INTELLECTUAL CAPITAL DISCLOSURE

IN HONG KONG INITIAL PUBLIC OFFERINGS

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of

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STATEMENT OF ORIGINALITY

I hereby declare that this dissertation contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. I give consent to this copy of my dissertation, when deposited in the University Library, being made available for loan and photocopying subject to the provisions of the Copyright Act 1968.

________________________________________
Margaret Chui Ling NG
August, 2011
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LIST OF ABBREVIATIONS

The following terms will be consistently abbreviated throughout the dissertation after introducing them at first mention in each chapter:

<table>
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<tr>
<th>Term</th>
<th>Abbreviation</th>
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<tbody>
<tr>
<td>Growth Enterprise Market</td>
<td>GEM</td>
</tr>
<tr>
<td>Hong Kong Securities and Futures Commission</td>
<td>HKSFC</td>
</tr>
<tr>
<td>Information and Communications Technology</td>
<td>ICT</td>
</tr>
<tr>
<td>Initial Public Offerings</td>
<td>IPO</td>
</tr>
<tr>
<td>Intellectual Capital</td>
<td>IC</td>
</tr>
<tr>
<td>Intellectual Capital disclosure</td>
<td>ICD</td>
</tr>
<tr>
<td>Intellectual Capital Management</td>
<td>ICM</td>
</tr>
<tr>
<td>Intellectual Capital Report</td>
<td>ICR</td>
</tr>
<tr>
<td>Intellectual Property</td>
<td>IP</td>
</tr>
<tr>
<td>Intellectual Property Department</td>
<td>IPD</td>
</tr>
<tr>
<td>International Accounting Standard</td>
<td>IAS</td>
</tr>
<tr>
<td>International Financial Reporting Standards</td>
<td>IFRS</td>
</tr>
<tr>
<td>Non H-share Mainland private enterprises</td>
<td>NHMPE</td>
</tr>
<tr>
<td>North American Industry Classification System</td>
<td>NAICS</td>
</tr>
<tr>
<td>Organisation for Economic Co-operation and Development</td>
<td>OECD</td>
</tr>
<tr>
<td>Return on Asset</td>
<td>ROA</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>ROE</td>
</tr>
<tr>
<td>Return on Investment</td>
<td>ROI</td>
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<tr>
<td>Small-Medium Enterprise</td>
<td>SME</td>
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ABSTRACT

This purpose of this study is to measure the voluntary disclosure of intellectual capital information in Hong Kong initial public offering (IPO) prospectuses for companies that listed on the Hong Kong Stock Exchange in 2008 and 2009.

Content analysis was conducted in calculating the disclosure score, which was based on an intellectual capital (IC) framework with 81 items. Correlations and regressions were used to test the relationships between disclosure index, underpricing, and subcategories of intellectual capital with different variables including retained ownership, auditor reputation, sponsor prestige, solicitor prestige, leverage, executive compensation, gross proceed amount, age, size, partial allocation of proceeds to research and development area, managerial forecast, and pre-listing profitability. Eight hypotheses were developed to test the relationships between these variables with underpricing (H1), intellectual capital disclosure (ICD) (H2), human resource capital (H3), strategic capital (H4), customer capital (H5), information technology capital (H6), process capital (H7), and research and development capital (H8).

The results showed an average of 9.99% for underpricing and an average disclosure score of 27.94% for the two years. Hypotheses 1, 2, 4, 5, and 6 were accepted as the independent variables were not found to have any significant influence on underpricing, IC disclosure, strategic capital disclosure, customer capital disclosure, or information technology capital disclosure. Hypotheses 3, 7, and 8 were rejected, which stated that the reputation of the auditor had significant influence on human resource capital; that the company’s age had significant associations with process capital; and that executive
compensation, company size, and proceeds directed to research and development had significant relationships with research and development capital.

Since the content analysis was conducted by one person, the results may not be completely objective, and the quality of disclosure had not been taken into the score calculation. The results may provide insights that assist local regulatory bodies to formulate regulations on mandatory information disclosure or on drafting guidelines on voluntary disclosure for IPOs.