

Shenzhen Stock Exchange Market Bulletin

July 13, 2020 (Issue 20)

深圳证券交易所
SHENZHEN
STOCK EXCHANGE

Market Summary

Listed Companies (No.)	2,255
- Main Board	470
- SME Board	960
- ChiNext Market	825
Funds	548
Bonds	7,749
Market Cap. (US\$ bn)	4,469.4
- Main Board	1,290.2
- SME Board	1,861.9
- ChiNext Market	1,317.3
Average Turnover Ratio	2.36
Average P/E Ratio	32.55
No. of IPO (YTD)	51

Most Active Companies

1	East Money Information Co., Ltd. (300059)
2	Boe Technology Group Co., Ltd (000725)
3	Gree Electric Appliances, Inc. of Zhuhai Co., Ltd (000651)

Top Gainers

1	Qingdao Kutesmart Co., Ltd. (300840)
2	Capitalonline Data Service Co., Ltd. (300846)
3	Digiwin Software Co., Ltd. (300378)

Top Decliners

1	Dalian Tianbao Green Foods Co., Ltd. (002220)
2	Teamax Smart City Technology Corporation Limited (000662)
3	Sichuan Jinshi Technology Co., Ltd (002951)

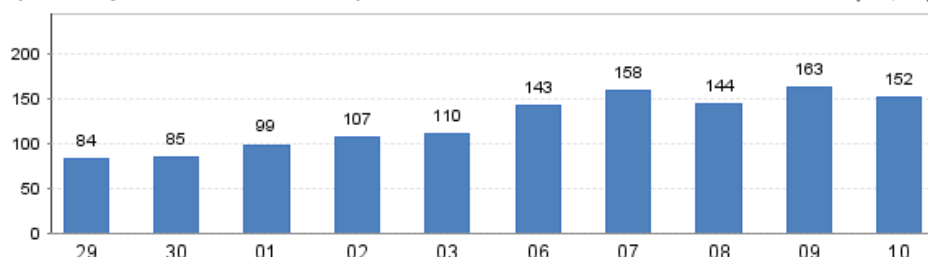
New Listing

Kutesmart (300840)

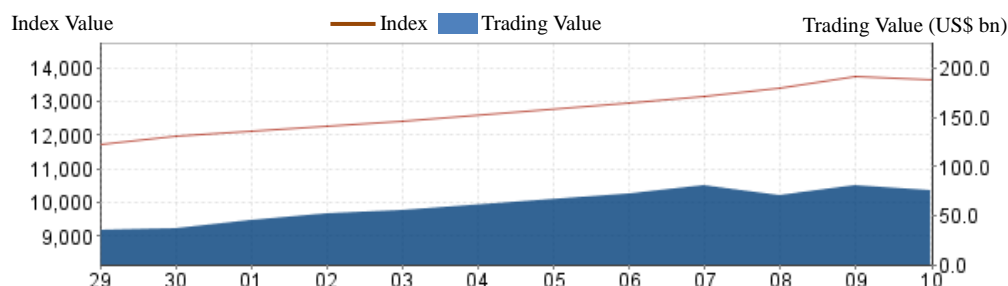
Qingdao Kutesmart Co., Ltd. principally engages in customized garment production and sales. In 2019, its operating income reached 535 million yuan with the net profit of 68.67 million yuan.

Daily Trading Value (June 29 – July 10)

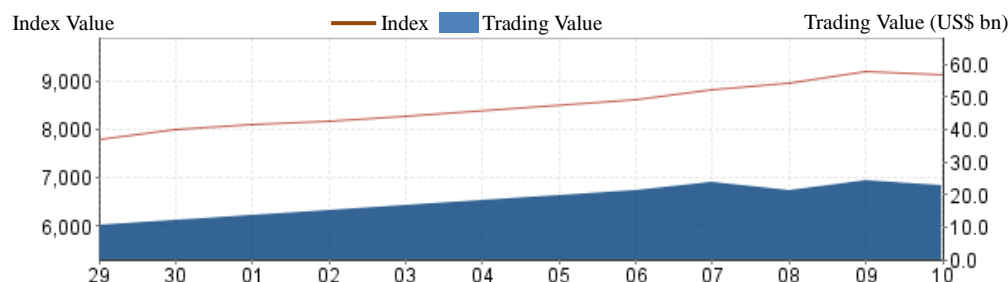
(US\$ bn)



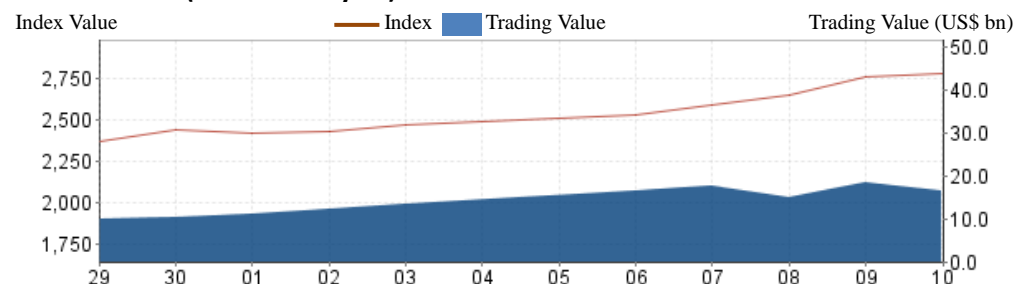
SZSE Component Index (June 29 – July 10)



SME Index (June 29 – July 10)



ChiNext Index (June 29 – July 10)



Market News

1. ZERO TOLERANCE for illegal conducts in China's capital market

On July 11, Financial Stability and Development Committee under the State Council (FSDC) held the 36th meeting, vowing 'zero tolerance' for illegal conducts in China's capital market, especially fraudulent issuance, financial fraud and other illegal conducts. FSDC also requires the CSRC to lead a working group on combating capital market illegal activities to further strengthen securities enforcement and judicial works. FSDC emphasizes first on improving standards, simplify procedures and strengthen supervision of delisting, aimed at forming a market-oriented and regular winnowing mechanism; second, on cracking down on major illegal cases resolutely, severely and rapidly in accordance with the law; and third, intensifying penalties. This is the fourth time the FSDC discussed topics with respect to increasing the cost of breach of law in the capital market since April.

2. CSRC cracks down on 258 institutions of illegal margin financing business

The CSRC recently issued a list of 258 illegal margin financing platforms and their

HG (300847)

HG Technologies Co., Ltd. principally engages in research and development, production and sale of printing and copying electrostatic imaging consumables and imaging equipment. In 2019, its operating income reached 816 million yuan with the net profit of 77.20 million yuan.

Jinsheng New Materials (300849)

Zhejiang Jinsheng New Materials Co., Ltd. principally engages in research and development, production and sale of cosmetics plastic packaging containers. In 2019, its operating income reached 343 million yuan with the net profit of 65.64 million yuan.

operating agencies. These platforms include websites, mobile APPs, WeChat public accounts etc. where the operating agencies claimed to provide up to ten times of leverage. The CSRC will cooperate with other relevant regulating organizations to clean up shadow margin financing advertisements and to close such platforms. The relevant securities regulatory bureaus are cooperating with public security agencies to investigate such platforms and agencies, with several cases already in judicial procedures.

3. The PBOC issues rules clarifying definition of standard credit assets

The People's Bank of China (PBOC), together with the China Banking and Insurance Regulatory Commission (CBIRC), the CSRC and the State Administration of Foreign Exchange (SAFE) jointly issued the *Standardized Credit Assets Identification Rules*, which classifies standardized credit assets and non-standardized credit assets by definitions, regulatory standards and arrangements, effective from August 3, 2020. Defining 'standard' and 'non-standard' assets has become crucial since series of rules were issued to restrict investment on non-standard assets but distinctions between 'standard' and 'non-standard' assets were ambiguous. According to the *Rules*, government bonds, corporate bonds, panda bonds, negotiable certificates of deposits, etc. that are traded in the inter-bank and exchange bond markets are standard credit assets. Debt investment plans, brokerage income certificates, trust loans, etc. are non-standard bond assets.

4. CBIRC issues Treasury bond futures trading rules for insurers

The China Banking and Insurance Regulatory Commission (CBIRC) issued the rules allowing insurance companies to participate in Treasury bond futures trading on July 1. The rules clarify the ways insurance companies participate in the Treasury bond futures trading and stipulate the buy and sell limits of contracts to control leverage ratio and liquidity risk. What's more, the rules state that insurance companies are allowed to participate in Treasury bond futures trading for hedging risks only and not for speculation.

Analysis

Listing Criteria of ChiNext Market and its comparison with STAR Market, Shenzhen Main Board, SME Board and NEEQ Select

As part of the ChiNext Market reform, the CSRC has positioned the ChiNext Market as a market place galvanize innovation, productivity and creativity in enterprises, support traditional industries to integrate with new technologies, new industries, new forms and new models and guide traditional enterprises to innovate and upgrade, as has been described in *Administrative Measures on IPO Registration on the ChiNext Market (Trial)*. In the meantime, SZSE have been working on introducing new rules for IPO issue and audit, which has been reflected in the *SZSE Approval Audit Rules for Stock Issuance and Listing on the ChiNext Market (trial)*.

Listing Criteria of the ChiNext Market have been improved to a large extent along with the registration-based IPO reform. The new listing criteria are more flexible and accommodating while having a clearer focus on innovation and growth companies. The ChiNext Market after reform will join hands with Shenzhen & Shanghai Main board, STAR Market and NEEQ to form an enhanced multi-tier capital market with unique characteristics of each market. In this issue we will walk you through the changes of the ChiNext Market's IPO listing criteria, IPO financial indicators and investor threshold after reform and its comparison with other market segments in China's Capital market.

Comparison of IPO listing requirements before and after ChiNext Market reform				
		Before Reform	After Reform	
Way of Issuance		Merit-based	Registration-based	
Year of Establishment		2009	2020	
IPO criteria		<ul style="list-style-type: none">• The issuer shall be a joint-stock limited company established by law and it shall operate for a continuous period of three years or more after its establishment.• The issuer's system of internal controls shall be sound and implemented effectively.		
		<ul style="list-style-type: none">• The issuer shall focus on a single business, and the business operations of the issuer shall comply with laws and administrative regulations, its articles of association, and the state's industrial policies.• There shall have been no significant change in the issuer's principal operations, directors and senior management and no change in its actual controller in the last two years.• The issuer's equity structure shall be clear and there shall be no major dispute over the ownership of shares held by the controlling shareholder, controlled shareholders and shareholders controlled by the actual controller.• Its controlling shareholder and de facto controller have no major illegal acts that harmed the legitimate rights, investors and society.	<ul style="list-style-type: none">• The production and operation of the issuer is in line with the provisions of laws and administrative regulations, and in line with the national industrial policy. The issuer has complete business and has the ability to operate independently.• The main business, control and management team are stable, and no significant adverse changes have taken place in the main business, directors and senior managers in the last two years.• There are no major disputes over ownership, major debt service risks, major guarantees, litigation, arbitration, etc., involving major assets, core technologies, trademarks, etc.• The issuer and its controlling shareholders and actual controllers have not committed any major illegal acts harming the legitimate rights and interests of investors and social and public interests in the last three years.	
Listing criteria	Major Financial Listing Criteria for Domestic Enterprises	One of the following criteria shall be met for listing candidates: 1. It shall have been profitable in the most recent two consecutive years with accumulated profits no less than RMB 10 million and in continued growth. 2. It shall have been profitable in the most recent year with net profits of no less than RMB 5 million and revenues of no less than RMB 50 million.	One of the following criteria shall be met for listing candidates: 1. Positive net profit in last two years with accumulated net profit no less than RMB 50 million 2. Estimated market capitalization no less than RMB 1 bn with positive net profit for the most recent year and operating income no less than RMB 100 million. 3. Estimated market capitalization no less than RMB 5 bn, with operating income for the most recent year no less than RMB 300 million. This criterion will not apply until one year after the reform of the ChiNext Market.	
	undistributed deficits	Not allowed for issuers with uncompensated losses	Allowed for issuers with uncompensated losses	
	Red Chips &WVR Enterprises	Not allowed	Allowed	

	ChiNext Market on Shenzhen Stock Exchange (after reform)	STAR Market on Shanghai Stock Exchange	Main Board & SME Board on Shenzhen Stock Exchange	Select Tier of National Equities Exchange and Quotations (NEEQ)
Position	<ul style="list-style-type: none"> Encourage enterprises with innovation, productivity and creativity, support traditional industries to integrate with new technologies, new industries, new forms and new models and guide traditional enterprises through innovative upgrade. Support different types of innovation and entrepreneurship enterprises in different stages. Issue a negative list: NOT supporting industries such as agriculture, forestry, fishery, animal husbandry, mining, finance, real estates and other traditional industries to be listed on the ChiNext Market in principle.¹ 	<ul style="list-style-type: none"> Gear to frontiers of global science & technology, face to country’s major economy and demand. Limited support enterprises that follow the national strategies with key technologies, outstanding scientific and technological innovation abilities, rely mainly on core technologies in production and operation. These enterprises also have stable business modes, high market recognition, positive social images and strong potential of growth.² Give priority to six major industries: new generation of information technology, high-end equipment, new materials, new energy, energy conservation and biomedicine. 	<ul style="list-style-type: none"> Main Board: serving traditional large and mature enterprises SME Board: serving leading enterprises in niche industries 	<ul style="list-style-type: none"> Serving enterprises with sound financial status, high market recognition and publicity.³ Enterprises in overcapacity industries or restricted and eliminated industries prescribed in <i>Guidance Catalogue of Industrial Structure Adjustment</i> are excluded.⁴ Limited support for innovation and entrepreneurship enterprises, financial and quasi financial enterprises have not been allowed to enter NEEQ Select Tier.
Way of Issuance	Registration-based	Registration-based	Merit-based	OTC Listing

¹ Administrative Measures on IPO Registration on the ChiNext Market (Trial)

² Administrative Measures on IPO Registration on the STAR Market (trial)

³ Reporter's Q&A on the issue and implementation of business rules of the NEEQ reform

⁴ Q&A on the listing examination of the NEEQ Select

IPO Listing Criteria	<ul style="list-style-type: none"> • The issuer shall be a joint-stock company limited by shares established by law and it shall operate for a continuous period of three years or more after its establishment. • The financial and accounting reports of the last three years shall be audited with unqualified opinions issued by certified public accountants. • The issuer's system of internal controls shall be sound and implemented effectively. • The production and operation of the issuer shall comply with the provisions of laws, administrative regulations and the national industrial policies. • The issuer's business shall be complete and have the ability to operate independently and continuously. <p>Besides, ChiNext Market after reform and the STAR Market have the same issuing conditions for the issuers including independence, horizontal competition, related party transaction, property and technology ownership, major guarantee, litigation, arbitration and going concern.</p> <p>Difference: The STAR Market requires main business, control right, management team and core technical personnel of the issuers to be stable; there have been no significant adverse changes in main business and directors, senior management and core technical personnel in the past two years, where the ChiNext Market after reform does not have requirements for the stability of core technical personnel.</p>	<ul style="list-style-type: none"> • The issuer shall be a joint-stock company limited by shares established by law and it shall operate for a continuous period of three years or more after its establishment. • Registered capital shall be paid in full; • No major ownership disputes for the company's main assets. • No significant changes of directors, senior managers and actual controllers in the past three years. • No significant changes in the main business in the past three years.⁵ 	<ul style="list-style-type: none"> • The issuer shall possess sustainable profitability and be financially sound. • No false record in the financial and accounting documents of the issuer in the past three years. • The issuer shall be a sound and well-functioning enterprise. • Obtain a high level of publicity after public offering. • The company, controlling shareholders and actual controllers are free from criminal crimes such as corruption, bribery, embezzlement and misappropriation of property in the recent three years; and have not received any administrative punishment from the CSRC in the recent 12 months.⁶
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⁵ <http://www.szse.cn/English/listings/standards/index.html>

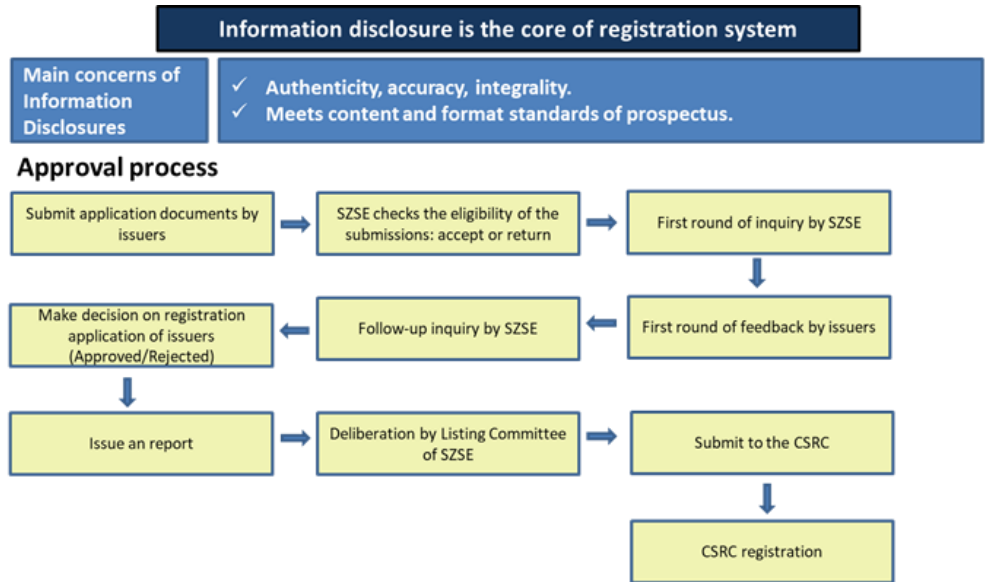
⁶ http://www.csrc.gov.cn/shanxidong/xxfw/tzzsyd/202006/t20200623_378640.htm

<p>Major Financial Listing Criteria for Domestic Enterprises</p>	<p>In terms of market cap and financial indicators, the issuer candidates shall meet at least one of the following criteria:</p> <ol style="list-style-type: none"> 1. Positive net profit in last two years and the accumulated net profit not less than RMB 50 million. 2. Estimated market capitalization no less than RMB 1 bn with positive net profit for the most recent year and operating income no less than RMB 100 million. 3. Estimated market capitalization no less than RMB 5 bn with operating income for the most recent year no less than RMB 300 million. This criterion will not apply until one year after the reform of the ChiNext Market. 	<p>In terms of market cap and financial indicators, the issuer candidates shall meet at least one of the following criteria:</p> <ol style="list-style-type: none"> 1. Estimated market capitalization no less than RMB 1 bn with <ol style="list-style-type: none"> (1) net profit in the last two years is positive and the cumulative net profit is not less than RMB 50 million; or <ol style="list-style-type: none"> (2) net profit in the last year is positive and the operating income is not less than RMB 100 million. 2. Estimated market capitalization no less than RMB 1.5 bn with operating income no less than RMB 200 million for the most recent year and the total R & D expenses in the last three years accounts for no less than 15% of the business income in the last 3 years. 3. Estimated market capitalization no less than RMB 2 bn with operating income for the most recent year no less than 300 million and the cumulative net cash flow generated by operating activities in the last three years no less than RMB 100 million. 4. Estimated market capitalization no less than RMB 3 bn, and the most recent year's operating income is not less than RMB 300 million. 5. Estimated market capitalization no less than RMB 4 bn and <ol style="list-style-type: none"> (1) main business or products which are merit-based by relevant state departments and have large market potential has achieved phased results or <ol style="list-style-type: none"> (2) Enterprises in the pharmaceutical industry shall obtain at least one phase II clinical trial approval for first-class new drugs or Other enterprises that meet the positioning of Science and Technology Innovation Board shall have obvious technical advantages and meet the corresponding conditions. 	<p>All the following criteria shall be met:</p> <ol style="list-style-type: none"> 1. The net profit in the last three fiscal years shall be positive and accumulatively exceeds RMB 30 million. 2. The net cash flow generated by operating activities in the last 3 three fiscal years shall be totaled more than RMB 50 million or the operating income in the last three fiscal years shall exceed RMB 300 million. 3. The proportion of intangible assets to net assets at the end of the most recent period is less than 20%. 4. The share capital before issuance shall be more than RMB 30 million shares. 5. There is no undistributed deficits at the end of the most recent period. 6. Internal control is effective in all important aspects, the basic accounting work shall be standardized, and there are no false records in financial and accounting reports. 7. There shall be no situation that affects the sustainable profitability of the issuer. 	<p>All the following criteria shall be met:</p> <ol style="list-style-type: none"> 1. The market capitalization is not less than RMB 200 million, net profit in the last two years is not less than RMB 15 million, the average weighted average rate of return on net assets shall not be less than 8%; or the last year's net profit shall not be less than RMB 25 million and the weighted average rate of return on net assets shall not be less than 8%. 2. The market capitalization is not less than RMB 400 million, average operating income in the last two years is not less than RMB 100 million, growth rate of operating income in the last year is not less than 30%, and the net cash flow generated by operating activities in the last year is positive. 3. The market capitalization is not less than RMB 800 million; operating income in the last year is not less than RMB 200 million, total R & D investment in the last two years accounts for no less than 8% of the operating income in the last two years. 4. The market capitalization shall not be less than RMB 1.5 bn, the cumulative R & D investment in the past two years is not less than RMB 50 million.
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<p>Major Financial Listing Criteria for Red Chips &WVR Enterprises</p>	<p>Red Chips Enterprises</p> <p>The ChiNext Market after reform and the STAR Market allow for stocks issuance or depository receipts by red chips enterprises that have fast-growing operating income and outperform its rival competitors in the industry with in-house developed world-leading technology.</p> <p><i>‘fast-growing operating income’ is defined as meeting one of following criteria::</i></p> <p><i>(1) Compound growth rate exceeds 10%for companies with no less than RMB500 million in operating income for most recent year.</i></p> <p><i>(2) Compound growth rate exceeds 20%for companies with less than RMB500 million in operating income for most recent year.</i></p> <p><i>(3) Issuers outperform rival competitors in compound growth rate increase for the most recent three years if the industry is in a downward cycle.</i></p> <p><i>The red chips enterprises that are important for national innovation-driven strategy will be waived of the ‘fast-growing operating income’ requirement if it is in R&D phase.</i></p> <p>In addition,</p> <ol style="list-style-type: none"> One of the following two financial criteria shall be met for Red Chips that have been listed overseas: <ul style="list-style-type: none"> The market value is no less than RMB 200 bn. The market value is more than RMB 20 bn with independent research and development, as well as international leading technology and a relatively dominant position in the same industry competition. One of the following two financial criteria shall be met for Red Chips that have not been listed: <ul style="list-style-type: none"> The market value is expected to be no less than RMB 10 bn (in addition for ChiNext, the net profit in the most recent year shall be positive). The market value is expected to be no less than RMB 5 bn, and the net profit in the most recent year is positive and no less than RMB 500 million. <p>WVR Enterprises</p> <ol style="list-style-type: none"> The ChiNext Market after reform and the STAR Market allow WVR enterprises to be listed. One of the following two financial criteria shall be met for Red Chips that have not been listed: <ul style="list-style-type: none"> The market value is expected to be no less than RMB 10 bn (in addition for ChiNext, the net profit in the most recent year shall be positive). <p>The market value is expected to be no less than RMB 5 bn, and the net profit in the most recent year is positive and no less than RMB 500 million.</p>	<p>N/A</p>	<p>N/A</p>
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Market Transfer System	N/A	N/A	N/A	Issuer who has been listed for 1 year on the NEEQ Select Tier and meets the listing requirements can apply for the ChiNext Market or the STAR Market.
Investor Eligibility Criteria	<p>Institutional Investors: No special requirements.</p> <p>New individual investors in the ChiNext Market shall meet the following conditions:</p> <ul style="list-style-type: none"> The average daily assets of the applicants' securities accounts and cash accounts shall be no less than RMB 100,000 within 20 trading days before the opening of the application authority. With 24-month or more of securities trading experience <p>Individual investors who already have the ChiNext Market accounts shall re-sign new <i>'Disclosure of the ChiNext Market Investment Risk'</i>.</p> <p>New individual investors are defined as qualified investors, who open the ChiNext market accounts after 28 April, 2020; individual investors who opened account before 28 April, 2020 are waived of the above requirements but shall re-sign the new <i>'Disclosure letter of the ChiNext Market Investment Risk'</i>.</p>	<p>Institutional Investors: No special requirements.</p> <p>Individual investors must meet both of the following conditions:</p> <ul style="list-style-type: none"> The average daily assets of the applicants' securities accounts and cash accounts shall be no less than RMB 500,000 within 20 trading days before the opening of the application authority. With 24-month or more of securities trading experience 	<p>Institutional Investors: No special requirements.</p> <p>Individual Investors: No special requirements.</p>	<p>Institutional investors shall meet all the following conditions:</p> <ul style="list-style-type: none"> Legal entities with paid-in capital or paid-up capital of more than RMB 1 million Partnership enterprises with a total paid-in capital of more than RMB 1 million <p>Individual investors shall meet one of the following conditions:</p> <ul style="list-style-type: none"> The average daily assets of the applicants' securities accounts and cash accounts shall meet at least RMB 1 million within 10 trading days before the opening of the application authority. With more than 2 years investment experience in securities, fund, and futures. With more than 2 years of financial product design, investment, risk management, and related work experience; or have senior managerial experience in financial institutions.

According to SZSE Approval Audit Rules for Stock Issuance and Listing on the ChiNext Market (trial), issuance and listing process of the ChiNext Market under new rules are basically similar to the STAR market. SZSE examination and verification stage simply goes through with acceptance, audit approval and review by the ChiNext Market Listing Committee. Finally, SZSE approves companies to register with the CSRC. The total processing time for SZSE to review and register with the CSRC shall not exceed 3 months. The issuer and intermediary agencies shall not respond to inquiries for more than 3 months.



Duration: The maximum duration for auditions, approval by the Exchange and registration by the CSRC shall not exceed three months from the date of **receiving** the listing application documents.

Vetting mechanism

Establishment of ChiNext Board listing committee(Max.60)

From listed companies and institutions, accounting firms, law firms, asset appraisal institutions, universities security regulatory system, HK stock exchange, etc.

Establishment of expert database for industrial information(45)

From leading enterprises, well-known investment institutions, scientific research institutions, etc.

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