

# Shenzhen Stock Exchange Market Bulletin

August 31, 2020 (Issue 27)

深圳证券交易所  
SHENZHEN  
STOCK EXCHANGE

## Market Summary

Listed Companies (No.)	2,280
- Main Board	469
- SME Board	962
- ChiNext Market	849
Funds	536
Bonds	8,016
Market Cap. (US\$ bn)	4,739.7
- Main Board	1,359.8
- SME Board	1,960.1
- ChiNext Market	1,419.8
Average Turnover Ratio	2.44
Average P/E Ratio	33.55
No. of IPO (YTD)	84

## Most Active Companies

1	East Money Information Co., Ltd. (300059)
2	Boe Technology Group Co., Ltd (000725)
3	Wuliangye Yibin Co., Ltd. (000858)

## Top Gainers

1	Contec Medical Systems Co., Ltd. (300869)
2	Ningbo Kbe Electrical Technology Co., Ltd (300863)
3	Chengdu Dahongli Machinery Co., Ltd. (300865)

## Top Decliners

1	Hunan China Sun Pharmaceutical Machinery Co., Ltd. (300216)
2	HI Corp (shenzhen) (002105)
3	Shanghai Kinlita Chemical Co., Ltd. (300225)

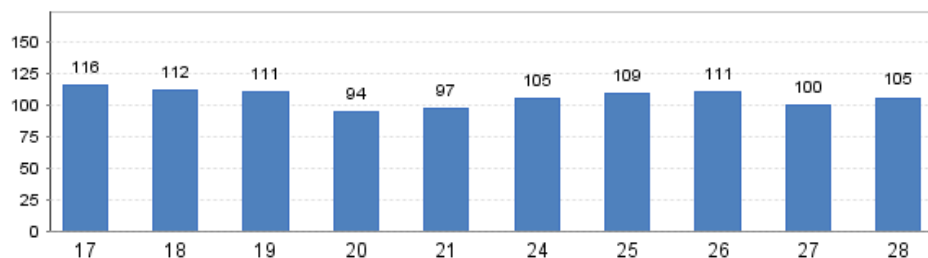
## New Listing

### Shunbo Aluminum (002996)

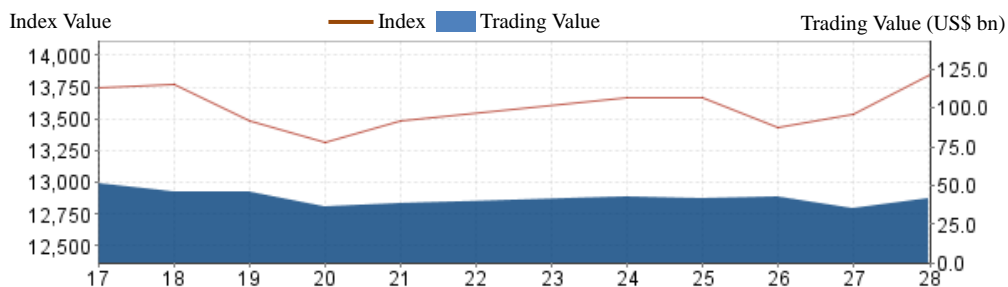
Shunbo Aluminum landed on SME board on August 28, 2020. Chongqing Shunbo Aluminum Co., Ltd. principally engages in production and sale of secondary aluminum alloy ingots. In 2019, its operating income reached 4.35 billion yuan with the net profit of 168.17 million yuan.

## Daily Trading Value (August 17 – August 28)

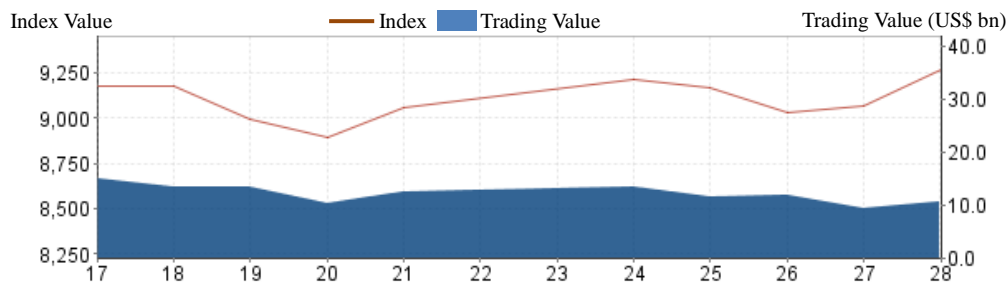
(US\$ bn)



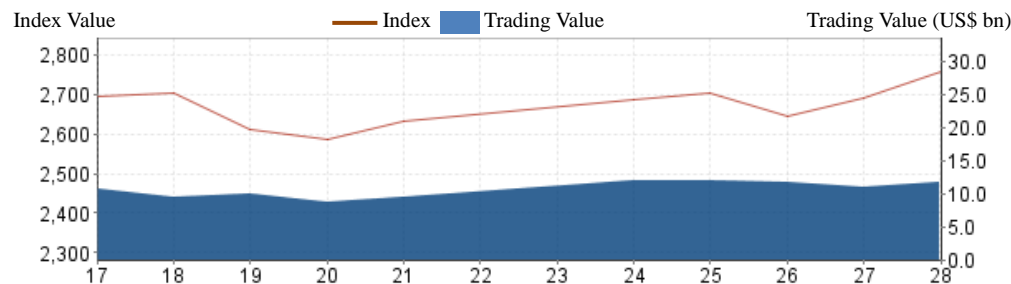
## SZSE Component Index (August 17 – August 28)



## SME Index (August 17 – August 28)



## ChiNext Index (August 17 – August 28)



## Market News

### 1. CSRC approves Shenzhen-Hong Kong ETF Connect products

Last Friday the CSRC approved the registration of two Shenzhen-Hong Kong ETF connect products. Each of the products managed by a mainland fund manager is designed to invest no less than 90% of the fund's net assets in a single Hong Kong target ETF in the form of the qualified domestic institutional investor (QDII) and get listed on Shenzhen Stock Exchange. The first two products track the Hang Seng China Enterprise Index and the S&P New China Industry (A-Share Cap) Index respectively. On the same day, the Securities and Futures Commission of Hong Kong reciprocally approved two Hong Kong ETFs to be listed on HKSE which invest into two SZSE-listed ETFs respectively with no less of 90% of its net assets in the form of RQFII.

### 2. CSRC published the results of classification of securities companies

On August 26, the China Securities Regulatory Commission announced the results of the classification of securities companies in 2020. The classification is a comprehensive appraisal of securities firms based on their risk management capacity, compliance and

development conditions. Securities firms are classified into rating A, B, C, D, E and there are three sub-rating for A, B and C rating companies. This year's evaluation system highlights two aspects. One is to strengthen the compliance and risk control, and the other is to strengthen the professional service and differentiated development. There are 47 Class A companies, 9 more than that of last year. Among them, there are 15 AA-level companies, 5 more than that of last year; 32 A-level companies, 4 more than that of last year.

### **3. SZSE to advance classified, targeted and technology-based regulation**

On August 30, SZSE issued the Administration Measures for Risk Classification of Listed Companies (the "Classification Measures"). On the basis of summing up regulatory practice and experience, the Classification Measures further refines the risk classification regulation system, an active exploration of the "human+technology" new regulatory model. The intelligent risk monitoring platform has gathered multidimensional information including financial data, stock price movements, equity details, share pledge, significant investments, violations and punishment, and its risk classification and rating model have realized "comprehensive checkup" of listed companies, providing intelligent aid to the analysis, evaluation and judgment of company risks. The listed companies were classified, according to level of risk and regulative attention, as high risk, secondarily high risk, attention and normal.

The Classification Measures states that SZSE will take a "zero tolerance" attitude towards actions in violation of laws and regulations such as financial fraud, occupation of funds and illegal guarantee, channel major regulatory resources into listed companies in the high risk and secondarily high risk categories, and pay close attention to their information disclosure, M&A and reorganization, refinancing, etc.

## **Analysis**

### **Margin Trading and Securities Lending after ChiNext Market Reform**

Margin trading and securities lending is an important part of the reform of the ChiNext Market. We in this issue walk you through the basic framework of Margin trading and securities lending and the highlights of reform.

#### **1. Basic concept of margin trading and securities lending**

Detailed Implementation Rules of Shenzhen Stock Exchange on Margin Trading and Securities Lending stipulates the general framework of margin trading and securities lending on SZSE:

1. Securities are included in the eligible list for margin trading and securities lending when they meet certain criteria including time of listing, the number of the floating equity shares, the number of shareholders, liquidity, etc.

2. Clients and securities firms need to enter into a contract for the business. The term of the contract shall not exceed six months. Before the expiry of the contract, the member can execute roll-over upon client's application. The term of each roll-over may not exceed six months.

3. Investors need to open credit securities accounts for margin trading and securities lending transactions.

4. Clients are required to provide a specific level of collateral to securities firms which can be cash, securities listed on SZSE and other qualified assets, each with a differentiated discount ratio. The collateral ratio shall not be less than 100% for margin trading and 50% for securities lending. The securities firms may require a collateral ratio for maintenance of the margin trading and securities lending.

5. The exchange will publish the balance and trading value of each securities for margin trading and securities lending. Margin trading and securities lending for a certain security will be ceased once margin trading balance or securities lending balance reach 25% of the outstanding value (volume) of the security.

6. "Tick rule" applies: the quotation price of a short selling order, except for certain security recognized by SZSE, shall not be lower than the last traded price, or previous closing price

in the absence of last traded price, of the relevant security.

7. Securities companies may borrow money or securities from China Securities Finance Company.

8. It should be noted that, at present, QFII and RQFII investors are not eligible to participate in margin trading and securities lending transactions. However, inclusion of margin trading and securities lending is the highlight for the revision of the QFII and RQFII rule that is supposed to be published very soon. Margin trading and securities lending are allowed in northbound trading under the Shenzhen-Hong Kong Connect and specific rules are to be followed, i.e. securities lending contract shall not be longer than 1 month and daily short selling value through securities lending shall be less than 1% of all northbound-held market cap.

2. Highlights of ChiNext Market reform in terms of margin trading and securities lending

(1) A security may be included in the eligible list for margin trading and securities lending from the first day of their listing. Before the reform, a security can only be included 3 month after its listing.

(2) Apart from the existing institutions such as mutual fund, social welfare fund and insurance fund, strategic investors are included as the eligible party to lend securities to China Securities Financial Company who will then lend the securities to securities companies.

(3) Apart from unrestricted floating shares, shares held by strategic investors in the lock-up period are eligible to be lent to the China Securities Financial Corporation Limited.

(4) Securities firms and its lender of the securities may negotiate the term and rate of the contract in a liberalized way and may conclude the contract before the due date or extend the contract through negotiation. Before the reform securities firms and its lender of the securities can only accept the rate and term determined by the China Securities Financial Company.

(5) Securities which are borrowed by a securities firm and then lend to its clients can be sold on the same day as it was borrowed by the securities firm. Before the reform, it has to be the next day.

(6) The minimum quotation for securities refinancing changed to 1000 shares from 10,000 shares and the maximum quotation change from 1 million to 10 million.

Market landscape of margin trading and securities lending:

As of August 28, the 18 first listed companies under the reform of the ChiNext Board and the pilot project of the registration-based IPO system had a margin trading balance of 1.49 billion yuan, accounting for 3.8% of the listed market value of the 18 companies. Securities lending occurred in two new listed companies that the balance of the securities lending is 0.51 billion, accounting for 6.5% of the listed market value of the two companies (7.81 billion yuan).

During the same period, the overall margin trading and securities lending balance for the ChiNext Market was 160.77 billion yuan, accounting for 3.7% of the market cap (4.4 trillion yuan). Among them, the margin trading balance is 155.58 billion yuan, accounting for 96.8% of the balance of margin trading and securities lending and 3.6% of the listed market value respectively; the balance of the securities lending is 5.2 billion, accounting for 3.2% of the balance of margin trading and securities lending and 0.1% of the listed market value respectively. The balance of the margin trading and securities lending on the main board and the SME board of Shenzhen Stock Exchange is 482.98 billion yuan, accounting for 3.0% of the listed market value (15.9 trillion yuan), of which the margin trading balance is 463.88 billion yuan, accounting for 2.9% of the listed market value; the balance of securities lending is 19.10 billion yuan, accounting for 4.0% of the balance of the margin trading and securities lending.

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*We welcome any feedbacks with respect to Market Bulletin or other information services offered by the SZSE. Should you have any inquiries, comments or proposal for cooperation, please let us know at [international@szse.cn](mailto:international@szse.cn)*

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