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Hong Kong watchdog freezes US\$590m of assets over alleged IPO fraud schemes

The SFC has also suspended 65 listing applications so far this year, as regulator looks to strengthen market quality in the city

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The logo of the Securities and Futures Commission is seen at its office in Quarry Bay on September 23, 2026. Photo: Karma Lo

Hong Kong's securities watchdog has moved against two syndicates suspected of being involved in three alleged initial public offering fraud schemes involving assets worth HK\$4.6 billion (US\$590 million), according to a statement released on Tuesday.

The Securities and Futures Commission (SFC) also announced on the same day that it had suspended 65 listing applications in the first nine months of this year due to the poor quality of their listing sponsors' work, in what analysts viewed as an effort to strengthen the city's market quality.

The SFC has frozen the HK\$4.6 billion of assets related to the three alleged IPO fraud cases, according to the statement.

The cases involved listed companies allegedly signing agreements with the syndicates to divert part of their IPO proceeds away from the companies under the guise of "financial product investments", the regulator said.

Chinese bubble-tea maker Sichuan Baicha Baidao Industrial, also known as Chabaidao, was suspended from trading by the SFC before the market opened on Tuesday, under a rule that can be invoked when companies issue false or misleading information or an intervention is needed to maintain orderly and fair trading.

Two other firms – biotechnology firm Cloudbreak and data analytics provider Tianju Dihe Technology – were also suspended using the same rule on September 10, 2026 and April 1, 2025, respectively.

"We believe that the actions taken to date have significantly disrupted two suspected syndicates which may have been involved in IPO-rigging cases," said Michael Duignan, the SFC's executive director of enforcement.

For the first syndicate – suspected of being involved in the Chabaidao and Cloudbreak IPO fraud schemes – the SFC issued restriction notices to six brokers, freezing up to HK\$4.379 billion across nine entity bank accounts – a record for a case of this kind in the regulator's history.

The accounts belonged to Sun Ran, the alleged mastermind behind the syndicate and a licensed representative of Harvest Global Capital Investments Limited, and eight companies registered in the British Virgin Islands, Seychelles and Samoa.

For the second group – allegedly involved in the Tianju Dihe listing – the SFC placed restrictions on HK\$285 million across accounts belonging to the investor Liu Haoran and two local companies via 29 brokerages.



Sichuan Baicha Baidao Industrial raised US\$313 million in its April 2024 Hong Kong listing. Photo: Handout

The SFC said parties involved in the cases might be ordered to compensate affected investors through a restitution process in the future. It stressed that the brokers receiving restriction notices were not subjects of its investigations.

"We maintain a zero-tolerance policy towards any form of IPO rigging, price manipulation or the creation of a false market," said Julia Leung Fung-ye, CEO of the SFC.

In January, Leung issued letters to investment banks pushing them to improve their work as financial market gatekeepers, as some firms were chasing deals rather than focusing on quality.

The SFC said in a circular on Tuesday that the quality of sponsor work had improved overall this year, but that more needed to be done to raise standards.

"The SFC noted deficiencies persisted in some listing application documents," the regulator said, adding that it had suspended the vetting processes for 65 listing applications over the first nine months of the year due to quality issues related to documents prepared by sponsors.

"It is reasonable to expect continued vigilance and potentially further interventions where the SFC identifies conduct that may undermine market integrity, particularly around IPO allocation, trading patterns, disclosure or attempts to create a false impression of demand," said Kenny How Sze-ming, a council member of the Hong Kong Securities and Futures Professionals Association.

The action was in line with the SFC's broader effort to police IPOs, he added.

As the suspension mechanism used by the SFC freezes investors' capital for a long time, the regulator is working to streamline resumption procedures. It has also introduced targeted post-listing requirements as an alternative means of combating misconduct. The new rules are expected to take effect in the first quarter of next year.

Chabaidao, based in Chengdu in southwest China's Sichuan province, is the country's third-largest maker of fresh tea drinks by sales value. It raised HK\$2.46 billion (US\$313 million) in its IPO in April 2024, with China International Capital Corporation as the sponsor.

Chabaidao's shares dropped 27 per cent on their first day of trading and have lost about 77 per cent from the offer price of HK\$17.50. The stock closed at HK\$4.035 on Monday.