

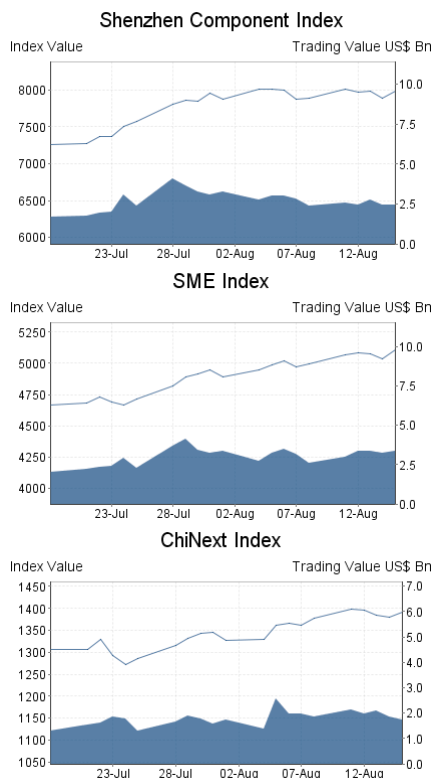
Market Bulletin

Monday 18 August, 2014 (Issue 28)

Highlights

- State Council to Cut Financing Cost
- China to Promote Insurance Industry
- Venture Capital Funds to Get More Money
- Financial Authorities Adds Impetus to Qianhai
- RQFII ETF Buoyed by Investors' Enthusiasm
- Alibaba to Launch Global IPO Roadshows
- Russia and China Agree on Currency Swaps
- Qianhai Aviation & Shipping Ex. Kicks Off
- China Business Confidence Rises to New High
- E-payment Surges in the Second Quarter

Key Indices



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Market Review

Last week, Shenzhen Component Index stood at 7982.1 points after adding 1.2%. SME Index edged up 2.2% to 5106.5 points. ChiNext Index advanced 1.1% to 1392.5 points. Total turnover for stocks and funds on SZSE was US\$131.5 billion, or a 7.5% increase from the week before.

14 sector indices were higher than previous week, and 2 were lower. Sector indices with the biggest gains were conglomerates, R&D support and farming, forestry and aquaculture. The only two sector indices that fell over the last week were culture & media and mining.

Top 3 gainers were Shenzhen Absen (300389), Shijiazhuang Dongfang Thermoelectric (000958) and Hunan Dakang (002505). Top 3 decliners were Beijing Sanlian (300384), North Huajin (000059) and Baoding Heavy Industry (002552). The most active stocks last week were Tianma Microelectronics (000050), Huludao Zinc (000751) and Yunnan Tin (000960).

Market News

State Council to Cut Financing Cost

According to a guideline issued by the State Council on 14 August, the central government proposed ten measures to solve the problems of high cost of financing for enterprises, including narrowing the financing chain and cutting unreasonable expenses of financing. The guideline also proposed the expansion of the scope and scale of various types of long-term investment into the capital market, and to offer tax incentives to long-term investment funds in accordance with state tax laws and relevant provisions.

China to Promote Insurance Industry Development

The State Council released *Guidelines on Accelerating the Development of Modern Insurance Industry* on 13 August. The *Guidelines* sets the target to achieve insurance penetration (premium/GDP) of 5% (from 3% in 2013) and insurance density of RMB 3,500 (US\$ 568.2) by 2020. It also proposes to encourage insurance companies to provide capital for hi-tech companies, small and micro-sized companies, and companies in strategic emerging industries through equities, bonds, funds and other forms under proper risk management and supervision.

Venture Capital Funds to Get More Money from Govt

Ministry of Finance said in a statement on 12 August that the central government has allocated RMB 2 billion (US\$ 324.6 million) to take stakes in 49 venture capital funds, a move to attract additional investors. Local governments will also take stakes in these funds. The funds will focus on startups and small and medium-sized innovative companies. The investment areas will be strategic emerging sectors such as alternative energy, new materials, energy conservation and

Market at a Glance

SZSE Market Statistics (15 August, 2014)	
No. of Listed Companies	1589
Market Cap.(US\$ Bn)	1694.8
Free-float Market Cap.(US\$ Bn)	1241.2
Average P/E Ratio	28.24
For the Year of 2014	
Turnover Value(US\$ Bn)	3460.8
-Stock	2766.1
-Main Board	857.0
-SME Board	1226.9
-ChiNext	682.1
-Fund	50.3
-Bond	644.5
Daily Turnover Ratio(%)	1.55
Total Fund Raised by Equity (US\$ Bn)	35.7
No. of IPOs	53

*Currency ratio used : 1 USD=6.16 CNY

Monetary & Bond Market

11-15 Aug. 2014			
Shibor Overnight Interest Rate	2.8890%	↓	11.20bp
Shibor 7-day Interest Rate	3.3460%	↓	11.10bp
7-Year Treasury Note Yield	4.1411%	↓	4.43bp
CSI Corporate Bond Index	152.125	↑	0.2148%
SZSE Corporate Bond Index	133.739	↑	0.3135%

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environmental protection, biomedicine and low-carbon industries.

Financial Authorities Adds Impetus to Qianhai

People's Bank of China as well as regulatory commissions for banks, securities and Insurance recently approved in principle measures to enhance financial innovation in Qianhai. As for the securities industry, securities companies have more freedom to do business in both Qianhai and Hong Kong under a negative-list mechanism. At present, more than 12000 companies have been established in Qianhai, with 60% of them in the financial and financial-related industries.

RQFII ETF Buoyed by International Investors' Enthusiasm

According to Wind, 28 equity RQFII ETFs recorded an average monthly-rise of 10.45%, much higher than the 6.41% rise made by all A share fund products in Chinese Mainland. RQFII ETF's good performance is largely due to international investors growing interest in A share market on the eve of Shanghai-Hongkong Connect.

Alibaba Said to Target Global IPO Roadshow in September

Alibaba, the Chinese e-commerce company is weighing a plan to start marketing its share sale to investors on 3 September, with management traveling across Asia, Europe and the U.S. before an initial public offering in the middle of the month, people with knowledge of the matter said. The timeline has Alibaba targeting a Sept. 16 trading debut.

Russia and China Agree on National Currency Swaps

The Central Bank of Russia announced that Russia and China have agreed a draft document on national currency swaps. The volume and launch time of national currency swap are dependent on the demand for the instrument. The swap agreement is expected to boost the potential for the use of Russian rubles and Chinese yuan in trade settlements, with the agreement serving as an additional instrument to ensure international financial stability while offering a possibility to obtain liquidity in critical situations.

Qianhai Aviation and Shipping Exchange Kicks Off

Qianhai Aviation and Shipping Exchange, China's first aviation and shipping exchange, was unveiled on August 12th in Qianhai, Shenzhen with register capital of RMB 100 million (US\$ 16.2 million). Positioned as a third-party exchange platform, the new exchange will serve as an Internet-based aviation and shipping asset financing and investment platform, and explore the new business model of "internet, aviation and shipping and finance".

China Business Confidence Rises to New High

According to Market News International, a unit of Deutsche Bourse, China's business confidence rose for the fourth consecutive month in August. The monthly measure of business conditions increased to 59 in August from 58.2 in July, the highest reading since October 2011. The production sub-index increased to 65.5 in August from 58.4 in July, the highest reading in three years. Meanwhile new orders indicator rose for the fourth consecutive month.

E-payment Surges in the Second Quarter

The PBC said in a statement on 18 August that transactions using bank cards in China in the second quarter were nearly flat from a year earlier while payment through electronic channels jumped 30% year on year. All payments through electronic channels, including computer, telephone and mobile devices, totaled RMB 327 trillion (US\$ 53.1 trillion). Mobile payment more than doubled year on year in the second quarter to RMB 4.92 trillion (US\$ 0.8 trillion).