

# Market Bulletin

Monday 19 May, 2014 (Issue 16)

## Highlights

- China eases ChiNext IPO restrictions
- CSRC to promote innovative businesses
- State Council issues capital market guideline
- Securities firms to expand overseas
- Institutional investors holds 40% ChiNext cap
- Hainan Airlines launches lion city bonds
- CASS warns of shadow banking risk
- BOC to issue preference shares
- Vanke to have its HKEx listing hearing soon
- April FDI increases 3.4% to US\$ 8.7 billion
- Banks in China see NPL ratio edge up

## Key Indices



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## Market Review

Last week, Shenzhen Component Index stood at 7242.2 points after adding 1.1%. SME Index edged up 0.1% to 4499.8 points. ChiNext Index was down 2.6% to 1226.5 points. Total turnover for stocks and funds on SZSE was US\$62.3 billion, or a 4.4% increase from the week before.

7 sector indices were higher than previous week, and 9 were lower. Sector indices with the biggest gains were real estate, mining and farming, forestry and aquaculture. Sector indices with the biggest drops were business support, hotels & catering and culture & media.

Top 3 gainers were Shandong Molong (002490), Hebei Huijin (300368) and Zhejiang Vie (002590). Top 3 decliners were United Electronics (002642), Zhejiang Rifa (002520) and Zhuhai Hokai (300273). The most active stocks last week were Shenzhen Green Eco-manufacture (002340), China Vanke (000002) and Guoyuan Securities (000728).

## Market News

### China Eases ChiNext IPO Restrictions

The CSRC announced on 16 May that it will loosen grips on the approval of IPOs on the ChiNext Market. Under new regulations, enterprises only have to prove they have made profits for two consecutive years, with total profits no less than RMB 10 million (US\$1.62 million), or that they have achieved profits in the previous year with revenue higher than RMB 50 million (US\$ 8.1million). The CSRC also streamlined refinancing procedures for ChiNext-listed companies and said it will strengthen information disclosure and monitoring over issuers and intermediaries.

### CSRC to Promote Innovative Businesses

The CSRC announced on 15 May that it had issued a guideline to stimulate innovation in securities businesses. The guideline set three main targets. These are building modern investment banks with broader channels and cross-border banking, supporting new products in asset management, bulk stock, derivatives and private equity, as well as upgrading supervision with easier access. Securities institutions should support the real economy while exploring new services and products.

### State Council Issues Capital Market Guideline

The State Council unveiled on 9 May a guideline that laid down nine targets for Chinese authorities to attain in the coming years. It said that by 2020, a multi-tiered capital market system with a rational structure and complete functions, with standardized and transparent, robust and efficient, open and inclusive operation should be basically formed.

### Securities Firms Encouraged to Expand Overseas

Yao Gang, vice chairman of the CSRC, said at an annual forum for brokerage firms on 16 May that the regulator will encourage private capital to set up securities firms, allow non-securities financial institutions

## Market at a Glance

SZSE Market Statistics (16 May, 2014)	
No. of Listed Companies	1578
Market Cap.(US\$ Bn)	1431.5
Free-float Market Cap.(US\$ Bn)	1027.9
Average P/E Ratio	23.81
For the Year of 2014	
Turnover Value(US\$ Bn)	1968.6
-Stock	1574.1
-Main Board	464.8
-SME Board	709.5
-ChiNext	399.8
-Fund	25.7
-Bond	368.7
Daily Turnover Ratio(%)	1.51
Total Fund Raised by Equity (US\$ Bn)	27.9
No. of IPOs	42

\*Currency ratio used : 1 USD=6.16 CNY

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to hold stakes in securities agents, and grant fund companies licenses to run stock brokerages and vice versa. He also said securities companies will be encouraged to expand overseas.

### Institutional Investors Holds over 40% of ChiNext Market Cap

Liu Huiqing, Executive Vice President of the SZSE recently stated in a speech that, the number of active accounts of ChiNext Market has reached 12 million, while institutional investors held more than 40% of the market cap. She also mentioned that ChiNext-listed companies have demonstrated an evident advantage in terms of equity incentives. Companies who adopted equity incentives have seen a 36% and 30% growth rate in revenue and net profit respectively, far beyond the market segment on a whole.

### Hainan Airlines Launches Lion City Bonds

The Industrial and Commercial Bank of China said that it had arranged RMB 1.7 billion (US\$ 276.0 million) Renminbi denominated bonds, with maturity of three years for China's Hainan Airlines. The cross-border issuance, representing the first ever corporate "Lion City" bonds, was 2.3 times subscribed. Investors were mostly from Asia, including private banks, commercial banks, fund managers and others.

### CASS Warns of Shadow Banking Risk

According to the Chinese Academy of Social Sciences (CASS), China's shadow banking system is now worth RMB 27 trillion yuan (US\$ 4.4 trillion), equivalent to nearly one fifth of domestic banking sector's total assets. The CASS warned that once big risks arise from the shadow banking system, they could rapidly spread to the banking segment and the real economy, posing systemic financial risks.

### BOC to Issue RMB 60 Billion Preference Shares

Bank of China (BOC) announced on 13 May that it will issue preference shares worth no more than RMB 60 billion (US\$ 9.7 billion) in the domestic market to replenish its tier one capital. The bank is the third banking institution to release an issuance plan, following the Agricultural Bank of China and SPD Bank. The plan is still awaiting approval from the general meeting of shareholders and is subject to reviews of the CSRC.

### Vanke to Have its HKEx Listing Hearing Soon

Vanke, China's biggest property developer by market value, announced to participate in a listing hearing at Hong Kong Stock Exchange on 20 May, planning to convert its B shares to H shares. It received regulatory approval to convert its Shenzhen-listed B shares to H shares in March.

### April FDI Increases 3.4% to US\$ 8.7 Billion

Data released by the Ministry of Commerce shows that China's actual foreign direct investment (FDI) inflow for April increased 3.4% YoY to US\$ 8.7 billion. In the January-April period, 6,661 foreign enterprises were established in China, down 0.4% YoY. The actual foreign FDI inflow for the period increased 5.0% YoY to US\$ 40.3 billion. China's outward non-financial FDI for the first four months of 2014 amounted to USD 25.7 billion, down 12.9% YoY. From January to April, Chinese firms invested in 2,352 overseas enterprises in 139 countries and regions.

### Banks in China See NPL Ratio Edge Up

Banks in China posted a slight rise in non-performing loan (NPL) ratio to 1.04% at the end of March from 1% at the end of last year, the China Banking Regulatory Commission said recently. Outstanding bad loans totaled RMB 646.1 billion (US\$ 104.9 billion) at the end of the first quarter, up RMB 54.1 billion (US\$ 8.8 billion) from the same period of last year.