



Introduction of Shenzhen Market

July 2014

- 1. Shenzhen——A Market of character**
2. SME Board——Small is beautiful
3. ChiNext——China Next
4. Index Investment——The best solution

1. Shenzhen—A market of character

- **Unleashing Power of Growth**
 - Supporting SMEs
 - Serving Real Economy
 - Creating Infinite Opportunities
 - Energizing Independent Innovation
 - Driving Sustainable Development in Emerging Market

- **“Shenzhen Stock Exchange(SZSE) now is standing among the top stock exchanges in the world.”**

Global Stock Exchanges Ranking (at year-end 2013)

	Listed Companies	Turnover	Market Cap
SZSE	11	4	10

Source: WFE

1. Shenzhen—A market of character

Market at a glance (June 30,2014)

	SZSE Main board	SME board	ChiNext	Shenzhen Market	Shanghai Market	Total	Shenzhen Market%
Number of Listed Companies	480	720	381	1581	959	2540	62
Market Cap .(USD billion.)	578	649	298	1525	2407	3932	39
Value of Trading (USD billion.)	577	898	524	1999	1489	3488	57
Daily Average Turnover Ratio	1.07	1.72	3.15	1.44	0.40	0.61	-
Average P/E Ratio	16.53	33.50	59.09	25.77	9.81	12.86	-

Source: Shenzhen Stock Exchange

All trading indicators are year-to -date value.

Turnover Rate is calculated by trading volume of the market /number of shares listed in the market

1. Shenzhen——A market of character

- **Multi-tier structure**

- Different criteria, different supervision measures and different information disclosure requirement

Main board

- Established in Dec.1st,1990
- Blue chips enterprises

SME board

- Established in May.17th,2004
- High-quality SMEs

- Serving enterprises in different development stages

ChiNext

- Established in Oct.30th,2009
- Emerging and high technology enterprises

- Satisfying different needs of investors

OTC market

- Began its pilot program in Jan. 2006

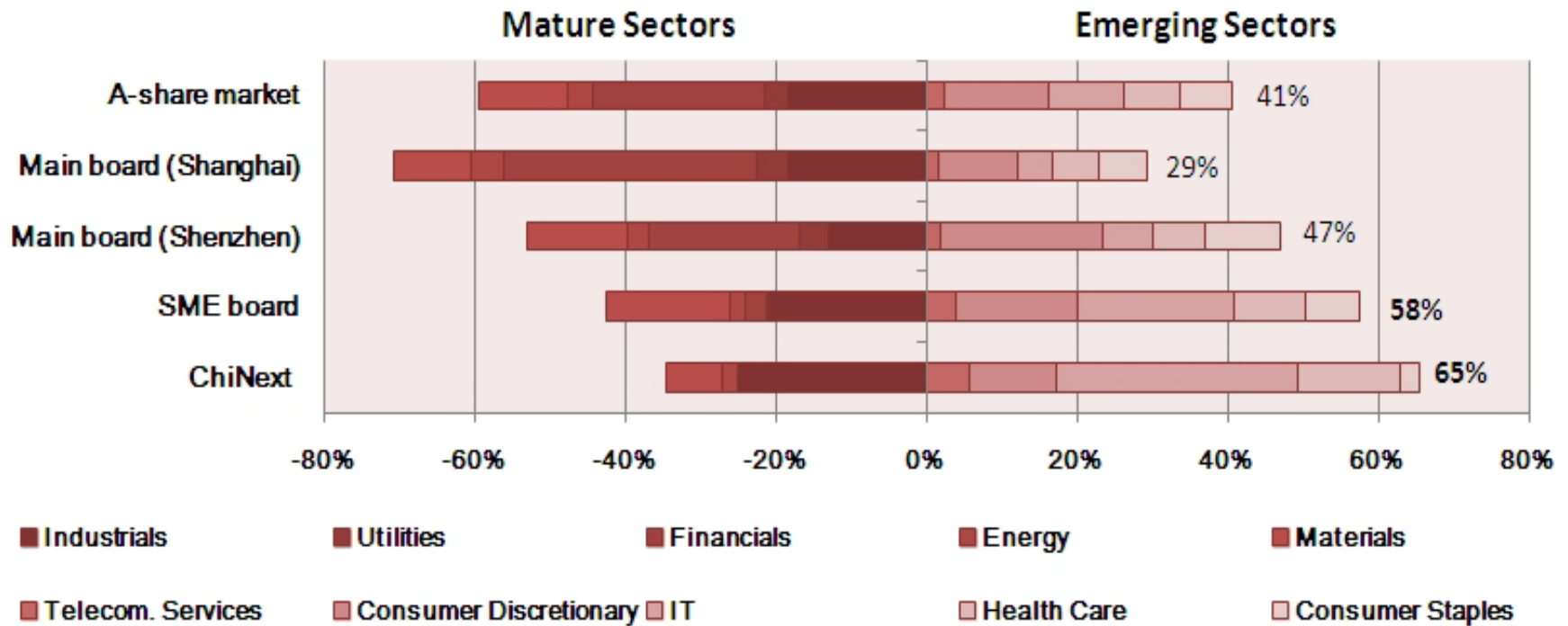
1. Shenzhen—A market of character

- IPO Criteria**

Items	ChiNext		SME Board
	Criteria I	Criteria II	
Net Profit	Positive net profit in past 2 consecutive years ; continuous profit growth with accumulated profit no less than RMB 10 million (USD1.59 million).	Positive net profit in last one year and its value no less than RMB 5 million (USD794,000).	Positive net profit in last 3 consecutive years and its aggregate value is no less than RMB 30 million (USD4.76 million).
Revenue/ Cash Flow		Positive revenue in last one year and its value no less than RMB 50 million (USD7.94 million); revenue growth rate in past 2 years is no less than 30%.	Accumulated revenue in past 3 years no less than RMB 300 million (USD47.62 million), or the accumulative net operating cash flow no less than RMB 50 million (USD7.94 million).
Number of Shares Outstanding	Number of shares outstanding after issuance no less than 30 million.		Number of shares outstanding after issuance no less than 50 million.

1. Shenzhen——A market of character

- Sector Distribution



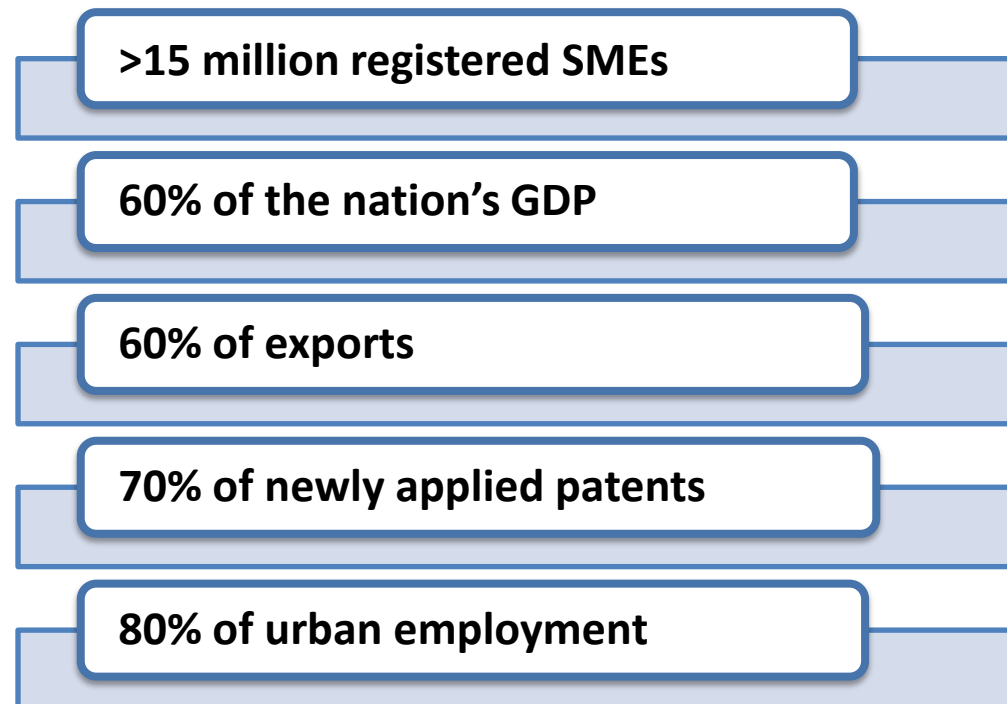
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2. SME Board-Small is beautiful

- SMEs are cornerstones for economic growth and social well-being.

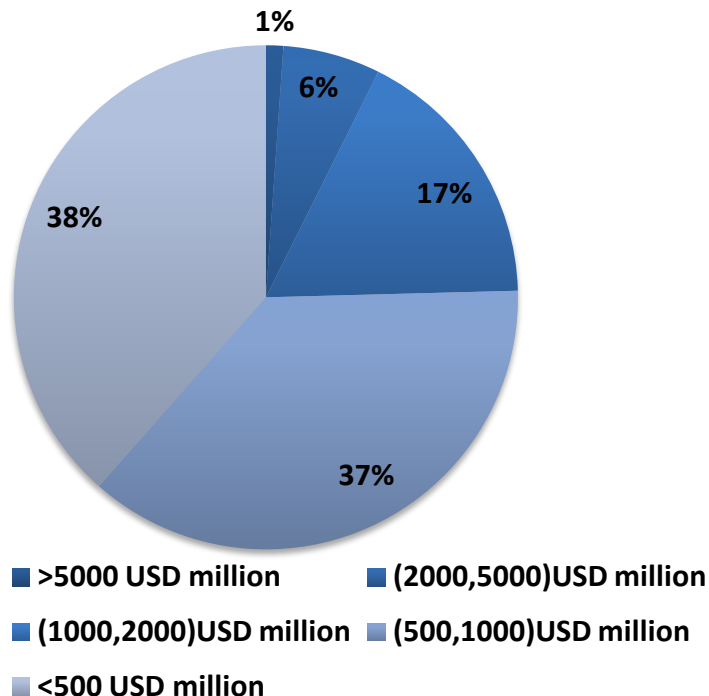
**Chinese SMEs
contribute**



2. SME Board-Small is beautiful

The SME board is a special market segment within the main board. It is designed as a marketplace for small and medium-sized companies with competitive core businesses, growth potential and value-creating capacity.

Market Cap Distribution of SME Board Listed Companies (2014.6.30)



SME Board Listed Companies	Market Cap (USD million)
Maximum	18,962
Minimum	122
Average	785
Median	574

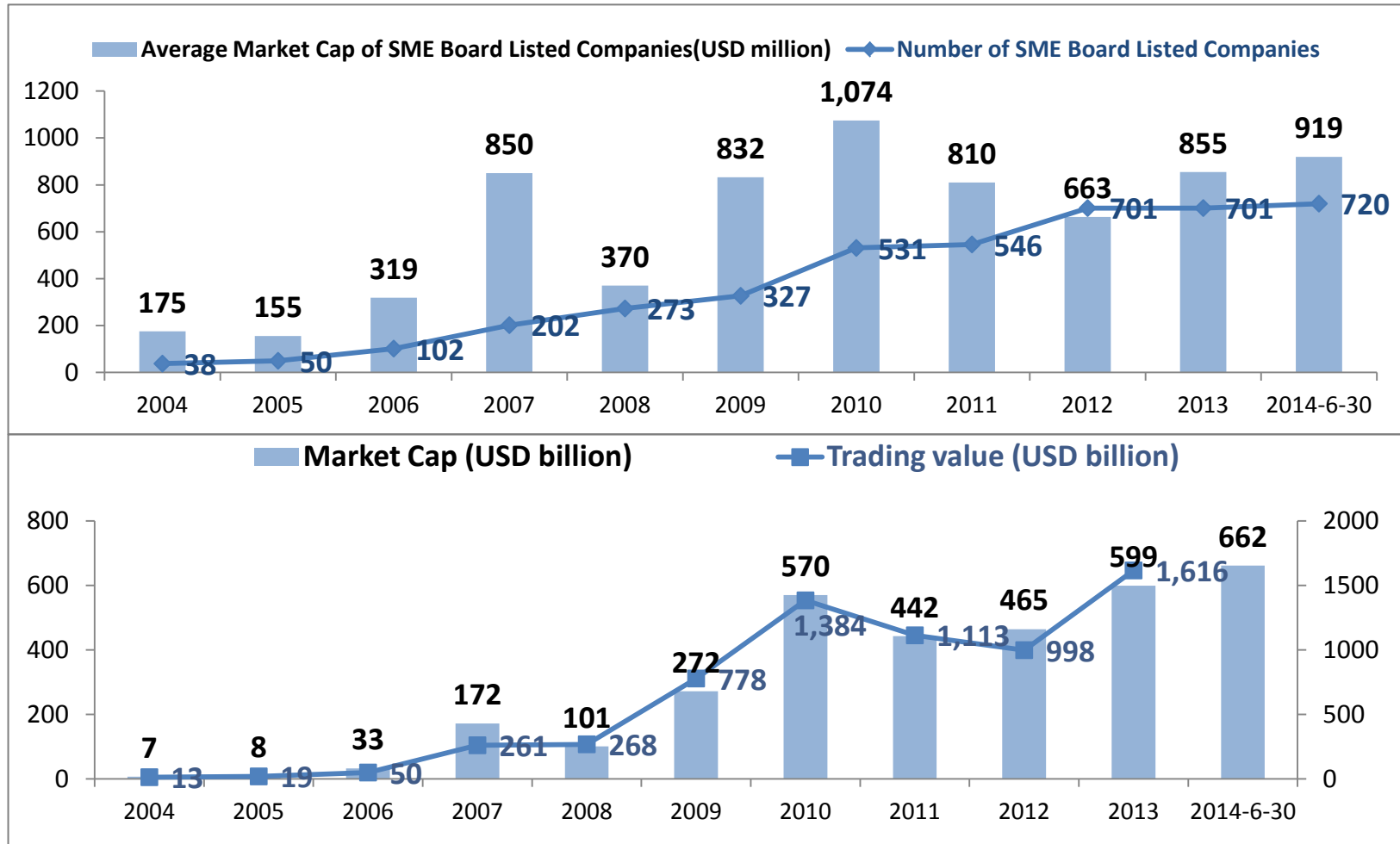
2. SME Board-Small is beautiful

- After more than 10 years' innovation and development, the SME Board has become a unique, indispensable and independent segment in China's multi-tier capital market system. The SME Board has witnessed continuous expansion in size and gradual optimization of its industrial structure thanks to many high quality innovative issuers.

Year	Total number of IPOs on SME Board	Proceeds (USD billion)
2004	38	1.47
2005	12	0.47
2006	52	2.60
2007	100	6.29
2008	71	4.84
2009	54	6.82
2010	204	32.65
2011	115	16.41
2012	55	5.62
2013	/	/
The first half of 2014	20	1.36

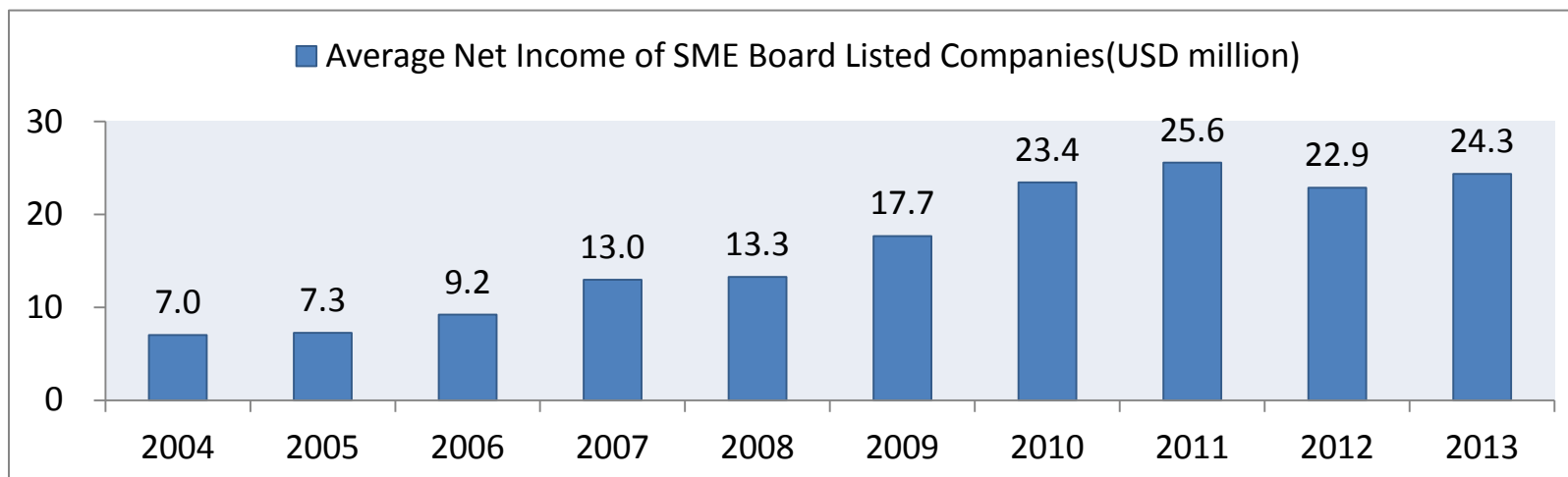
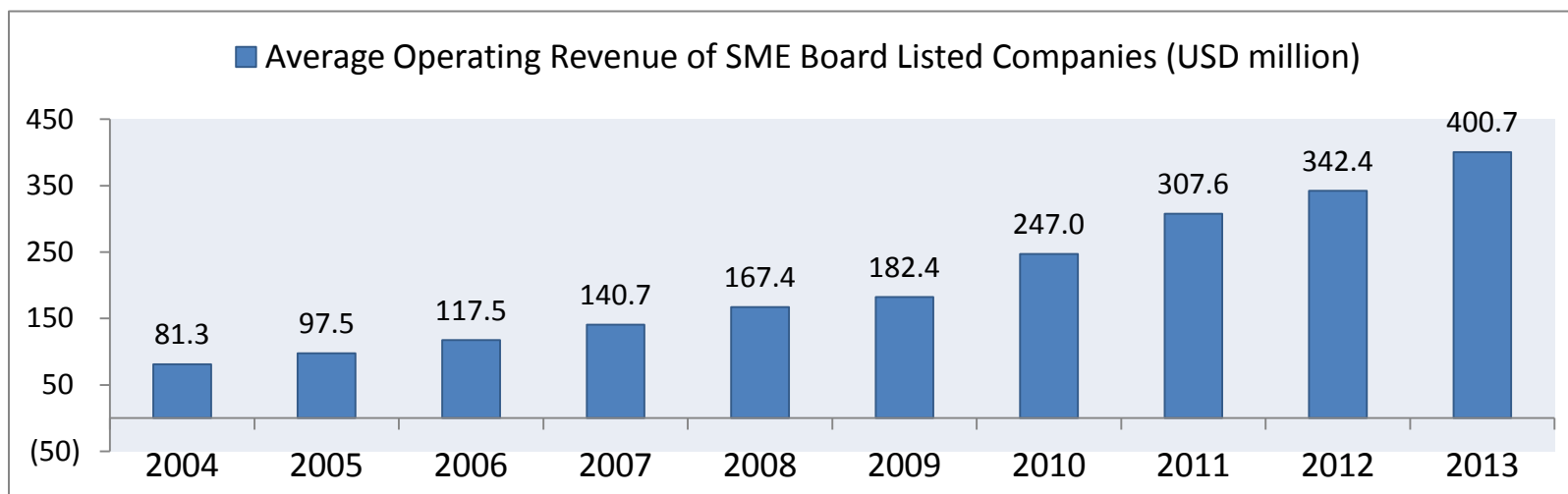
2. SME Board-Small is beautiful

The SME Board witnesses steady growth and has developed into the **largest** segment of Shenzhen market in the aspect of listed companies, market cap and turnover.



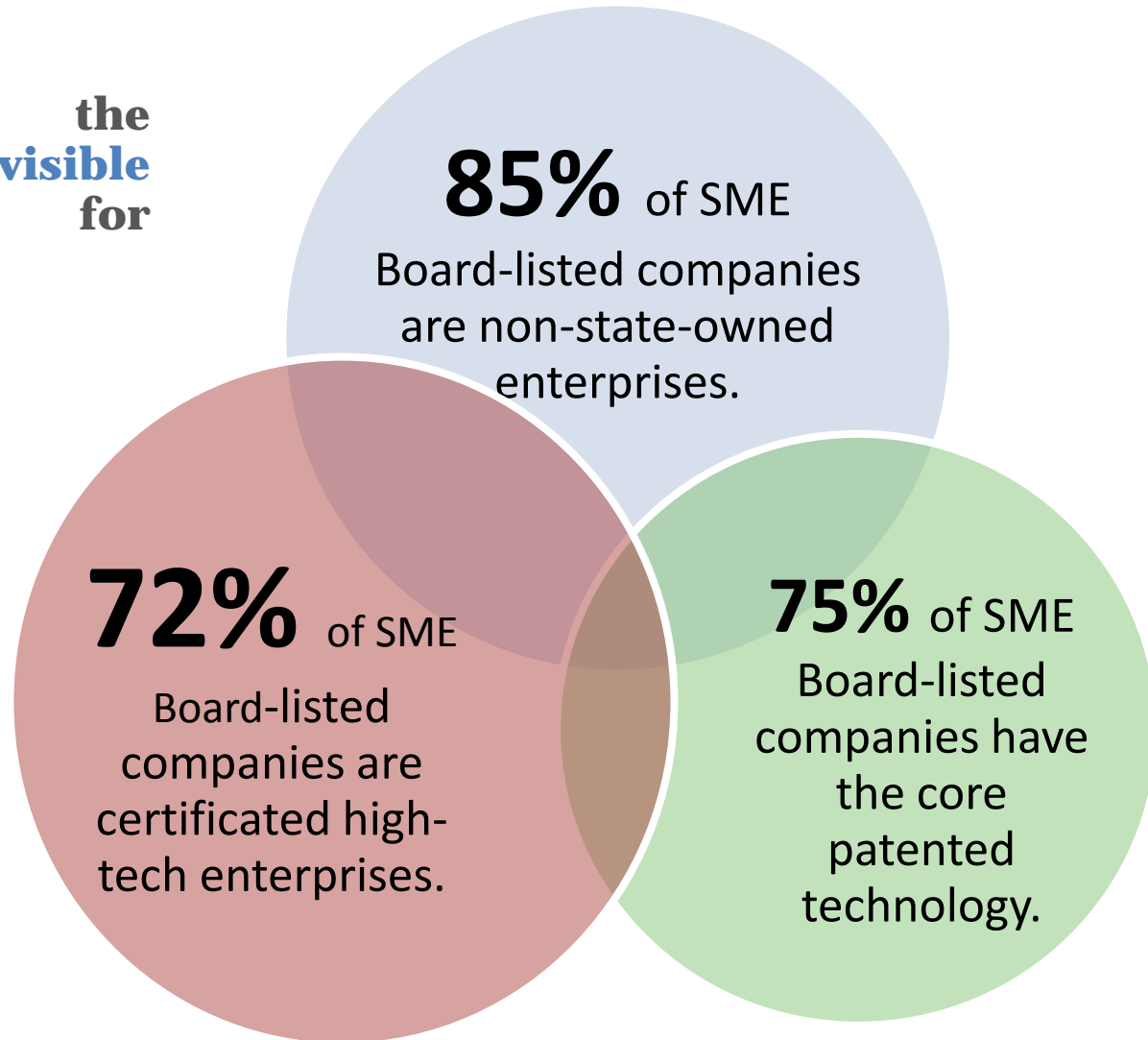
2. SME Board-Small is beautiful

The compound annual growth rate of SME Board-listed companies' average operating revenue and net income reach to 19% and 15% during year 2004-2013.



2. SME Board-Small is beautiful

SME Board, the cradle of “**Invisible Champions**” for Chinese SMEs.



2. SME Board-Small is beautiful



◆ The largest vitamin manufacturer in China, NHU has a state-level technology center.



◆ the largest developers, manufacturers and marketers of in vitro diagnostic products in China.



◆ One of the largest privately owned retailers in China, ranks among top Chinese B2C companies.



◆ Provides acoustic products and services to industry leading companies, including Samsung, LG, Panasonic, Sony, Google, Microsoft.



◆ The leading blood products & vaccines manufacturer in China.



◆ The largest manufacturer of wind turbines in China and the world's largest manufacturer of permanent magnet direct drive wind turbines.



◆ the most innovative independent national auto brand and the largest supplier of rechargeable batteries in the globe.



◆ The top global vendor of CCTV and video surveillance equipment.

2. SME Board-Small is beautiful

SME Board helps investors enjoy the achievements of those fast-growing SMEs.

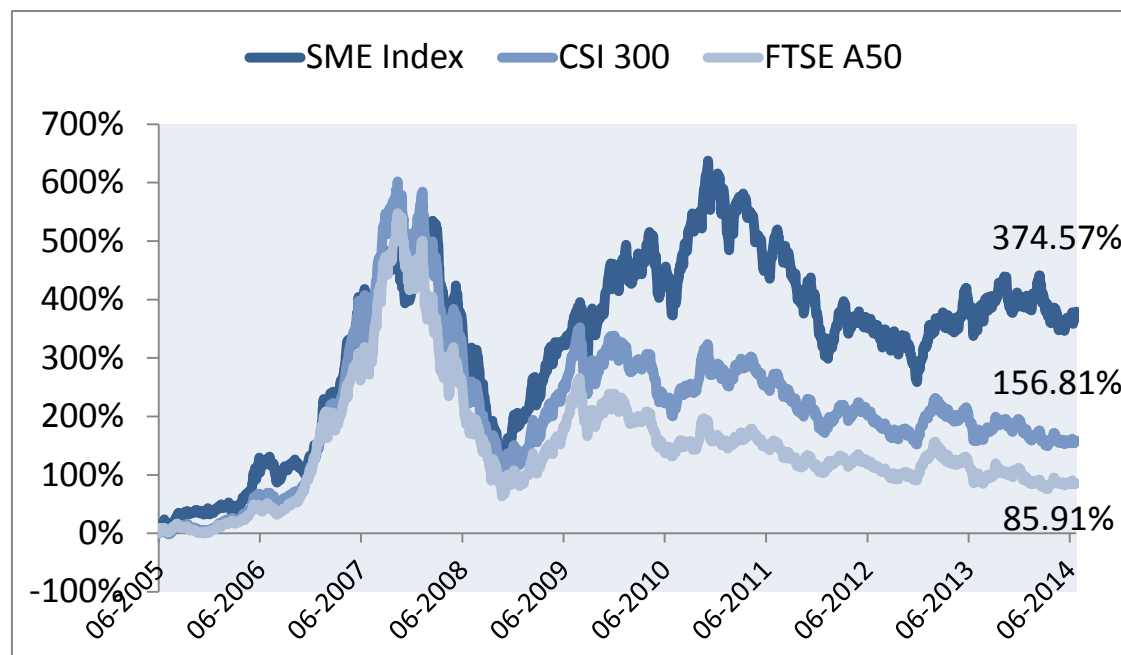
Accumulated Return Since IPO	Number of SME Board Listed Companies
>1000%	8
(500%,1000%)	19
(200%,500%)	48
(100%,200%)	56

Security Name	Accumulated Return Since IPO	IPO Date	Sector
SL Pharmaceutical	2938 %	2004-09-09	Health Care
Suning Commerce	1600 %	2004-07-21	Consumer Discretionary
Kehua Bio-engineering	1589 %	2004-07-21	Health Care
TGE	1385 %	2005-06-06	IT
Ningbo Huaxiang	1293 %	2005-06-03	Consumer Discretionary
Gold Mantis	1179 %	2006-11-20	Industrials
DHC Software	1133 %	2006-08-23	IT
Hualan Biological Engineering	1125 %	2004-06-25	Health Care
Dahua Technology	957 %	2008-05-20	IT
Shanghai RAAS	919 %	2008-06-23	Health Care

2. SME Board-Small is beautiful

SME Board-listed companies outperform those blue-chips and large caps significantly in their “bad years”.

Historical return since SME Index's base date



Annual Return

Year	SME Index	CSI 300	FTSE A50
2006	75.62%	121.02%	135.79%
2007	153.17%	161.55%	122.05%
2008	-54.16%	-65.95%	-67.99%
2009	96.64%	96.71%	83.75%
2010	21.26%	-12.51%	-23.50%
2011	-37.09%	-25.01%	-18.73%
2012	-1.38%	7.55%	11.42%
2013	17.54%	-7.65%	-14.74%
2014 YTD	-3.72%	-7.08%	-5.42%

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3. ChiNext-China Next

ChiNext—China’s Nasdaq-style market, is designed to facilitate development of innovative and growth businesses.

Enhanced Information Disclosure



- Prospectus disclosure requirements are consistent with Main Board with a focus on enhanced disclosure.
- Core competence, growth potential and self-developed innovation are main areas of information disclosure in prospectus.
- Strengthening information disclosure on the first day of listing to prevent over speculation.
- Increasing adequacy of post-listing disclosure.

Enhanced Investor Risk Management & Education



- Natural person investors with two or more years’ trading experience may apply for opening accounts for trading shares of ChiNext companies (Investor Suitability Management System).
- The issuer is required to fully disclose risk in a prominent position in its prospectus.
- In March 2008, SZSE established an investor education center as part of its efforts to strengthen investor education.

3. ChiNext-China Next

In August 1999, the CPC Central Committee and the State Council proposed the establishment of a hi-tech board. In August 2000, with the approval of the State Council, the CSRC decided that SZSE took on the task of preparing for second board. After ten years of exploration, ChiNext was inaugurated in Shenzhen on 23 October, 2009.

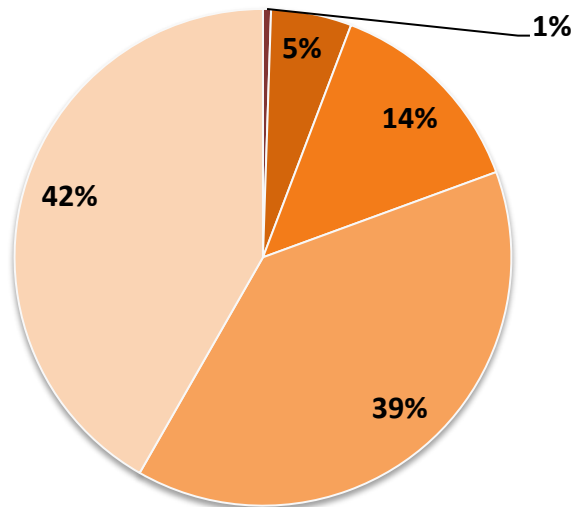
In the past five years, ChiNext market has seen smooth operation and exhibited distinctive sectoral features. A group of innovative enterprises successfully raised funds through the capital market.

Year	Total number of IPOs on ChiNext	Proceeds (USD billion)
2009	36	3.29
2010	117	15.51
2011	128	12.75
2012	74	5.66
2013	/	/
The first half of 2014	27	1.19

3. ChiNext-China Next

Nevertheless, ChiNext is not a “mini-board”. It is open to enterprises of all sizes so long as they meet the listing criteria. While financial requirements are relaxed, quality and governance requirements remain or even strengthened in some respects.

Market Cap Distribution of ChiNext Listed Companies (2014.6.30)

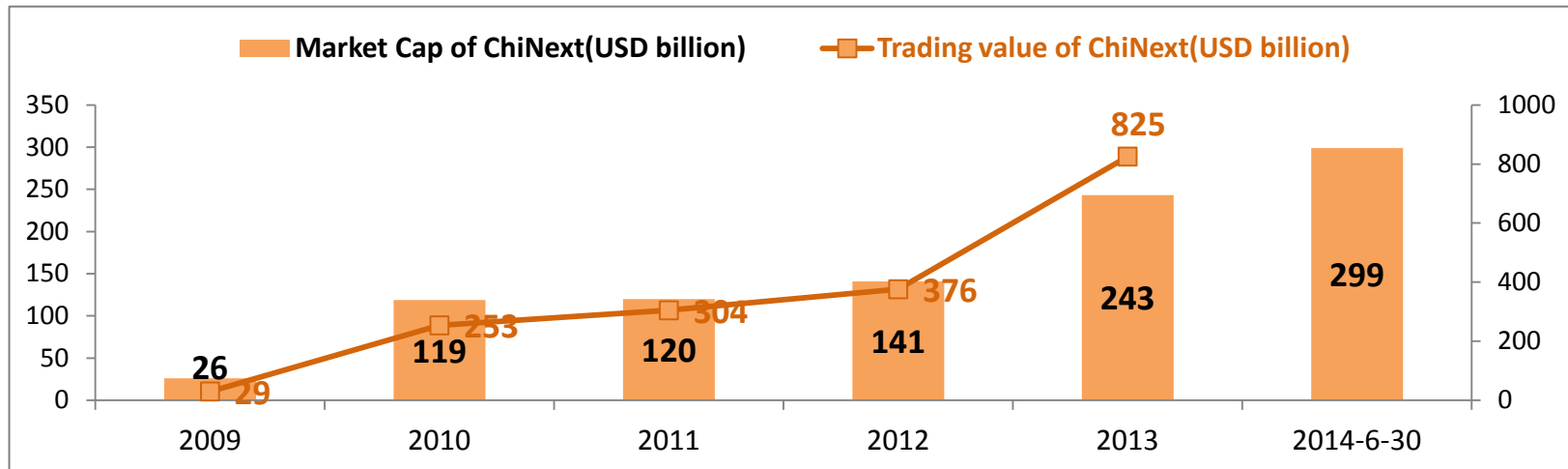
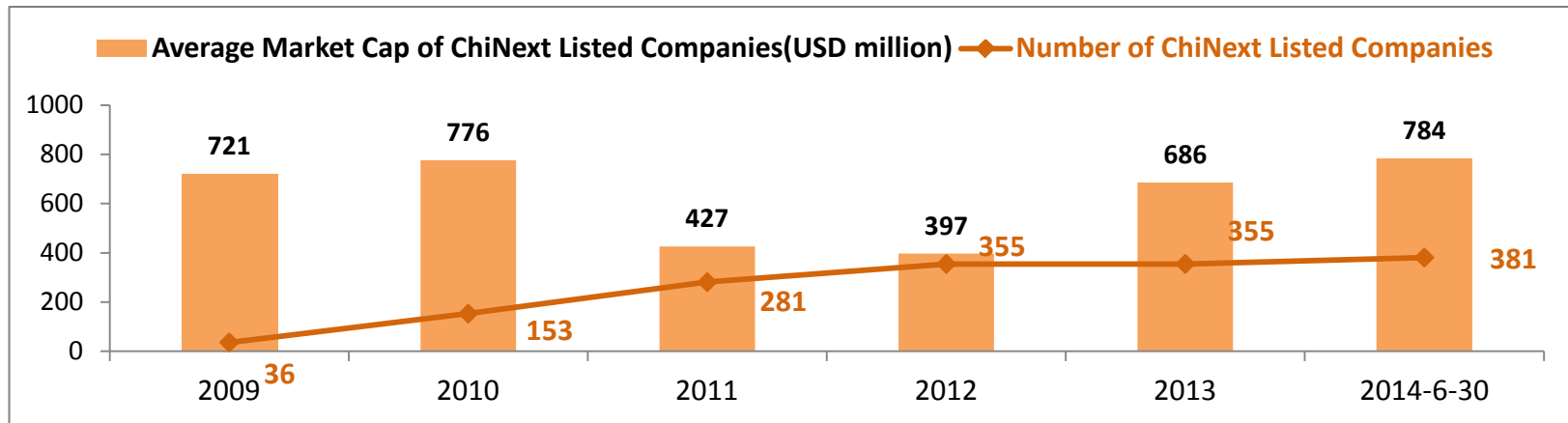


- >5000 USD million
- (2000,5000)USD million
- (1000,2000)USD million
- (500,1000)USD million
- <500 USD million

ChiNext Listed Companies	Market Cap (USD million)
Maximum	5918
Minimum	18
Average	61
Median	185

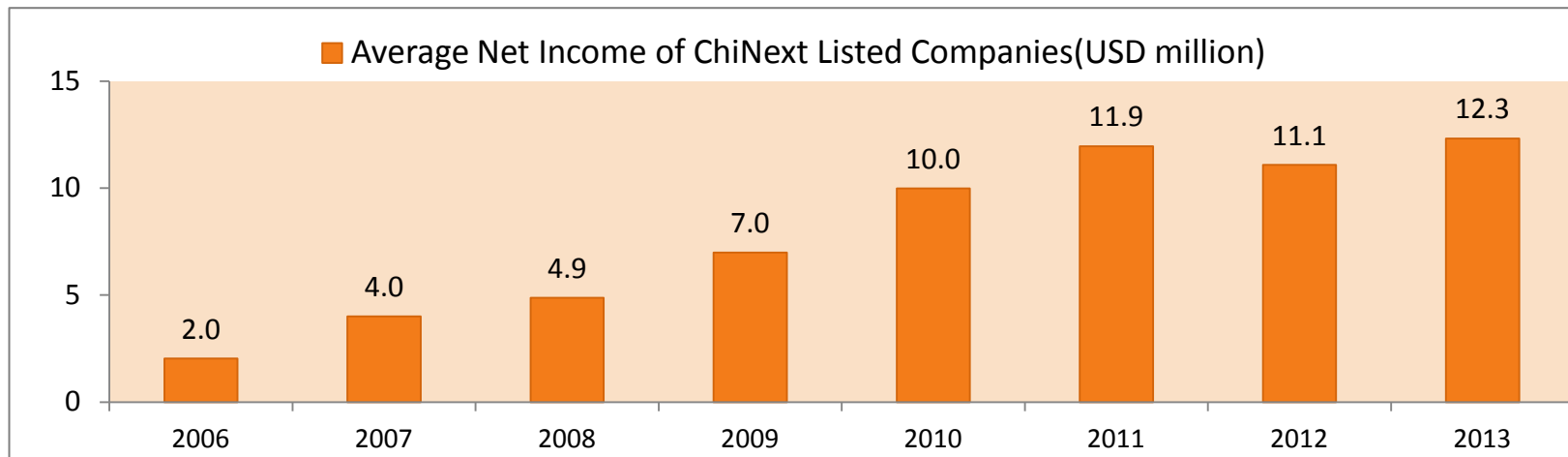
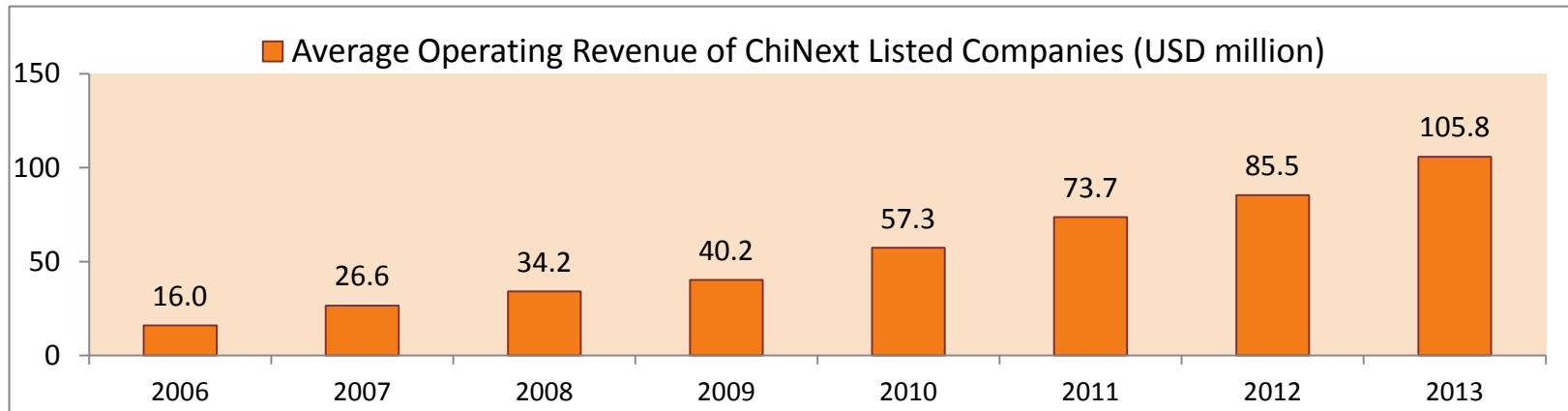
3. ChiNext-China Next

ChiNext is a fast growing and active market.



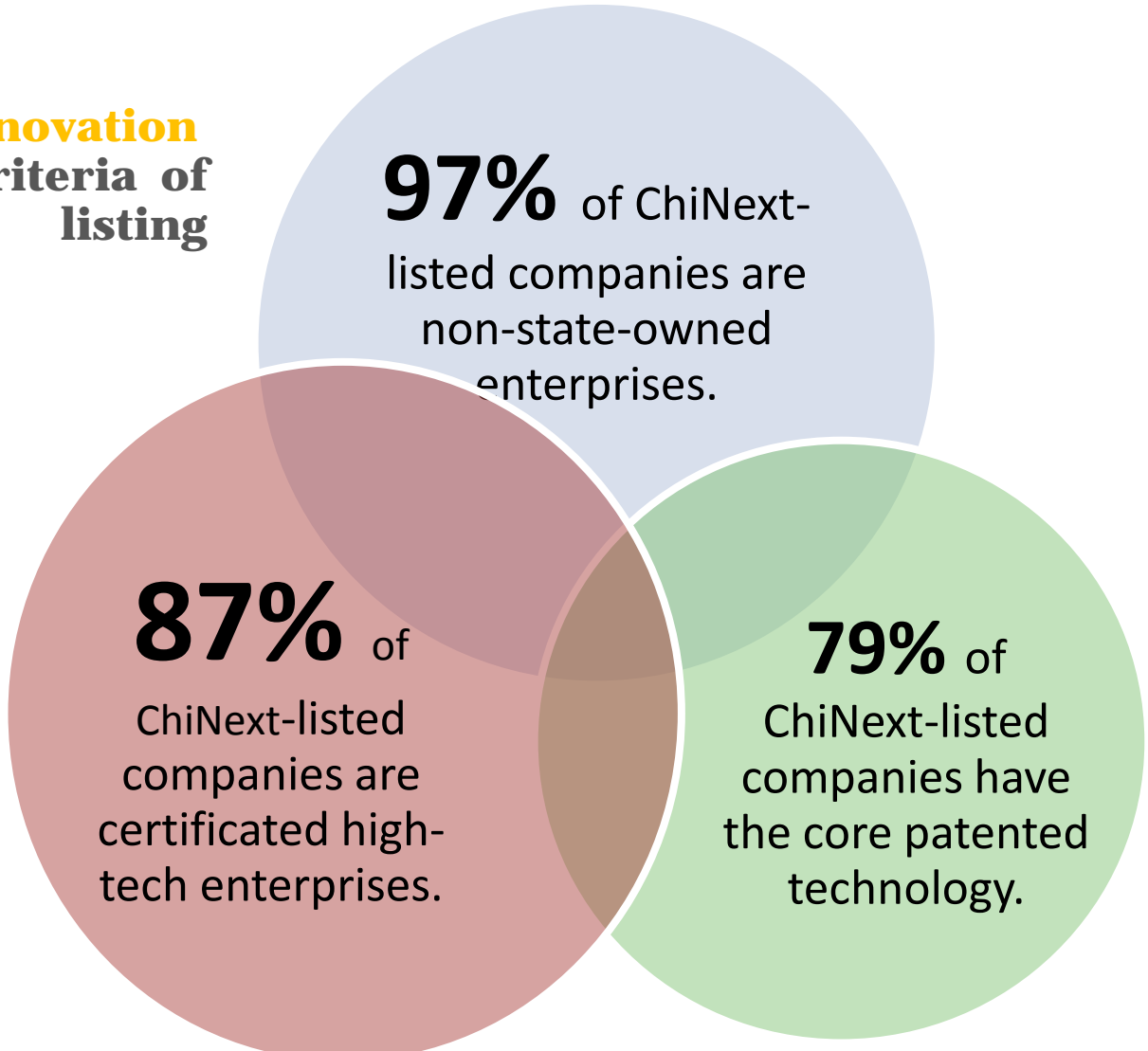
3. ChiNext-China Next

The compound annual growth rate of ChiNext-listed companies' average operating revenue and net income reach to 27% and 15% during year 2009-2013. There are 70 ChiNext-listed companies witness a CAGR of 30% or above in net income since they have been listed.



3. ChiNext-China Next

Growth and Innovation are two key criteria of selection for listing candidates.



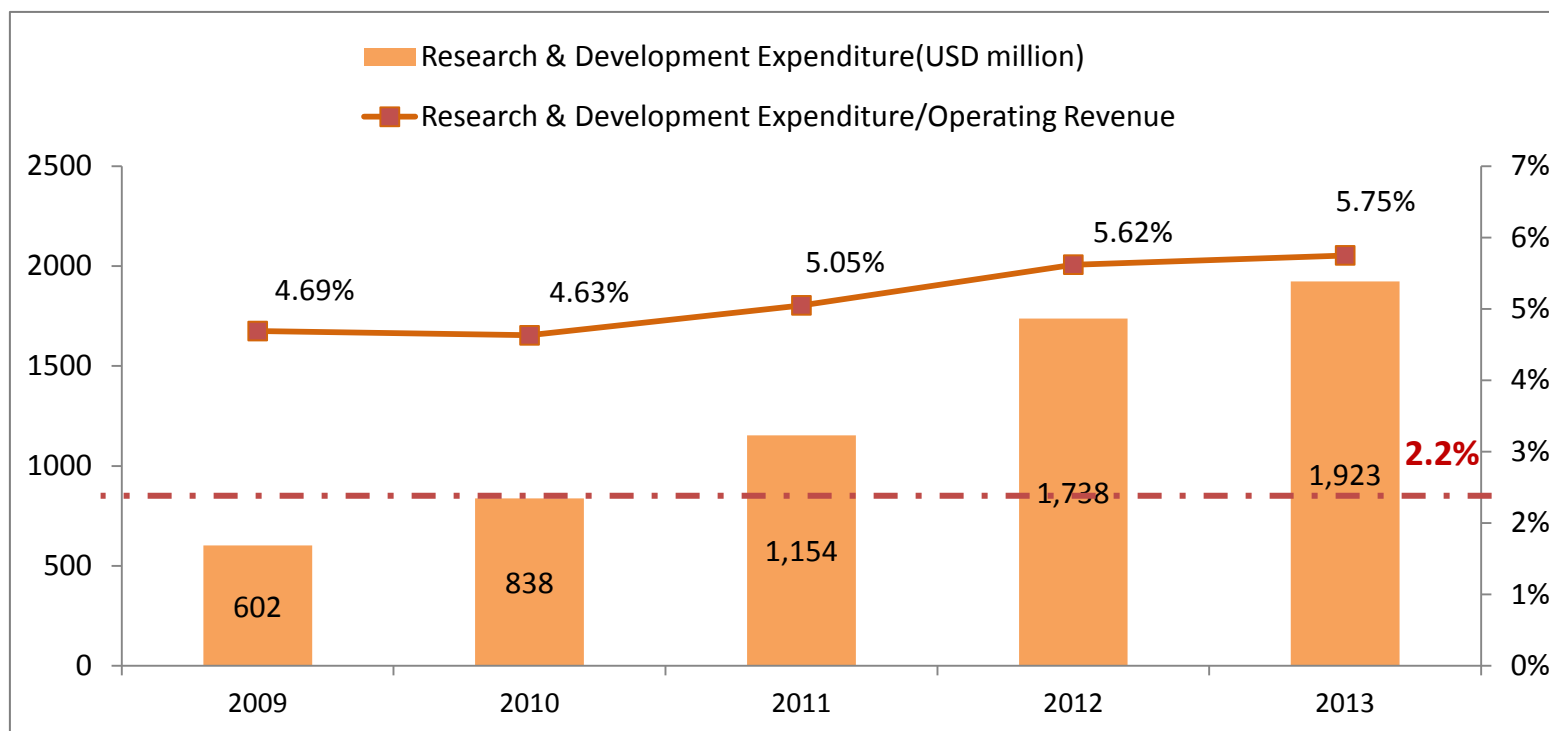
97% of ChiNext-listed companies are non-state-owned enterprises.

87% of ChiNext-listed companies are certificated high-tech enterprises.

79% of ChiNext-listed companies have the core patented technology.

3. ChiNext-China Next

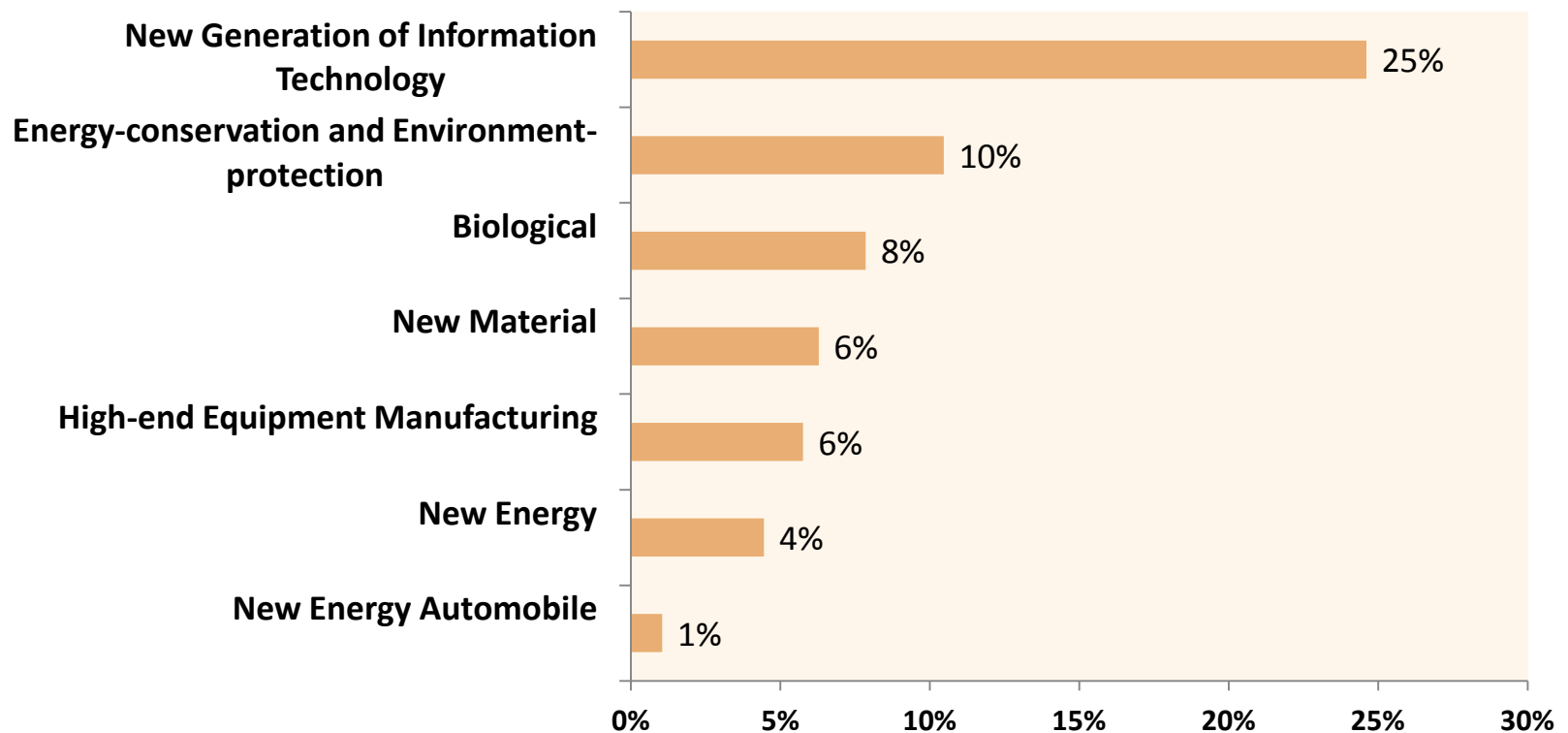
ChiNext-listed companies boost research and development spending. China aims to put 2.2 percent of its GDP into research and development by 2015. The average level of research & development expenditure percentage for ChiNext-listed companies is much higher than that figure. There are 64 ChiNext-listed companies put more than 10% of its operating revenue into research and development in year 2013.



3. ChiNext-China Next

60% of ChiNext-Listed companies fall into the category of China’s “Top Seven Strategic Emerging Industries” announced in “Five-Year Program”, which represent the main driving force of China’s industrial structure optimization and the direction of China’s economic transformation .

Percentage of ChiNext-listed companies fall into the category of Strategic Emerging Industries



3. ChiNext-China Next



◆ Offering the best pre-fabricated electric power distribution substation solutions.



◆ The largest private entertainment group in China. The owner, producer and distributor of domestic most popular film and television productions.



◆ Taking the world's leading membrane water treatment technology which has completely independent intellectual property as the core competitiveness.



◆ The largest linked eye hospital group with the most competitive force in China, holding 23 professional eye hospitals and 2 ophthalmology institutes.



◆ One of the largest public relations companies in Asia, the market leader for brand management solutions.



◆ SIASUN has been ratified as the National Engineering Research Center on Robotics, Robot Industrialization Base of the National 863 Program.



◆ Engaged in the development, and innovation of P2P online video distribution application technology and mobile phone TV technology.



◆ ChinaNetCenter has the largest market share and the largest number of customers in the industry of Internet data centers and content delivery in China.

3. ChiNext-China Next

Plenty of ChiNext-listed companies obtain outstanding performance in the market.

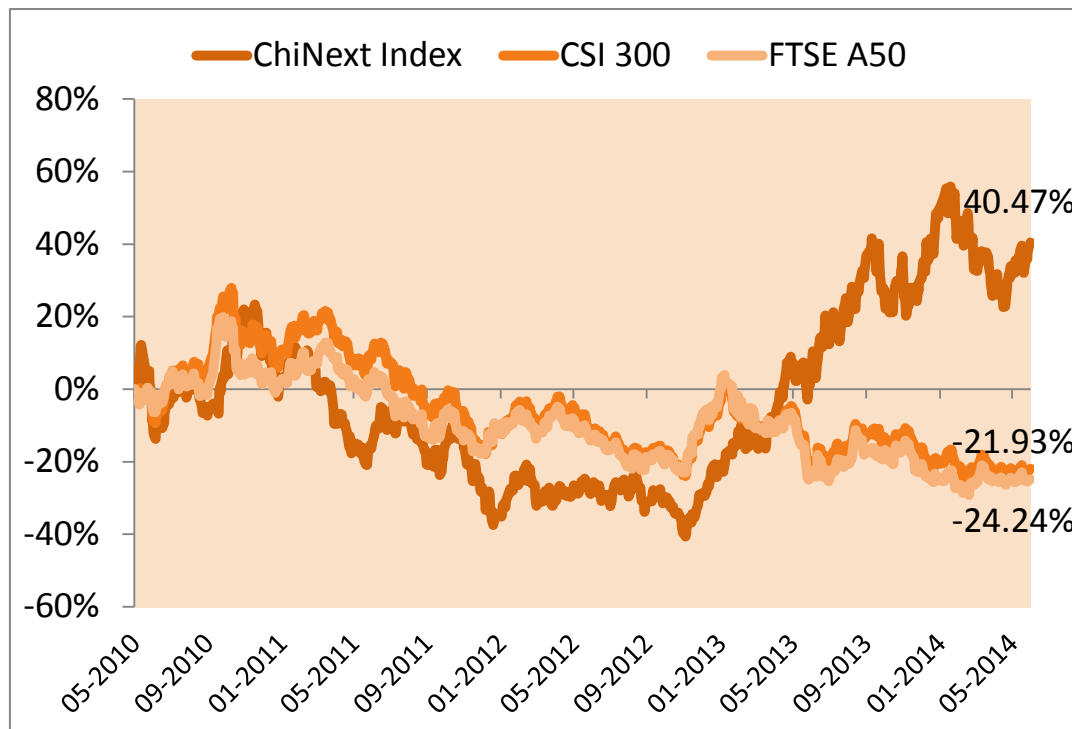
Accumulated Return Since IPO	Number of ChiNext Listed Companies
>500%	3
(200%,500%)	18
(100%,200%)	61
(0%,100%)	185

Security Name	Accumulated Return Since IPO	IPO Date	Sector
Leshi Internet	717%	2010-08-12	IT
Liaoning Julong Financial	604%	2011-04-15	IT
Bluefocus	513%	2010-02-26	Consumer Discretionary
E-hualu	445%	2011-05-05	IT
Philisense	440%	2012-02-01	IT
Ganglian Holdings	433%	2011-06-08	IT
Wangsu Science and Technology	397%	2009-10-30	IT
Ourpalm	376%	2012-05-11	IT
D.A. Diagnostics	320%	2011-07-19	Health Care
Robot	320%	2009-10-30	Industrials

3. ChiNext-China Next

In year 2013, ChiNext Index soared **83%**. The remarkable surge has not only created a miracle out of A-share market, but also claimed ChiNext Index to be the world champion among those global major indices. With stronger financial performance and better prospect, ChiNext is now defined as the barometer of China's new economy.

Historical return since ChiNext Index's base date



Annual Return			
Year	ChiNext Index	CSI 300	FTSE A50
2010.5.31-2010.12.31	13.77%	12.80%	2.87%
2011	-35.88%	-25.01%	-18.73%
2012	-2.14%	7.55%	11.42%
2013	82.73%	-7.65%	-14.74%
2014 YTD	7.69%	-7.08%	-5.42%

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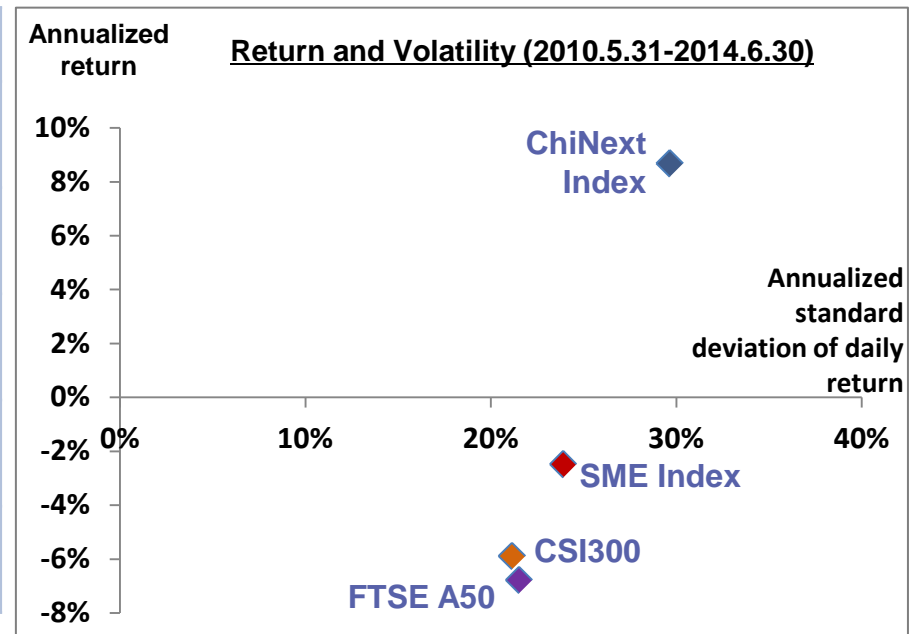
4. Index Investment-The best solution

- **Index investment is the best solution for investors to enjoy the high growth of SME Board and ChiNext.**

- **Investment Diversification**

✓With the character of high return and high volatility, providing perfect complementary investment tools for those blue-chips and large caps investments, such as index mutual funds or ETFs tracking FTSE A50 or CSI300.

Correlation of daily return (2010.5.31-2014.6.30)				
	ChiNext Index	SME Index	CSI 300	FTSE A 50
ChiNext Index	1.00			
SME Index	0.88	1.00		
CSI 300	0.65	0.85	1.00	
FTSE A 50	0.49	0.69	0.96	1.00



4. Index Investment-The best solution

– Transparent & Rules-based

✓ Rules-based index methodology, ground rules, periodic reviews, constituents information are public.

Taking SME Index and ChiNext Index as an example:

SME Index (ChiNext Index) is free-float adjusted index intended to track the performance of the 100 largest and most liquid stocks listed and trading on the SME Board (ChiNext) of the Shenzhen Stock Exchange.

Selection Methodology and Procedures:

- (1) calculates the **average total market capitalization, free-float market capitalization, and average turnover** during the previous six months for all the stocks in the stock universe;
- (2) ranks the stocks in the stock universe in descending order according to a 1:1:1 weighted average of the above three measures;
- (3) selects those which rank in the top 100 as constituent stocks of the Index.

SME Index is reviewed semi-annually and ChiNext Index is reviewed quarterly.

For details about index ground rules, please visit:

<http://www.cnindex.com.cn/en/information/methodologies/>

4. Index Investment-The best solution

– Risk diversification

✓ Invest in a basket of high quality SME board or ChiNext listed companies rather than some stock you are not familiar with.

– Efficient & Reliable

✓ SZSE INDEX including SME Index, ChiNext Index are developed and maintained by Shenzhen Securities Information Co., Ltd. (SSI), a subsidiary of Shenzhen Stock Exchange.

✓ All the real time indices are calculated and disseminated by Shenzhen Stock Exchange.

✓ Real time indices are available in major market vendors like Thomson Reuters, Bloomberg, FactSet, etc.

Index Name	SME Index	SME TRN Index	ChiNext Index	ChiNext TRN Index
SZSE Code	399005	399333	399006	399606
Bloomberg Ticker	SZ399005	SZ399333	SZ399606	SZ399606
Thomson Reuters RIC	.SZSMEP	.SZSMERI	.CHINEXTP	.CHINEXTTR
Index Type	Price Index	Total Index	Price index	Total return index

For more information, please download the file “index code” in <http://www.cnindex.com.cn/en/>

4. Index Investment-The best solution

- **Multiple index solutions are provided to satisfy investors needs.**

SZSE INDEX: Constituents are listed on Shenzhen Stock Exchange.

Index Universe	The whole Shenzhen Market	SME Board	ChiNext	SME Board & ChiNext
Flag Index	SZSE Component Index SZSE 100	SME Index	ChiNext Index	SME-ChiNext 100
Scale Index	SZSE 200/300/700/1000	SME300	ChiNext300	SME-ChiNext 400/500
Sector Index	10 Sector Indices			
Style Index	Growth/Value	Growth/Value	Growth/Value	Growth/Value
Thematic Index	TMT/ESG/Dividend/Non-SOEs/Real estate/Cyclical/Defense, etc	SME Strategic Emerging Industries/SME Dividend/SME CORP Governance/SME CSR, etc.	ChiNext Strategic Emerging Industries	SME-ChiNext Technology/SME-ChiNext High and New Technology
Strategy Index	equal weighted/low volatility/high beta/high dividend yield/fundamental, etc	equal weighted/fundamental/low volatility/high beta	ChiNext50 (high liquidity)/ equal weighted	equal weighted/low volatility/high beta

About Us

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SSI is an independent index provider in mainland China and also the index business agency of Shenzhen Stock Exchange. The Index Department of SSI specializes in Index business. By far, SSI has accumulated more than 12 years experience in index research & development, operating and marketing, launched over 250 real-time and end-of-day indices and the total AUM of linked index products is around USD 13 billion.

Further information about CNINDEX is available from website: www.cnindex.com.cn

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