

# THE UNDER PRICING AND LONG-RUN PERFORMANCE OF INITIAL PUBLIC OFFERINGS IN THE HONG KONG STOCK EXCHANGE EVIDENCE FROM THE HONG KONG STOCK MAKER DURING THE PERIOD 1994-2003

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## ABSTRACT

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The Academic research into firms that have gone public has been focused on the study of two anomalies: in initial under pricing and long run performance. The first aim of this study is to analyze the IPOs in Hong Kong during the period from 1994-2003, with a sample consisting of 34 firms, in order to provide additional evidence on the short-run performance and the long-run performance of IPOs, which measured by against the local stock market indices of each IPO. The portfolio of all IPOs in the sample underpriced as much as 63.03% in the 1<sup>st</sup> day after trading. Moreover, the sample of all IPOs underperforms in the 3<sup>rd</sup> year at 63.56% in the stock market, thereafter outperforms from fifth year to 10<sup>th</sup> year which is at -31.5% and -0.07%. The analysis for the nature of business is also investigated, result shows that the highest returns is the transportation IPO, which is consistent with the finding of Stephen (1999). Finally, by using linear regression, the results how the high initial return is accompanied by subsequent poor long-term performance.