

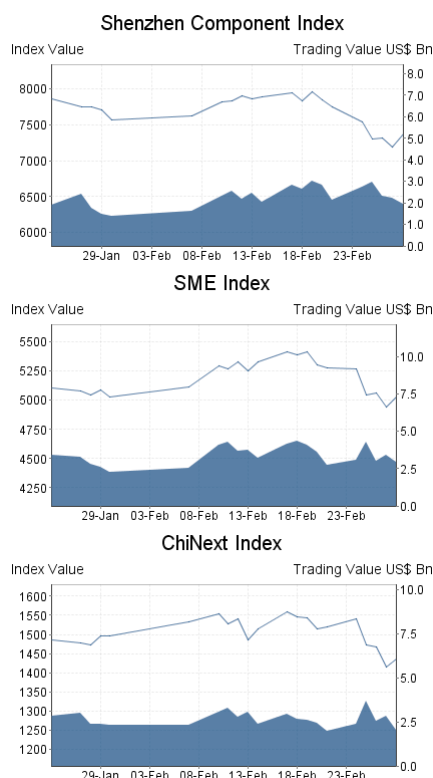
Market Bulletin

Monday 3 March, 2014 (Issue 7)

Highlights

- FTZ frees foreign currency interest rates
- Renminbi strengthens after long depreciation
- SAC launches new risk mgmt. regulations
- ChiNext companies see profit growth
- Qianhai unveils new reform measures
- CSRC to streamline M&A approval procedure
- PBC drains net RMB 160 billion of liquidity
- Foreign trade increases in 2013
- Monetary funds exceed RMB 1 trillion
- China's P/E transaction hits US\$ 35 billion
- QFII purchases SME Private Placement Bond

Key Indices



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

Tel: +86-755-83241251

Email: index@cinfo.com.cn

Market Review

Last week, Shenzhen Component Index tumbled 5.0% to 7365.9 points. SME Index closed at 5029.2 points after losing 4.8%. ChiNext Index was down 5.6% to 1434.9 points. Total turnover for stocks and funds on SZSE was US\$130.6 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 hotels & catering and conglomerates. Sector indices with the biggest drops were construction, culture & media and business support.

Top 3 gainers were Eagle Electronic (002579), Geron (002722) and Xinguodu Technology (300130). Top 3 decliners were Kstar Science & Technology (002518), Tianyu Information (300205) and SI Pharmaceutical (002038). The most active stocks last week were Qianchao (000559), Suning Commerce Group (002024) and Huayi Brothers (300027).

Market News

FTZ Frees Foreign Currency Interest Rates

The People's Bank of China (PBC) will remove interest rate ceilings on smaller foreign currency deposits in the Shanghai Free Trade Zone (FTZ) from 1 March, marking the full liberalization of interest rates on foreign currency deposits in the FTZ. The relaxation applies to deposits of less than US\$ 3 million owned by businesses and agencies registered in the zone or by individuals who have worked in the zone for more than one year, said the PBC Shanghai Head Office. China began allowing financial institutions to freely negotiate interest rates with clients for deposits of US\$ 3 million or above in 2000.

Renminbi Strengthens after Long Depreciation

The RMB had depreciated in seven out of eight trading days, falling 171 basis points since 18 February. It weakened 32 basis points to 6.1224 against the USD last Thursday. The State Administration of Foreign Exchange said that two-way fluctuations of the RMB are normal because of reforms in the RMB forex rate formation mechanism and a larger role played by the market. The RMB strengthened 34 basis points in the past two trading days and registered 6.1190 against the USD on 1 March.

SAC Launches New Risk Management Regulations

The Securities Association of China recently issued *Norms for Overall Risk Management* and *Guidelines on the Liquidity Risk Management* for Securities Companies, saying that securities firms should establish a risk response mechanism for major accidents and emergencies including liquidity crisis and trading system glitches. The documents also require securities companies to establish a "marking to market" mechanism, accurately calculate and dynamically monitor risk indicators, promptly alert breached thresholds, and specify reporting and handling procedures for emergency situations.

Market at a Glance

SZSE Market Statistics (28 February, 2014)	
No. of Listed Companies	1578
Market Cap.(US\$ Bn)	1520.3
Free-float Market Cap.(US\$ Bn)	1081.5
Average P/E Ratio	28.58
For the Year of 2014	
Turnover Value(US\$ Bn)	953.8
-Stock	786.6
-Main Board	199.0
-SME Board	363.3
-ChiNext	224.2
-Fund	11.3
-Bond	155.9
Daily Turnover Ratio(%)	1.69
Total Fund Raised by Equity (US\$ Bn)	9.0
No. of IPO	42

*Currency ratio used : 1 USD=6.11 CNY

This Market Bulletin is provided by Shenzhen Stock Exchange (SZSE). The contents and comments contained herein are for information purposes only. SZSE does not guarantee their accuracy, completeness or reliability. SZSE holds the copyright of this bulletin. Any unauthorized quotation, reprinting and/or distribution to a third party is prohibited without prior written consent of SZSE.

294 ChiNext Companies See 21% Profit Growth

According to *China Securities Journal*, for the 294 ChiNext-listed companies' that have released their annual reports by 27 February, total revenue for the year 2013 reached RMB 184.3 billion (US\$ 30.2 billion), a 25% increase y-o-y, and the total net profit registered RMB 23 billion (US\$ 3.8 billion), up 21.3% y-o-y. Among the 294 companies, 180 saw growth in profits and 24 of them reported a growth rate over 100%. TMT industries were comparatively outstanding.

Qianhai Unveils New Reform Measures

Qianhai recently unveiled a detailed plan including 46 measures, with 18 of them focused on financial innovation. They include allowing Qianhai residents and companies to set up cross-border trade accounts with banks in the zone; helping make RMB fully convertible under capital accounts; piloting the Qualified Domestic Individual Investor (QDII2) program; and inviting financial regulators to set up offices in the zone to support financial experiments. Chairman of the CSRC said the CSRC will constantly support financial innovation and development of the multi-tiered capital market in Shenzhen.

CSRC to Streamline M&A Approval Procedure

According to a spokesperson of the CSRC, efforts will be made to further liberalize China's M&A market in 2014. Main measures include further cut of administrative approval requirements, involvement of more payment methods and improvement of market supervision.

PBC Drains Net RMB 160 Billion of Liquidity

The PBC drained RMB 160 billion of liquidity via 14-day repos last week. The PBC squeezed the money market through open market operations over the last three weeks in a row, and RMB 108 billion worth of repo agreement will reach its maturity date next week.

Foreign Trade Increases in 2013

The National Bureau of Statistics released data for national economy and social development of 2013. The total value of imports and exports was RMB 25.8 trillion (US\$ 4.2 trillion), increasing by 7.6% y-o-y. The value of annual imports and exports rose 7.3% and 7.9% respectively.

China's Monetary Funds Exceed RMB 1 Trillion

According to statistics released by the Asset Management Association of China, monetary funds have registered RMB 953.2 billion (US\$ 156.0) as of 31 January, seeing a 27% increase from the previous month. According to the growth rate in 2014, it is estimated that AUM of monetary funds has exceeded RMB 1 trillion by the end of February.

China's P/E Funds Transaction Value Hits US\$ 35 Billion

According to PwC statistics, China's private equity funds have completed 205 deals in the second half of 2013, growing 27% than the first 6 months. For the year of 2013, P/E funds' disclosed transaction totaled US\$ 35 billion, rising significantly compared with 2012. Average single deal valued at US\$ 95.4 million, the highest since 2008.

QFII News

QFII Purchases SME Private Placement Bond

According to *Shanghai Securities News*, a QFII recently purchased an SME Private Placement Bond for the first time in China. It is reported that the QFII is from Hong Kong, and it purchased the 3-year bond which is worth RMB 200 million (US\$ 32.7 million),