

Next ChiNext firms triple their IPO sizes

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SHANGHAI—The eight companies that make up the second batch of listings on China's new start-up board have tripled the amount they are seeking through initial public offerings, given the outsized gains in share prices of the firms that listed on ChiNext late October.

But analysts warned that the new stocks have unduly high valuations and said the securities regulator must decide whether to boost the number of IPOs as a way to clamp down on rampant speculation.

The eight companies said they will raise a total of 4.9 billion yuan (\$717.6 million) from their IPOs, compared with the 1.6 billion yuan originally planned. Subscriptions begin Wednesday,

The companies have an average price/earnings ratio of 83.6, much higher than the average of around 50 among the 28 companies that first listed on the high-growth, high-risk board.

"The lofty price-to-earnings ratio has exceeded everyone's expectations and is a measure of how flush liquidity is," said Simon Wang, an analyst at Guoyuan Securities.

ChiNext, hosted by the Shenzhen Stock Exchange, was set up to help fill a funding void for the country's innovation-driven but cash-strapped small enterprises, many of which have largely been bypassed by China's recent lending boom.

The startup board opened Oct. 30, with the initial 28 companies gaining as much as 210% on their first trading day.

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Boosting supply may be the most effective way to curb rampant speculation on ChiNext. That the regulator chose only eight companies for the second batch of IPOs shows it is being cautious but also is finding it difficult to find qualified candidates.

"Beijing is in a dilemma. If valuations on the ChiNext don't have the potential to jump higher, then investors will be less enthusiastic about it. But if valuations are too lofty, then the risk of a bubble heightens," Mr. Wang said.

The eight new ChiNext listings are Guangzhou Improve Medical Instruments Co., Wuxi Boton Belt Co., Hexin Flush Information Network Co., Beijing SuperMap Software Co., Beijing Cisri-Gaona Materials & Technology Co., Jiangsu Huasheng Tianlong Photoelectric Co., Jinlong Machinery & Electronic Co. and Hunan Zhongke Electric Co.