

Moutai rises to new peak on Q1 figures

Leading liquor producer posts hefty first-quarter gains in production, sales

By CAI XIAO in Beijing and YANG JUN in Guiyang

The share price of leading Chinese liquor producer Kweichow Moutai Co Ltd reached a new high during intraday trading on Friday, boosted by its pleasing business performance in the first quarter of the year.

The share price of Kweichow Moutai, listed on the Shanghai Stock Exchange, rose to the highest point of 399.88 yuan (\$58.18) on Friday before profit takers moved in and it closed at 395.5 yuan, for a 0.7 percent retreat on its Thursday close.

Moutai produced 22,455 metric tons of the white spirit in the first quarter, increasing 15.6 percent year-on-year, and it sold 23,360 tons from January to March, increasing 27.3 percent year-on-year, according to its official website.

Moutai said its Q1 revenue totaled 16 billion yuan, increasing 24.3 percent year-on-year and profit came in at 7 billion yuan, up 13.1 percent year-on-year.

China Merchants Securities Co analyst Yang Yongsheng said in a report that domestic liquor consumption had recovered and Moutai was benefitting from the consumption upgrading and its strong brand influence.

Wholesalers have low inventories and demand is strong, Yang added.

"We believe Moutai will enter a more brilliant era and forecast its share price will reach 500 yuan in a year," Yang added.

Kweichow Moutai overtook Diageo Plc to become the world's top liquor producer by market value last week. Moutai shares rose to 392.9 yuan on April 7, taking its total capitali-



Workers pack bottles of liquor at the Kweichow Moutai Co Ltd plant in Maotai, a town in southwestern China's Guizhou province. JIANG DONG / CHINA DAILY

7 billion yuan
amount of profit reported by Kweichow Moutai Co Ltd in the first quarter of the year

zation to 493.5 billion yuan (\$71.7 billion), surpassing Diageo's 57.4 billion pounds (\$71.2 billion).

The Shanghai Composite

Index dropped 0.91 percent to close at 3,246.1 points on Friday. The Shenzhen Component Index declined by 1.26 percent, while the ChiNext startup index fell by 1.2 percent.

Stocks related to the newly announced Xiongan New Area in Hebei province performed weakly on Friday. Hesteel Company Ltd, Hebei Sitong New Metal Material Co Ltd, Jointo Energy Investment Co and Silvery Dragon Prestressed Materials Co Ltd

led the decline on the day.

Listed companies in the Inner Mongolia autonomous region became popular as the 70th anniversary of the establishment of the autonomous region was drawing near. Inner Mongolia Eerduosi Resources Co Ltd, Chifeng Jilong Gold Mining Co Ltd and Inner Mongolia MengDian HuaNeng Thermal Power Corp Ltd led the rise.

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CSRC mounts fresh move on share manipulation

By LI XIANG
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China's securities regulator on Friday announced a fresh round of its campaign to crack down on the manipulation of newly listed shares, which it said has seen excessive price surges and abnormal trading.

The regulator is investigating 16 cases related to abnormal trading and market manipulation of newly listed shares, said Zhang Xiaojun, the spokesman for China Securities Regulatory Commission.

"The share prices have risen

substantially this year, with both trading volumes and market value showing apparent abnormal movements," Zhang said.

"It (the abnormal trading) has accumulated risk in the market," he said. "And many of the cases are suspected market manipulation."

The regulator said it found in the ongoing investigation that the market manipulation involved using multiple stocks accounts and large amounts of capital to lift stock prices in a short period of time so as to lure retail investors to follow and reap profits.

311 percent
exorbitant rise in the share prices of SMS Electric Co Ltd in just 12 trading days

It also found that some senior executives of listed companies collaborated with financial institutions, to rig stock prices through information disclosures, to cash out from the wild price swings.

"The illegal trading has mis-

led and cheated investors and seriously damaged the pricing function of the market," Zhang said, adding that the regulator would resolutely punish the stock manipulation and maintain market stability.

A string of listed companies have been ordered by the stock exchanges to suspend share trading and carry out self-examination on abnormal movements of their share prices.

The CSRC said the recent price surges of newly listed stocks reflected the immaturity and the over-manipulative mood in the A-share market, as retail investors tended to

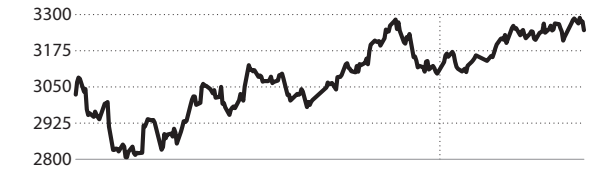
chase short-term gains in the market regardless of the companies' performance.

An example of the wild price surges has been the stock of SMS Electric Co Ltd. The Shenzhen-listed company saw its stock price surge by 311 percent in just 12 trading days after it debuted. The company has since suspended trading of its shares, to examine the excessive price rises.

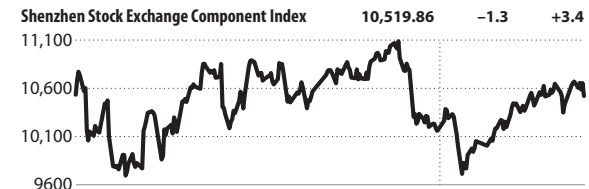
The securities regulator also announced a fresh round of on-site inspections into the country's law firms over their securities business, including initial public offerings.

Daily Stock Market Performance

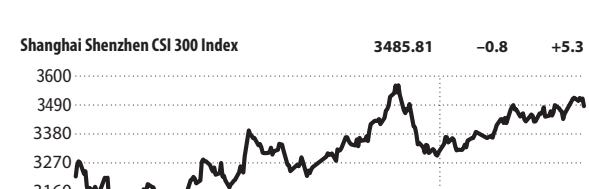
Index	Close	Daily % Chg	YTD % Chg
Shanghai Stock Exchange Composite Index	3246.07	-0.9	+4.6



Index	Close	Daily % Chg	YTD % Chg
Shenzhen Stock Exchange Component Index	10,519.86	-1.3	+3.4



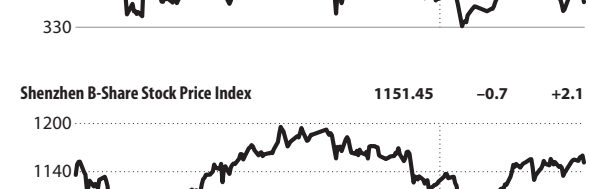
Index	Close	Daily % Chg	YTD % Chg
Shanghai Shenzhen CSI 300 Index	3485.81	-0.8	+5.3



Index	Close	Daily % Chg	YTD % Chg
Shanghai B-Share Stock Price Index	340.40	-1.0	-0.4



Index	Close	Daily % Chg	YTD % Chg
Shenzhen B-Share Stock Price Index	1151.45	-0.7	+2.1



Gainers and Losers

GAINERS		LOSERS	
Close	Daily % Chg	Close	Daily % Chg
Shanghai Stock Exchange			
Nanjing Chixia Dev	6.56 10.07	GuangDongSuper Telecom	85.61 -10.00
LiaoningHngyngEnRslvst	9.86 10.04	ZhejiangJiaEnprtrchStck	83.84 -9.99
Guangzhou Port Co Ltd	8.55 10.04	ShaanxBgngVcmElAprtcsC	19.47 -9.99
InnerMongoliaErdsRsss	11.86 10.02	JiangsuXinquanAutoTrim	41.48 -9.98
ChifengJilongGoldMinng	16.37 6.44	Qijing Machinery Co	50.53 -8.11
InnerMongoliNrthHlrJSC	36.35 5.64	Beijing Vastdata Tech	64.84 -8.11
Fujian Longxi Bearing	17.79 5.52	Yueyang Forest & Paper	8.49 -8.02
UE Furniture Co Ltd	50.73 5.14	Poten Environment	39.02 -7.82
Linhai Co Ltd	15.54 5.00	Linewell Software Co	17.81 -7.62
JilinJiEnNickelndstry	7.15 4.99	Gree Real Estate Co	7.27 -7.62
Shenzhen Stock Exchange			
Shenzhen Fenda Tech	14.22 9.98	DMG Ent & Media	27.70 -10.01
Searainbow Holding	34.88 7.89	Accelink Technologies	21.98 -8.48
Sino GeoPhysical Co	30.35 5.27	Shenzhen Yan Tian Port	10.95 -6.97
Jizhong Energy Res	8.00 4.71	North Huajin Chem In	11.00 -6.46
InnerMongoliaXingMnng	8.69 4.20	GuangzhouTincMatrITCh	46.81 -6.12
BeijingShouhangResSvng	10.30 4.15	AnhuiZhongdingSngPrts	25.64 -5.98
InnerMnglMGrsEcEdgy&En	16.87 3.18	JointoEnInvst Co Hebei	14.91 -5.93
Palm Eco-Town Dev	13.42 3.07	Guangdong Elec Pw Dev	6.05 -5.91
BeijingSPCEnvrmntPrct	23.95 2.83	Shenzhen Tagen Group	10.69 -5.73
Enjoyor Co Ltd	16.07 2.62	Hesteel Co Ltd	5.81 -5.53
Hang Seng			
Belle International	5.27 2.13	Kunlun Energy Co Ltd	7.45 -1.59
New World Development	9.94 1.84	Hang Seng Bank Ltd	156.10 -1.33
Swire Pacific Ltd	75.85 1.40	HSBC Holdings PLC	63.35 -1.32
Sun Hung Kai Prop	119.30 1.36	Link REIT	55.80 -1.24
China Unicom Hong Kong	10.64 1.33	China Merchants Port	22.70 -1.09

Cross Currency Rates

	USD	EUR	CNY	HKD	GBP	KRW	BRL	RUB	JPY	INR	CAD
USD		1.062	0.145	0.129	1.251	0.001	0.318	0.018	0.009	0.015	0.751
EUR	0.941		0.137	0.121	1.178	0.001	0.299	0.017	0.009	0.015	0.707
CNY	6.887	7.316		0.886	8.619	0.006	2.190	0.123	0.063	0.107	5.171
HKD	7.773	8.257	1.129		9.724	0.007	2.472	0.138	0.071	0.121	5.837
GBP	0.799	0.849	0.116	0.103		0.001	0.254	0.014	0.007	0.012	0.600
KRW	1139.900	1208.200	165.514	146.647	1428.220		363.001	20.311	10.473	17.540	857.270
BRL	3.144	3.338	0.457	0.405	3.934	0.003		0.056	0.029	0.049	2.362
RUB	56.208	59.723	8.162	7.230	70.323	0.049	17.870		0.516	0.880	42.296
JPY	108.900	115.680	15.812	14.009	136.232	0.095	34.635	1.936		1.692	81.775
INR	64.411	68.537	9.349	8.286	80.593	0.057	20.531	1.147	0.592		48.366
CAD	1.332	1.415	0.193	0.171	1.666	0.001	0.423	0.024	0.012	0.021	

Data provided by Bloomberg

Country's outbound M&As set to expand

By WU YIYAO in Shanghai
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Outbound mergers and acquisitions by Chinese companies are set to grow, with more private companies buying overseas as they need to expand business globally, according to a report by consulting firm McKinsey & Co.

The total volume of outbound M&As has grown "dramatically" in recent years, from \$49 billion in 2010 to \$227 billion in 2016, and China is still at a relatively early stage of a long-term growth trend, the report said.

According to McKinsey research data, Chinese companies spent around 0.9 percent of the 2015 GDP on outbound acquisitions, compared with 2 percent of GDP by European Union companies, and 1.3 percent by United States companies.

In recent months, Chinese outbound buying has cooled for several reasons, including tightened management on capital outflows.

The slowdown of outbound buying is likely to be a short-term correction, while the long-term growth trend in outward M&As will continue to gain momentum.

"It is important to break the myth that Chinese outbound buying is mainly government-driven, done by State-owned enterprises, and big-sized deals with cheap funding. In fact, the rationale behind many outbound buyings are Chinese companies' internal demands to expand their global presence. And besides the big deals that drew public attention, most of the deals were mid-sized or smaller," said Paul Gao, senior partner and head of McKinsey's automotive practice in Asia.

David Cogman, a partner who leads McKinsey's China globalization service line, said over the next decade the volume of deals will be a multiple of what was spent in the past.

Post-deal management is quite important for success."

David Cogman, a partner who leads McKinsey's China globalization service line

"But extracting value from acquisitions and successfully integrating them will require Chinese companies to build a range of new capabilities they didn't have before. Post-deal management is quite important for success," said Cogman.

Many deals received "hands-off" management post-deal, particularly minority investments, and the results for those were less than impressive, while deals where the acquirer took a more active approach to integrating the asset had a much higher success rate, according to the report.

Using third-party services for management and consultancy will be increasingly popular among small and mid-sized enterprises, as it may be costly to establish an internal department for global expansion at early stage for a privately owned enterprise, according to the China Overseas Development Association.

Matthias Debroyer, economic and commercial consul at Brussels Invest & Export, at the Consulate General of Belgium in Shanghai, said Chinese firms are advised to use more professional services for post-deal management.

"Due diligence, risk management and post-deal management are among keys to success. Investors need to ensure that core value of the assets they acquire stay and grow after the deal is made," said Debroyer.

International Stock Markets

	Daily Close	% Chg	YTD % Chg
Hang Seng Index	24,261.66	-0.2	
Hang Seng China Ent Index	10,204.34	0.0	
TAIEX Taiwan Stock Index	9,732.93	-1.1	
Nikkei 225	18,335.63	-0.5	
Sensex	29,461.45	-0.6	
KOSPI	2,134.88	-0.6	
S&P/ASX 200	5,889.95	-0.7	
New Zealand 50 Gross Index	7,229.80	-0.3	
Straits Times Index STI	3,169.24	-0.5	
Bangkok SET Index	1,589.50	0.4	
Bursa Malaysia KLCI Index	1,732.52	-0.3	
VN-Index	718.45	-0.8	
Dow Jones	20,453.25	-0.7	

Commodities

	Close	Daily % Chg	YTD % Chg
Brent Crude Oil (USD/bbl.)	55.89	0.1	
Gold (USD/t oz.)	1288.50	0.8	
Silver (USD/t oz.)	18.51	1.1	
Copper (USD/lb.)	2.57	1.0	
Aluminum (USD/MT)	1900.75	0.5	
Corn (USD/bu.)	3.78	0.5	
Wheat (USD/bu.)	4.43	-0.8	
Soybeans (USD/bu.)	9.66	0.8	
Coffee (USD/lb.)	1.41	0.5	
Sugar #11 (USD/lb.)	0.17	-1.0	
Palm Oil (MYR/MT)	2554.00	-0.5	

ETFs

EQUITY ETFs	Ticker	Close	Daily % Change
China 50	510050	2.35	-0.72
China AMC CSI 300 Index	510330	3.73	-0.51
China CSI 500	510500	6.83	-1.33
China SME	159902	3.25	-1.03
China Universal CSI Consumer Staples Index	159928	1.63	-0.12
E Fund ChiNext Price Index	159915	1.81	-1.36
E Fund CSI 300	510310	1.46	-0.82
E Fund CSI 300 Financials ex Banks Index	512070	1.66	-0.54
E Fund Hang Seng China Enterprises Index	510900	1.11	-1.34
E FUND SZSE100 INDEX FUND	159901	4.19	-1.27
Fortune SGAM Xianjin Tianyi Money Market	511990	100.02	0.00
Guangfa CSI 500	510510	1.80	-1.21
Guotai Shanghai Stock Exchange 180 Financial Index	510230	5.17	-0.69
Harvest CSI 300 Index	159919	3.76	-0.66
Huatai-Pinebridge CSI 300	510300	3.49	-0.83
Shanghai SSE180	510180	3.08	-0.65
SSE Pledge Urban Investment Bond	511220	95.25	-0.03
Yinhua Traded Money Market Fund	511880	100.99	0.02