

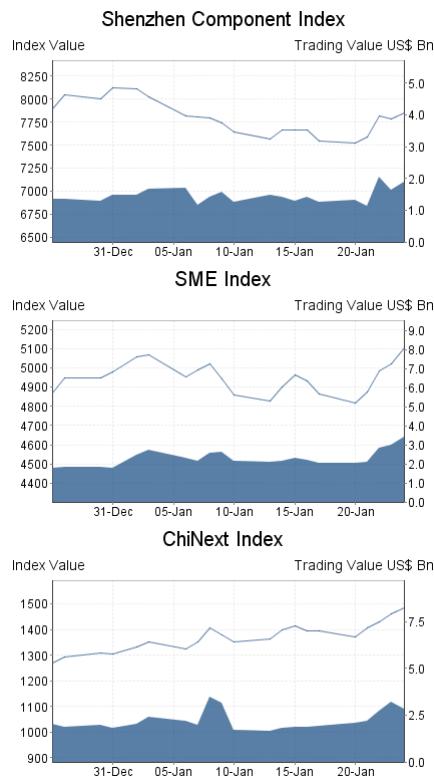
Market Bulletin

Monday 27 January, 2014 (Issue 4)

Highlights

- SZSE embraces 24 newly listed companies
- China reveals financial reform priorities
- 266 companies start trading on NEEQ
- Authorities to assess financial infrastructure
- CSRC to transform supervision style
- Evergrande buys into Huaxia Bank
- China to lower ChiNext threshold
- PBC injects RMB 375 billion
- Mainland and HK to deepen cooperation
- AUM of funds soars to RMB 3 trillion
- China's fiscal revenue rises 10.1% in 2013
- 4 RQFII approved in December 2013

Key Indices



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Market Review

Last week, Shenzhen Component Index stood at 7855.1 points after adding 4.1%. SME Index edged up 4.9% to 5103.4 points. ChiNext Index advanced 6.4% to 1484.4 points, a historical high. Total turnover for stocks and funds on the SZSE was US\$ 98.6 billion, or a 31.3% increase from the week before.

All sector indices were higher than the previous week. Sector indices with the biggest gains were business support, IT and real estate.

Top 3 gainers were Zhejiang Wolwo (300357), Chengdu Tianbao (300362) and Guangdong Qtone (300359). Top 3 decliners were Xi An Qiyuan (300140), Nanjing Huadong (000727) and Chongqing Fuling (002507). The most active stocks last week were Huayi Brother (300027), Suning Commerce (002024) and Leshi (300104).

Market News

SZSE Embraces 24 Newly Listed Companies

In the past seven days, the first 3 batches of altogether 24 companies after the reopening of the IPO market got listed on the SZSE, with 8 new listings each on the 21, 23 and the 27 January. Among them, 8 companies listed on the SME Board while the other 16 went to the ChiNext Market. Besides, another 15 companies will make their debut on the SZSE before the Chinese New Year. Along with the new listings, the SZSE has taken measures accordingly to curb speculations and guide rational investment behaviors.

China Reveals 2014 Financial Reform Priorities

China's four major financial authorities have recently announced their priorities for 2014. Among them, the PBC will continue to expand the cross-border use of the RMB, stick to prudent monetary policy and maintain steady credit growth, improve the multi-tiered capital market, and engage further in international financial regulation policy-making. The CSRC will switch IPOs from the current approval system to one based on registration and abolish approval requirements on 21 items over the next three years.

266 Companies Start Trading on NEEQ

A total of 266 companies started to be traded on the National Equity Exchange and Quotations (NEEQ, also known as the New Third Board) last Friday, marking a considerable expansion of China's over-the-counter (OTC) market after the board was officially identified as a national market by the State Council. The move made its total number of listings reach 621.

Authorities Deploy Evaluation of Financial Infrastructure

Recently, the PBC and the CSRC jointly issued the *Circular on the Evaluation of Infrastructure in the Financial Market* in order to deploy the evaluation work on the infrastructure in the financial market. According to the *Circular*, the evaluation work consists of two stages, internal evaluation and external evaluation, of which the "external evaluation" refers to the on-site or off-site inspection of the infrastructure in the financial market carried out by a panel set up jointly by the PBC and the CSRC.

Market at a Glance

SZSE Market Statistics (24 January, 2014)	
No. of Listed Companies	1552
Market Cap.(US\$ Bn)	1499.9
Free-float Market Cap.(US\$ Bn)	1068.5
Average P/E Ratio	28.67
For the Year of 2014	
Turnover Value(US\$ Bn)	363.6
-Stock	287.7
-Main Board	67.3
-SME Board	129.1
-ChiNext	91.3
-Fund	4.6
-Bond	71.2
Daily Turnover Ratio(%)	1.38
Total Fund Raised by Equity (US\$ Bn)	6.1
No. of IPO	16

*Currency ratio used : 1 USD=6.10 CNY



Notice:

Due to Spring Festival in China, the Market Bulletin will not be issued on 3 and 10 February, 2014. Market news and other information will be summarized into the issue on 17 February, 2014. We wish you every success in the coming Chinese New Year of the Horse!

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CSRC to Transform Supervision Style

Xiao Gang, Chairman of the CSRC, delivered a speech at the National Securities and Futures Regulators Conference with a focus on regulatory transformation. Xiao said the CSRC will make changes in six major aspects including the supervision orientation, focus, methodology, mode, tools and so on. The CSRC will also transform its supervision style, emphasizing risk management and protection of small investors rather than just emphasizing the financing function of the stock market.

Evergrande Acquires 4.522% Stake in Huaxia Bank

According to a statement filed with Hong Kong Exchange, the Guangzhou-based Evergrande Real Estate Group has paid RMB 3.3 billion (US\$ 541.0 million) for a 4.522% stake in Huaxia Bank. The acquisition made Evergrande the fifth largest shareholder in the bank.

China to Lower ChiNext Threshold

In an autographed article recently published on *the People's Daily*, CSRC Chairman Xiao Gang conveyed that the financial threshold for the ChiNext Market may be lowered appropriately and the refinancing system should be established. Qualified Internet and technology companies that are not yet profitable may be eligible for issuing shares on ChiNext coordinated with differentiated investor suitability management programmes.

PBC Injects RMB 375 Billion to Ease Money Stress

The PBC released RMB 375 billion (US\$ 61.5 billion) into the banking system through open market operations last week, marking the biggest single-week liquidity injection over the past 12 months.

Chinese Mainland and Hong Kong to Deepen Cooperation

As regulators have eased access to the mainland's capital market for Hong Kong based financial institutions, bilateral fund recognition scheme is making constructive progress. According to Tong Daochi, Director for the Department of International Affairs at the CSRC, regulators from both sides are making efforts to implement the agreement, such as allowing qualified Hong Kong financial institutions to set up joint fund management companies in China's mainland with a stake over 50%.

AUM of Funds Soars to RMB 3 Trillion

According to the AMAC, 89 fund companies have been established in China as of 31 December, 2013, including 47 joint venture firms and 42 domestic firms. The asset under management totaled RMB 4,221.3 billion (US\$ 692.0 billion), marking the first time since 2007 when the AUM of funds exceeds RMB 3 trillion, which was largely attributed to the growth in monetary funds.

China's Fiscal Revenue Rises 10.1% in 2013

According to the Ministry of Finance, China's fiscal revenue climbed 10.1% y-o-y in 2013 to reach RMB 12.91 trillion (US\$ 2.1 trillion). The country's fiscal expenditures rose 10.9% from one year earlier to RMB 13.97 trillion (US\$ 2.3 trillion), making the national fiscal deficit for the year to RMB 1.06 trillion (US\$ 173.8 billion), or 1.86% of the country's gross domestic product in 2013.

QFII News

4 RQFII's Approved in December 2013

The CSRC announced that it had granted licenses to four institutions under the RQFII scheme in December 2013. The four institutions that joined the RQFII family are Guangdong Securities Ltd, UBS Global Asset Management (Hong Kong) Ltd, Wing Lung Asset Management Ltd and Ashmore Investment Management Ltd. By the 25 December, 2013, the total number of RQFII's was 52, and the total quota reached RMB 157.5 billion (US\$ 25.8 billion).