argued that the capital intensity of this innovation cycle – spanning LLMs, semiconductors, robotics, renewable energy, and commercial aerospace – is likely to continue rising. These sectors require significant investment in both capital and talent, making capital markets a critical channel for directing resources toward areas with the potential to generate meaningful productivity gains. We believe the A-share market can play an increasingly important role in reinforcing China's supply-chain competitiveness by helping companies fund innovation, scale operations, and accelerate commercialization.

Our digestion and comparative analysis of 229 IPO prospectus in 2022 and 2026 revealed clear distinctions in structure and quality of IPO firms.

Notably, current IPO companies in general are more technology innovation and frontier area-related, which aligns well with the aims of the STAR Board. These firms have been investing heavily in R&D, which has already translated into higher productivity than the 2022 firms, as measured by patents.

They are serving more strategic purposes, as more IPO firms are tackling technology chokepoints faced by China. As such, these firms are likely to receive more concentrated government resource allocations and financing support, which could also pave way for fast-track listings. This is already evidenced by stronger capital backing from national

funds, prominent PE/VC funds and industry players.

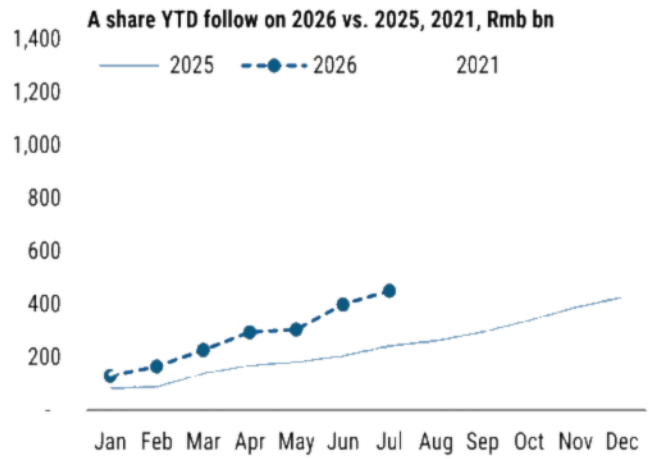
Importantly, we believe the current fund raising demand is driven by a genuine need to invest in R&D and capex, because the current IPO candidates are notably more capex heavy due to their positioning in the supply chains, and the stage of their innovation now generally requires them to scale up meaningfully in production, sales, profit and shareholder return. Leveraging capital markets provides an ideal way for these companies to scale up, and this should feed positively into trading activity and more investor interest in future listings.

We thus reiterate our forecast of A-share IPOs to rise from Rmb132bn in 2025 to Rmb300bn in 2026, Rmb500bn in 2027 and Rmb600bn in 2028. Based on the pipeline, we estimate Rmb250–300bn of IPO fund raising over the next 12 months.

Exhibit 41: A share IPO YTD volume up 95% YoY...



Exhibit 42: ...with follow on volume up 68% YoY



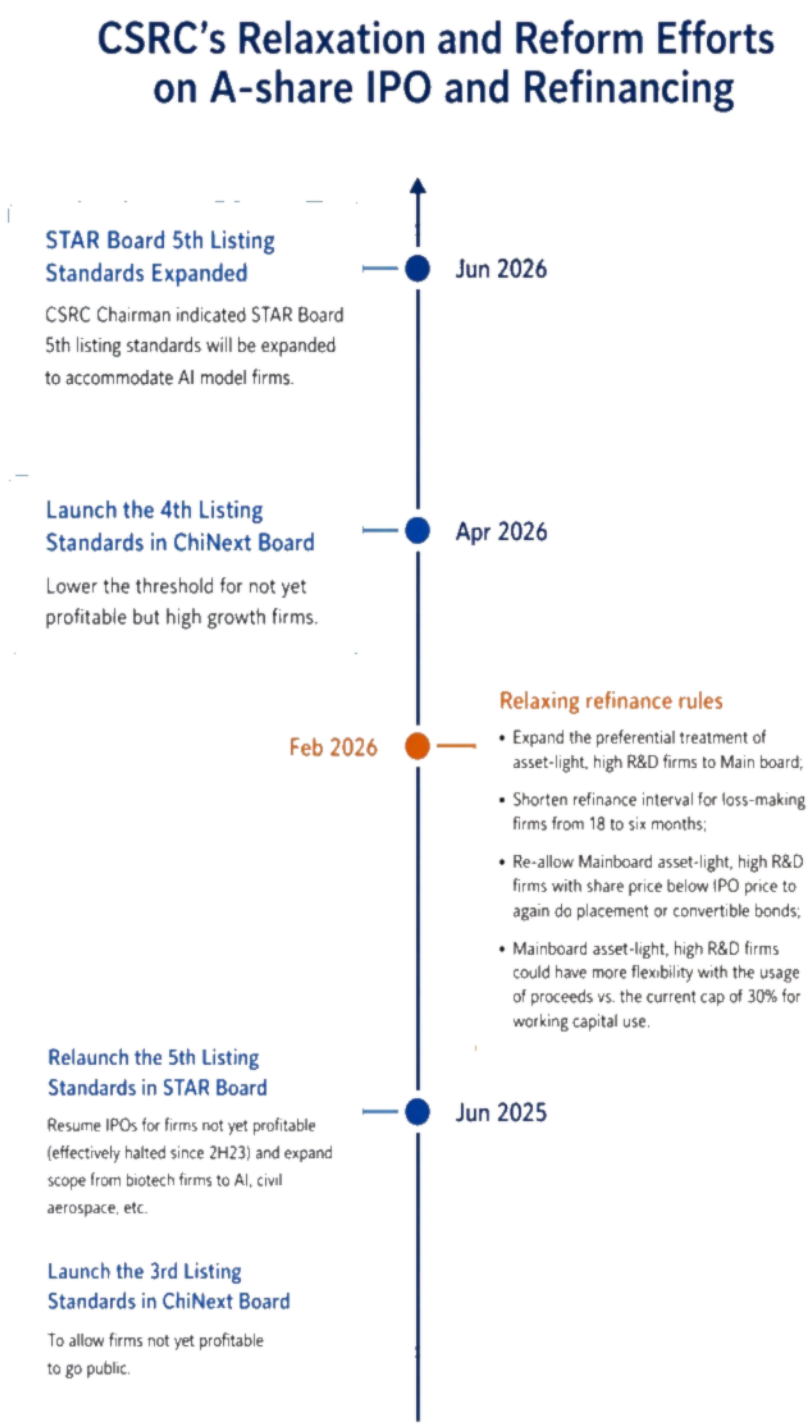
Capital market regulatory environment has already turned more supportive for fund raising, with long-term guardrails in place

Since 2023, the CSRC has devoted significant efforts to refining existing regulations and introducing new rules covering listings, trading, investor protection, shareholder returns, and fraud prevention. These initiatives have resulted in meaningful progress in building a stronger long-term regulatory framework (please see: China – Brokers: Rebalancing fundraising with shareholder return: the effects [21 Aug 2024]).

With the establishment of extensive guardrails to improve listing quality and strengthen market discipline, we have observed a clear shift in regulatory stance since mid-2025, leading to accelerated reforms aimed at facilitating fund raising, making rules more accommodative, and supporting innovation.

We believe appropriate long-term rules and regulatory guardrails are also critical to sustaining a slow-bull A-share market, as they help strike a better balance between fund raising and investor returns. Historically, an imbalance between the two has been a key driver of large swings in broker earnings and valuations.

Exhibit 43: Timeline of material relaxation and reforms of A-share fund raising policy in the last 12 months



Source: Morgan Stanley Research

That being said, we still see risks to our thesis:

Uncertainty may also be higher as current firms are generally less commercially proven and their market positions are less tested than the 2022 companies. The gap between tech innovation and commercialization could mean there will continue to be some

divergence among the IPO firms' operating trends, which could impact investors' appetite for future IPOs.

Strong policy support is no guarantee of commercial success. In fact, in the past 5-10 years several manufacturing sectors receiving policy support have experienced intensifying competition, which turned into over-capacity and declining margins.

Bridging the True Innovators to Capital Markets – a Key Passage for Globally Competitive Investment Banking Franchises

The underwriting market landscape has consolidated notably from 2022 to 2026. STAR Board IPO fund raising peaked in 2022 with around Rmb252bn raised. In our 2026 batch, including current pipeline and those listed since 2H25, the total implied fund raising amount is similar at Rmb281bn. However, the number of sponsors shrank by a third from 29 to 18. The top 5 sponsors represent 85.3% of share in fund raising volume in the current IPO batch, up from 69.3% in 2022. By deal count, top 5 sponsors have 77.4% share currently, up from 65% in 2022.

We think the underwriter consolidation is the result of both stricter regulatory standards and changing IPO firm profiles. Industry knowledge, especially in hard tech areas, are increasingly differentiating underwriters' project sourcing and selection. Leading brokers typically operate a strong PE/VC platform, which adds an edge for the firm to both identifying emerging technological trends and building the relationship early in the private firm's life stage. Additionally, the mandatory co-investment for all STAR Board IPOs also introduced higher requirement on brokers' capital strength.

Exhibit 44: Top 5 sponsors had 69% share of STAR Board fund raising volume in 2022..

Market share in STAR Board fund raising volume, 2022

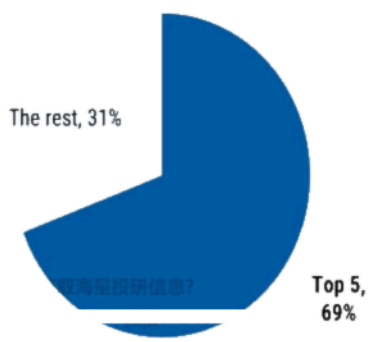
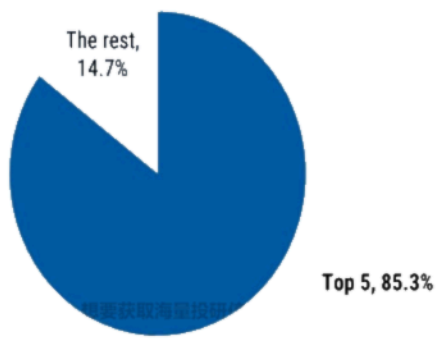


Exhibit 45: ...while 85% in 2026

Market share in STAR Board fund raising volume, 2026



CICC saw the most notable market share gains in 2026 helped by the CXMT deal: it currently commands 21.9% share by fundraising volume, same as CITICS, and up from 11.5% in 2022. We continue to see CICC has a strong expertise in orchestrating mega deals in the capital market, thanks to its institutional client franchise, execution quality and distribution capability.

While overall fee rate could be stable, the fee pool is concentrated to a smaller number of underwriters. In 2022 STAR Board generated roughly Rmb13.3bn of

underwriting and sponsoring fees, implying 5.3% average fee rate. Based on the concentration of fund raising volume, we think likely over 80% of the fees will be split between the top 5 players.

Exhibit 46: STAR Board IPO league table, 2022 vs. 2026

	2022						2026					
		Allocated funds raised		Sponsored IPOs			Allocated funds raised			Sponsored IPOs		
Rank	Sponsor	RMB mn	Market share	Number	Market share	Sponsor	RMB mn	Market share	Number	Market share		
1	CITICS	60,563	24.0%	23	18.7%	CICC	61,744	21.9%	11	10.4%		
2	CSC	33,908	13.5%	14	11.4%	CITICS	61,725	21.9%	28	26.4%		
3	Haitong	30,184	12.0%	17	13.8%	CSC	50,558	18.0%	11	10.4%		
4	CICC	29,075	11.5%	15	12.2%	Guotai Haitong	49,007	17.4%	22	20.8%		
5	Guotai Junan	21,031	8.3%	11	8.9%	Huatai	17,229	6.1%	10	9.4%		
6	Huatai	13,384	5.3%	8	6.5%	Changjiang	5,992	2.1%	2	1.9%		
7	SWHY	7,389	2.9%	4	3.3%	CMS	5,418	1.9%	3	2.8%		
8	Donghai	6,389	2.5%	1	0.8%	SmoLink	5,038	1.8%	3	2.8%		
9	Everbright	5,811	2.3%	1	0.8%	GLMS	4,520	1.6%	3	2.8%		
10	CMS	5,109	2.0%	2	1.6%	Guotou	4,061	1.4%	2	1.9%		

Source: Wind, Company data, Morgan Stanley Research

For brokers with a strong client franchise and capital base, the sustainable recovery of the IPO market could generate multiple revenue streams, including underwriting fees, private fund management fees and carried interest, financial advisory fees, and co-investment gains. Notably, co-investment income could also bring more profit upside over time. With the underwriter's own capital locked in at IPO, the capability in sourcing the high quality deals and value add in IPO pricing will become even more important, and differentiating. Based on our estimate, IPO co-investments made by the top five brokers since mid-2024, which are generally subject to a two-year lock-up period, are now carrying unrealized gains of roughly 4–5x.

More broadly, IPO activity continually introduces new investable assets to the market, attracting incremental fund flows. Brokers can monetize these flows through commissions, trading income, margin financing, asset management, and other capital markets services.

In summary, as policy makers have repeatedly advocated the goal to build investment banks leading on a global context, we think serving and growing along with the innovative Corporate China is a key passage to achieve that goal.

Exhibit 47: The IPO co-investments of the top 5 brokers since mid-2024 (given two year lock-up period) are now generally carrying 4-5x unrealized gains



Source: Wind, Morgan Stanley Research

China Equity Strategy Read-Through: Quantity Leads To Quality

Laura Wang, Vicky Wu

IPO acceleration – not just a supply story

At a broader equity-strategy level, we see much longer-lasting and profound impact on both the A-share and Hong Kong market dynamics, than the sheer short-term liquidity implications and wealth creation phenomena that the stock market tends to focus on. The current IPO revival should not be interpreted simply as an increase in equity supply. The more consequential question is whether China is beginning to convert strategic industrial capacity into listed, investable equity assets at scale.

As a clear trend, the 2026 pipeline is increasingly concentrated in memory, AI accelerators, advanced foundry capacity, silicon photonics, commercial space and robotics – areas that sit at the intersection of policy priority, structural capital expenditure and technology bottleneck localization. If this pipeline is sustained, **the IPO cycle could do more than replenish issuance: it could progressively re-engineer the composition of the A-share market**, raising its exposure to the faster-growing segments of China's K-shaped economy and making the onshore universe a more faithful representation of the country's innovation and AI-infrastructure cycle.

Exhibit 48: Select sizable 2026 YTD A-share IPOs by status – A clear focus on the hard tech space

Ranking status	Company	Business	GICS Industry Group	Fundraising (Rmb bn)	Venue / status	Timeline
Listed	CXMT	DRAM memory	Semiconductors	57.9 actual, including greenshoe	Shanghai STAR Board; listed (688825)	Listed 27 Jul 2026
	China Resources New Energy	Wind and solar power	Utilities	24.5 actual, including greenshoe	Shenzhen Main Board; listed (001248)	Listed 2 Jul 2026
	Unitree	Humanoid and quadruped robotics	Capital Goods	6.1 expected gross proceeds	Shanghai STAR Board; issuance in progress (688836), not yet listed	Subscribed 10 Aug; allotment results 12 Aug; listing date not yet posted
Registration approved / Issuance pending	Enflame Technology	Cloud AI accelerators	Semiconductors	6.0 planned	Shanghai STAR Board; CSRC registration effective	Registration approved 9 Jul; issuance pending
Review passed	CanSemi	12-inch specialty wafer foundry	Semiconductors	7.5 planned	Shenzhen ChiNext; listing committee review passed	Review passed 15 Jun; registration and issuance pending
Application under review	CAS Space	Commercial launch vehicles	Capital Goods	4.18 planned	Shanghai STAR Board; application accepted and in inquiry	Accepted 31 Mar; inquiry issued 15 Apr; issuance timing unconfirmed
	XPHOR	Silicon-photonics chips	Semiconductors	2.43 planned	Shanghai STAR Board; in inquiry	Application accepted 30 Jun; inquiry stage by 7 Jul
	MinoSpace	Commercial satellites	Capital Goods	5.0 planned	Shanghai STAR Board; application accepted	Accepted 11 May; review ongoing
	InnoGrit	Data-storage controller chips and enterprise SSDs	Semiconductors	3.2 planned	STAR Market; under inquiry	Accepted 29-Jun-26; inquiry stage from 8-Jul-26
	LandSpace	Commercial launch vehicles / reusable rockets	Capital Goods	7.5 planned	STAR Market; under inquiry	Accepted 31-Dec-25; inquiry stage; updated filing 29-Jun-26
	YMTC	3D NAND memory	Semiconductors	Not formally disclosed	Proposed Shanghai STAR Board; IPO tutoring	Tutoring filed 19 May; first-phase report disclosed 10 Jul
IPO tutoring	UNISOC	Mobile, communications and IoT chips	Semiconductors	Not formally disclosed	Proposed Shanghai STAR Board; tutoring / filing preparation	Third tutoring phase completed; formal application not yet confirmed

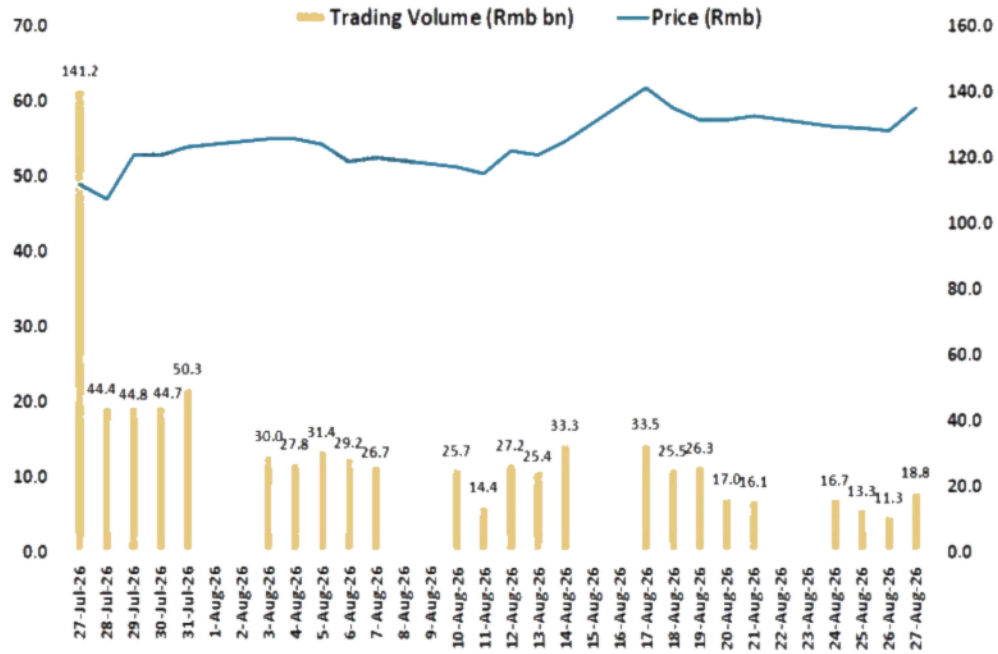
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Liquidity impact is real, but only temporary

The near-term liquidity concerns are valid, but investors may be asking the wrong question. The issue is not whether a large IPO consumes liquidity – it inevitably does at the margin – but whether that liquidity is destroyed, leaves the equity market, or is temporarily reallocated toward a scarce new asset. Since the 2016 reform removed the need to pre-fund the full value of online IPO applications, exceptional subscription multiples no longer translate into an equivalent withdrawal of cash from secondary-market trading. The more credible pressure comes after listing, when portfolios rotate into the new stock, trading becomes unusually concentrated and adjacent high-beta names temporarily lose risk budget and breadth. This is better understood as a redistribution of liquidity within the market than as a structural contraction in system-wide funding. Even then, the macro effect should be manageable relative to current market depth. Average daily A-share turnover was about Rmb3.2trn in May, while margin-financing balances stood at roughly Rmb2.9trn. CXMT's Rmb57.9bn fund raising was equivalent to only about 1.8% of one day's market turnover. Its own trading exceeded Rmb90bn within roughly the first hour of listing, showing that a single popular debut can temporarily absorb turnover and risk appetite without creating a persistent shortage of system-wide liquidity. More provocatively, the ability of the market to digest a deal of this scale may itself be a measure of capital-market maturity: deep markets are not those that avoid supply, but those that can price, absorb and subsequently redistribute it without

destabilizing the broader system.

Exhibit 49: CXMT Daily Price and Trading Volume



Date	Price (Rmb)	Price change (%)	Trading Volume (Rmb bn)
2026-07-27	49.0		141.2
2026-07-28	47.0	-4.1%	44.4
2026-07-29	53.0	12.7%	44.8
2026-07-30	52.9	-0.2%	44.7
2026-07-31	54.0	2.1%	50.3
2026-08-03	55.0	1.9%	30.0
2026-08-04	55.0	0.0%	27.8
2026-08-05	54.3	-1.3%	31.4
2026-08-06	52.0	-4.3%	29.2
2026-08-07	52.5	1.0%	26.7
2026-08-10	51.3	-2.2%	25.7
2026-08-11	50.4	-1.8%	14.4
2026-08-12	53.5	6.2%	27.2
2026-08-13	52.9	-1.2%	25.4
2026-08-14	54.7	1.6%	33.3
2026-08-17	61.8	12.0%	33.5
2026-08-18	59.2	-4.2%	25.5
2026-08-19	57.6	-2.8%	26.3
2026-08-20	57.6	0.0%	17.0
2026-08-21	58.0	0.7%	16.1
2026-08-24	56.6	-2.4%	16.7
2026-08-25	56.5	-0.2%	13.3
2026-08-26	56.1	-0.7%	11.3
2026-08-27	59.1	5.4%	18.8

Our base case is therefore a brief, sector-heavy distortion rather than a lasting liquidity drain. Direct trading crowding is most likely to be concentrated in the first three to five sessions, when price discovery, speculative turnover and portfolio rebalancing are front-loaded; 10 trading days is a prudent outer window for secondary-sector rotation. Historical evidence is consistent with this fading pattern: across five technology IPOs raising more than Rmb10bn since 2010, the new stocks' average daily trading volume as a share of total market turnover declined by about 0.5 percentage points in weeks two to four compared with the first week. The key distinction is between a temporary narrowing of breadth and a deterioration in the market's liquidity regime. We would become more concerned only if multiple mega-deals clustered together, the new listings continued to absorb an abnormally high share of turnover, or aggregate liquidity was already weakening. Absent those conditions, settlement, declining novelty and profit recycling should allow breadth to normalize.

Exhibit 50: Across five tech IPOs raising more than Rmb10bn since 2010, the IPOs' average daily trading volume as % of total market declined 0.5ppt on average in weeks 2-4 after listing versus the first week

Ticker	Company Name	Listing Date	Average Daily Trading Volume of The Company (Rmb bn)		Average Daily Trading Volume of Total Market (Rmb bn)		% of Average Daily Trading Volume of The Company / Total Market		Change
			1 Week After Listing	2-4 Weeks After Listing	1 Week After Listing	2-4 Weeks After Listing	1 Week After Listing	2-4 Weeks After Listing	
601138.SH	Foxconn Industrial Internet Co.,Ltd.	2018-06-08	4.9	1.8	343.8	349.1	1.4%	0.5%	0.9%
688981.SH	Semiconductor Manufacturing International Corporation	2020-07-16	19.3	5.1	1,240.6	947.1	1.6%	0.5%	1.0%
688041.SH	Hygon Information Technology Co., Ltd.	2022-08-12	3.0	0.9	1,046.7	685.5	0.3%	0.1%	0.2%
688469.SH	United Nova Technology Co.,Ltd.	2023-05-10	1.7	0.4	895.8	968.3	0.2%	0.0%	0.2%
688347.SH	Hua Hong Grace Semiconductor Limited	2023-08-07	1.6	0.5	774.6	707.4	0.2%	0.1%	0.1%
Average			6.1	1.7	860.3	731.5	0.7%	0.3%	0.5%

Proper pipeline management could help with better IPO digestion

We identify four main reasons for us to believe in resilient digestion of the ongoing A-share IPO pipeline, under the Tech & Innovation focused national strategy backdrop

- Exceptional unmet demand should provide an initial valuation buffer: Unitree's retail book was more than 8,000 times subscribed, with only a 0.018% winning rate. For CXMT, the correct like-for-like figures are 243.93 times initial online retail subscription and 212 times after the claw-back, with a 0.47% final allotment rate; offline institutional demand was 462.85 times the initial tranche. This was strong for a deal of CXMT's exceptional size – and institutional demand was roughly quadruple SMIC's 114.97 times in 2020. The very small allocation received by most applicants (institutional and retail) creates a natural pool of post-IPO buyers, unlike historical very large IPOs that attracted only muted first-day demand. Of course, this does not necessarily mean that new IPOs should be taken up at any valuations. Fundamentals based stock picking would still be the key, and help direct capital to the most deserving names over the long run.

- Scarce free float and long lock-ups constrain near-term selling supply: For example, only about 6.73% of CXMT's enlarged share capital was freely tradable at listing, while strategic investors – including major technology companies, insurers and national pension-related portfolios – were subject to lock-ups; select CXMT strategic holdings carry an 18-month restriction.

Unitree issued only 10% of its enlarged share capital, and strategic investors face 12- to 36-month lock-ups, including a 36-month restriction on DeepSeek's allocation. This structure can amplify volatility, but it also reduces the amount of stock available for immediate profit-taking, and has limited the near-term selling pressure.

- These companies tend to be scarce strategic assets: For example, CXMT is China's

largest and the world's fourth-largest DRAM producer, with about 7.7% global share. Its IPO proceeds fund capacity upgrades and next-generation memory R&D into an AI-driven memory cycle. Unitree is the first mainland-listed pure-play humanoid-robot company; 2025 revenue reached about Rmb1.7bn, up 335%, and roughly 85% of IPO proceeds are earmarked for R&D. Both companies, and many recent and upcoming listings fit with the national strategic priority, category leadership, and prospective earnings growth could support investor sponsorship beyond the initial listing interest.

- Last but not least, support from the National Team could provide stabilization support, if needed: Such effort is more likely to be triggered when the broader market index is challenged or temporarily squeezed, and such initiatives are well in line with the increasing level of funding support by the country for strategically important sectors, especially the ones that directly compete against the US in a multipolar world context. We have seen government funding picking up in an unprecedented way in the primary market and VC/PE stage; we would not be surprised if the National Team starts to more actively engage in secondary market investing in these thematic opportunities, more likely through thematic ETFs and less so through direct single stock investment, in our view.

Therefore, while flagship IPOs may create intermittent liquidity overhangs and contribute to elevated market volatility in the near term...

...we view them as evidence of the continued upgrading of China's capital market ecosystem: Rather than viewing these listings solely as a liquidity headwind, we see them as an important step toward improving market quality, strengthening capital formation, and expanding the pool of investable hard-tech assets.

Over the longer term, a deeper set of globally competitive technology companies should enhance the attractiveness of the A-share market to both domestic and international long-term investors. The strategic benefits are likely to outweigh the short-term liquidity headwinds.

The strategic benefit – more durable and potentially underappreciated

In our opinion, flagship listings such as CXMT and Unitree expand the pool of investable hard-tech assets, strengthen capital formation and improve the representation of semiconductors, artificial intelligence and embodied intelligence in public markets. Over time, a deeper set of globally competitive technology companies should alter index composition, market leadership and capital-allocation efficiency. This is not merely a sector story. It is a potential transition in the underlying quality of the equity market – from one still heavily represented by mature, macro-sensitive industries toward one with a larger weight in R&D-intensive companies exposed to structural capital expenditure and technological upgrading. The more the listed universe mirrors the economy's productive frontier, the stronger the argument that A-shares can command a higher strategic allocation rather than remain predominantly a tactical liquidity trade.

Fund-flow implications should therefore be viewed through a multi-stage feedback loop.

- In the near term, large IPOs may trigger portfolio rotation, temporary breadth deterioration and profit-taking in adjacent high-beta sectors.

- Over the following weeks, as novelty fades and price discovery matures, liquidity can recycle across suppliers, customers, competitors and thematic peers – particularly if the listing validates investor appetite for the underlying technology theme.
- Over the longer term, successful hard-tech listings can attract incremental active and passive participation, create new index demand, reinforce thematic technology funds and give domestic institutions access to growth assets that previously sat largely in private markets. For international investors, a broader pool of differentiated onshore assets may also strengthen the case for selective A-share exposure, especially where semiconductors, AI infrastructure, robotics and high-end manufacturing are less comprehensively represented in offshore China benchmarks.

This leads to a more provocative long-term conclusion: The greatest risk may not be that China lists too many strategic technology companies, but that its public markets fail to list enough of the companies defining the next phase of industrial development. A lasting IPO renaissance should therefore be judged by the quality, scarcity and commercial credibility of the assets brought to market, not by fund raising volume alone. Strategic importance and policy alignment do not guarantee shareholder returns, and issuer selection remains critical; scarcity can support valuation, but it can also magnify disappointment. Nevertheless, where listings combine genuine technology capability, commercialization visibility, prospective earnings growth and disciplined capital allocation, the improvement in A-share asset quality and investor relevance should outweigh the short-term liquidity headwind. In that scenario, the IPO cycle becomes part of a constructive capital-market loop: better companies enter the market, participation broadens, capital is recycled toward strategic growth sectors, and the market becomes more capable of financing the next generation of innovation.

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