

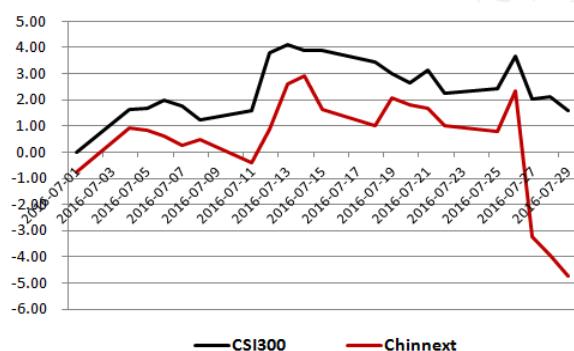
China's Economic & Market Perspective

Fundamentals

YoY growth of Industry added value (IAV) in June was 6.2%, showed a 0.2% improvement compared to last month. This is a result of two factors combined, which are the continuous improvement of industrial production price index, and a policy-motivated rebound in auto industry. Production of Industrials sector remains steady. Power generation has seen a 2.1% YoY growth. Meanwhile, the recovery of real estate investment has also driven the growth of relating industries such as cement and steel.

CPI slipped 0.1% QoQ and increased 1.9% YoY. Prices of vegetables, fruits and eggs continued to fall. There is no need to concern about the inflation pressure in the short run. As for the currency side, the fact that Federal Reserve holds the interest rate is well within expectation, yet the dollar index continued to gain momentum. RMB exchange rate dropped slightly, yet overall remained steady as expected. This is the result of the strong currency intervention from the central government. In terms of liquidity, newly issued credit remained at a relatively high level, partially boosted by a strong, continuous increase of mortgage credit in private sector, and will guarantee the liquidity of stock market.

Graph 1: Performance (%) of CSI 300 Index and ChiNext in July



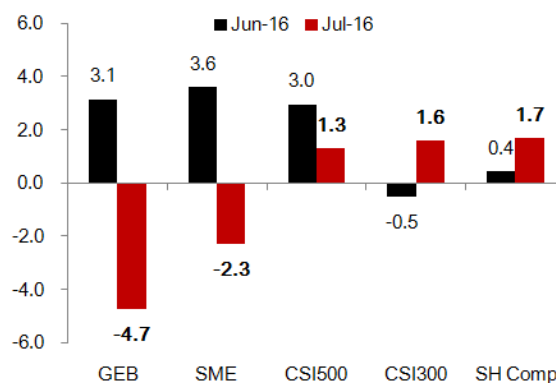
Source: Wind Info, ChinaAMC

Markets

In terms of the market performance in July, performances of indices differentiated in terms of market cap as market became cautious at the end of July. Shanghai Composite index had reported a slight increase of 1.7%. On the contrary, small cap stocks had worse performance as ChiNext retreated 4.7%. As for the sector performance, Healthcare and Utilities were the two sectors with best performance and IT and Real

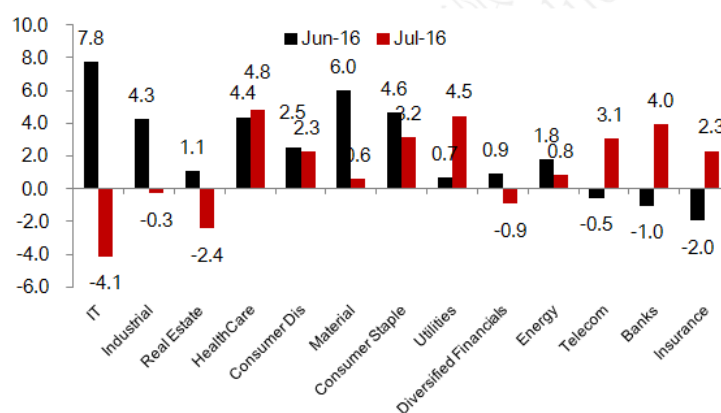
Estate had the worst performance among the other sectors.

Graph 2: Performance of Different Boards in July



Source: Wind Info, ChinaAMC

Graph 3: Performance of different sectors in July



Outlook

The market experienced an adjustment in the end of July, and investors are now becoming more cautious. In addition to that, with limited fund inflows into the market, the acceleration of IPO and floatation of restricted shares held by industry capital and PEs intensified the concern of financing supply balance. At the end of last month, new regulation on commercial banks about limiting the equity investment of financial product triggered the concern that investors are out of the market.

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