

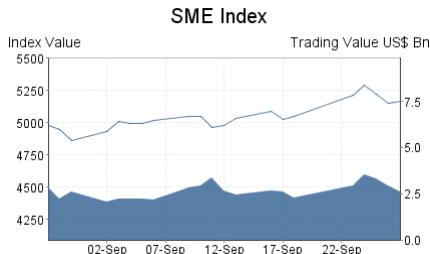
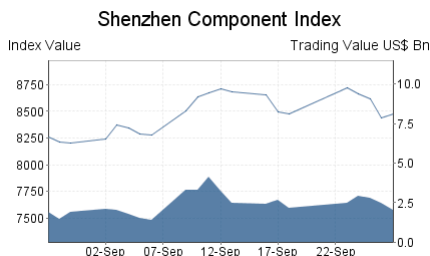
Market Bulletin

Monday 30 September, 2013 (Issue 18)

Highlights

- PBC to Further Promote Interest Rate Liberalization
- Shanghai Free Trade Zone Begins Operation
- September HSBC PMI Hits 6-Month High
- PBC Injects a Net RMB 155 Billion into the Market
- More Cities Open to Consumer Financing Pilot Programme
- CSRC Released Differentiated Review Procedure for M&As
- Mergers & Acquisitions See Sharp Increase in China
- Securities Financing Pilot Programme to Expand
- Haitong International to Acquire Hengxin Financial Group
- CSOP CES China A80 ETF Listed on HKEx
- Micro-credit ABS Debuts on SZSE
- Hong Kong and London to Jointly Develop RMB Products
- More QFII & RQFII Quotas Approved in September

Key Indices



Market Review

From 23 to 27 September, Shenzhen Component Index closed at 8472.3 points after losing 0.1%. SME Index increased 2.3% and closed at 5164.7 points. ChiNext Index saw a 2.6% rise and ended the week at 1323.8 points. Total turnover for stocks and funds on SZSE was US\$97.4 bn, or a 91.1% increase from the week before.

6 sector indices were higher than previous week, and 10 were lower. Sector indices with the biggest gains were culture & media, wholesale & retail and business support. Sector indices with the biggest drops were real estate, finance and construction. Top 3 gainers were Sino Geophysical (300191), Gohigh Data Networks Technology (000851) and Shenzhen Capstone Industrial (000038). Shandong Xingmin Wheel (002355), China Kejian (000035) and Shenzhen World Union Properties Consultancy (002285) were the Top 3 decliners. The most active stocks last week were Suning Commerce Group (002024), Huayi Brothers Media Corporation (300027) and Ping An Bank (000001).

Market News

PBC to Further Promote Interest Rate Liberalization

The PBC released three near-term tasks to liberalize interest rate: First, China will allow banks to price loans based on market-oriented benchmark rates. Second, large banks will be able to set the benchmark borrowing costs for the industry. Third, banks will be permitted to launch certificates of deposits in the interbank market shortly.

Shanghai Free Trade Zone Begins Operation

Shanghai free trade zone started operation on 29 September. According to a blueprint released by the State Council, concrete measures include further opening up investment sectors, deepening the opening-up of the financial services sector and improving and perfecting the legal system.

September HSBC PMI Hits 6-Month High

The flash HSBC Manufacturing PMI climbed to 51.2 in September from August's 50.1, hitting a high in the past 6 months, with 10 of 11 sub-indices rising. Exports staged a promising comeback and domestic demand showed resilience, with new orders rising to a five-month high.

PBC Injects a Net RMB 155 Billion into the Market

People's Bank of China (PBC) injected RMB 168 bn (US\$ 27.3 bn) through reverse repurchases last Tuesday and Thursday. With maturing central bank bills amounting to RMB 5 bn while maturing reverse repurchases standing at RMB 18 bn, the central bank had injected a net RMB 155 bn (US\$ 25.2 bn) into the money market last week.

More Cities Open to Consumer Financing Pilot Programme

The China Banking Regulatory Commission (CBRC) recently expanded

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Market at a Glance

SZSE Market Statistics (27 September, 2013)

No. of Listed Companies	1536
Market Cap.(US\$ Bn)	1396.1
Free-float Market Cap.(US\$ Bn)	974.2
Average P/E Ratio	27.19
For the Year of 2013	
Turnover Value(US\$ Bn)	3469.6
-Stock	2807.3
-Main Board	1074.0
-SME Board	1173.5
-ChiNext	559.8
-Fund	74.7
-Bond	587.5
Daily Turnover Ratio(%)	1.66
Total Fund Raised by Equity (US\$ Bn)	20.9
No. of IPO	0

*Currency ratio used : 1 US\$=6.16 CNY

Notice

Due to the 2013 National Day holiday in China, the market will be closed from 1 to 7 October. The Market Bulletin will not be issued on 7 October. Market news will be summarized into the issue on 14 October, 2013.

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the consumer financing pilot programme to 10 more cities including Shenyang, Nanjing, Hangzhou, Hefei, Quanzhou, Wuhan, Guangzhou, Chongqing, Xi'an and Qingdao. Guangdong Province (including Shenzhen) is open for Hong Kong and Macao financial institutions.

CSRC Released Differentiated Review Procedure for M&As

From 8 October, the CSRC will adopt the differentiated M&A review procedure. The CSRC will conditionally simplify and reduce the administrative approval procedures and carry out differentiated review arrangements based on companies' characteristics such as information disclosure performance, standard operation situations, professional competence of financial advisors, and etc.

Mergers & Acquisitions See Sharp Increase in China

According to Thomson Reuters, mergers and acquisitions (M&As) involving Chinese companies reached a record-high of \$172.7 bn by September, up 12.5% compared to the same period last year. Energy and electric power were the leading industry sectors with \$37.8 bn, accounting for 21.9% of the total M&A volume. In the January-September period, cross-border transactions rose 10.5% to a record high of \$67.5 bn.

Securities Financing Pilot Programme to Expand

According to China Securities Finance Corporation (CSF), the number of underlying securities for securities financing has increased from 87 to 287 since 18 September. The number of securities companies that participate in the pilot program has grown to 30 from 11.

Haitong International to Acquire Hengxin Financial Group

Haitong International Securities, the wholly-owned subsidiary of Haitong Securities will purchase 100% stake of Hengxin Financial Group with US\$ 715 million, a subsidiary of the private investment firm TPG, striking the first deal of Chinese securities firm's acquisition of a foreign-owned finance lease company.

CSOP CES China A80 ETF Listed on HKEx

A new RQFII A-share ETF and a dual counter security; CSOP CES China A80 ETF (8313-RMB counter, 3137-HKD counter) has been authorized under collective investment scheme. It is eligible for short selling on Hong Kong Stock Exchange since 23 September 2013.

Micro-credit ABS Debuts on SZSE

On 25 September, Orient Securities Asset Management Company-Alibaba Special Asset Management Plan No.1 & No.2 were listed on SZSE. The plans are the first of this kind to finance micro credit business through asset-backed securities.

Hong Kong and London to Jointly Develop RMB Products

According to Greg Clark, UK Financial Secretary to the Treasury, Hong Kong and London will cooperate to further develop the offshore RMB market. Clark mentioned that London now accounts for 28% of offshore RMB settled transactions. The volume of RMB denominated import and export financing has also increased 100% since 2011.

More QFII & RQFII Quotas Approved in September

According to State Administration of Foreign Exchange (SAFE), approved QFII quota has increased US\$ 1.05 bn to US\$ 47.5 bn by 26 September. SAFE also issued RMB 5.7 bn (US\$ 925 mil) of RQFII quota to 6 institutions on 26 September. So far, 42 institutions have been granted the RQFII qualification and a total quota of RMB 134.3 bn (US\$ 21.8 bn).