

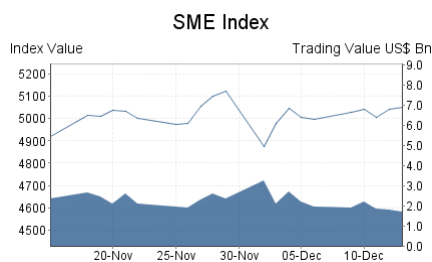
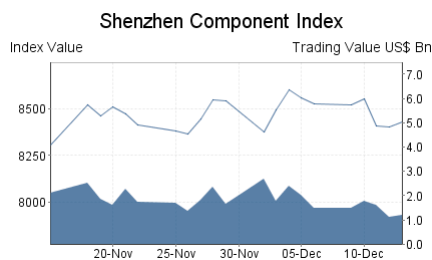
Market Bulletin

Monday 16 December, 2013 (Issue 28)

Highlights

- China sets economic priorities for 2014
- CSRC issues draft rules for preferred shares
- OTC Market to expand nationwide
- China introduces tax-deferred annuity
- Adjustments made to major SZSE indices
- SZSE's first gold ETF makes debut
- Q3 third party mobile payment surges
- FTZ policies to spread nationwide
- WMPs total RMB 9.9 trillion

Key Indices



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Market Review

Last week, Shenzhen Component Index closed at 8429.8 points after losing 1.1%. SME Index rose 1.2% to 5052.4 points. ChiNext Index jumped 5.9% and stood at 1278.1 points. Total turnover for stocks and funds on SZSE was US\$ 79.6 billion, or a 21.7% decrease from the week before.

9 sector indices were higher than previous week, and 7 were lower. Sector indices with the biggest gains were culture & media, business support and IT. Sector indices with the biggest drops were finance, conglomerates and utilities.

Top 3 gainers were Ingenic Semiconductor (300223), Joyoung Company (002242) and Beijing Taikong (300344). Top 3 decliners were New Hua Du (002264), Shenzhen Jinjia (002191) and Hubei Golden Ring (000615). The most active stocks last week were Huayi Brothers (300027), Suning Commerce Group (002024) and Beijing Enlight Media (300251).

Market News

China Sets Economic Priorities for 2014

The annual Central Economic Work Conference concluding last week pointed out that the core task for the year 2014 is to seek steady progress and promote reforms and innovations. The conference also announced that China will implement its proactive fiscal policies and prudent monetary policies. The six major economic tasks for 2014 include ensuring food security, reducing overcapacity, containing debt risks, balancing regional development and improving social welfare, as well as promoting further opening-up.

CSRC Issues Draft Rules for Preferred Shares

The CSRC released draft regulations last Friday covering the issue of preferred shares. Under the draft, three types of listed companies can publicly issue preferred shares: Shanghai Stock Exchange 50 Index components; companies planning to acquire other listed companies by issuing preferred shares for payment, and companies buying back common stock that plan to decrease their registered capital by issuing preferred shares as payment. Qualified investors in private placements of preferred shares include certain Chinese financial institutions and their financial products, QFIIs, RQFIIs, partnerships and individual investors.

OTC Market Ushers in Nationwide Expansion

The State Council announced last Saturday that the OTC market, also called the National Equities Exchange and Quotations System, will be expanded to cover all innovative and promising companies. The admitting criteria consist of no regional restriction, sector

Market at a Glance

SZSE Market Statistics (13 December, 2013)	
No. of Listed Companies	1536
Market Cap.(US\$ Bn)	1441.2
Free-float Market Cap.(US\$ Bn)	1030.3
Average P/E Ratio	27.95
For the Year of 2013	
Turnover Value(US\$ Bn)	4610.8
-Stock	3719.9
-Main Board	1373.0
-SME Board	1561.1
-ChiNext	785.8
-Fund	90.9
-Bond	800.0
Daily Turnover Ratio(%)	1.66
Total Fund Raised by Equity (US\$ Bn)	24.4
No. of IPO	0

*Currency ratio used : 1 USD=6.13 CNY

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restriction or financial threshold. Qualified companies can apply for listing on the board for public share transfer to realize equity and bond financing as well as asset restructuring. After listing, they can apply directly to be listed on a stock exchange when they meet certain requirements.

China Introduces Tax-Deferred Annuity System

According to a joint statement issued by the Ministry of Finance, the Ministry of Human Resources and Social Security, and the State Administration of Taxation, the corporate contribution to annuities, or fixed annual payments, will be exempt from tax, so will individual contributions as long as it is within 4% of an employee's taxable income, starting from 1 January, 2014. The change will defer tax on corporate annuities until retirement. It is expected to add incentives for companies and individuals to step up their investment in corporate-managed retirement plans.

Adjustments Made to Major SZSE Indices

4 stocks will be adjusted for the sample stocks of SZSE Component Index, with Dahua Technology, Jerih Group, BYD, Originwater swapped in, whereas Nonfemet, Jidong Cement, YCC, and YTL swapped out; 10 stocks will be adjusted for the SME Index, with Coship Electronics, Bewinner Communications and other 8 stocks swapped in, whereas Jinggong Science, Aviation Precision Machinery and other 8 sample stocks swapped out; 7 stocks will be adjusted the ChiNext Index, with Savings, Egova and other 5 stocks swapped in, whereas Dayu Water-saving, Changelight and other 5 stocks swapped out. Adjustments have also been made to the sample stocks of SZSE 100 Index and CNINFO 100 Index. The adjustments will become effective as of the first trading day of 2014.

SZSE's First Gold ETF Makes Debut

E Fund Management Co., Ltd. announced last Wednesday that its gold ETF will make debut on the Shenzhen Stock Exchange on 16 December, marking SZSE's first gold ETF. The fund was inaugurated on 29 November and posted 500 million units in initial offering, with the largest shareholder being Shandong Gold Mining Co., Ltd.

Q3 Third Party Mobile Payment Surges

According to iResearch Consulting Group, China's third party mobile payment market reached RMB 296.5 billion (US\$ 48.37 billion), increasing 152.6% compared with Q2. With the forming of mobile internet payment habit of individual clients and the product innovation and business expansion in the mobile internet payment sector, remote mobile internet payment experienced rapid growth.

FTZ Policies Expected to Spread Nationwide

According to Sun Yuanjiang, official from the Ministry of Commerce, some policies that are currently being used in the China (Shanghai) Pilot Free Trade Zone (FTZ) will be implemented nationwide in the next two to three years. He also added that the Shanghai FTZ's negative list, which specifies all sectors in which restrictions will remain for foreign enterprises, will be gradually shrunken.

Wealth Management Products Total RMB 9.9 Trillion

According to an industry report from the China Banking Association, China's wealth management products totaled RMB 9.9 trillion (US\$1.63 trillion) as of the end of September. Previous data shows that the figure has more than doubled from RMB 4.59 trillion (US\$ 748.8 billion) at the end of 2011, and is up from RMB 7.1 trillion yuan (US\$ 1.2 trillion) at the end of 2012.