

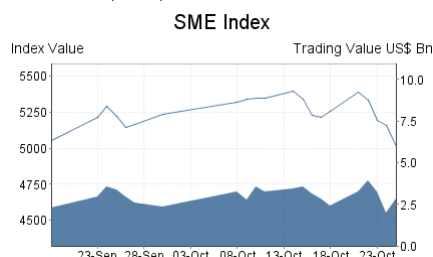
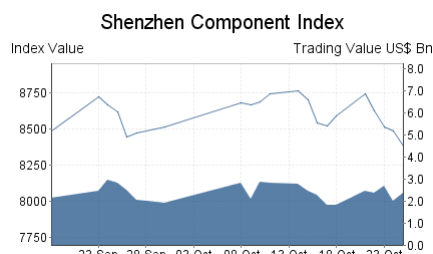
Market Bulletin

Monday 28 October, 2013 (Issue 21)

Highlights

- Shibor Overnight Repo Rate Sets New High
- HSBC PMI Rises to 7-Month High
- Yu'e Bao Becomes the Biggest Fund
- CSRC to Exam Legitimacy of Baidu's 8% Return Product
- Q3 Outstanding Loans Hit RMB 70 Trillion
- RMB Equivalent of Official Foreign Exchange Holding Soars to New High
- Import Duty-free Policy in Shanghai Free Trade Zone Announced
- Private Capital is Awaiting Approval to Set up Banks in Wenzhou
- Securities Firms Given Access to Central Payment System
- 1,644 Equity Funds Gain RMB 193 Billion in 13Q3
- First SME Private Placement Convertible Bond Debuts on SZSE
- 754 Companies Awaiting IPO Review as of 17 October
- Singapore to Obtain RQFII Quota of RMB 50 Billion

Key Indices



Market Review

From 21 to 25 October, Shenzhen Component Index lost 4.7% and closed at 8379.6 points. SME Index closed at 5011.1 points after falling 4.7%. ChiNext Index was down 6.0% and closed at 1269.2 points. Total turnover for stocks and funds on SZSE was US\$106.1 bn, or a 2.7% decrease from the week before.

2 sector indices were higher than previous week, and 14 were lower. Finance and utilities were the only two sector indices that rose over the last week. Sector indices with the biggest drops were IT, hotels & catering and wholesale & retail. Top 3 gainers were Sunlight Electrical (002473), Xinghui Auto Model (300043) and Rainbow Fine Chemical (002256). Huatian Hotel (000428), LESHU (300104) and Ultrapower Software (300002) were the Top 3 decliners. The most active stocks for the last week were Suning Commerce Group (002024), Huayi Brothers (300027) and Chengdu Xingrong Investment (000598).

Market News

Shibor Overnight Repo Rate Sets New High

The People's Bank of China (PBC) suspended selling reverse-repurchase contracts last week and withdrew a net RMB 58 bn (US\$ 9.4 bn) from the money market. The overnight repo rate rose to 4.2% last Thursday, being the first time to surpass 4% in the past three months. The 7-day repurchase rate also increased 140 basis points last week to 4.89% last Friday.

HSBC PMI Rises to 7-Month High

Flash HSBC Purchasing Managers Index (PMI) stood at 50.9 in October, above September's final reading of 50.2 and marking a seven-month high.

Yu'e Bao Becomes the Biggest Fund

According to the Q3 Report of Tianhong Fund Management, as of 30 September, total investments in Yu'e Bao reached RMB 55.7 bn (US\$ 9.1 bn), seeing a skyrocketing growth of 1211.33% in the third quarter and making the online fund product the biggest in China.

CSRC to Exam Legitimacy of Baidu's 8% Return Product

CSRC said on its official microblog that Baidu's offer of an 8% guaranteed annual return on its fund product does not conform to laws and regulations. The CSRC will examine the legitimacy and compliance issue of the product.

Q3 Outstanding Loans Hit RMB 70 Trillion

According to the PBC, the balance of outstanding RMB-denominated loans stood at RMB 70.28 tril (US\$ 11.4 tril) by the end of September, up 14.3% y-o-y. The balance of outstanding loans going to the real estate sector saw a 19% rise, reaching RMB 14.17 tril (US\$ 2.3 tril). Loans for small and micro-sized enterprises (SMEs) also witnessed

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Market at a Glance

SZSE Market Statistics (25 October, 2013)	
No. of Listed Companies	1536
Market Cap.(US\$ Bn)	1396.2
Free-float Market Cap.(US\$ Bn)	984.9
Average P/E Ratio	27.09
For the Year of 2013	
Turnover Value(US\$ Bn)	3861.0
-Stock	3129.8
-Main Board	1184.0
-SME Board	1310.7
-ChiNext	635.1
-Fund	80.2
-Bond	651.0
Daily Turnover Ratio(%)	1.68
Total Fund Raised by Equity (US\$ Bn)	21.4
No. of IPO	0

*Currency ratio used : 1 USD=6.14 CNY

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significant increase during the same period.

RMB Equivalent of Foreign Exchange Holding Soars to New High

PBC statistics showed that incremental foreign exchange holding was equivalent to RMB 126.4 bn (US\$ 20.6 bn) in September, registering a record high since the beginning of 2013. Analysis said the weaker expectation of United States' tapering quantitative easing leads money back to China.

Import Duty-free Policy in Shanghai Free Trade Zone Announced

According to the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, tax exemption will be applied to imports of machines, equipment and other necessary goods in manufacturing and production businesses in the Shanghai Free Trade Zone.

CBRC: Active Exploration and Prudent Execution for Private Banks

Liu Xiaoyong, a deputy director of the China Banking Regulatory Commission (CBRC) revealed on the 6th China-Wuhan Finance Expo that, the CBRC will adopt an "active exploration, prudent execution" approach to the establishment of private banks.

Private Capital Awaiting Approval to Set up Banks in Wenzhou

Wenzhou has submitted to the State Council the plan of allowing private capital to establish banks, according to Zhu Congjiu, Vice Governor of Zhejiang province. Recent financial reform in Wenzhou mainly focuses on regulation of private capital, finance institution licensing and improvement of credit system.

Securities Firms Given Access to Central Payment System

10 securities firms have been approved for the pilot programme of securities account consumption payment service by 23 October. They are connected to the China Union Pay payment system and customers can make payment with the balance in their securities accounts.

1,644 Equity Funds Gain RMB 193 Billion in 13Q3

According to TX Consultancy, a total of 1,644 equity funds managed by 71 fund companies had made a profit of RMB 193 bn (US\$ 31.4 bn) in the third quarter this year, a turnaround from losses recorded in the previous reporting period.

First SME Private Placement Convertible Bond Debuts on SZSE

China's first private placement convertible bond issued by small- and medium-sized enterprises (SMEs) was successfully launched on SZSE, marking another breakthrough after the introduction of SME private placement bond last year.

754 Companies Awaiting IPO Review as of 17 October

According to the CSRC, the number of companies waiting for IPO reviews totaled 754 as of October 17. Among them, 311 and 263 companies are expected to get listed on the SME board and ChiNext Market respectively.

Singapore to Obtain RQFII Quota of RMB 50 Billion

According to Singapore Central Bank, the city state would obtain RMB 50 bn (US\$ 8.14 bn) worth of quota under the RQFII scheme. Measures are also being studied to allow cross-border Renminbi flows between Singapore and two mainland Chinese trade ventures, Suzhou Industrial Park and Tianjin Eco-City.