

Market Bulletin

Monday 31 March, 2014 (Issue 11)

Highlights

- Companies allowed to choose listing venues
- China & Germany sign RMB clearing MOU
- State Council urges capital market reforms
- BOC to become member of Deutsche Börse
- PBC continues to drain liquidity
- State Council to optimize M&A environment
- JD.com's financial platform makes debut
- CPPIB forms new venture with Vanke
- 668 listed companies disclose dividend plans
- China's Rare Earth Products Exchange Opens
- Paris receives RQFII quota of RMB 80 billion

Key Indices



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Market Review

Last week, Shenzhen Component Index tumbled 1.0% to 7165.6 points. SME Index closed at 4610.3 points after losing 4.0%. ChiNext Index was down 6.3% to 1330.5 points. Total turnover for stocks and funds on SZSE was US\$ 88.2 billion, or a 6.5% decrease from the week before.

2 sector indices were higher than previous week, and 14 were lower. The only two sector indices that rose over the last week were transportation and logistics and real estate. Sector indices with the biggest drops were IT, R&D support and culture & media.

Top 3 gainers were Zhuhai Wanlida (002180), Shijiazhuang Changshan (000158) and Hunan Investment Group (000548). Top 3 decliners were Chengdu Santai (002312), Furui Medical (300049) and Beijing Tongtech (300379). The most active stocks last week were Risesun Real Estate (002146), China Vanke (000002) and Huayi Brothers (300027).

Market News

Companies Allowed to Choose Listing Venues

The CSRC said through its microblog on 27 March that Companies can decide where to list and their listing venues will no longer depend on the number of shares they plan to sell in their IPOs. Before that announcement, a company that plans to offer up to 50 million shares in an IPO typically heads to the Shenzhen Stock Exchange while those offering above 80 million shares go to Shanghai. Those issuing between 50 million and 80 million shares can list in either Shenzhen or Shanghai.

China & Germany Sign RMB Clearing MOU

The central banks of China and Germany signed a Memorandum of Understanding (MOU) in Berlin to allow the clearing and settlement of RMB trades in Frankfurt on 28 March. The center, in Germany's financial capital, will be the first of its kind in the Eurozone. In addition, the UK Finance Ministry said on 26 March that China and UK will sign an RMB clearing deal on 31 March to enable the British capital to offer RMB trade business in Europe.

State Council Urges Capital Market Reforms

The executive meeting of the State Council on 25 March discussed the development of the capital market and measures to broaden financing channels. Premier Li Keqiang stressed the importance of further opening capital markets and promoting reforms in the disclosure-based IPO system for the nation's initial public offerings. Measures agreed upon at the meeting include diversifying bond products and strengthening supervision of the bond market; promoting the development of the futures markets, especially treasury bond futures; and promoting the healthy development of online financial services.

Market at a Glance

SZSE Market Statistics (28 March, 2014)	
No. of Listed Companies	1578
Market Cap.(US\$ Bn)	1453.7
Free-float Market Cap.(US\$ Bn)	1045.3
Average P/E Ratio	25.28
For the Year of 2014	
Turnover Value(US\$ Bn)	1410.0
-Stock	1153.8
-Main Board	318.3
-SME Board	527.4
-ChiNext	308.0
-Fund	17.1
-Bond	239.1
Daily Turnover Ratio(%)	1.67
Total Fund Raised by Equity (US\$ Bn)	12.0
No. of IPOs	42

*Currency ratio used : 1 USD=6.14 CNY

Notice

Due to the public holiday from 5-7 April, Market Bulletin will not be issued on 7 April. Market news and other relevant information will be summarized into the Issue on 14 April.

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BOC to Become Trading Member of Deutsche Börse

Deutsche Börse said on 28 March that Bank of China will become a trading and clearing member of the German stock market operator. The move follows a signed MOU between the two institutions in December last year. The membership means that financial transactions between Chinese and German or other European market participants can be handled directly in Frankfurt.

PBC Continues to Drain Liquidity

The People's Bank of China said in a statement that it conducted a 14-day forward repurchase operation (repo) of RMB 32 billion (US\$ 5.2 billion) and a 28-day repo of RMB 20 billion (US\$ 3.3 billion) at 4% on 27 March. Together with the 28-day repo last Tuesday, the central bank drained a total of RMB 98 billion (US\$ 16.0) last week. As a result, the overnight of Shibor moved up 13.8 base points to 2.66%, while the seven-day rate advanced 94.4 base points to 4.81%.

State Council to Further Optimize M&A Environment

The State Council recently released *Suggestions on Further Optimizing Environmental of Corporate Mergers and Acquisitions*, addressing the main problems faced by corporates during mergers and acquisitions from 7 aspects, which include among others, reduction of approval procedures, improvement of financial services and fiscal policies and enhancement of land management policies.

JD.com's Financial Platform Makes Debut

China's leading e-commerce retailer JD.com has recently launched its financial platform. Eight fund companies including Harvest Fund, Penghua Fund and ICBC Credit Suisse Asset Management became the first batch included. Its online wealth management service, dubbed "Xiaojinku" allows users to buy monetary fund products as well as pay for online purchases on JD.com.

CPPIB Forms New Venture with China Vanke

Canada Pension Plan Investment Board (CPPIB) announced to form a new venture with China Vanke, the largest real estate developer in China, to develop new residential development projects in large cities across China. Through this venture, CPPIB will over time invest US\$ 250 million in the Chinese residential market.

668 Listed Companies Disclose Dividend Plans

According to WindInfo, 668 companies have disclosed their dividend plans, with the total pre-tax amount reaching RMB 280.1 billion (US\$ 45.6). Among the 668 companies, 659 proposed cash dividend, while others chose stock dividend.

China's First Rare Earth Products Exchange Opens

China's first rare earth products exchange opened on 28 March in Inner Mongolia. The Baotou Rare Earth Products Exchange is expected to regulate the country's rare earth market, improve the way prices are formed and promote development of the industry.

QFII News

Paris Receives an RQFII Quota of RMB 80 Billion

China has granted French financial institutions an RQFII quota of RMB 80 billion (US\$ 13.0 billion). This will make Paris the second European city through which investors can access China's capital markets using offshore RMB. The RQFII scheme was expanded to London and Singapore last year, with the two cities receiving RMB 80 billion (\$13 billion) and RMB 50 billion (US\$ 8.1 billion) in quota respectively.