

Market Bulletin

Monday 20 January, 2014 (Issue 3)

Highlights

- CSRC to Tighten Supervision of IPO Process
- China to Improve Financial Services for Technology Companies
- Yu'E Bao's AUM Tops RMB 250 Billion
- China's GDP Rises 7.7% in 2013
- CBRC to Strengthen Supervision for the Banking Industry
- Number of IPO Applicants Decreases to 697
- China Increases U.S. Treasury Holdings by US\$ 12.2 Billion in November
- China's FDI and ODI Both See Increase
- Second B- to H- Share Company Trades on HKEx
- RMB Average Daily Turnover Volume Registers RMB 400 Billion
- Mutual Recognition of Fund Managers Likely to Move Forward in 2014
- Qianhai Likely to Pilot QDII2 Scheme
- Europe Launches Its Second Chinese A-share ETF
- SZSE Adjusts Information Disclosure Mechanism

Market Review

From 13 to 17 January, Shenzhen Component Index closed at 7544.6 points after losing 1.4%. SME Index edged up 0.1% to 4866.1 points. ChiNext Index jumped 3.1% to 1395.5 points. Total turnover for stocks and funds on SZSE was US\$75.1 billion, or a 10.4% decrease from the week before.

12 sector indices were higher than previous week, and 4 were lower. Sector indices with the biggest gains were IT, business support and culture & media. Sector indices with the biggest drops were environmental services, finance and real estate.

Top 3 gainers were Dalian Kemian (002354), Nantong Metalforming (300280) and Shenzhen Rapoo (002577). Top 3 decliners were Huasu Holdings (000509), Beijing Kangde Xin (002450) and Oriental Energy (002221). The most active stocks for the last week were Suning (002024), Leshi (300104) and OURPALM (300315).

Market News

CSRC to Tighten Supervision of IPO Process

On 12 January, the CSRC announced new measures to tighten the supervision of IPO process. The authorities had begun spot checks on 44 institutional investors and 13 sponsors involved in price setting for IPOs. Nine firms have postponed their listings either as required or voluntarily. Neway Valve, the first listing after the reopening of IPO, debuted on 17 January and ended 43.49% higher over the offering price on its first trading day.

China to Improve Financial Services for Technology Companies

A document jointly released by the PBC, the CSRC, the Ministry of Science and Technology and three other ministries discloses that China will support technology-focused microfinance companies to provide financing services for small and micro-sized technology companies, as well as encouraging qualified micro-finance companies and financial lease companies to finance through asset-backed securities and bond issuance. Authorities will also examine the feasibility of allowing high-tech companies to issue preferred shares and private placement convertible bonds as M&A tools.

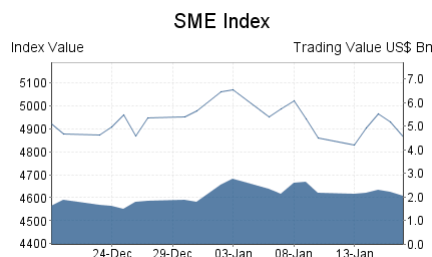
Yu'E Bao's AUM Tops RMB 250 Billion

Alipay announced that Yu'E Bao's total assets rose 35% in 15 days to hit RMB 250 billion (US\$41 billion) as of 15 January, attracting 49 million investors. According to the China Internet Network Information Center, China has 618 million netizens by the end of December 2013, of which 81% are mobile devices users. Liu Xinhua, Vice Chairman of CSRC, recently spoke at an Internet finance forum that the regulators will reinforce supervision over Internet finance and take measures to prevent risks associated with it.

China's GDP Rises 7.7% in 2013

According to the National Bureau of Statistics (NBS), China's GDP grew 7.7% y-o-y in 2013, the same as the final reading of 2012. The NBS says the figure implies good momentum of stable and moderate growth in 2013.

Key Indices





For data products and services based on Shenzhen market, please contact Shenzhen Securities Information Company.

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Market at a Glance

SZSE Market Statistics (17 January, 2014)

No. of Listed Companies	1536
Market Cap.(US\$ Bn)	1415.4
Free-float Market Cap.(US\$ Bn)	1012.5
Average P/E Ratio	27.26
For the Year of 2014	
Turnover Value(US\$ Bn)	243.9
-Stock	190.5
-Main Board	44.9
-SME Board	85.8
-ChiNext	59.9
-Fund	3.0
-Bond	50.4
Daily Turnover Ratio(%)	1.32
Total Fund Raised by Equity (US\$ Bn)	4.5
No. of IPO	0

*Currency ratio used : 1 USD=6.11 CNY

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CBRC to Strengthen Supervision for the Banking Industry

According to various media reports, the CBRC has newly formed a leadership group on banking industry reform headed by Chairman Shang Fulin. The group's top priority is to rectify the interbank and wealth management businesses.

Number of IPO Applicants Decreases to 697

The latest CSRC data shows the number of companies waiting for IPO reviews totaled 697 as of 16 January. The figure was four fewer than that of a week earlier. Among them, 287 and 237 companies plan to list on the SME Board and ChiNext Market, respectively.

China Increases U.S. Treasury Holdings by US\$ 12.2 Billion in November

China has increased its U.S. treasury holdings by US\$ 12.2 billion in November 2013, which makes China's total holdings of U.S. treasury securities reach US\$ 1.3 trillion, hitting a record high.

China's FDI and ODI Both See Increase

According to the Ministry of Commerce, China's actual foreign direct investment (FDI) inflow increased 5.25% y-o-y to US\$ 117.6 billion in 2013. The PBC discloses that overseas direct investment (ODI) settled in Renminbi surged 193% y-o-y to RMB 85.6 billion (US\$ 14 billion) in 2013.

Second B- to H- Share Company Trades on HKEx

On 16 January, Livzon Pharmaceutical Group, the second company that successfully converted its B- shares to H- shares, officially began trading on HKEx. The Livzon H- share ended its first day debut with a 0.99% increase.

RMB Average Daily Turnover Volume Registers RMB 400 Billion

When addressing at the Seventh Asian Financial Forum, CY Leung, Chief Executive of Hong Kong SAR said that Hong Kong's RMB Real Time Gross Settlement (RTGS) system handles an average daily turnover of around RMB 400 billion. The operating hours of the RMB RTGS system have been extended to 15 hours.

Mutual Recognition of Funds Likely to Move Forward in 2014

In an interview during the Asian Financial Forum, KC Chan, Secretary for Financial Services and the Treasury of Hong Kong SAR predicted that mutual recognition of funds between Hong Kong and Chinese Mainland is expected to see substantial progress within the year of 2014.

Qianhai Likely to Pilot QDII2 Scheme

Li Qiang, Deputy Director General of Qianhai Authority revealed at the Asian Financial Forum that Qianhai is likely to be in the first batch of pilot districts for QDII2 scheme, where qualified domestic individual investors are allowed to conduct direct overseas investment.

Europe Launches Its Second Chinese A-share ETF

According to *Securities Times*, *The DB X-trackers Harvest CSI300 Index UCITS ETF* became listed on 16 January, becoming Europe's second ETF product that directly invests in China's A-share market, right after the listing of *CSOP Source FTSE China A50 UCITS ETF* on 9 January.

SZSE Adjusts Information Disclosure Mechanism

SZSE has recently expanded the scope of companies and announcements for direct information disclosure. Direct information disclosure applies to companies that are graded with A, B or C in information disclosure performance, which account for 98.76% of all SZSE-listed companies. Directly disclosed announcements include all types of announcements except those with operational risks. The new mechanism came into force on 13 January.