

China's Economy and Capital Market

Member Report

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Member Report of China's Economy and Capital Market

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I. Outline of China's Macro Economy for the First Half Year of 2011-2012

	2011		The First Half of 2012	
	Total Value	Year-Over-Year Growth Rate	Total Value	Year-Over-Year Growth Rate
GDP	47.1564 Trillion Yuan	9.2%	22.7098 Trillion Yuan	7.8%
Including: Primary Industry, Added Value	4.7712 Trillion Yuan	4.5%	1.7471 Trillion Yuan	4.3%
Secondary Industry, Added Value	22.0592 Trillion Yuan	10.6%	11.095 Trillion Yuan	8.3%
Tertiary Industry, Added Value	20.326 Trillion Yuan	8.9%	9.86772 Trillion Yuan	7.7%
Total Imports and Exports Value	3.6421 Trillion US Dollars	22.5%	1.8398 Trillion US Dollars	8%
Including: Exports	1.8986 Trillion US Dollars	20.3%	954.38 Billion US Dollars	9.2%
Imports	1.7435 Trillion US Dollars	24.9%	885.46 Billion US Dollars	6.7%

I. Outline of China's Macro Economy for the First Half Year of 2011-2012

	2011		The First Half of 2012	
	Total Value	Year-Over-Year Growth Rate	Total Value	Year-Over-Year Growth Rate
Industry Added Value	18.8572 Trillion Yuan	10.7%	——	10.5%
Including: profits realized by industrial enterprises above a certain scale	5.4544 Trillion Yuan	25.4%	2.3117 Trillion Yuan	-2.2%
Grain Quantity	571.21 Million Tons	4.5%	129.95 Million Tons (Summer Grain)	2.8%
Fixed Asset Investment	31.1022 Trillion Yuan	23.6%	15.071 Trillion Yuan	21.1%
Commodity Sale Total Value	18.3919 Trillion Yuan	17.1%	9.8222 Trillion Yuan	14.4%
The Balance of Broad Money Supply (M2)	85.2 Trillion Yuan	13.6%	92.5 Trillion Yuan	13.6%
Price Index	——	5.4%	——	3.3%

II. The Development of China's Capital Market for the First Half Year of 2011-2012

(I) The Scale of the Stock Market Continues to Expand, Estimated Value of Capital Market Is Going to Be Appropriate.

1. In 2011, a total of 282 public companies initially listed on the A Shares Market, a total of 220 public companies used equity refinance, total financial value in the whole year reached 507.3 billion Yuan. In the first half of 2012, a total of 102 public companies initially listed on the A Shares Market, raised 72.6 billion Yuan. As of June 30, 2012, the listed companies in Shanghai and Shenzhen Stock Markets reached 2,444 in total, the total market capitalization and the negotiable market capitalization of both stock markets reached 22.62 trillion Yuan and 17.31 trillion Yuan respectively.
2. By June 29th, 2012, calculated in settlement price of the A Shares Market in Shanghai and Shenzhen, the Stationary P/E Ratio was 14.1. The P/E Ratio of the A Shares Market in Shanghai Stock Market and Shenzhen Stock Market were respectively 11.88 and 23.47, especially, the P/E Ratio of the Main Board in Shenzhen Stock Market was 19.35, the P/E Ratio of SMEs Board was 27.26, the P/E Ratio of GEM Board was 34.16.

II. The Development of China's Capital Market for the First Half Year of 2011-2012

(II) The Multi-layered Capital Market Has Made Substantial Achievements.

1. The steady growth of the Main Board Market, Small and Medium-sized Enterprises (SMEs) Board and Growth Enterprise Market (GEM) Board.
2. The OTC Market achieved new development, the Pilot Projects for Unlisted Public Company Share Transfer System expanded to the High Technology Districts of Four Provinces in the Whole Country. The construction of the National SMEs Agency Share Transfer Corporation is currently being established in Beijing.
3. Optimizing bond approval system, launching non-public bond offering in the GEM Board. In May, 2012, the Shanghai Stock Exchange and Shenzhen Stock Exchange jointly published the “Pilot Measures of the Shanghai Stock Exchange for the Issuance of Private Placement Bonds of Small and Medium Enterprises”, and further broadened the financing channels for SMEs.

II. The Development of China's Capital Market for the First Half Year of 2011-2012

(III) Innovation of Business and Products, the Well-functioning of Market Operational System

1. China Securities Regulatory Commission (CSRC) issued "Work Guideline for the Innovation of Securities Business (Products)", specified the innovational mechanism, and provided guidance for the securities firms in implementing innovation services.
2. Rapid development of the Product Innovation
 - Margin Trading and Short Selling Business is orderly functioning, and China Securities Finance Corporation was newly established. As of June 30th, 2012, the Security Margin Transaction Balance reached 60 billion Yuan .
 - Encouraging the implementation of Pilot Programs for full range of Collateral Repo and Cash Management Products.
 - Three financial products: Lead Futures, Coke Futures and Methanol futures were launched.
 - Hedging Mechanism for Futures such as Lead and Gold, and pilot projects for futures bonded delivery services proceeded smoothly.
 - “Renminbi Qualified Foreign Institutional Investor (RQFII)” Pilot Program was launched.

II. The Development of China's Capital Market for the First Half Year of 2011-2012

(IV) Strengthening Market Compliance and Integrity

1. Implement the Administration Registry System in the listed companies, securities and futures regulatory systems.
2. Actively updating the Capital Market Integrity Database, integrity checkout has become a necessary administrative procedure.
3. Strictly crackdown on Market Manipulation, Rat-trading and False Information Disclosure Crimes. In 2011, more than 100 insider trading cases were investigated.

II. The Development of China's Capital Market for the First Half Year of 2011-2012

(V) Strengthening Investor Education and Suitability Management, Increasing the Protection of Investors' Interests.

1. Client-classification Management provides suitable products and services for different types of investors.
2. According to relevant self-regulations, securities firms optimize self-regulation work.
3. Taking effective actions against illegal account violation of trading rules, and maintain the orderly function of trading.

II. The Development of China's Capital Market for the First Half Year of 2011-2012

(VI) Guiding the Industry to Perform Corporate Social Responsibilities

1. "2011 Corporate Social Responsibility Report" was promulgated, it presented China's Corporate Social Responsibility performance during 2011.
2. Producing promo videos, and increasing the awareness of Corporate Social Responsibility.
3. Establishing Nonprofit Funds.

III. Future Expectation for China's Capital Market

(I) Domestic and International Challenges Facing by the Development of China's Capital Market

(II) Strategic Opportunities for the Future Development of China's Capital Market

III. Future Expectation for China's Capital Market

(I) Domestic and International Challenges Facing by the Development of China's Capital Market

External Challenges

1. The European debt crisis continues to get worse and to affect various markets like Spain.
2. Weak recovery in developed economies, the declining growth rate of the emerging market economies and world economic recovery is difficult.
3. The global economy is awash with liquidity, the commodity prices are bound to increase, in addition the external demand is weak, so China's manufacturing industry development is restricted.

III. Future Expectation for China's Capital Market

(I) Domestic and International Challenges Facing by the Development of China's Capital Market

Internal Challenges

1. Industry structure is inappropriate and to modify the structure process is difficult.
2. The implementation of domestic real estate control policies and the slowdown in the economy's potential growth rate result in the characteristics of a slowdown in China's economy appearing obviously.
3. Domestic investment and consumer demand are insufficient.
4. The foundation of China's Capital Market is still weak, the market system and structure need improvement.

III. Future Expectation for China's Capital Market

(I) Strategic Opportunities for the Future Development of China's Capital Market

1. Regulatory Environment. Deregulation, maintaining the bottom line, and progressively realizing the combination of self-regulation by securities market and government supervision.
2. Improvement of Innovation Mechanism. Gradually establishing financial product innovational mechanism, and enriching financial products and risk management tools.
3. Investor Protection. "Suitability Guidelines for Securities Investors" was promulgated. Contents for investor protection are increasing, and the position of investor protection is more significant.
4. Industrial Self-regulation. The new session of SAC Leaders strengthen the operation of SAC, the functions of the association are expanding, Advisory Committees and 15 Professional Committees are being established, institutional arrangements are being improved and the capability to serve the industry development is also increasing.



Thank You !