

HOME NEWS FOCUS OPINION GBA VIDEO

NEWS > Hong Kong > Content

Published: 09:33, September 12, 2025 | Updated: 10:02, September 12, 2025 PDF View

IPO revamp a ‘blessing in disguise’ for Hong Kong?

By Gaby Lin

Share

Hong Kong’s overhaul of its listing structure may seem to dilute participation by retail investors and stir competition. But, as Gaby Lin reports, some new IPOs have drawn an overwhelming public response, and the reforms could lift the city’s investment climate and standing as a world financial hub.



Hong Kong’s initial public offering market has tested retail investors’ patience over the past month, as chances are fading for many of them to get a piece of popular IPOs after the city’s bourse operator revamped its IPO allocation rules.

Unlike previous requirements, Hong Kong Exchanges and Clearing’s overhaul, launched on Aug 4, gives IPO issuers leeway — some say it’s too much — by allocating a relatively low proportion of shares to the general public. That’s to say, the pie is shrinking and competition is heating up.

The effect could be seen when Chinese mainland folding bike giant Dahon Tech (Shenzhen) Co’s IPO, fueled by a booming stock market and investor anxiety over the new rules, made its debut on the Hong Kong stock market on Sept 9, and became the most sought-after share offering in the city bourse’s history, with an oversubscription rate exceeding 7,558 times.

READ MORE: [About 250 firms in line for Hong Kong IPOs](#)

The company’s offering shattered the previous oversubscription record of 6,289 times set by Hong Kong media firm, Most Kwai Chung Ltd, in 2018, and outpaced several highly-anticipated listings, including Chinese mainland electric vehicle battery heavyweight, Contemporary Amperex Technology, and the mainland’s largest fresh beverage maker, Mixue Group.

By allocating just 10 percent of its shares to the public tranche in Hong Kong, equivalent to 792,000 shares, Dahon Tech’s offering triggered overwhelming interest with 223,909 applications for shares from the public. Yet, only about 7,900 applicants were allocated shares. Even those who poured in nearly HK\$19.8 million (\$2.54 million) applying for the maximum 396,000 shares allowed under the public tranche were not guaranteed to secure a single board lot of 100 shares.

While industry experts agree that more individual investors will be squeezed out of the IPO market under the new regime, they’re split on whether the changes will help reduce post-IPO volatility or risk undermining the vitality and competitiveness of Hong Kong’s IPO landscape.

Mechanisms replaced

The reforms involve replacing the long-standing “clawback mechanism” with two new optional approaches for IPO issuers to allocate shares.

Under the old structure, if retail investor demand was strong, issuers were required to trigger a “clawback” — a procedure that would shift a portion of shares from the placing tranche, including institutional and

TRENDING

- 1 Tencent, Alibaba push stocks to 4-year high on rate-cut hopes
- 2 Officials: Life and health technology a strategic industry for HK
- 3 SAR has a big role to play in NewSpace economy
- 4 Berlin power outage enters second day with 20,000 still cut off
- 5 AI empowers Eastern health care, forum hears

TOP VISUAL NEWS

for

[IPO revamp a ‘blessing in disguise’](#) < F > g

professional investors, to the public tranche which was capped at 50 percent.

Explaining the rationale behind the move, HKEX Chief Executive Officer Bonnie Chan Yi-ting says the retail investor turnover in the local stock market had dwindled to less than 15 percent of total trading, with institutional and professional investors having become increasingly dominant as the market developed rapidly in the past few decades.

She notes that the “clawback mechanism” could reduce the size of the placing tranche, limiting participation from “price-setting” investors whose bids help determine IPO pricing. This, in her words, had often led to IPO prices being pushed above actual market demand, increasing the risk of post-listing price drops and leaving retail investors to bear the cost of inflated valuations.

The new framework allows IPO issuers to choose between two models for allocating the public tranche.

The first, known as “Mechanism A”, starts with a prescribed allocation of 5 percent for public subscription. If demand is strong, issuers must increase the allocation, up to a maximum of 35 percent, based on the level of oversubscription. The second model, “Mechanism B”, enables issuers to set the public tranche upfront at any proportion between 10 and 60 percent.

HKEX says the overhaul is to “enhance the robustness of the IPO pricing and allocation mechanisms, whilst supporting balanced participation from a broad range of local and international investors”.

To stay globally competitive and attract the next generation of leading companies, it’s crucial to continue evolving the listing framework and ensuring it meets international standards, it says.

The new rules have stirred industrywide debate. Some fear that issuers of highly sought-after IPOs may gravitate toward the second mechanism, locking in a relatively low public allocation in advance to limit small investors’ participation so as to reduce selling pressure and minimize price volatility once trading begins.

Mofiz Chan, chairman of the Hong Kong Securities and Futures Professionals Association, says that retail investors may find it much harder to secure allocations in popular listings.

He explains that many of those who only applied for small subscriptions had typically relied on the “clawback mechanism”, hoping that oversubscription would trigger a reallocation and improve their chances of securing shares.

“The revision may significantly strip them of those opportunities,” he says, warning it could discourage individuals from making informed decisions, and induce them to treat IPO subscriptions “like a lottery”.

“Some retail investors might care less about company fundamentals and simply try their luck, assuming they won’t get shares anyway,” he adds.

Mofiz Chan also warns that the changes could disrupt the balance between retail and institutional demand and, over time, deal a blow to investor sentiment and erode the market’s overall appeal.

Since the new regulations took effect, four IPOs, including Dahon Tech, have adopted the second mechanism, and allocated only 10 percent of their shares to retail investors. Each attracted oversubscription thousands of times at a level rarely seen before the new rules were implemented.

Investor sentiment

Investor Daniel Tsui says he ventured into equities three years ago and has been trying his luck in the local IPO market amid bullish sentiment. Tsui, who describes himself as an “amateur” stock trader, says he has applied for four IPOs since the reforms but has been unable to secure any shares.

He says he’s frustrated with the new rules, adding he has seen widespread objections from fellow retail investors across social media platforms. “Institutional players already have most of the advantages, and the primary market offers little space for us,” he laments. “If access for retail investors is squeezed even further, it would be deeply unfair.”

Leo Li — another veteran investor — says the threshold for public participants has risen, and believes the days of easy IPO profits for retail investors may be numbered.

“The era in which almost anyone could secure an allocation may be coming to an end,” he says, adding that for retail participants, “flipping” IPOs (profitably selling IPO shares shortly after listing) will require more capital, as well as sharper judgment and more professional execution.

Despite concerns about dampening retail investor enthusiasm, industry insiders believe the reforms could, in the long run, strengthen Hong Kong’s investment landscape and support the special administrative region’s broader capital market development.

Diva Hon, managing director and head of capital markets at Everbright Securities International, calls the changes “necessary”, adding that both issuers and the overall IPO market will benefit from the reforms.

She notes that under the previous “clawback” system, surging subscription rates had sometimes flooded the market with retail shares, fueling sharp price swings, particularly among small-cap listings or those with a large portion of shares locked up by cornerstone investors.

“The reforms will allow institutional investors to price deals more accurately, and we expect to see steadier post-IPO performance as allocations shift to institutional investors,” she says.

The share prices of IPOs that launched after the new system took hold have largely held firm, including those of mainland drugmaker Guangzhou Innogen Pharmaceutical Group and tungsten miner Jiaxin International Resources Investment, trading above their respective offer prices.

“Retail investors may turn to secondary markets,” says Hon. “The continued vibrancy of the IPO market can attract more capital to the secondary market, thereby supporting the performance of the broader capital market.”

Mofiz Chan believes a more stable market will lift confidence among overseas investors and issuers. “This could attract more large-scale IPOs and additional overseas capital to Hong Kong and, ultimately, reinforce its position as an international financial center.”

Hong Kong’s IPO resurgence

According to a Goldman Sachs report in July, cornerstone investors accounted for 42 percent of the total capital raised in Hong Kong’s IPO market between January and mid-July, with about two-thirds of these

funds coming from overseas and one-third from domestic investors. Global long-term investors, including pension and sovereign wealth funds, had notably stepped up their participation, the report says.

The resurgence of investment activity has propelled Hong Kong back to being among the world’s top IPO venues. In the first eight months of this year, 59 companies went public in the city, spanning international and mainland firms across various sectors and representing a 37-percent increase from the same period last year. The IPOs raised a total of HK\$134.5 billion (\$17.3 billion) — up nearly 580 percent year-on-year — according to HKEX.

ALSO READ: [New IPO may wave in HK with Chinese concept stocks return, analysts say](#).

Looking ahead, the SAR’s equity market is poised to maintain its robust momentum, underpinned by a strong pipeline of companies preparing to list.

As of Aug 29, about 250 applicants were awaiting listing on the Main Board and the Growth Enterprise Market — a lower-tier platform for small and mid-sized issuers.

With a growing number of mainland firms pursuing “A+H” dual listings to expand their global foothold via Hong Kong’s international platform, the listing boom is expected to accelerate inflows of long-term international capital and foster a virtuous market cycle, according to accounting giant Ernst & Young (EY).

“Most of the companies in the current ‘A+H’ dual listing pipeline are leaders in niche industries, presenting a scarcity value in both Hong Kong and global capital markets,” says Jacky Lai, a spokesperson for EY Hong Kong’s capital market services.

“Looking forward, large corporations and industry leaders are expected to go public in Hong Kong, with an increasing prevalence of new consumption and hard technology enterprises,” he adds.

Contact the writer at gabylin@chinadailyhk.com

Share

ALSO READ

CHINADAILY

Hang Seng Index opens 1.74% higher

CHINADAILY

Hong Kong charting the future of flood-fighting

CHINADAILY

Stakeholders: Educational support, infrastructure needed in Policy Address

CHINADAILY

HK mega infrastructure projects lauded as urban development benchmarks

CHINADAILY

HK champions role as superconnector for Belt and Road growth

CHINADAILY

Hainan to issue 10-year offshore RMB aerospace bonds in HK

CHINADAILY

AI empowers Eastern health care, forum hears

CHINADAILY

Partnerships urged for seizing BRI opportunities

CHINADAILY

NEWS

- Hong Kong
- Nation
- Asia
- World
- Business
- Science
- Sports

FOCUS

- Life & Art
- In-depth China
- Quirky
- Photo
- Graphics
- Data
- Culture HK
- Global Weekly
- Eye on Asia
- Special
- From PR Newswire

OPINION

- Editorials
- Columnists
- David Cottam
- Grenville Cross
- Richard Cullen
- Wilson Lee Flores
- Tom Fowdy
- Henry Ho
- Ho Lok-sang
- Ken Ip
- Regina Ip
- Tony Kwok
- Lau Siu-kai
- Dominic Lee
- Virginia Lee
- Quentin Parker
- Tu Haiming
- Xiao Ping
- Roy Ying

GBA

- GBA Guide
- GBA Life
- GBA in Figures
- GBA Pulse

VIDEO

- News
- Asia Featured
- CDHK In-Depth
- China Daily DOCS
- Drone and Phone
- Girl City
- Peak Talk
- The Gold