

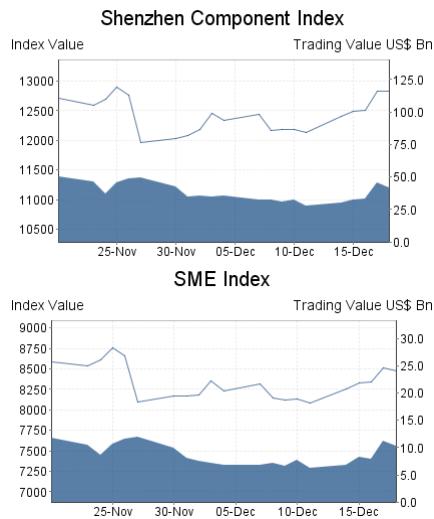
# Market Bulletin

Monday 21 December, 2015 (Issue 30)

## Highlights

- Adjustments Made to the Sample Stocks for SZSE Major Indices
- CSRC: Companies in Poor Areas Encouraged to Get Listed
- Trade-weighted Index to Create Flexible Rate to Keep Yuan Stable
- China to Replace Subsidy with Reward to Underpin PPP Projects
- China's VAT Reform Expected to Complete in H1 2016
- China Introduces Guidelines on Accelerating FTAs
- Shanghai Free Trade Zone to Ease Convertibility of Foreign Debt
- China, Australia and South Korea Eye Boon from FTAs
- China Central Bank Projects 2016 Growth at 6.8%
- Share of Global Exports Set to Reach 13% This Year
- China's Retail Sales Growth Estimated at 10.7% in 2015
- China's Outbound Direct Investment up 16% in the First 11 Months

## Key Indices



## Market Review

Last week, Shenzhen Component Index stood at 12830.2 points after adding 5.7%. SME Index edged up 4.9% to 8478.9 points. ChiNext Index advanced 6.0% to 2830.3 points. Total turnover for stocks and funds on SZSE was US\$396.1 billion, or a 10.4% increase from the week before.

All sector indices were higher than previous week. Sector indices with the biggest gains were real estate, culture & media and conglomerates.

Top 3 gainers were Changhang Phoenix (000520), Zhejiang Idc Fluid Control (002468) and Shanghai Fortune Techgroup (300493). Top 3 decliners were Shenzhen Jinjia Color Printing (002191), Zhejiang Longsheng Auto Parts (002625) and Jincheng Paper (000820). The most active stocks for the last week were Western Securities (002673), East Money Information (300059) and Jiangxi Special Electric Motor (002176).

## Market News

### Adjustments Made to the Sample Stocks for SZSE Major Indices

Regular adjustments to the sample stocks of SZSE Component Index, SZSE SME Index and ChiNext Index will come into effect as of the first trading day of Jan, 2016. The market representativeness of SZSE Component Index will be further enhanced after the adjustment, with market coverage of about 57%. The characteristics of centering on new technical enterprises of core indices in the Shenzhen market will be further reinforced after the adjustment.

### CSRC: Companies in Poor Areas Encouraged to Get Listed

The CSRC said on Dec 16 that China will turn to the capital market to help finance businesses in poor areas. Companies from western regions and five autonomous ethnic regions will receive favorable policies and expense deductions when applying for IPOs. More capital will fund agricultural projects to support leading agricultural companies.

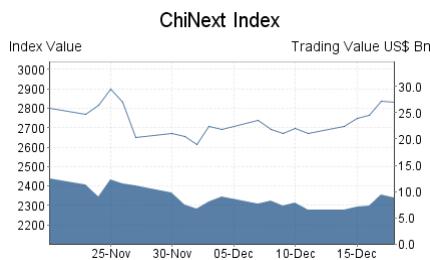
### Trade-weighted Index to Create Flexible Rate to Keep Yuan Stable

China's central bank has recently released a trade-weighted index (TWI) for the yuan that measures the yuan's valuation against a basket of 13 currencies of China's major trading partners. The central bank on Dec 14 said the TWI, which will be released regularly, offers a more thorough view of the yuan's valuation.

### China to Replace Subsidy with Reward to Underpin PPP Projects

To support public-private partnership (PPP) projects, China will provide rewards instead of subsidies in a pilot program that will start next year, a Ministry of Finance (MOF) notice said on Dec 15. The MOF said it also encourage uncompleted locally-funded public service projects to transform into PPP model projects. For those successfully transformed projects, the central government will also provide rewards.

### China's VAT Reform Expected to Complete in H1 2016



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## Market at a Glance

SZSE Market Statistics (18 December, 2015)	
No. of Listed Companies	1734
Market Cap.(US\$ Bn)	3628.8
Free-float Market Cap.(US\$ Bn)	2550.8
Average P/E Ratio	52.61
For the Year of 2015	
Turnover Value(US\$ Bn)	20398.0
-Stock	18363.4
-Main Board	6657.8
-SME Board	7433.5
-ChiNext	4272.1
-Fund	748.8
-Bond	1285.8
Daily Turnover Ratio(%)	3.91
Total Fund Raised by Equity (US\$ Bn)	83.3
No. of IPO	120

\*Currency ratio used : 1 USD=6.44 CNY

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Changes to China's value-added tax (VAT) policy are expected to be completed by the first half of 2016, ending industry's dual tax system, a report by China International Capital Corp Ltd. said on Dec 16. One main objective of VAT reform is to alleviate the corporate tax burden. By the first half of 2016, the overall tax saving will be in excess of RMB 900 billion, or 0.4% of GDP.

## China Introduces Guidelines on Accelerating FTAs

According to guidelines published by the State Council, to improve its free trade areas (FTA), China will step up cooperation with neighboring countries and improve the support and evaluation systems. Specifically, the guidelines encourage the opening up of the service sector including finance, education, culture, and health care, and relax investment access rules in child and elderly care, architectural design, accounting and auditing, logistics, and e-commerce.

## Shanghai Free Trade Zone to Ease Convertibility of Foreign Debt

According to a circular released by State Administration of Foreign Exchange (SAFE), non-financial firms within Shanghai's Free Trade Zone (FTZ) will be given freedom to choose whether they would like to convert their cash raised from overseas debt into yuan, which will save enterprises' cost of cash management and settlement. SAFE will also allow authorities at FTZ to roll out measures to simplify FTZ-bounded enterprises' settlements using foreign exchanges and cash pool management.

## China, Australia and South Korea Eye Boon from FTAs

China's free trade agreements (FTA) with South Korea and Australia officially came into force on Dec 20. According to the Ministry of Commerce, a first round of tariff cuts was to take effect on Dec 20, and a second on Jan 1, 2016.

## China Central Bank Projects 2016 Growth at 6.8%

China's central bank projected its baseline forecast for 2016 growth at 6.8% on Dec 16. The rate is slightly lower than the central bank's forecast of 6.9% expansion for 2015. Overcapacity, profit deceleration, and rising non-performing loans are the major drags on the economy, and supportive factors such as the recovery of real estate sales, lagging effects of macro and structural policies and some modest improvement in external demand would help underpin broader growth.

## Share of Global Exports Set to Reach 13% This Year

According to the Ministry of Commerce, China is expected to account for 13% of the world's total exports this year as the country shipped more high-value products to both developed and emerging markets between January and November. The country's exports of rail equipment, as well as power and telecommunications products to developed markets rose 10% year-on-year in the first 11 months.

## China's Retail Sales Growth Estimated at 10.7% in 2015

The Ministry of Commerce said that China's retail sales of consumer goods is expected to see an annual growth of 10.7%. According to the National Bureau of Statistics, in the 11 months ending November, total sales of consumer goods rose 10.6% from a year earlier to RMB 27.23 trillion.

## China's Outbound Direct Investment up 16% in the First 11 Months

According to the Ministry of Commerce, the Chinese mainland made around USD 104 billion in non-financial investment in overseas markets in the first 11 months of 2015, up 16% year on year. The Belt and Road Initiative, the acceleration of international industrial-capacity cooperation, more competitive companies and a more favorable business environment are the main driving forces behind the growth.