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Hong Kong IPO Market Bracing for Opportunities in 2025

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As a traditional advantage of the Hong Kong international financial centre, stock market initial public offerings (IPOs) have ranked first in the world for several times, promoting Hong Kong to become the world's leading financing centre. In 2024, the IPO fund raised in Hong Kong began to pick up, recovering after three consecutive years of decreases. Hong Kong's global ranking rose to the fourth place, indicating the resilience and potential of Hong Kong's capital market enduring cyclical fluctuations. Looking into 2025, Hong Kong market's liquidity and policy conditions could improve, providing opportunities for IPO market to further recover.

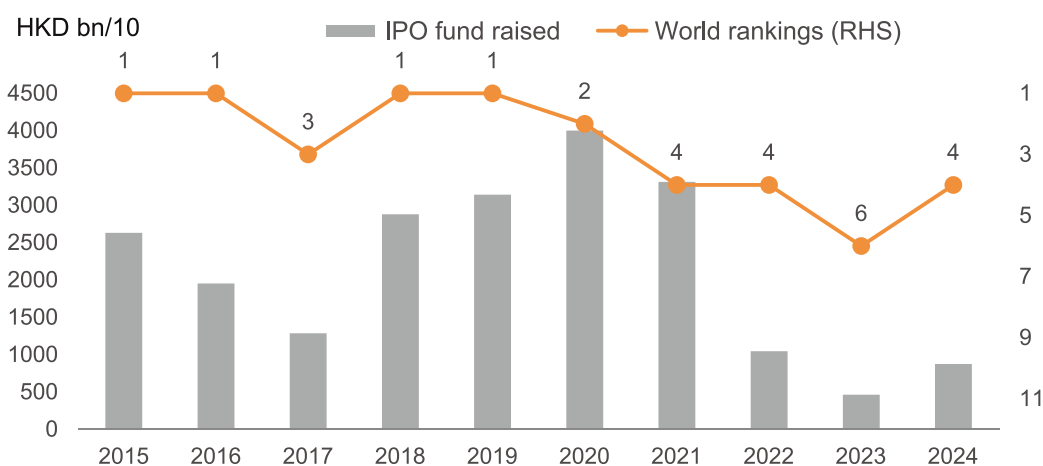
I. Characteristics of Hong Kong's IPO market in 2024

The Hong Kong stock market recovered in 2024, IPO fund raised bucked the trend of global market's decrease of 10% year-on-year (YoY). The Hong Kong exchange ranked fourth globally, after the National Stock Exchange of India, the Nasdaq Stock Market of the US and the New York Stock Exchange. By submarket, sector and geographic breakdown, Hong Kong IPO market presented the following characteristics in 2024.

1. Large IPO being the main driver of rebound in total fund raised, while the number of newly listed companies decreasing

In 2024, the IPO fund raised and number of newly listed companies showed different trends. The IPO fund raised rebounded significantly by 89% YoY to HKD 87.5bn (Figure 1), after a double-digit decrease in 2023. But the number of newly listed companies was 71, decreasing by 3% YoY. The pick-up in fund raised was driven by large IPOs, with the top 10 largest IPOs accounting for 72.8% of total IPO fund raised, as the largest IPO Midea Group was a main contributor, raising approximately HKD 35.7bn. Historically, large IPOs have usually made important contributions to the Hong Kong IPO market. The sluggish performance of Hong Kong IPOs in 2023 was also a result of the absence of large IPOs.

Figure 1: The overview of Hong Kong IPO market (2015-2024)



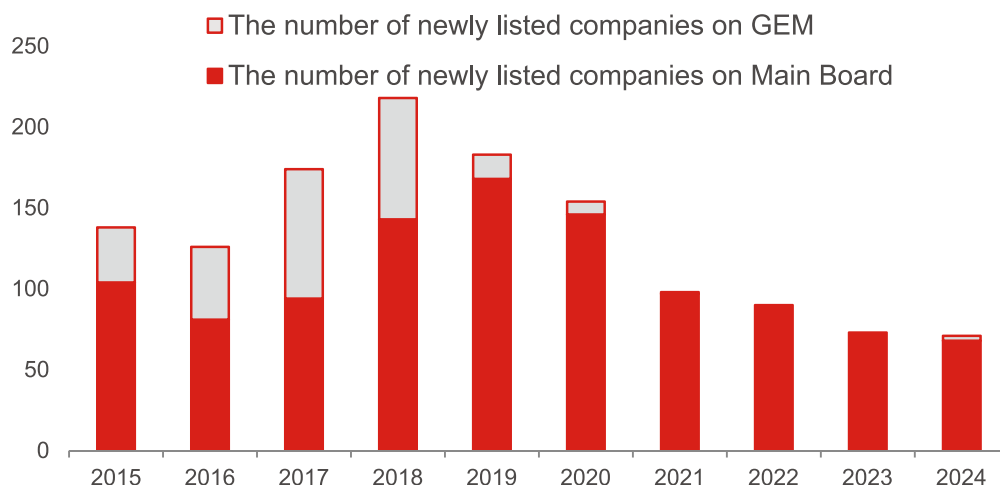
Source: HKEX, Hong Kong Financial Research Institute of Bank of China

While large IPOs contributed notably to IPO market recovery in the short term, a more balanced distribution in IPO scale not only facilitates the number of new listing companies growing together with fund raised, but also has a profound impact on the prosperity and stability of IPO market in the longer term. In recent years, the concentration of large IPOs (fund raised over USD 1bn) has been decreasing from around 80% in 2011 to 40.8% in 2024, close to the level of other developed markets. According to Wind, the proportion of large IPO raising funds over USD 1bn was around 30% in the US. The concentration of large IPO declined to a moderate level, could help Hong Kong market become more mature. However, a high concentration of large IPOs could cause divergence of performance for stocks in different scale, leading to IPO underpricing or the price in the first trading day closing below IPO price. This could undermine the efficiency of IPO pricing.

2. The Main Board IPO fund raised picking up, Growth Enterprise Market (GEM) listing reform showing initial effect

In 2024, the Main Board saw 68 newly listed companies, raising fund around HKD 87.2bn, rose by 88% YoY. The GEM sentiment improved, with 3 newly listed companies raising fund around HKD 0.24bn. The GEM listing reform took effect on 1 January 2024, positioned the GEM as “a market for both well-established small and medium-sized enterprises (SMEs) and growth companies heavily engaged in R&D”, while “it would not be positioned as a market for start-ups”. This could manage investment risks within a certain range, and help expand the scope of potential investors. The GEM listing reform introduced a new streamlined transfer mechanism for eligible GEM companies to transfer to the Main Board without the need to appoint a sponsor to carry out due diligence and produce a “prospectus-standard” listing document, which showed more attractiveness compared to other reform measures. As of 2024 year-end, the Hong Kong Exchange (HKEX) received applications from 3 GEM companies transferring to the Main Board, within which the first company successfully transferring to the Main Board has been trading on 18 February 2025.

Figure 2: The number of newly listed companies on the Main Board and GEM (2015-2024)



Source: HKEX, Hong Kong Financial Research Institute of Bank of China

3. Consumption sector accounting for a relatively high proportion, while new economy sector partially improving

According to Wind, the top 3 largest sectors of Hong Kong IPO fund raised in 2024 were consumer discretionary, information technology and industrials, representing 51%, 18% and 12% of total IPO fund raised, respectively (Figure 3-4). The consumption sector has been one of the main sectors in the Hong Kong IPO market, as the total proportion of consumer staples and consumer discretionary was 61% in 2024, which exceeded 30% in the past five years. Among the new economy sector, the proportion of information technology sector increased to 18% in 2024 from 12% in 2023. Being special listing rules for the new economy sector, Chapter 18A (Biotech companies) and 18C (Specialist technology companies) related IPO activities were relatively sluggish in 2022 and 2023. Chapter 18C saw the first 3 listing companies in 2024, suggesting emerging market demand. But the number of Chapter 18A newly listed companies continued decreasing, with 4 newly listed in 2024, widening the gap with 2021 of 20 newly listed.

Figure 3: 2023 Hong Kong IPO market by sector breakdown (%)

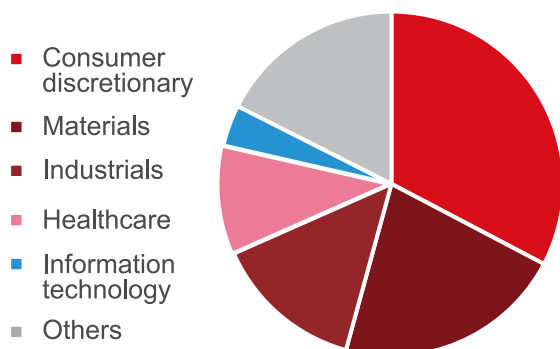
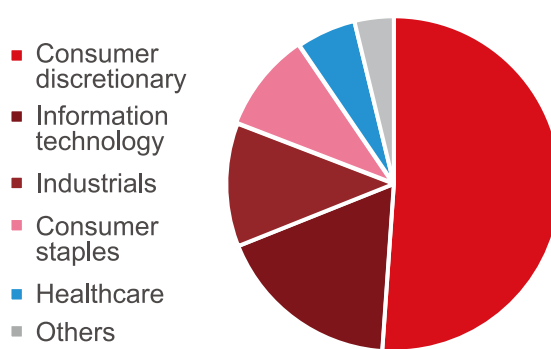


Figure 4: 2024 Hong Kong IPO market by sector breakdown (%)



Source: HKEX, Wind, Hong Kong Financial Research Institute of Bank of China

4. Mainland companies being the main IPO listing entities, while the new listing of international companies recovering

Mainland companies are the main component of Hong Kong IPO market in 2024, raising fund of HKD 83.9bn, accounting for 96% of total IPO fund raised, increasing from 90% in 2023. HKEX saw 3 international listing, with HKD 2.7bn fund raised. Among those Mainland companies, 3 of them are A-share listed companies, Midea Group and SF Express Holding have been ranked into top 3 HKEX listing companies in terms of fund raised. In recent years, more A-share listed companies went public in HKEX, with a total number of 15 companies during the year of 2020-2024, greater than the number of H-share companies being listed on A-share (2 companies). This highlighted Hong Kong's role of bridging Mainland and overseas for two-way opening, Mainland companies showed IPO demand in overseas financing and developing global businesses. Since 1993, Hong Kong has seen more H-share companies listing on A-share, while there was no A-share company offered in H-share until 2004. So, the Hong Kong stock market mainly played the role of introducing international capital and experience into Mainland. With the evolving of A+H share listing characteristics, Hong Kong stock market improved its role of bridging Mainland and overseas. A number of Mainland companies listed in the HKEX also help Hong Kong establish an advantage in IPO businesses, and become a leading global financing centre.

II. The opportunities of Hong Kong IPO market in 2025

Into 2025, Hong Kong IPO market recovered at a faster pace. In January 2025, the IPO fund raised was HKD 5.7bn, increasing by 159% YoY, with 8 newly listed companies including 1 company under Chapter 18A listing rule.

As of 28 January, 94 IPO applications were under HKEX processing, 14 have been approved by the Listing Committee pending listing. Looking ahead, with the liquidity and policy conditions of Hong Kong stock market improving, the recovery of Hong Kong IPO could expedite. Market participants held optimistic views on 2025 Hong Kong IPO market, as major institutions predicted that the IPO fund raised could further increase in 2025 vs 2024, breaking the level of HKD 100bn. Hong Kong's world ranking is expected to return to the top 3 in 2025.

1. The Fed could resume rate cut, facilitating improvement in liquidity condition

Looking back into the three rounds of Fed rate cut cycle since 2000, in two cycles Hong Kong IPO saw YoY increases in the second year after the beginning of rate cut, and in 2007-2008 cycle showed a YoY increase in the third year after the beginning of rate cut. This indicated the positive impact of monetary easing on Hong Kong IPO market. On one hand, the Fed's cutting rate could improve the risk sentiment and hence benefit global IPO market. According to the Institute of International Finance (IIF), after the Fed's first rate cut in September 2024, Emerging Asia stock market, the performance of which was highly correlated with global liquidity condition, saw net outflows narrowed from USD 25.8bn in September to USD 1.5bn in December 2024. The Hong Kong market is highly open and relatively sensitive to marginal improvements in global markets, therefore, the transition of global positive factors into Hong Kong market could be relatively faster. On the other hand, under Hong Kong's currency board arrangements, the local interest rates would turn lower amid the Fed's rate cut cycle, providing a better condition for corporates' earnings outlook and IPO valuation. Looking ahead, we expect the Fed could cut interest rates in a more cautious manner, and hence 1M HIBOR could decline with fluctuations, contributing to an improvement in liquidity condition.

2. The central government put more efforts on supporting Mainland companies to list in Hong Kong

In April 2024, the China Securities Regulatory Commission (CSRC) released 5 measures on capital market cooperation between the Mainland and Hong Kong, including supporting Mainland companies, especially for those were leading in specific industries, to list in Hong Kong. This has clearly indicated the central government's increasing support for the Hong Kong stock market. In H224, the number of Mainland companies listing in Hong Kong increased notably, including Midea Group and SF Express Holding. The CSRC launched new regulations for the filing-based administration of overseas securities offering and listing by domestic companies. In 2024, a total of 99 companies completed IPO filing procedures for Hong Kong listing (including full circulation of H shares). In January 2025, Pan Gongsheng, the Governor of the People's Bank of China (PBoC), said to support more high-quality companies to list in Hong Kong, while the CSRC proposed to optimize the filing system for overseas securities offering and listing by domestic companies. As the support from the central government to further take effect, we expect Mainland companies could be a leading contribution to Hong Kong IPO market in 2025. According to Bloomberg, the IPO of Contemporary Amperex Technology Co., Limited (CATL) may raise more than USD 5bn in Hong Kong, being the largest IPO in Hong Kong since 2021. Mainland companies such as Qunhe Technology (one of the "Hangzhou Six Little Dragons"), Hengrui Pharmaceuticals, and Haitian Flavoring & Food have submitted prospectuses to the Hong Kong Stock Exchange.

3. The HKEX launched reform measures on IPO market

The HKEX enhanced timeframe for new listing application process in 2024, including accelerated timeframe for eligible A-share listed companies (Accelerated Timeframe), as a response to the central government's support for Mainland companies listing in Hong Kong. In October 2024, the HKEX announced an enhanced timeframe for the New Listing application process (Enhanced Application Timeframe). Under the Accelerated Timeframe, the application from

eligible A-share listed company will take no more than 30 business days to complete the Regulators' Assessment, instead of 40 business days for other companies' New Listing applications under "Applications Fully Meeting Requirements". In December 2024, the HKEX released a consultation paper on proposals to optimize IPO price discovery and open market requirement (Consultation Paper), lowering the threshold of minimum relative amounts of shares made available for trading in Hong Kong for A+H issuers, as the current threshold could be relatively high for A+H issuers. We expect the proposal could be implemented in 2025, becoming a driving force for A+H listing.

Being an important part of the Consultation Paper, the reform on IPO price discovery (Table) could attract more professional investors to participate in the Hong Kong IPO market and improve the efficiency of IPO pricing. Currently, Hong Kong IPO market is composed of 3 types of investments: cornerstone investment, placing tranche and public subscription tranche. Among those, the investors in placing tranche hold the strongest bargaining power, but the current mechanism could be limited to the proportion of placing tranche, and therefore unfavorable for IPO pricing activities. The Consultation Paper proposed to increase the proportion of placing tranche, revise the clawback mechanism and reduce the lock-up period for cornerstone investors. As the proposals could be taken into effect in 2025, this would increase the proportion of institutional or professional investors in IPO market. According to the HKEX, the retail investors accounted for < 15% of Hong Kong market, significantly lower than 53% in 1997. Meanwhile, the proposed measures could attract more high-quality companies in the supply side.

Table: Key proposals on IPO pricing and offering mechanism from the Consultation Paper

IPO market components	Types of investors	Proposals from the Consultation Paper
Cornerstone investment	Institutional or professional investors	Sought market feedback on retaining the current requirement where IPO securities placed to cornerstone investors will be locked-up for six months after listing, or allowing a "staggered release" approach where 50% of the IPO securities placed to cornerstone investors will be released three months after listing and the remaining IPO securities will be released six months after listing
Placing tranche	Institutional or professional investors	Proposed to require that every IPO is priced by reference to a robust bookbuilding mechanism by requiring that an issuer allocate at least half of its offer shares to the bookbuilding placing tranche
Public subscription tranche	Retail investors	Proposed to provide issuers the flexibility to either initially allocate 5% of its offer shares to the public subscription tranche, subject to a clawback mechanism of up to 20% (as compared to the current requirement of a clawback mechanism of up to 50%), or initially allocate a minimum of 10% of its offer shares to the public subscription tranche, with no clawback mechanism

Source: HKEX, Hong Kong Financial Research Institute of Bank of China

4. Mainland SMEs could choose HKEX as the US Nasdaq stock market suggested to raise the listing threshold for SMEs

In December 2024, the US Nasdaq proposed to modify Listing Rule 5405 and 5505 to require that a company listing on the Nasdaq Global Market or Nasdaq Capital Market in connection with an IPO satisfy the applicable minimum Market Value of Unrestricted Publicly Held Shares (MVUPHS) requirement solely from the proceeds of the offering. According to Wind, among the 61 Chinese enterprises listed in the US in 2024, 58 chose Nasdaq, suggesting the attractiveness of Nasdaq stock market to Chinese enterprises. If the proposal is approved in 2025, the threshold for SMEs listing on Nasdaq will be increase. This could lead to more Chinese SMEs aiming to list overseas to choose other exchanges including the HKEX.

III. Suggestions on further strengthening the competitiveness of Hong Kong IPO market

While the Hong Kong's IPO market has seen initial rebounds, the total fund raised in 2024 was less than HKD 100bn, still leaving a gap from the historical highs before 2021. We suggest to embrace for opportunities in 2025, further

enhance the Listing Rules and bring in more IPO investors, and hence promote the continuous recovery of Hong Kong's IPO market, strengthen the competitiveness of the Hong Kong international financial centre.

Enhancing the Listing Rules in line with market development trends and supporting the new economy enterprises to list in Hong Kong. Since 2018, the HKEX has successively introduced a series of measures related to the listing reform, to attract more new economy enterprises and SMEs. In January 2025, the new model of DeepSeek, an artificial intelligence (AI) start-up in Mainland China, achieved a new breakthrough in domestic AI technology, invigorating positive expectations for China's AI model. At present, the consumption sector in Hong Kong IPO market accounts for a relatively high proportion, so we suggest (1) to seize the opportunity of AI development, leveraging the experience of the special listing rules of 18A and 18C, and introduce new listing rules targeted for AI and its upstream and downstream industries such as digital infrastructure and semiconductors. This could facilitate more technology companies to list in Hong Kong. (2) To provide a more conducive environment for the listing of private enterprises from the Mainland. On 17 February, the central government held a conference for private enterprises, which released an important signal to promote the healthy and high-quality development of the private economy. In the future, Hong Kong could simplify the approval process for private enterprises that meet certain conditions (such as market capitalization and profitability) to list in Hong Kong.

Attracting diversified funds to invest in Hong Kong IPOs and expanding the source of capital investing in Hong Kong IPO market. Overall, the liquidity of Hong Kong stock market is behind that of major global financial markets. As the listing reform could attract more supply of IPOs, expanding the source of capital on the demand side is an important supporting measure. First, attracting international long-term funds to participate in the cornerstone investment of Hong Kong stock IPOs. According to EY, around 66% of Hong Kong IPOs in 2024 had cornerstone investors participating, and around 72% of IPOs invested by cornerstone investors with state-owned assets closed higher (in the first trading day) than the IPO price. In the future, Hong Kong can further attract long-term funds such as sovereign wealth funds and insurance funds to participate in IPO market (for instance, by establishing "IPO funds" with specific investment styles), so as to increase the willingness of long-term capital investment. Second, extending the Connect mechanism between the Mainland and Hong Kong to the IPO market. Referring to the experience of Stock Connect in the secondary market, the average daily turnover of Southbound Connect increased significantly from 0.7% in 2014 to 18.3% in 2024, indicating Mainland capital played an important role in enriching the investor structure of Hong Kong stock market. In the future, considerations could be given to launching "IPO Connect", allowing Mainland investors to participate more deeply and comprehensively in Hong Kong IPO market.

Strengthening HKEX's international cooperation and attracting more international enterprises to list in Hong Kong. In 2024, only 3 international companies listed in HKEX, out of a total number of 71 IPOs, suggesting that Hong Kong still has room in attracting international companies. Our suggestions include: (1) to expedite the introduction of the secondary listing of companies listed in the HKEX's recognized stock exchanges. Since the HKEX has included the Saudi Exchange and the Indonesia Stock Exchange in the list of recognized stock exchanges, in the future, Hong Kong can promote more successful cases and make them replicated. (2) To include more exchanges into the list of recognized stock exchanges, taking into consideration of those from the Middle East and Southeast Asia, to support more international enterprises to list in Hong Kong. (3) To support the HKEX open more overseas offices. Among the present 5 overseas offices of the HKEX, only the Singapore office is located in Southeast Asia, and the Riyadh office will open in 2025. In the future, HKEX may consider opening more overseas offices in India and Southeast Asia. (4) To enhance global promotional activities. The government could carry out roadshows and promotions, collaborated with financial institutions, in countries or regions with high demand for IPO. This could promote the advantages of Hong Kong's IPO to potential customers, so that more overseas enterprises can gain insight into Hong Kong market and choose Hong Kong IPO services.

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主要經濟指標 (Key Economic Indicators)

一、本地生產總值 GDP	2022	2023	2024	2024/Q4
總量 (億港元) GDP(HKD 100million)	28,090	29,010	29,729	7,810
同比增長率 (%) YoY change(%)	-3.7	3.3	2.5	2.4
二、對外商品貿易 External merchandize trade			2024/12	2024/1-12
外貿總值 (億港元) Total trade(HKD 100million)				
總出口 Total exports	45,317	41,774	4,067	45,424
總進口 Total imports	49,275	46,450	4,412	49,221
貿易差額 Trade balance	-3,958	-4,676	-345	-3,797
年增長率 (%) YoY Growth(%)				
總出口 Total exports	-8.6	-7.8	5.2	8.7
總進口 Imports	-7.2	-5.7	-1.1	6.0
三、消費物價 Consumer Price				
綜合消費物價升幅 (%) Change in Composite CPI(%)	1.9	2.1	1.4	1.7
四、零售市場 Retail market				
零售額同比升幅 (%) Change in value of total sales YoY(%)	-0.9	16.2	-7.3	-9.7
五、訪港遊客 Visitors				
總人數 (萬人次) Total arrivals(10 thousands)	60.5	3,400.0	425.6	4,450.3
年升幅 (%) YoY change(%)	561.5	5,523.8	8.3	30.9
六、勞動就業 Employment			2024/10-2024/12	2024/11-2025/1
失業人數 (萬人) No. of unemployed(10 thousands)	16.3	11.3	11.4	11.0
失業率 (%) Unemployment rate(%)	4.3	2.9	3.1	3.1
就業不足率 (%) Underemployment rate(%)	2.3	1.1	1.1	1.1
七、住宅買賣 Domestic property sales and price index			2024/11	2024/12
合約宗數 (宗) No. of agreements	45,050	43,002	6,298	4,103
住宅售價指數 (1999=100) Domestic price index	369.7	337.4	291.0	289.1
八、金融市場 Financial market			2024/12	2025/1
港幣匯價 (US\$100=HK\$) 期末值	780.8	781.1	776.4	779.1
HKD exchange rate (US\$100 = HK\$), end of period				
銀行體系收市總結餘 (億港元) 期末值	962.5	449.5	448.0	446.4
Closing aggregate balance(HKD 100million), end of period				
銀行總存款升幅 (%)	1.7	5.1	7.1	-
Change in total deposits(%)				
銀行總貸款升幅 (%)	-3.0	-3.6	-2.8	-
Change in total loans & advances(%)				
最優惠貸款利率 (%) 期末值	5.6250	5.8750	5.2500	5.2500
Best lending rate (%), end of period				
恒生指數 Hang Seng Index	19,781	17,047	20,060	20,225