Part One: Chinese Macroeconomic Situation in the first three quarters of 2017

In the first three quarters, the national economy is running smoothly with continuously optimizing economic structure, remarkably improving quality and efficiency, rapidly transformation between new and old driving forces, and the economic development has maintained the momentum of stable and sound development.

First, the economic operation is in a reasonable range and stable pattern is more consolidated. Generally, the economic growth was stable with a year-on-year GDP increase of 6.9% in the first three quarters and the growth range of 6.7% -6.9% for nine consecutive quarters. The development resilience was significantly enhanced.

Employment situation continues to improve. This year, economic growth is relatively stable with a continuously expanding economic stock, adjustment of economic structure, continuously promoting of mass entrepreneurship and innovation. The effect of positive employment policies continues to emerge. In the first three quarters, there were 10.97 million new urban jobs, increased by 300 thousand over the same period last year. The annual goal of 11 million new urban employments will be completed ahead of time. From the statistics, the urban unemployment
rate in the first three quarters was relatively low. In 31 big cities, the unemployment rate has stayed below 5% for seven months, only 4.83% in September, which has become a low point since 2012.

The price situation is relatively stable. In the first three quarters, consumer prices rose by 1.5% year-on-year, 0.5 percentage point lower than the growth of last year. After deducting food and energy, core CPI rose by 2.1% year-on-year, which is also moderate.

The international balance of payments has been improved significantly. Since this year, China's imports and exports have maintained rapid growth, the current account remained surplus, the RMB exchange rate was basically stable, and foreign exchange reserves have increased for eight consecutive months.

Second, the economic restructuring was optimized and the coordination of development was enhanced. From the point of view of industrial structure, the leading role of service industry has been further enhanced. Service industry has become the largest industry of China’s national economy since 2012 and continued to maintain the momentum of rapid development this year. In the first three quarters, the added value of services increased by 7.8% year-on-year and the contribution rate of service sector to economic growth reached 58.8%. Industry moved towards mid-to-high end, high-tech manufacturing and equipment manufacturing industry showed a trend of accelerating
growth, currently, the added value of high technology manufacturing accounted for more than 12% of above-scale industrial and equipment manufacturing industry accounted for over 32% of the industry.

From the point of view of demand structure, the contribution of consumption was more prominent and the investment structure was continuously optimized. In the first three quarters, the contribution rate of final consumer spending to economic growth was 64.5%, up 2.8 percentage points over the same period last year. Investment structure was continuously optimized and investment was focused on boosting economic development potential by making up short board, adjusting structure and improving weaknesses to keep its key role in economic growth.

From the perspective of regional structure, the effect of regional synergetic development was further enhanced. Transformation and upgrading of the eastern region continued to be at the forefront and new driving forces were aggregated at a faster pace. The central and western regions undertook the industrial and technology transfer of the eastern region with a prominent late-mover advantage and a faster growth of the main economic indicators than that of the whole country. In the first three quarters, the northeast region also appeared stable and good situation with an industrial growth of 1.6% from negative increase.
Third, the transformation between new and old driving forces of economic growth was speeding up. New industries and products were growing rapidly. In the first three quarters, strategic emerging industries grew 11.3% year-on-year. In the service sector, the growth rate of information services and business services index reached 29.4% and 11.4% respectively. For example, in the industrial sector, civilian UAV production doubled; industrial robot production increased by 69.4%, new energy vehicles increased by 30.8%, the output growth rates of integrated circuits, solar cells and other products were also more than 20%. Online retail sales of goods increased by 29.1% year on year, accounting for 14% of the total retail sales of social consumer goods. New formats and business models like digital economy and sharing economy continued to emerge.

Fourth, quality and benefit was significantly improved and the sustainability of development was enhanced. From the residents’ income, in the first three quarters, household income grew 7.5%, continuously faster than the growth of GDP and per capita GDP. Corporate profits growth was also relatively fast, this year, profit growth of above-scale industrial enterprises has remained above 20% and that of above-scale service enterprises has reached 22.8%. The growth trend of fiscal revenue was also better than last year; national general budget revenue grew 9.7% in the first three quarters, up 3.8 percentage points over the
same period last year. Resources and energy utilization increased significantly. In the first three quarters, 10,000-Yuan-GDP energy consumption has fell 3.8% year on year while the annual target is down 3.4%, environmental governance was also vigorously advancing.

**Part two: Current Situation of Chinese Capital Market**

In recent years, especially from 2016, Chinese Securities Regulatory authorities insist on the general principal of making progress while maintaining stability, strengthen market surveillance and vigorously promote the construction of multi-level capital market.

First, steadily develop equity financing and accelerate capital formation. To achieve the normalization of IPO, optimize the issuance conditions for GEM, improve the refinancing system of listed companies, encourage enterprises to issue preferred shares and improve the financing structure. From the beginning of last year to the end of July this year, the cumulative amount of various types of equity financing is about 3.6 trillion yuan.

Second, promote capital market to serve for SMEs and support innovation and entrepreneurship. At present, there were more than 11,000 enterprises listed at NEEQ with a financing amount of 75.2 billion yuan in the first 7 months of this year, and more than 20,000 companies were listed in regional equity markets. There are 58.7 thousand normally survived private equity recorded in the Asset Management Association
of China (AMAC) with the management scale of 9.95 trillion yuan and has become an important source of direct financing for innovative entrepreneurial enterprises.

Third, play an active role of capital market in mergers and acquisitions and promote economic restructuring. From the beginning of last year to the end of July this year, the total amount of mergers and acquisitions in the whole market was up to 3.38 trillion yuan, of which, more than 70% M&A is based on industrial integration.

Fourth, promote the development of the exchange bond market and enrich direct financing tools. Since last year, the financing amount of exchange bond market was more than 5.4 trillion yuan. In the first seven months of this year, the combined products of stock and bonds (including convertible bonds and exchangeable bonds) issued 75.9 billion yuan, an increase of 194% year-on-year. Asset securitization developed rapidly while the cumulative financing amount in the first 7 months was 4108 billion yuan, the effect of promoting corporate stock and revitalizing assets becomes more prominent.

However, while the capital markets are developing, there are also some challenges and problems need to be solved.

First, although the capital market has made considerable progress, but comparing with the current status of China as the world's second largest economy, it is still "short board." Financial services system has yet
to be improved. The international competitiveness and influence of securities institutions have yet to be enhanced. The reform & opening up and steady development of the capital market are facing new situation, new opportunities and new challenges.

Second, the capacity of finance serving for the real economy needs to be further improved. The proportion of China’s financial industry in GDP has been increasing, which is higher than 8%. It is still difficult and costly to obtain financing for SMEs. It is an important current task to prevent financial idling and not being distracted from the intended purposes in order to meet the needs of people for a better life and the diversified demands of the real economy.

Third, risk prevention and control is the eternal theme of financial industry. We should be highly alert risks of Shadow banking, bond default, illegal fund-raising and potential risks raised by new fields like Internet banking and others.

So far, in accordance with the decisions and arrangements of the National Conference on Financial Work and 19th CPC National Congress, China is taking multiple measures to strengthen the capability of finance serving for the real economy, strictly prevent financial risks, deepen financial reform and actively promote the sound development of multi-level capital market.