

# Market Bulletin

Monday 24 March, 2014 (Issue 10)

## Highlights

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- China Allows Firms to Raise Funds via Preferred Shares
- CSRC Solicits Public Opinions for ChiNext Reform
- CSRC to Take Five Measures for Improving IPO System
- CSRC: Risks are Controllable in Bond Market
- CSRC Grants Approval for Property Developers' Refinancing
- China Sees A Growing Number of Newly Registered Companies
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## Market Review

Last week, Shenzhen Component Index stood at 7241.6 points, the same level as the end of last week. SME Index closed at 4801.3 points after losing 0.7%. ChiNext Index was down 1.0% to 1419.8 points. Total turnover for stocks and funds on SZSE was US\$94.4 billion, or a 9.8% increase from the week before.

11 sector indices were higher than previous week, and 5 were lower. Sector indices with the biggest gains were real estate, finance and farming, forestry and aquaculture. Sector indices with the biggest drops were culture & media, business support and conglomerates.

Top 3 gainers were Shanghai Zhezhong (002346), Swan Fiber (000687) and Jiangyin Zhongnan (002445). Top 3 decliners were Zhejiang Huace (300133), Zhejiang Wanma (002276) and Shenzhen Liantronics (300269). The most active stocks for the last week were China Vanke (000002), Ingenious Ene-carbon (000511) and Wanxiang Qianchao (000559).

## Market News

### China Manufacturing PMI Hits Eight-Month Low

China PMI contracts for a third month in March. The latest HSBC China flash purchasing managers' index fell to 48.1, touching an eight-month low, down from 48.5 in February.

### China Allows Firms to Raise Funds via Preferred Shares

China on Friday unveiled rules for a trial program allowing companies to issue preferred shares, offering a fresh funding channel that could boost market vitality amid the ongoing financial reforms. Three kinds of companies will be allowed to issue preferred stocks: firms included in the Shanghai Stock Exchange (SSE) 50 A-Share Index; companies using preferred shares as a way to fund mergers and acquisitions; and companies seeking equity to finance a common stock buyback.

### CSRC Solicits Public Opinions for ChiNext Reform

The CSRC has recently released two documents to solicit public opinions for the ChiNext reform. The reform measures mainly include removing the continuous growth targets and lowering the financial threshold for ChiNext listings, expanding the spread of sectors of listing candidates, and also establishing an efficient and flexible refinancing mechanism.

### CSRC to Take Five Measures for Improving IPO System

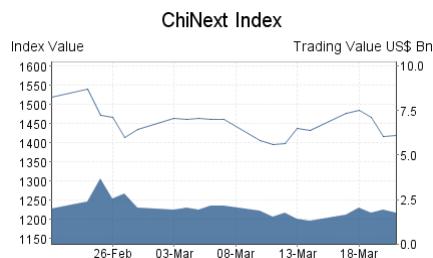
The CSRC recently revealed that it will further promote the adjustment and perfection of the IPO system. Major measures will include further perfecting old shares transfer system, standardizing offline inquiry and pricing, satisfying subscription needs of small-cap investors, strengthening supervision over placements, and intensifying in-process and ex post supervision.

### CSRC: Risks are Controllable in Bond Market

The CSRC said last Friday the nation's bond market risks are generally

## Key Indices





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## Market at a Glance

### SZSE Market Statistics (21 March, 2014)

No. of Listed Companies	1578
Market Cap.(US\$ Bn)	1510.7
Free-float Market Cap.(US\$ Bn)	1079.5
Average P/E Ratio	26.67
For the Year of 2014	
Turnover Value(US\$ Bn)	1300.9
-Stock	1068.1
-Main Board	287.0
-SME Board	491.0
-ChiNext	290.0
-Fund	15.7
-Bond	217.1
Daily Turnover Ratio(%)	1.66
Total Fund Raised by Equity (US\$ Bn)	11.7
No. of IPO	42

\*Currency ratio used : 1 USD=6.13 CNY

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controllable after a solar products maker defaulted on an interest payment last week. CSRC spokesman Zhang Xiaojun said, the incident was an isolated event and not equivalent to a widespread phenomenon that would cause chain reactions.

### CSRC Grants Approval for Property Developers' Refinancing

Two Chinese listed developers received approval on Wednesday from the CSRC to launch refinancing projects. *Join-In Holding Co Ltd*, a Shanghai-listed property developer will raise no more than RMB 1.7 billion (US\$ 275 million) through private placement. Shenzhen-listed property developer *TB Infrastructure* plans to raise RMB 1.6 billion (US\$ 261 million) for the development of three projects in Tianjin. According to insiders, the move signals that the government is letting the market play a bigger role in adjusting the real estate market.

### China Sees A Growing Number of Newly Registered Companies

Since implementation of the registration capital for incorporation reform on March 1, the number of newly registered market participants shot to 468,400, and the number of newly registered companies also surged 36.1% to reach 123,300. The reform removed the registration capital floor level, business location limit and annual inspection requirement, which created more favorable conditions for start-ups.

### PBC Doubles RMB Trading Band to 2%

The People's Bank of China doubled the trading band for the Renminbi yesterday, which can now be traded as much as 2% on either side of the reference rate set by the central bank each morning. The move is part of Beijing's plan to liberalize and internationalize the Renminbi.

### Direct Trading between RMB, NZ Dollar Begins

Chinese Premier Li Keqiang and New Zealand Prime Minister John Key announced the beginning of direct trading between the Renminbi and NZ dollar in Beijing last Tuesday. Li said direct trading would help both countries to reduce costs for currency exchange and facilitate bilateral trade and financial cooperation.

### A-Share Market Embraces M&A Boom

According to *21<sup>st</sup> Century Herald*, listed A-share companies have shown stronger enthusiasm in merger and acquisition activities since 2013. Statistics show that a total of 241 listed companies, or 10% of the total listed companies on the A-share market, have completed or are undergoing their M&A procedures since 2013, with the transaction value reaching RMB 560.1 billion (US\$ 91 billion).

### Mutual Funds Hit Historical High

According to AMAC, by the end of February, the AUM of mutual fund in China reached RMB 3.6 trillion (US\$ 579 billion), recording a historical high followed by RMB 3.3 trillion (US\$ 535 billion) in 2007. The AUM of money market fund totaled RMB 1.4 trillion (US\$ 228 billion), becoming the largest fund in size.

### SZSE Holds "International Investor Open House" Event

On March 20-21, SZSE held the third series of "International Investor Open House" program in Shanghai. Over 30 international investors paid site visits to four SZSE-listed companies, including *Shanghai Challenge Textile (002486)*, *China Haisum Engineering (002116)*, *Shanghai Kai Bao Pharmaceutical (300039)* and *AVCON Information Technology (300047)*. SZSE is organizing another Investor Open House Program in Hangzhou in April. If you are interested in joining the tour, please feel free to contact us.