

# Market Bulletin

Monday 28 April, 2014 (Issue 14)

## Highlights

- SZSE launches new QFII and RQFII rules
- CSRC to start examining IPO candidates
- Guanghui Energy to sell preferred shares
- Infrastructure open to private capital
- FTZ draft rules to take effect in H2
- China rolls out tax break for SMEs
- China boasts 8,000 micro-credit firms
- Banks to launch money market accounts
- China's outbound FDI ranks third globally
- PBC cuts reserve ratio for rural banks
- Harvest Fund's new product approved

## Key Indices



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

Tel: +86-755-83241251

Email: [index@cninfo.com.cn](mailto:index@cninfo.com.cn)

## Market Review

Last week, Shenzhen Component Index tumbled 1.8% to 7323.7 points. SME Index closed at 4584.2 points after losing 5.0%. ChiNext Index was down 6.2% to 1291.9 points. Total turnover for stocks and funds on SZSE was US\$68.9 billion, or a 3.8% decrease from the week before.

I sector index was higher than previous week, and 15 were lower. The only sector index that rose last week was finance. Sector indices with the biggest drops were R&D support, IT and wholesale & retail.

Top 3 gainers were Nanjing Zhongbei (000421), Contemporary Eastern (000673) and Guangdong Weihua (002240). Top 3 decliners were Yantai Moon (000811), Shenzhen Capchem (300037) and Guangzhou Daily Media (002181). The most active stocks for the last week were Ping An Bank (000001), China Vanke (000002) and Wanxiang Qianchao (000559).

## Market News

### SZSE Launches New QFII and RQFII Rules

The SZSE launched the latest version of QFII and RQFII rules on 25 April. Compared with the older version released in 2002, major adjustments include: first, QFIIs and RQFIIs are allowed to trade and transact a broader range of products, including equities, bonds, funds, warrants, ABS and other products. Second, 1 single institution can entrust 3 securities companies to conduct relevant businesses. Third, the shareholding ratio in one SZSE-listed company is raised from 20% to 30%. And fourth, qualified investors should reduce their stake according to the order of share types when exceeding the shareholding ceiling.

### CSRC to Start Examining IPO Candidates

The CSRC announced on 25 April that it will start examining 4 companies hoping to list, the first time it will do so in an 18-month freeze on the auditing of IPOs. By the end of last week, in total, 122 companies have made their preliminary disclosures, with their draft prospectuses posted on the CSRC's website. Data from the Commission show that 606 companies are in still line for approval as of 17April.

### Guanghui Energy to Sell Preferred Shares

Guanghui Energy, a Xinjiang-based coal and gas producer said on 24 April it would issue RMB 5 billion (US\$ 81.2 million) in preferred shares to qualified investors. The move was the first of its kind in China's A-share market. Its shares rose 4.6% last Friday. However, the proposal is still subject to approval from shareholders and the CSRC.

### China Opens Up Infrastructure to Private Capital

The State Council announced to roll out 80 major projects in infrastructure areas to private sector players, ranging from railway, port construction, IT infrastructure and clean energy projects to coal chemical and petrochemical industries. All projects will be open to public

## Market at a Glance

SZSE Market Statistics (25 April, 2014)	
No. of Listed Companies	1578
Market Cap.(US\$ Bn)	1454.6
Free-float Market Cap.(US\$ Bn)	1041.8
Average P/E Ratio	24.44
For the Year of 2014	
Turnover Value(US\$ Bn)	1758.1
-Stock	1421.2
-Main Board	414.8
-SME Board	641.3
-ChiNext	365.2
-Fund	22.0
-Bond	314.9
Daily Turnover Ratio(%)	1.58
Total Fund Raised by Equity (US\$ Bn)	24.4
No. of IPOs	42

\*Currency ratio used : 1 USD=6.16 CNY

## Notice:

Due to the public holiday in May, Market will be closed from 1 to 4 May. The Market Bulletin will not be issued on 5 May, 2014. Market news and other information will be summarized into the issue on 12 May, 2014. Thanks!

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.

bidding. Furthermore, the government promised to consider allowing private capital into other sectors such as oil and gas exploration, public utilities, water conservancy projects as well as airport construction.

## FTZ Draft Rules Expected to Take Effect in H2

Draft operational rules for the Shanghai FTZ were submitted on 22 April to the Shanghai People's Congress' monthly meeting. No decision will be announced until the next meeting. Innovations adopted by the FTZ such as a "negative list" management approach for foreign investment, designed to bring more transparency and freedom, also will be incorporated. The rules are expected to come into force in the second half of 2014 and lay a legal foundation for further reform.

## China Streamlines Tax Break Procedures for SMEs

According to the State Administration of Taxation, small firms with annual taxable income under RMB 100,000 (US\$ 16,233.8) may have their business income tax halved without approvals. Eligible small firms are only required to put their financial conditions on record at local taxation authorities. The tax break will be valid from 1 January until the end of 2016. Those that had fully paid business income tax before the announcement can get refunds.

## China Boasts 8,000 Micro-credit Firms

China's central bank said on 22 April that the number of the nation's micro-credit companies reached 8,127 as of the end of the first quarter, with their total outstanding loans standing at RMB 844.4 billion (US\$ 137.1 billion). In the first quarter, the companies extended RMB 25.1 billion (US\$ 4.1 billion) in new loans. Launched in 2008, micro-credit companies were designed to provide better financial services to rural and less-developed regions.

## Joint-Stock Banks to Launch Money Market Accounts

China CITIC Bank, one of the top 10 banks in the country, plans to co-launch a new money market fund with CITIC-Prudential Fund Management this week. It will allow customers to withdraw money from ATMs and pay by debit card via money market accounts just like normal saving accounts. China Guangfa Bank began to sell a similar product in February. By the end of March, 47 Internet-based money market funds managed total assets worth over RMB 1 trillion (US\$ 162.3 billion).

## China's Outbound FDI Ranks Third Globally

According to latest statistics, China's outbound foreign direct investment has exceeded US\$ 100 billion and achieved a growth rate of 21% for the year of 2013. By the end of 2013, China's aggregate outbound FDI has surpassed US\$ 630 billion, becoming the third largest FDI country.

## PBC Cuts Reserve Ratio for Rural Banks

The PBC announced to lower the reserve requirement ratio at county-level rural banks by 200 basis points, and cut the ratio for county-level rural credit co-operatives by 50 basis points. However, the central bank added the prudent monetary policy stance would not change and that the adjustment wouldn't affect the overall liquidity in the banking system.

## Harvest Fund's New Product Approved

Harvest Fund was recently approved by SAFE and CSRC to launch a new business to help individual investors conduct direct investment in overseas properties and securities including stocks, debts and funds, on a new "foreign currency direct investment quota" basis. According to analysts, it could be China's regulators' new attempt to further relax foreign currency restriction for Chinese individual investors.