

## **ABSTRACT**

Employing a sample of 350 initial public offerings in Hong Kong, the study examines the expected rate of returns across various levels of subscription during the period of 2002-2007. As consistent with Rock (1986), the “winner’s curse” is strongly evident. In particular, most of subscribers yield negative adjusted returns, although the average initial return reaches around 12%. The uninformed, earn negative allocation-weighted returns that are insignificantly different from zero. For offerings with subscription rates over 100 times, the adjusted returns attainable for uninformed investors are predominant. The results may be driven by the regulatory change regarding the imposition of Clawback. The mechanism affects the allocation distribution and makes returns more favorable towards small investors. Finally, the study also finds that, amongst of a total of eleven types of industry, offerings in Services and Information Technology seem as if fair industries to be invested for small investors’ perspectives.