

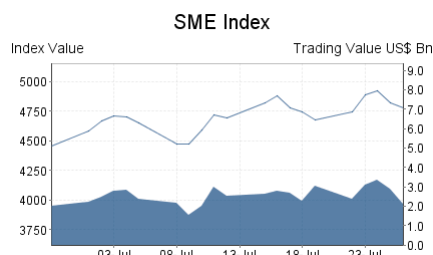
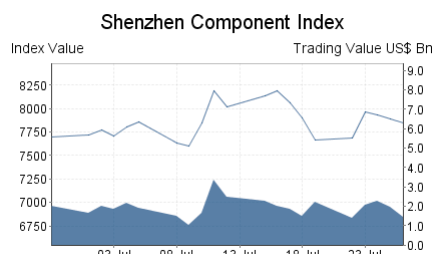
Market Bulletin

Monday 29 July, 2013 (Issue 10)

Highlights

- China issues tax exemption plan for small businesses
- Manufacturing PMI drops in July
- Hong Kong boosts RMB liquidity to ease credit crunch
- Micro-credit company bonds issued
- Social security funds income reaches RMB 1,614 billion in Q2
- Gov't bodies join forces to eliminate outdated industrial capacity
- CES China 120 index futures to start trading in August
- First RMB share starts trading on SGX
- More products to come in Chinese futures market
- SZSE Trading Rules(2013) released
- GF Futures acquires NCM
- 3 RQFIIIs approved in June
- iShares FTSE A50 ETF to direct invest in A share through QFII

Key Indices



Market Review

From 22 to 26 July, Shenzhen Component Index edged higher to 7843.4 points after gaining 2.3%. SME Index closed at 4782.7 points after gaining 2.2%. ChiNext Index stood at 1200 points on Wednesday and retreated a little to close the week at 1158.4 points after gaining 3.8%. Total turnover for stocks and funds on SZSE was US\$94.8 billion, or a 2.3% increase from the week before. 14 out of 16 sector indices were higher than the previous week, and 2 indices were lower.

Sector indices with the biggest gains were culture & media, environmental services and conglomerates. Construction and real estate were the only two sector indices that fell over the last week. Top 3 gainers were Jilin Titanium (000545), Hongbo Printing (002229) and Huayi Brothers (300027). Shenzhen International Enterprise B (200056), Qingdao Evercontaining (300208) and Zhangjiagang Furui (300228) were the Top 3 decliners. The most active stocks last week were Hunan TV & Broadcast (000917), Hong Yuan Securities (000562) and China Minmetals Rare Earth (000831).

Market News

China Issues Tax Exemption Plan for Small Businesses

China's State Council decided to exempt value-added tax and business tax for small and micro-sized enterprises from 1 August, in a bid to alleviate the tax burden on small businesses. Enterprises with monthly sales revenue of no more than RMB 20,000 (US\$3,241.5) will be qualified for the tax exemption.

Manufacturing PMI Drops to 11-month Low in July

According to HSBC, the flash estimate of China Manufacturing PMI dropped to 47.7 in July, down from a final reading of 48.2 in June and marking the lowest in the past 11 months.

Hong Kong Boosts RMB Liquidity to Ease Credit Crunch

Hong Kong Monetary Authority announced to provide overnight funds (T+0) and one-day funds (T+1) to authorized institutions participating in RMB business as of 26 July, in a move to ease liquidity crunch spreading from China's Mainland. People's Bank of China continued to suspend regular open-market operations for a fifth straight week.

Micro-credit Company Bonds Issued

On 22 July, the first three micro-credit company bonds were issued on Zhejiang Equity Exchange. RMB 50 million (US\$ 8.1 million) of Ruianhuafeng micro-credit company bond and RMB 50 million (US\$ 8.1 million) of Deqingshenghua micro-credit company bond have been successfully issued, with coupon rate of 8.5%.

Social Security Funds Income Reaches RMB 1,614 Billion in Q2

According to Ministry of Human Resources and Social Security, the

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Market at a Glance

SZSE Market Statistics (26 July, 2013)	
No. of Listed Companies	1537
Market Cap.(US\$ Bn)	1278.6
Free-float Market Cap.(US\$ Bn)	880.3
Average P/E Ratio	25.07
For the Year of 2013	
Turnover Value(US\$ Bn)	2515.0
-Stock	2033.9
-Main Board	804.6
-SME Board	841.3
-ChiNext	388.0
-Fund	55.7
-Bond	425.3
Daily Turnover Ratio(%)	1.62
Total Fund Raised by Equity (US\$ Bn)	18.1
No. of IPO	0

*Currency ratio used : 1 USD=6.17 CNY

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total income of social security funds reached RMB 1,614 billion (US\$262 billion) in the second quarter of 2013, making a 15.7% YoY growth from 2012, while expenditure totaled RMB 1,328 billion (US\$215 billion) and recorded a 23.4% YoY increase.

Gov't Bodies Join Forces to Eliminate Outdated Industrial Capacity

Ministry of Industry and Information Technology released the list of the first batch of enterprises with outdated production capacities to be eliminated on 25 July, covering 19 industries and more than 1,400 companies, including 19 listed companies.

CES China 120 Index Futures to Start Trading in August

According to Hong Kong Exchanges and Clearing (HKEx), trading of CES China 120 Index futures will start on 12 August, 2013. This is the first future contract based on an underlying index that tracks both China's A-shares and China stocks listed in Hong Kong.

First RMB Share Starts Trading on SGX

Yangzijiang Shipbuilding (Holdings) Ltd will be the first company to have trading of its shares in RMB on SGX's dual currency trading platform on 5 August. As the internationalization of RMB goes on, Singapore Exchange has strengthened its RMB-denominated securities trading and clearing services.

More Products to Come in Chinese Futures Market

Authorities have approved egg futures to trade in China, and it is getting listed on Dalian Commodity Exchange (DCE) soon. DCE has released the draft contract introducing the trading rules. Shanghai Futures Exchange expects to launch asphalt futures when possible.

SZSE Trading Rules(2013) Released

The recently released *SZSE Trading Rules (2013)* lowered A-share, B-share and fund thresholds of block trades. The new rules also introduces after hours pricing to improve flexibility. Besides, T+0 mechanism will apply in bond ETFs trading. The new rules will come into force on 5 August, 2013.

GF Futures Acquires NCM

GF Futures (Hong Kong) Co., Ltd, a subsidiary company fully owned by GF Futures Co., Ltd., fully acquired Natixis Commodity Markets Limited (NCM), a commodity broker registered in the UK. This is first overseas acquisition conducted by Chinese futures company.

QFII News

3 RQFII Approved in June

Industrial and Commercial Bank of China (Asia) Ltd, Hang Seng Investment Management Limited, and Taiping Assets Management (HK) Co., Ltd obtained RQFII approvals in June, and this marks a record high of this year in terms of the number of approvals within a single month.

iShares FTSE A50 ETF to Direct Invest in A Share through QFII

iShares FTSE A50 ETF, which was originally a synthetic ETF, amended its investment strategy to permit direct investment in A share through the US\$70 million of QFII investment quota. In addition, the A50 ETF may invest up to 10% of its net asset value in physical A share ETFs. iShare FTSE A50 ETF is the largest A share ETF in Hong Kong with HK\$42 billion (US\$ 5.4 billion) asset under management.