

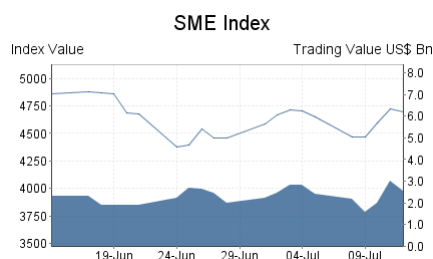
Market Bulletin

Monday 15 July, 2013 (Issue 8)

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- China Ready to Hand over Auditing Document to U.S. Counterparts
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Key Indices



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Market Review

Shenzhen market ended last week with a positive note. Shenzhen Component Index closed at 8012.8 points after gaining 2.0%. SME Index rose 0.9% to 4691.3 points. ChiNext Index jumped 3.7% and stood at 1096.3 points. Total turnover for stocks and funds on SZSE was US\$76.7 bn, or a 2.3% decrease from the week before.

All but one sector indices were higher than previous week. Sector indices with the biggest gains were Finance, Business Support and IT. Construction was the only sector indices that fell over the last week. Top 3 gainers were Shanghai Ganglian E-Commerce (300226), Shenzhen Kingsun (300235) and Everyday Network (300295). Lecron Material (300343), Longyuan Power Technology (300105) and Hodgen Technology (300279) were the Top 3 decliners. The most active stocks for the last week were Hongyuan Securities (000562), VANKE (000002) and Ping An Bank (000001).

Market News

China's Q2 GDP Grows 7.5%

According to the National Statistics Bureau, China's GDP increased by 7.5% in the second quarter, and recorded a 7.6% YoY growth in the first half of 2013.

China and US Pursue BIT

As a result of the fifth China-US Strategic and Economic Dialogue, both sides agreed to pursue a Bilateral Investment Treaty (BIT). The two sides reached consensus to base substantive negotiations on access and national treatment before the negative list. Statistics show that by the end of May, US direct investment in China amounted to over US\$ 70 bn, while Chinese direct investment in the United States was close to US\$ 20 bn.

Compensation Settled for Wanfu Bio-tech Investors

95% of eligible investors of Wanfu Biotechnology (300268), a ChiNext-listed company that was sanctioned for financial frauds, received a total of RMB 179 million (US\$ 29 million) compensation from the special fund set up by Ping An Securities.

China Ready to Hand over Auditing Documents to U.S. Counterparts

The CSRC is ready to provide the US regulators with auditing work papers pertaining to a US-listed Chinese company for the first time, according to *Securities Times*. The company's name has not been given.

CSRC Studies T+0 Model for A Share Market

According to the CSRC, regulatory departments are studying the T+0 model for A share market, saying that there is no legal barrier for implementation of T+0. But no timetable was disclosed for the moment.

CSRC Encourages Issuance of Preferred Shares for Buyback of

Market at a Glance

| SZSE Market Statistics (12 July, 2013) | |
|--|--------|
| No. of Listed Companies | 1537 |
| Market Cap.(US\$ Bn) | 1250.2 |
| Free-float Market Cap.(US\$ Bn) | 860.7 |
| Average P/E Ratio | 24.58 |
| For the Year of 2013 | |
| Turnover Value(US\$ Bn) | 2283.3 |
| -Stock | 1847.4 |
| -Main Board | 745.5 |
| -SME Board | 762.4 |
| -ChiNext | 339.6 |
| -Fund | 51.0 |
| -Bond | 384.8 |
| Daily Turnover Ratio(%) | 1.60 |
| Total Fund Raised by Equity (US\$ Bn) | 17.9 |
| No. of IPO | 0 |

*Currency ratio used : 1 USD=6.18 CNY

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Ordinary Shares

The CSRC encourages listed companies to issue preferred shares for buyback of ordinary shares from the secondary market. Since preferred shares have been in urgent market demand, the CSRC is formulating relevant rules and regulations regarding it.

PBC Tightens Rules on Interbank Trading of Bonds

People's Bank of China (PBC) has recently ordered that all interbank bonds transactions be conducted through the National Interbank Funding Center. Transactions including forward deals and repurchases can't be reversed or changed once agreed between the two parties.

The Integrated Securities Account on the Way

Led by the China Securities Depository and Clearing (SD&C), business, IT and data interface preparation work for securities account integration has got underway. A general securities account based on each investor' A share, B share, fund accounts and other accounts on both Shanghai and Shenzhen markets will be set up by year end.

Refinancing of A-Share Companies Surges

By 30 June, 123 companies raised a total of RMB 211.2 bn (US\$34.3 bn) through private placement, registering a 77.9% YoY growth, according to *China Venture*.

Uncovered Position of Securities Lending Peaks

Up to 10 July, the uncovered position of securities lending for Shanghai Stock Exchange and Shenzhen Stock Exchange set a historical high of RMB 4.97 bn (US\$ 804 million).

Net Profit of 114 Securities Companies totaled RMB 24.5 Billion

According to SAC, revenue of 114 securities firms totaled RMB 78.5 bn (US\$ 12.7 bn) for the first half of 2013. The net profit was RMB 24.5 bn (US\$ 4.0 bn). 99 securities firms made a profit, accounting for 86.8% of all securities firms. The net asset of 114 securities firms reached RMB 1.87 trillion (US\$ 303 bn).

Taiwan Aims to be the Next Offshore RMB Center

According to Mr. Lin Huodeng, president of Taiwan Stock Exchange, Taiwan plans to introduce RMB-denominated ETF and dual-currency stocks, trying to be the next major offshore RMB center along with Hong Kong. Taiwan is considering raising RMB via the RQFII scheme to meet the rising demand of RMB.

QFII News

QFII Quota Increases to US\$150 Billion

According to the CSRC, QFII quota has been increased to US\$ 150 bn, and the RQFII scheme expands to cover Singapore and London and other areas besides Hong Kong.

Opening of QFII accounts has sped up in 2013. 29 QFII accounts were opened in June, marking a record high. From March to June, the numbers of newly-opened QFII accounts are 26, 10, 22 and 29 respectively. A total of 113 accounts were opened in the first half of 2013.

So far in 2013, 229 institutions have been granted QFII licenses, with the accumulated quota reaching US\$ 43.5 billion. 37 institutions have been granted the RQFII quota, with a total quota of RMB 105 billion (US\$ 17.0 bn).