

Market Summary

Listed Companies (No.)	2,262
- Main Board	469
- SME Board	960
- ChiNext Market	833
Funds	536
Bonds	7,889
Market Cap. (US\$ bn)	4,556.9
- Main Board	1,319.6
- SME Board	1,919.4
- ChiNext Market	1,317.9
Average Turnover Ratio	2.44
Average P/E Ratio	32.50
No. of IPO (YTD)	64

Most Active Companies

1	East Money Information Co., Ltd. (300059)
2	Beijing Bdstar Navigation Co., Ltd. (002151)
3	Luxshare Precision Industry Co., Ltd. (002475)

Top Gainers

1	Western Regions Tourism Development Co., Ltd. (300859)
2	Beijing Quanshi World Online Network Information Co., Ltd. (002995)
3	Ganyuan Foods Co., Ltd. (002991)

Top Decliners

1	Hunan China Sun Pharmaceutical Machinery Co., Ltd. (300216)
2	Honz Pharmaceutical Co., Ltd. (300086)
3	Kuang-chi Technologies Co., Ltd. (002625)

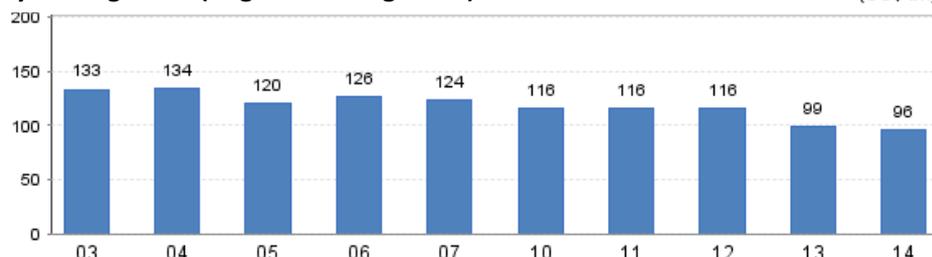
New Listing

Aohai Technology (002993)

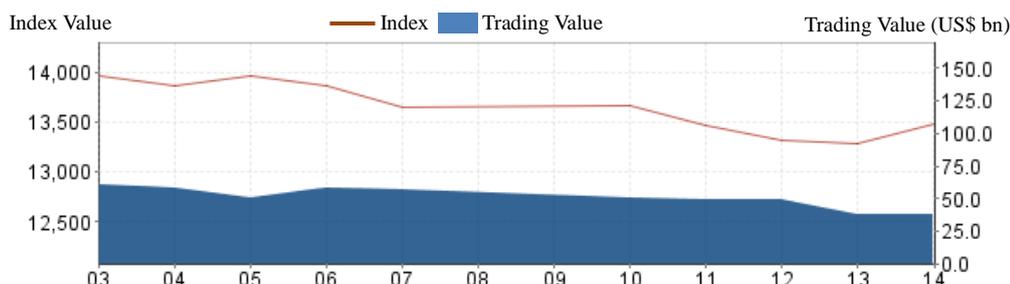
Dongguan Aohai Technology Co., Ltd. principally engages in design, research and development, production and sale of smart terminal charging and storage products such as chargers and mobile power supplies. In 2019, its operating income reached 2,316 million yuan with the net profit of 221.53 million yuan.

Daily Trading Value (August 03 – August 14)

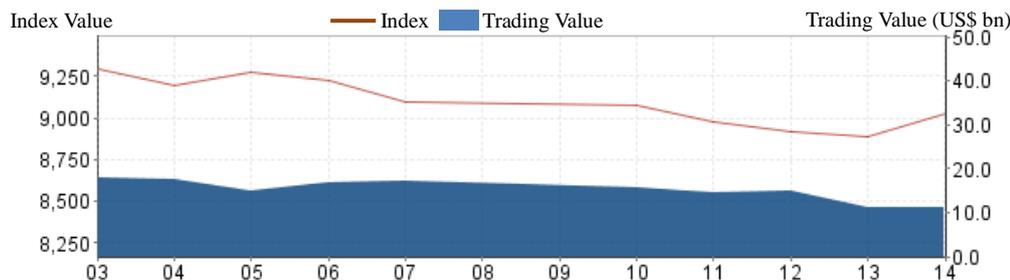
(US\$ bn)



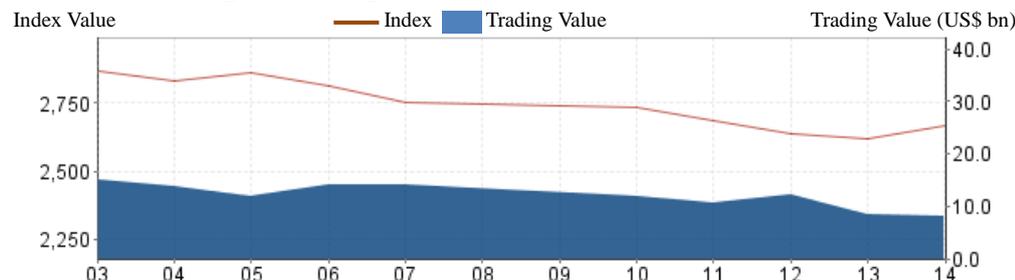
SZSE Component Index (August 03 – August 14)



SME Index (August 03 – August 14)



ChiNext Index (August 03 – August 14)



Market News

1. SZSE standardizes corporate bonds swap business

SZSE issued *Notice on Matters Related to Corporate Bonds Swap Business* on July 30. Under the new rule, a bond issuer is allowed to issue cooperate bonds to substitute the existing bonds issued by the same company in form of tender offer to all holders of the existing bonds, which is expected to optimize debt maturity structure, to prevent and to alleviate default risk in a market-oriented manner.

2. The CSRC issues guidelines of public-offered REITs

The CSRC issued *Guidelines for Publicly-offered Infrastructure Securities Investment Funds (Trial)* on August 7, effective from the date of promulgation. Publicly-offered REITs are defined as an exchange-listed closed-end funds which invest more than 80% of its assets in infrastructure-focused asset-backed securities and distribute to its investors no less than 90% of the revenue generated by the fund manager's management and operation of the infrastructure. Range of infrastructure is wide in the pilot program which contains utilities, tollway and warehousing and logistics facilities and so on.

3. Central bank governor: a sound momentum of RMB

China will advance the internationalization of the renminbi (RMB) and capital account convertibility in a proactive and sound manner, noting a good momentum for RMB's internationalization at the moment, said Yi Gang, governor of the People's Bank of China in a recent interview. In the first half of 2020, RMB cross-border payments grew 36.7 percent year on year and reached RMB 12.7 trillion (\$1.83 trillion), while RMB's share of global currency reserves exceeded 2 percent in the first quarter of the year, nearly doubling its share in 2016 when RMB was included in the IMF's Special Drawing Rights (SDR) basket of currencies. In the second half, China will pursue a more flexible and appropriate monetary policy helping enterprises tide over difficulties and bolster employment.

4. Chairman of CBIRC: Financial risks generally tend to converge

There is a substantial breakthrough in preventing and resolving financial risks, said Shuqing Guo, Chairman of China Banking and Insurance Regulatory Commission (CBIRC) in a recent article. First, the scale of shadow banking dropped RMB 16 trillion from its historical peak at the end of 2019 as interbank wealth management products, interbank investment, and brokerage asset management products decreased by 87%, 26%, and 42%, respectively from the peak. Second, risk of internet-based finance has sharp decreased. A large number of illegal internet wealth management, fund and token institutions have been banned. Number of P2P online lending institutions dropped from the peak of about 5,000 to 29 at the end of June 2020 while loan scale and number of participants declined for 24 consecutive months. Third, financial bubble of real estate has been curbed. Compared with 2016, the growth rate of real estate loans dropped by 12% in 2019, and the proportion of new real estate loans in all new loans also dropped by 10%.

Analysis

This week we will focus on some relevant rules for major asset reconstructing of listed companies under registration-based of ChiNext. The ChiNext market has introduced new standards and conditions for M&A and restructuring of listed companies and streamlined approval processes with disclosure of information as the core. We in this issue will introduce three kinds of restructuring from regulatory the perspectives: namely major asset restructuring, back-door listing and non-major restructuring with equity issuance.

I. Major Asset Restructuring

I. Definition

Listed companies are subject to regulatory and reviewing process for major asset restructuring if they trigger one of the following criteria by procuring or selling assets by themselves or through holding companies.¹

- Total assets of a target asset purchased or sold account for more than 50% of a listed company's total assets in the audited consolidated accounting report in most recent fiscal year;
- Operating income of a target asset purchased or sold account for more than 50% of a listed company's operating income in the audited consolidated accounting report in most recent fiscal year, and operating income of the target asset exceeds RMB 50 million;
- Net assets of a target asset purchased or sold account for more than 50% of a listed company's net assets in the audited consolidated accounting report in most recent fiscal year, and net assets of the target asset shall exceed RMB 50 million.

[In comparison with the rule before the reform, a RMB 50 million standard was added for the operating income standard. The new rule is consistent with that of the STAR Market of Shanghai Stock Exchange.²](#)

¹ Measures for the Administration of the Material Asset Restructuring of Listed Companies (2020 Amendment), Measures for Continuous Supervision of ChiNext Listed Companies (Trial)

² Special Provisions on Material Asset Restructuring of the STAR Market Listed Companies

2. Sectors of target assets

The industry to which a target asset belongs shall be advocated by the position of ChiNext Market. Or the target asset shall be in the same industry or upstream and downstream as the ChiNext listed company. Red-chip companies are allowed to be target assets.³

3. Review process by SZSE and CSRC

Cases of major asset restructuring are reviewed by SZSE Listing Review Center and registered afterwards by the CSRC. The duration is expected to be within 2 months.

II. Back-door Listing

I. Definition

Listed companies are subject to regulatory and reviewing process of back-door listing if they trigger one of the following standards by procuring or selling assets by themselves or through holding companies.¹

- Total assets of a target asset purchased account for more than 100% of a listed company's total assets at the end of audited consolidated accounting report of the previous fiscal year when control of the listed company has changed;
- Operating income of a target asset purchased in the recent fiscal year account for more than 100% of a listed company's operating income at the end of audited consolidated accounting report of the previous fiscal year when control of the listed company has changed;
- Net assets of a target asset purchased account for more than 100% of a listed company's net assets at the end of audited consolidated accounting report of the previous fiscal year when control of the listed company has changed;
- Shares issued to purchase a target asset account for more than 100% of the shares that listed company on a trading day before board of directors' decision to purchase assets from the purchaser or its affiliates for the first time.
- Other circumstances identified by CSRC that may lead to material changes in listed companies.

2. Sectors of target assets

The target asset limited by shares or LLC shall be in line with national strategic high-tech industries and strategic emerging industrial, and shall meet the issue terms of the *Administrative Measures on IPO Registration on the ChiNext Market (Trial)*, and shall meet one of the followings:

- 1) Net profit shall be positive in the most recent two years and accumulated net profit shall be no less than RMB 50million; (the same as IPO financial criteria)
- 2) The net profit in the most recent year shall be positive and the operating income shall be no less than RMB 100 million;
- 3) The operating income in the most recent year shall be no less than RMB 300 million, and the accumulated net cash flow from operating activities in the past three years shall be no less than RMB 100 million. (It will not be implemented within one year from the date of release SZSE ChiNext Listed Company Material Asset Restructuring Review Rules.)³

[In comparison of STAR Market, 1&3 are the same as ChiNext after reform. In addition, target assets shall have synergistic effect with main business of STAR listed companies.](#)⁴

If the target asset is a WVR enterprise, its issue terms shall not only meet the *Measures for the Administration of the Material Asset Restructuring of Listed Companies* but also voting rights shall satisfy the *Rules Governing the Listing of Shares on the ChiNext Market of SZSE (2020 amendment)*, and shall meet one of the following criteria:

³ SZSE ChiNext Listed Company Material Asset Restructuring Approval Rules

⁴ Shanghai Stock Exchange STAR Market Listed Company Material Asset Restructuring Approval Rules

- Operating income of recent year shall be no less than RMB 500 million; net profit shall be positive in the most recent two years and no less than RMB 50 million.
- Operating income in the most recent year is not less than RMB 500 million, and the accumulated net cash flow from operating activities in the past three years is not less than RMB 100 million. (It will not be implemented within one year from the date of release SZSE ChiNext Listed Company Material Asset restructuring Review Rules.)³

3. Review process by SZSE and CSRC

The cases of major asset restructuring are reviewed by SZSE Listing Review Center in charge of vetting and listing committee and registered afterwards by the CSRC. The duration is expected to be within 4 months.

III. Non-major Restructuring with Equity Issuance

1. Definition

Listed companies may apply for reviewing process of non-major restructuring with equity issuance which takes a far shorter time if the transaction meets one of the following standards.

- The accumulated transaction volume in the last 12 months does not exceed RMB 500 million;
- The cumulative shares issued in the last 12 months do not exceed 5% of the total share capital of the listed company before the material asset restructuring transaction, and the cumulative transaction amount in the last 12 months does not exceed RMB 1 billion.

2. Review process by SZSE and CSRC

SZSE shall accept the application for fast-track micro refinancing within 2 working days, and complete the review and submits the registration to the CSRC within 3 working days from the date of acceptance. The CSRC shall decide on whether to confirm the registration or not within 3 working days after receiving the registration application documents and relevant materials of the listed company.

However, in one of the following situations, the fast-track micro refinance reviews are not applicable:

- The funds raised are intended to pay in cash for this transaction, or the amount of matching funds raised exceeded RMB 50 million;
- The listed company or its controlling shareholders or actual controllers have been subject to administrative penalties by the CSRC or publicly condemned by SZSE within the last 12 months, or has committed other major dishonesty behaviors;
- Independent financial advisers, securities service institutions or their related personnel have been subject to administrative penalties by the CSRC or disciplinary sanctions by SZSE within the last 12 months.

IV. General Requirements

(1) Price of share offering

Issuing price of new shares shall not less than 80% of the market reference price. The market reference price is one of the average stock prices on the 20th, 60th, and 120th trading days before the announcement of board of directors' resolutions. Before ChiNext Market reform, shall not less than 90% of the market reference price.

(2) Lock-up period

Requirements of lock-up period for ChiNext and STAR market are basically the same. The lock-up period for shareholders who make a sudden purchase within 6 months before submit application materials is 36 months but the lock-up period for other ordinary shareholders is 12 months.

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