

INSIGHTS FROM CFA SOCIETY SINGAPORE

## Is Hong Kong's IPO boom a gateway or a risk trap?



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HONG Kong market's IPO (initial public offer) reforms, effective from October 2025, have reshaped how deals are priced and who gets access. For investors, this marks a pivotal shift in market integrity and allocation fairness.

These reforms come amid a surge in IPOs on the Hong Kong bourse. In the first half of this year, companies listing on the Hong Kong Exchanges and Clearing Limited (HKEX) raised US\$14 billion.

Among them, the US\$4.6 billion offering from mainland China battery manufacturer and technology company CATL marked the largest IPO worldwide so far this year, underscoring investor appetite for mainland Chinese listings.

For investors, the surge signals both opportunity and risk: Hong Kong has reasserted itself as the offshore gateway for mainland Chinese firms, but with that dominance comes heavy exposure to China's economy.

The scale of the rebound marks a sharp break from the last three years, when global tightening, weak sentiment, and geopolitical shocks kept Hong Kong's equity market subdued.

What changed in 2025 was a convergence of push factors inside mainland China – deflation, tighter onshore rules, and slowing growth – with pull factors in Hong Kong such as reforms and capital flexibility, making the city the natural outlet.

Together, these forces explain why mainland Chinese firms have returned in such strength, and why

the resurgence of Hong Kong's exchange looks different from past cycles.

### Drivers behind HKEX IPO boom

The striking turnaround is driven predominantly by privately owned mainland Chinese companies seeking offshore capital, which make up 90 per cent of the total fundraising. Compared to its onshore counterparts, HKEX stands out as the top preferred listing venue for mainland Chinese firms.

Since mainland China's economic reform in the late 20th century, three onshore stock exchanges have been established – first Shanghai, followed by Shenzhen, and then Beijing. Together, these exchanges became engines of capital formation, enabling state-owned enterprises (SOEs), private firms, and innovative startups to raise capital at scale, as mainland China's economy blossomed from the 1990s through the 2010s.

However, the political and economic nature of the mainland China market, with capital controls and strict regulatory requirements, limits foreign access. These factors contributed to the attraction of HKEX as an offshore listing venue and a point of access for foreign investors to gain exposure to the mainland China market.

Hong Kong SAR retains features that set it apart from mainland venues. This includes common law structure, global access, and free capital flows. These features continue to make HKEX the natural offshore gateway for mainland Chinese firms.

### Push factors from China

Mainland China's post-Covid slowdown, marked by deflation and property market challenges, has left private firms squeezed by price wars and shrinking margins. Without state backing, many have little choice but to seek foreign capital. This is a key dynamic that is

pushing listings to Hong Kong.

Mainland China is a policy-driven economy. In 2024, the China Securities Regulatory Commission (CSRC) tightened IPO approvals, especially for unprofitable or early-stage firms. As a result, onshore fundraising collapsed to US\$9.3 billion across 101 IPOs, down 83 per cent year on year (yoy). In the first half of 2025, mainland exchanges raised only US\$4.7 billion, less than one-third of what companies listed on HKEX raised in the same period.

### Pull factors from Hong Kong

The fundamental attraction of HKEX over its onshore counterparts lies in its fully open nature, with the Hong Kong dollar a freely convertible currency pegged to the US dollar. The free flow of capital and convertibility into hard currency are essential for any company operating on a global scale. That is also true for early-stage investors and founding members of the privately owned firms considering exit strategies.

Hong Kong is regarded as a special administrative region by mainland China, and the A+H listing model is highly encouraged.

This refers to dual listings where a mainland Chinese company has its shares traded on a stock exchange in mainland China (A-shares) and Hong Kong's exchange (H-shares). In the first half of this year, 21 out of 44 IPOs were A+H listings, an increase of 110 per cent yoy.

### HKEX structural reforms

Recent reforms have reshaped how companies come to market in Hong Kong and how investors can access them. The new Technology Enterprises Channel provides a confidential fast track for specialist firms in the tech and biotech sectors, which are heavily backed in China.

A+H listings can now be ap-



HKEX offers access to mainland China's most dynamic private companies, but the market is highly concentrated. PHOTO: AFP

### Comparing Greater China exchanges

	SHANGHAI (SSE)	SHENZHEN (SZSE)	BEIJING (BSE)	HONG KONG (HKEX)
Established	1990	1990	2021	1891
Market cap	US\$6.6 trillion	US\$4.38 trillion	US\$63.6 billion	US\$4.1 trillion
Number of listed firms	2,263	2,853	239	2,609
Trading currency	CNY	CNY	CNY	HK\$
Daily price limit	±10%	±10%	±30% on debut, ±10% thereafter	No limit
Sector focus	SOEs, blue chips	SMEs, startups	Early-stage SMEs	Global listing
Foreign access	Limited	Limited	Very limited	Full access
Regulator	CSRC	CSRC	CSRC	SFC (via HKEX)

SOURCE: EXPATINVESTCHINA GRAPHIC: KEW KEAT BOON, BT

proved in just 65 days, significantly faster than the median time of 173 business days for a standard IPO application before the new accelerated timeframe was introduced in October 2024. At the same time, HKEX lowered its public float requirement from 15 to 10 per cent and cut the retail allocation cap from 50 to 35 per cent.

For investors, these changes mean two things: faster deal flow, but also less protection. Large mainland Chinese issuers can now bring sizeable offerings to market more quickly while retaining more control, which benefits institutional allocations at the expense of retail access.

Reduced float and tighter retail

caps may improve pricing efficiency in the short run, but they heighten concerns about liquidity and governance in the longer term. In short, access has improved for big investors, while risks for smaller investors have increased.

### What it means for investors

For investors, Hong Kong's IPO boom presents both opportunity and risk. On the upside, HKEX offers access to mainland China's most dynamic private companies. On the downside, the market is highly concentrated. Roughly 80 per cent of HKEX's capitalisation is tied to mainland Chinese issuers, leaving investors exposed to changes in Chinese policy and geo-

political events. Persistent valuation discounts versus global peers raise further questions about long-term returns.

The trade-off is clear: Hong Kong provides a gateway to mainland China's growth stories, but only for investors willing to accept concentration and volatility as the price of entry.

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