

An Empirical Examination IPO Underpricing In Chinese A-Share From 2000 To 2004

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ABSTRACT

The large under-pricing in the Chinese IPO market has attracted much research attention. Using data on 30 news issues from 1 January 2000 to 31 December 2004 in China, the researcher find that the average under-pricing of Chinese IPOs is 151.123% in first trading day. The researcher analyse possible explanations for the Chinese market according to the characteristic of the Chinese market and examine two major models, such as the winner's curse model, the signalling model. The Winner's Curve to explain the extraordinarily severe under-pricing of IPOs, and final that IPO under-pricing is primarily explained by the information asymmetries caused by the high proportion of uninformed individual investors. The results show that the winner's curse hypothesis is main reason for the high IPO under-pricing in China in terms of timing gap, offering size and earning per share.