

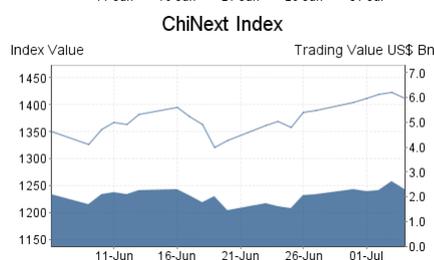
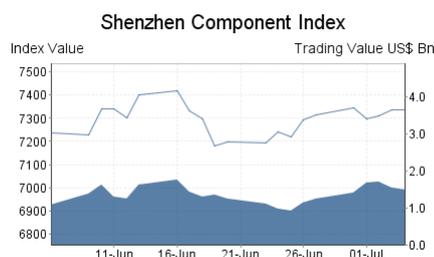
Market Bulletin

Monday 07 July, 2014 (Issue 22)

Highlights

- China launches new delisting rules
- CSRC pilots whistleblower program
- 52 companies get listed in IH14
- ChiNext Index outperforms in IH14
- China grants RQFII quota to South Korea
- Banks given RMB/USD exchange freedom
- Futures companies report performance
- Offshore RMB bond issues hit RMB 277b
- First two FTAs within EU take effect
- FTZ opens to more funds

Key Indices



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Market Review

Last week, Shenzhen Component Index stood at 7333.9 points after adding 0.3%. SME Index edged up 2.2% to 4845.7 points. ChiNext Index advanced 1.6% to 1411.6 points. Total turnover for stocks and funds on SZSE was US\$107.0 billion, or a 32.2% increase from the week before.

13 sector indices were higher than previous week, and 3 were lower. Sector indices with the biggest gains were mining, R&D support and IT. The only three sector indices that fell over the last week were business support, culture & media and environmental services.

Top 3 gainers were Yunnan Hongxiang (002727), Hubei Forbon (300387) and Shandong Longda (002726). Top 3 decliners were Zhejiang Jingxing (002067), Surekam Corporation (002373) and Hunan Tianrun (002113). The most active stocks last week were Sichuan Chengfei (002190), Wanxiang Qianchao (000559) and Zhejiang Jingxing (002067).

Market News

China Launches New Delisting Rules

The CSRC released a draft of proposed changes to the delisting regime for Shanghai and Shenzhen listed companies on 4 July. The new rules allow more voluntary delisting and introduce a mandatory delisting mechanism for companies that have broken the law. The CSRC spokesperson said that the draft follows a May initiative by the State Council to improve the capital market, and will help to complete the basic functions of a capital market.

CSRC Pilots Whistleblower Program

The CSRC has recently issued a policy to encourage financial whistleblowers with cash rewards. Information of "average importance" will be worth up to RMB 100,000 (US\$ 16,260), while information of "high importance" will earn informants as much as RMB 300,000 (US\$ 48,780). The CSRC said it will also take measures to protect from retaliation any individuals who report wrongdoings on the securities market. Earlier, the CSRC set up the "12386" hotline for complaints and whistleblowing.

52 Companies Get Listed in IH14

According to WindInfo, in the first half of 2014, 52 companies have finished their IPOs, raising a total amount of RMB 35.3 billion (US\$ 5.7 billion) in China's A-shares market. Among them, 19 companies listed on SZSE's SME Board, 24 of them went to the ChiNext Market, and the rest headed for Shanghai Main Board. The number of IPOs and the amount of proceeds declined 50% and 51% respectively compared with the same period in 2012. Securities firms have gained a total amount of income reaching about RMB 1.9 billion (US\$ 308.9 million) for their underwriting and sponsoring services.

Market at a Glance

SZSE Market Statistics (04 July, 2014)	
No. of Listed Companies	1583
Market Cap.(US\$ Bn)	1564.5
Free-float Market Cap.(US\$ Bn)	1123.5
Average P/E Ratio	26.17
For the Year of 2014	
Turnover Value(US\$ Bn)	2649.5
-Stock	2102.4
-Main Board	607.5
-SME Board	943.3
-ChiNext	551.6
-Fund	36.0
-Bond	511.0
Daily Turnover Ratio(%)	1.45
Total Fund Raised by Equity (US\$ Bn)	32.6
No. of IPOs	47

*Currency ratio used : 1 USD=6.15 CNY

ChiNext Index Outperforms in 1H14

In the first half of 2014, ChiNext Index recorded a rise of 7.7% while the Shanghai Composite Index and Shenzhen Component Index fell 3.2% and 9.6%, respectively. Funds tracking ChiNext Index continue to outperform in the market since 2013.

China Grants RQFII Quota to South Korea

During President Xi's visit in South Korea, China announced that it will grant RMB 80 billion (US\$ 13 billion) quota of investment to South Korea under the RQFII program. Launched in 2011, the RQFII program allows foreign investors to invest in Chinese onshore stock and bond markets with offshore RMB. China and South Korea also signed a deal on 3 July to launch an RMB clearing service in Seoul and boost cooperation between their central banks. At the same time, the two countries agreed to establish direct trading mechanism between the RMB and Won, the South Korean currency. China's central bank said on 4 July that it has appointed Bank of Communications, the country's fifth-largest lender, to be a clearing bank for the RMB business in Seoul. The move would eliminate the need to exchange either currency into U.S. dollars when settling accounts.

China Gives Banks RMB/USD Exchange Freedom

China's State Administration of Foreign Exchange (SAFE) announced on 2 July that it will allow banks to set their own exchange rates for the RMB against the U.S. dollar with clients, a further step in the liberalization of RMB exchange rates. The SAFE said in a statement that banks can set their RMB/USD exchange rate in their over-the-counter deals with clients on the basis of market demand. The regulation entered effect on that same day.

Futures Companies Report 2013 Performance

According to China Futures Association, 156 futures companies in China registered accumulated net profit of RMB 3.57 billion (US\$ 580 million) in 2013. Among them, 66 futures companies fully owned or controlled by Chinese securities firms witnessed a total of RMB 2.22 billion (US\$ 361 million) in net profit, increasing 109.9% Y-o-Y and taking a proportion 62.2% in the total profit of all futures companies.

Offshore RMB Bond Issues Hit RMB 277b in 1H14

A senior executive of Singapore's DBS Bank said on 3 July that there were 611 offshore RMB bond issues worldwide in the first half of 2014, worth a total of RMB 277 billion (US\$ 45 billion). The amount was close to the full-year total of RMB 280 billion (US\$ 45.5 billion) for 2013.

Sino-Swiss and Sino-Icelandic FTAs Take Effect

Since July 1, Sino-Swiss free trade agreement and Sino-Icelandic free trade agreements will take effect respectively. After the free trade agreement comes into force, according to the trade volume, Switzerland will immediately implement zero tariff to 99.7% Chinese exports, China will eventually implement zero tariff to 84.2% Swiss exports. For China and Iceland, the percentages are 96.23% and 100%.

FTZ Opens to More Funds

The latest FTZ "negative list" issued on 1 July reduces the restrictions and conditions for overseas investment to 139, down from 190 previously. Among the key changes are the removal of 14 restrictions on matters like qualification requirements and maximum equity ratios for foreign partners, as well as the easing of investment controls in 19 areas, including manufacturing, property and maritime services.

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