

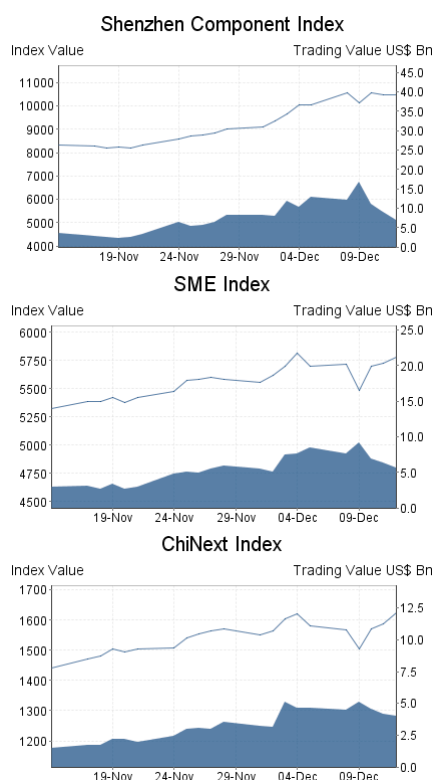
Market Bulletin

Monday 15 December, 2014 (Issue 39)

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- China To Establish Three Free Trade Parks
- CBRC Approves Operation of Webank
- China & KAZ Renew Currency Swap Deal
- Investment by PE/VC Firms Reaches Record
- Fund to Support Trust Firms in Trouble
- Xiaomi to invest in Midea
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- Fiscal Revenue Growth Picks Up in Nov

Key Indices



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

Tel: +86-755-83241251

Email: index@cinfo.com.cn

Market Review

Last week, Shenzhen Component Index stood at 10462.3 points after adding 3.9%. SME Index edged up 1.4% to 5778.6 points. ChiNext Index advanced 2.6% to 1623.6 points. Total turnover for stocks and funds on SZSE was US\$ 292.3 billion, or a 1.1% increase from the week before.

13 sector indices were higher than the previous week, and 3 were lower. Sector indices with the biggest gains were transportation and logistics, environmental services and culture & media. The only three sector indices that fell over the last week were IT, finance and hotels & catering.

Top 3 gainers were Guangdong Yantang Dairy (002732), Shenzhen Prince New Materials (002735) and Guangdong Dowstone Technology (300409). Top 3 decliners were Shanxi C&Y Pharmaceutical Group (300254), Allwin Telecommunication (002231) and Sinosun Technology (300333). The most active stocks last week were Changjiang Securities (000783), Gf Securities (000776) and Sealand Securities (000750).

Market News

China to Boost Growth Quality in 2015

According to a statement released after the Central Economic Work Conference, China will focus on boosting economic growth quality and efficiency in 2015 and stick to the theme of seeking progress while maintaining stability. China will adapt to the economic "new normal", keep economic growth within a reasonable range and emphasize growth mode transformation and economic restructuring. Chinese economy has entered a period of medium-to-high growth from high growth, and a shift to quality and efficiency from quantity and speed in terms of development.

China to Establish Three Free Trade Parks

The State Council has announced three new free trade parks and measures to streamline administrative powers. The free trade parks will be in Tianjin Municipality, Guangdong and Fujian provinces, following the success of the China (Shanghai) Pilot Free Trade Zone. Since September 2013 when the pilot FTZ was launched, negative list management, foreign trade, financial services and governmental supervision have all been overhauled.

CBRC Approves Operation of Private Webank

The CBRC has given green light to the actual operation of the private bank Webank. Webank has a registered capital of RMB 3 billion (US\$ 488.6 million) and its business scope includes personal banking, corporate banking and international banking. In the third quarter of this year, the CBRC gave the go-ahead on the establishment of five private banks including Shenzhen-based Webank and Hangzhou-based MYbank in a bid to better support the country's small and micro-businesses. Previously, China had only one private bank in service,

Market at a Glance

SZSE Market Statistics (12 December, 2014)	
No. of Listed Companies	1612
Market Cap.(US\$ Bn)	2160.0
Free-float Market Cap.(US\$ Bn)	1598.6
Average P/E Ratio	35.37
For the Year of 2014	
Turnover Value(US\$ Bn)	6615.3
-Stock	5451.6
-Main Board	1950.7
-SME Board	2308.9
-ChiNext	1192.0
-Fund	126.4
-Bond	1037.3
Daily Turnover Ratio(%)	1.90
Total Fund Raised by Equity (US\$ Bn)	60.2
No. of IPO	76

*Currency ratio used : 1 USD=6.14 CNY

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China Minsheng Bank, which was founded in 1996 in Beijing.

China & Kazakhstan Renew Currency Swap Deal

Central banks of China and Kazakhstan on 14 December decided to renew their three-year currency swap deal. The two sides also signed currency settlement and payment agreement, which means local currencies can be used for settlement in not only border trade but also ordinary trade activities. The PBC said the move is good to deepen China-Kazakhstan currency and financial cooperation, facilitate bilateral trade and investment, and safeguard regional financial stability.

Investment by PE/VC Firms Reaches Record

Venture capital and private equity deals made in China reached a record high in the first 11 months. According to figures from Zero2IPO Group, 1,873 venture capital deals were made in the first 11 months of this year with investment value of US\$ 15.6 billion, a 135.9% increase on the full year 2013. Another 892 private equity deals were made during the same period totaling US\$ 50.4 billion, a 105.7% increase on last year. The study showed that 231 new VC funds worth US\$ 15.4 billion were set up in the first 11 months, a 122.6% increase in value on last year. It also showed about 60% of the VC deals made during the period were at the startup stage.

Fund to Support Trust Firms in Trouble

China plans to establish a fund to support troubled trust firms. Under rules jointly issued by the CBRC and Ministry of Finance on 13 December, each trust firm is required to contribute 1% of their net assets to the fund, while each trust product will pay 1% of the money raised. The statement said the protection fund will be used to help trust firms that are restructured because of insolvency or that are going bankrupt, firms that have shut because of illegal operations, and those with short-term liquidity difficulties.

Xiaomi to invest in Midea

Xiaomi is partnering with domestic appliance maker Midea to further its push into the smart-home market. According to Midea's official WeChat account, Xiaomi will acquire approximately 1.3% shares of Midea Group, a Guangdong-based home appliance maker, for RMB about 1.3 billion (US\$ 211.7 million). Earlier, *Guangzhou Daily* reported that Xiaomi CEO Lei Jun had reached an initial partnership agreement with Midea's top executives, with Xiaomi likely to make an investment in Midea.

CCB to Issue Preference Shares

China Construction Bank (CCB), one of four major state-owned banks in China, announced on 13 December that it plans to sell no more than 600 million preference shares to raise up to RMB 60 billion (US\$ 9.8 billion) in a private placement. The issuance is targeted at qualified domestic investors, and the plan will be subject to approval from the CBRC and CSRC. The CCB said the plan aims to boost the bank's tier-one capital, improve its capital quality, and sustain healthy business development.

China Fiscal Revenue Growth Picks Up in Nov

The Ministry of Finance said on 11 December that China's fiscal revenue rose 9.1% year on year in November to RMB 995.3 billion (US\$ 162.1 billion), slowing from the 9.4% rise seen in October. Central government revenue reached RMB 480.1 billion (US\$ 78.2 billion), up 12.1% year on year, while local government revenue stood at RMB 515.2 billion (US\$ 83.9 billion), up 6.4% from the same period last year.