We are happy to offer SZSE Market Bulletin service to friends from overseas markets who are taking a deep look at capital market's development in China. The weekly information feed focuses on reforms and opening-up events in China's capital market. The SZSE International Services Team will as always stand ready to respond to inquiries about market cooperation and access by international investors. We hope to have your continuous support to help us improve our services.

SZSE International Service Team

Naipu Mining Machinery (300818)
Jiangxi Naipu Mining Machinery and New Materials Co., Ltd. principally engages in research, development, manufacturing, and sale of heavy mining and dressing equipment and wear-resistant spare parts made of new materials, and provision of related services.

CSRC: Comprehensive Measures Taken to Maintain Market Operation amidst the COVID-19 Outbreak
Mr. Yan Qingmin, Vice Chairman of the China Securities Regulatory Commission (CSRC) introduced CSRC’s measures to fight the epidemic, support the economy and prevent risks in a press conference held by the Chinese State Council Information Office held on February 15, 2020.
In 2018, its operating income reached 326 million yuan with the net profit of 65.4913 million yuan.

Injet Electric (300820)
Sichuan Injet Electric Co., Ltd. principally engages in research, development, production and sale of industrial power equipment represented by power-control power supplies and special power supplies. In 2018, its operating income reached 410 million yuan with the net profit of 113.2505 million yuan.

Zhejiang SF (300817)
Zhejiang SF Oilless Bearing Co., Ltd. principally engages in research, development, production and sale of self-lubricating bearings and the composite materials for self-lubricating bearings. In 2018, its operating income reached 578 million yuan with the net profit of 67.2972 million yuan.

Regulatory Updates

CSRC released new rules on SEO policy of listed companies
The CSRC released the revised Administrative Measures for the Issuance of Securities by Listed Companies, Administrative Measures for the Issuance of Securities by ChiNext Listed Companies, and Implementation Rules for Listed Companies’ Private Issuance of Securities on February 14, 2020, and introduced new rules on Seasoned Equity Offering (SEOs). The new SEO rules ease restrictions in the existing ones and are more market-oriented. Major changes include:

1) Streamline the issuance pre-conditions and expand the coverage of ChiNext Market SEO services. The prerequisites for profit, use of fund raised in the previous offerings, and corporate debt ratio are abolished.
2) Optimize the pricing mechanism and support the introduction of strategic investors by listed companies. On the occasion the board of directors of a listed company chose pre-determined “strategic investors” as the buyer of issuance, the stock

CSRC will continue to implement supportive measures
First, safeguard the smooth operation of the market. The CSRC will mitigate risks in key aspects such as share pledges, margin trading and securities lending, and debt defaults. Second, continue to strengthen the market function. IPO will remain a regular and expected pace. Market-oriented reform of mergers and acquisitions will go on with enrichment of payment and financing tools. The CSRC will actively give play to the financing of the exchange bond market, introduce innovative methods to increase the credit for private enterprises and debt financing tools, and ease the threshold for the issuance of convertible bonds. The CSRC will increase the supply of commodities and financial futures and share options products and give full play to the function of the futures market. At the same time, the system for inversely linking venture capital funds will be optimized to reduce their holdings and encourage more private equity and venture capital funds to invest in production and R&D on reagents, drugs, and medical equipment in the field of epidemic prevention.

Third, effectively implement the policies for resumption of production. The CSRC will open "green channels" for financing approval reporting and offer fast track for IPO, refinancing, bond issuance and M&A for Hubei enterprises and enterprises involved in the fight against the epidemic. The refinancing system will be safeguarded to meet the capital needs of listed companies. The CSRC will also strengthen securities and fund companies’ abilities to offer better services for epidemic-stricken areas.
Fourth, accelerate and deepen reform and opening-up. In spite of the short-term impact of the epidemic, CSRC will remain unchanged for its direction and determination of reform and opening-up. While focusing on epidemic prevention and control, CSRC will also deepen financial supply-side structural reforms, implement measures of comprehensively deepening reform in the capital market, and better support the development of the real economy.

According to Mr. Yan, the CSRC will work in five aspects:
- Development of the multi-tiered capital market system. The CSRC will continue to promote innovation of the Star Board, stick to the positioning of the Star Board, encourage more cutting-edge technology enterprises go public, while promote the ChiNext Market reform and pilot registration-based IPO system. The CSRC will promote the stable implementation of NEEQ reforms, coordinate and promote institutional innovation in such aspects as IPO and investor suitability.
- Development of direct financing function. The CSRC will continue to maintain regular IPOs, implement the revised refinancing system and increase financing inclusiveness.
- Enhancement of quality of listed companies. The CSRC will strengthen a diversified delisting mechanism and enhance the quality of information disclosure and the governance of listed companies.
- Improvement of legal system in the capital market. The CSRC will seize the opportunity of implementing the newly amended Securities Law, formulate and modify supporting regulations, optimize the governance system of the capital market, make full use of relevant laws and regulations, and significantly increase the cost of illegals.
- Introduction of new sources of medium and long-term funds. The CSRC will further increase the proportion of equity funds in stock market, promote the pilot program on investment and consultant services of public funds, encourage social security, insurance, pension and other medium- and long-term funds to come into the market, and carry out policies on public funds investment of tax-deferred individual pension.

- China to ensure the regular approval of IPOs and M&A transactions

Yan Qingmin pointed out that after the outbreak, due to difficulties of on-site due diligence, auditing and evaluation, IPO activities and M&As have been affected to some extent. Recently, the CSRC has made special arrangements, such as extending the time limits for feedback from issuers and for M&A businesses. Yan added that in terms of auditing, the CSRC is making efforts to maintain normally in issuance of initial approval documents, promotion of auditing progress, and licensing and acceptance of M&As and restructuring.

Q&A (questions we received from international investors)

Q: Are there any foreign ownership restrictions at company, sector or market level in A-share market?
A: Currently, the A-share market has a market-wide general restriction on foreign ownership of listed companies pursuant to Article 12 of Several Provisions on the Mutual Stock Market Access Mechanism between the Mainland and Hong Kong. That is,

1) The proportion of shares held by a single foreign investor shall not exceed 10% of the total amount of shares. to the company; and
2) The total proportions of A shares held by all foreign investors in a single listed company shall not exceed 30% of the total amount of shares.

The proportion mentioned above is calculated by aggregating the proportions of shares held by both QFIs and under Stock Connect. However, strategic investment in a listed company made by foreign investors in accordance with the Administrative Measures for Strategic Investment in Listed Companies by Foreign Investors is not subject to such calculation and limits.

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