

UNIVERSITY OF MACAU
FACULTY OF BUSINESS ADMINISTRATION

**UNDERPRICING OF INITIAL PUBLIC OFFERINGS (IPOs) IN THE
HONG KONG STOCK MARKET**

*Thesis presented to
Faculty of Business
Administration, University
of Macau for the granting
of the MBA degree in
Strategic Management.*

VONG POU IU, ANNA

1994

TABLE OF CONTENTS

	PAGE	
ACKNOWLEDGMENTS	i	
ABSTRACT	ii	
LIST OF DIAGRAMS	iii	
LIST OF TABLES	iv	
<hr/>		
Chapter 1	GENERAL INTRODUCTION	
1.1	Research objectives	1
1.2	Scope of the study	2
1.3	Limitations of the study	3
1.4	Organization of the study	4
<hr/>		
Chapter 2	THE HONG KONG STOCK MARKET	
2.1	Evolution of the Hong Kong Stock Exchange	5 - 7
2.2	Primary market	8 - 9
	2.2.1 Application procedures and offering process	10-12
	2.2.2 Methods of listing	13
2.3	Secondary market	14
<hr/>		
Chapter 3	REVIEW OF EXISTING LITERATURE	
3.1	The Return behavior of initial public offerings	15-16
3.2	The Underpricing puzzle	17-22
3.3	The Benveniste and Spindt model	23-25

Chapter 4 CONCEPTUAL FRAMEWORK

4.1	The Hanley's (1993) study	26-27
4.2	Comparison of the regulatory framework between the US and HK	28-30
4.3	Determinants of final offer price	31-34
4.4	Share allocation and Initial returns	
	4.4.1 Share allocation practices in Hong Kong	35-36
	4.4.2 Determinants of initial returns	37-41

Chapter 5 ANALYSIS OF DATA

5.1	Data and descriptive statistics	42-44
5.2	Level of premium	45-49
5.3	Initial returns	50-55

Chapter 6 GENERAL CONCLUSION

56-60

FUTURE STUDIES

BIBLIOGRAPHY

APPENDICES