

Market Bulletin

Monday 17 March, 2014 (Issue 9)

Highlights

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- PBC Suspends Online Credit Card and QR Code Payment
- China to Free Deposit Rates in Coming One or Two years
- MSCI Starts Consultation on China A-share Inclusion Roadmap
- China Approves Trial for Five New Private Banks
- Total Social Financing Drops in February
- China Likely to Announce Delisting Reforms in 2014
- CSRC to Establish a Comprehensive Compensation System
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- "One-code Securities Account" to be Implemented by 2014
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- SZSE Releases 2013 Individual Investor Survey Report

Key Indices



Market Review

Last week, Shenzhen Component Index tumbled 1.2% to 7239.1 points. SME Index closed at 4834.8 points after losing 3.2%. ChiNext Index was down 1.8% to 1434.0 points. Total turnover for stocks and funds on SZSE was US\$85.9 billion, or a 21.0% decrease from the week before.

One sector index was higher than previous week, and 15 were lower. The only sector index that rose over the last week was real estate. Sector indices with the biggest drops were wholesale & retail, transportation and logistics and mining.

Top three gainers were Zhonghua Geotechnical (002542), Ingenious Ene-carbon (000511) and Shunfa Hengye (000631). Top three decliners were Geron (002722), Shenzhen Xinguodu (300130) and Sunwin Intelligent (300044). The most active stocks for the last week were Suning Commerce Group (002024), Wanxiang Qianchao (000559) and China Vanke (000002).

Market News

Alibaba to Seek U.S. Listing

Alibaba Group, China's largest ecommerce company, announced in an emailed statement that the company would pursue an initial public offering in the U.S. It will possibly raise at least US\$15 billion in the biggest initial public offering since Facebook.

PBC Suspends Online Credit Card and QR Code Payment

The central bank issued a notice on Thursday suspending Tencent's and Alibaba's online credit cards and QR Code scanning payments. According to the notice, payments via QR code scanning and online credit cards are closely linked to consumers' personal information and assets safety, and therefore need further consideration.

China to Free Deposit Rates in Coming One or Two years

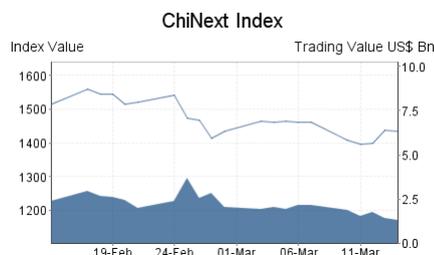
China is likely to liberalize deposit rates in one or two years, according to central bank Governor Zhou Xiaochuan at a media conference at China's annual two sessions. Zhou's comments came after a government work report said last week that the country is to establish a deposit insurance system this year, the last and most important step of interest rate liberalization.

MSCI Starts Consultation on China A-share Inclusion Roadmap

Index compiler Morgan Stanley Capital Index (MSCI) has started consultations with investors on China A-share Inclusion into Emerging Market index and will make a final decision in June, the firm said in a consultation document. The inclusion of the Chinese A shares is planned in steps, starting from May 2015 with a small five percent of the A shares' market capitalization.

China Approves Trial for Five New Private Banks

Shang Fulin, Chairman of the CBRC said at a briefing in Beijing that, regulators had approved a trial program to establish five privately-owned



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Market at a Glance

SZSE Market Statistics (14 March, 2014)

No. of Listed Companies	1578
Market Cap.(US\$ Bn)	1495.3
Free-float Market Cap.(US\$ Bn)	1068.1
Average P/E Ratio	27.25
For the Year of 2014	
Turnover Value(US\$ Bn)	1187.4
-Stock	976.4
-Main Board	257.6
-SME Board	450.9
-ChiNext	267.9
-Fund	14.2
-Bond	196.8
Daily Turnover Ratio(%)	1.67
Total Fund Raised by Equity (US\$ Bn)	10.0
No. of IPO	42

*Currency ratio used : 1 USD=6.12 CNY

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banks in cities and regions, including Shanghai, Tianjin, Guangdong, and Zhejiang provinces. According to a CBRC statement, the e-commerce Alibaba Group and the social networking Tencent Holdings are among 10 companies chosen to participate in the trial.

Total Social Financing Drops in February

Statistics released by PBC showed that the total social financing in February stood at RMB 938.7 billion (US\$ 153.2 billion), RMB 131.8 billion (US\$ 21.5 billion) less than the same month last year. Decrease in trust loans and enterprise bonds mainly contributed to the deduction of total social financing.

China Likely to Announce Delisting Reforms in 2014

According to CSRC Chairman Xiao Gang, the next stage of delisting system reform is being studied, and the goal is to establish a market-based, diversified and routine delisting mechanism. A variety of delisting indicators will be launched including stock price factors, company performance, etc. Fraudulent companies will be forced to withdraw from the market and compensate investors at the same time.

CSRC to Establish a Comprehensive Reward System

Jiang Yang, Vice Chairman of the CSRC, said the authority will improve relevant rules and regulations, enhance investor suitability management, optimize investor compensation mechanism, protect execution of investor rights, and strengthen investor support and education. In particular, the CSRC will build a comprehensive reward system based on cash dividend, share repurchase, and scrip dividend.

China to Improve Agricultural Product Futures Market

China will improve the development of agricultural product futures market this year, said Jiang Yang, Vice Chairman of the CSRC. The CSRC will promote innovations in trading methods and develop options and indices related to agricultural products. The CSRC will also closely track the spot market, improve pricing and risk management efficiency of listed products, and encourage futures companies and other financial institutions to conduct OTC derivative innovations.

“One-code Securities Account” to be Implemented by 2014

According to a spokesman with China Securities Depository and Clearing (CSDC), reconstruction work of the account system is at a finishing stage. A pilot run of one-code securities account will be launched in May, while the CSDC is striving to bring the one-code securities account system online by the end of 2014.

Guotai Junan to Acquire Majority Stake in Shanghai Securities

According to *Reuters*, Guotai Junan Securities Co. Ltd, China's third-largest stock broker by profit, plans to acquire a controlling stake in its sister firm, Shanghai Securities Co Ltd. Guotai's acquisition of a 51% stake will help the broker meet regulatory requirements and pave way for its planned initial public offering.

SZSE Releases 2013 Individual Investor Survey Report

Recently, the SZSE released the *2013 Individual Investor Survey Report*. According to the report, Chinese individual investors' confidence in securities investment was improved in 2013. Individual investors also had higher education level, with 74% of them owning a bachelor's degree or above and a more diversified investment portfolio, with an average of 4.5 products invested. The report also showed that individual investors tended to be more rational, emphasize more on the fundamentals and make better use of information channels.