

Shenzhen Stock Exchange Market Bulletin

February 24, 2020 (Issue 1)



Editorial

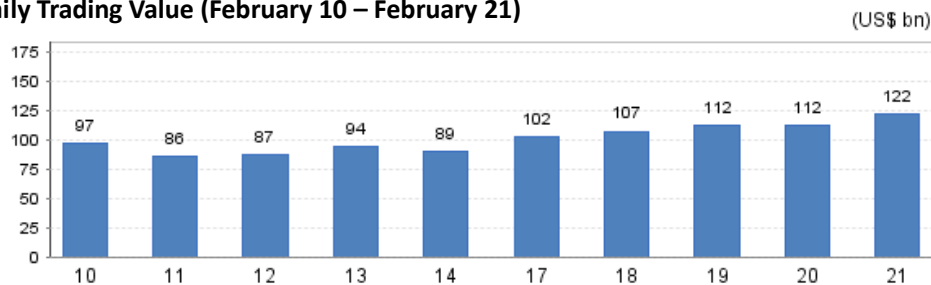
We are happy to offer SZSE Market Bulletin service to friends from overseas markets who are taking a deep look at capital market's development in China. The weekly information feed focuses on reforms and opening-up events in China's capital market. The SZSE International Services Team will as always 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

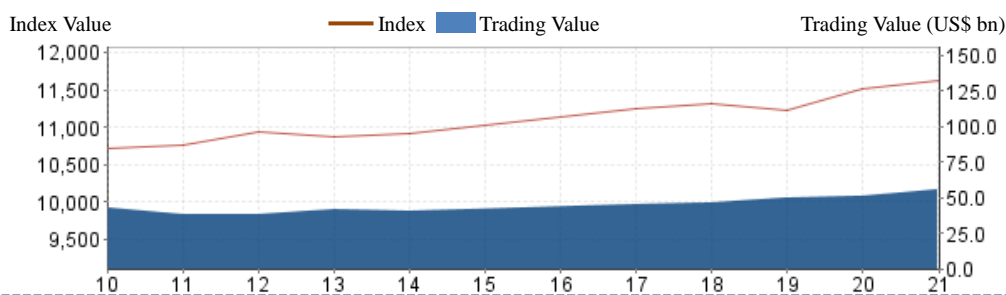
Market Summary

Listed Companies (No.)	2,214
- Main Board	470
- SME Board	946
- ChiNext Market	798
Funds	543
Bonds	6,872
Market Cap. (US\$ bn)	3,785.7
- Main Board	1,124.5
- SME Board	1,589.4
- ChiNext Market	1,071.8
Average Turnover Ratio	2.41
Average P/E Ratio	28.93
No. of IPO (YTD)	10

Daily Trading Value (February 10 – February 21)



SZSE Component Index (February 10– February 21)



Most Active Companies

1	Boe Technology Group Co., Ltd (000725)
2	East Money Information Co., Ltd. (300059)
3	Contemporary Amperex Technology Co., Limited (300750)

Top Gainers

1	Zhejiang Sf Oilless Bearing Co., Ltd. (300817)
2	Sichuan Injet Electric Co., Ltd. (300820)
3	Xiamen Changelight Co., Ltd. (300102)

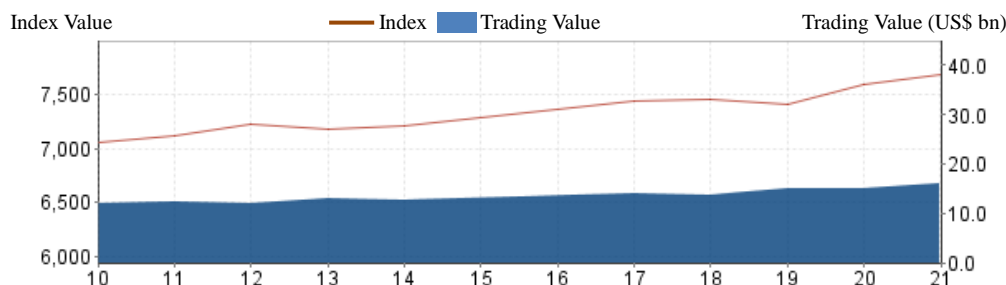
Top Decliners

1	Guangdong Brandmax Marketing Co., Ltd. (300805)
2	Xiamen 35.com Technology Co., Ltd. (300051)
3	Shenzhen Kingsun Science & Technology Co., Ltd (300235)

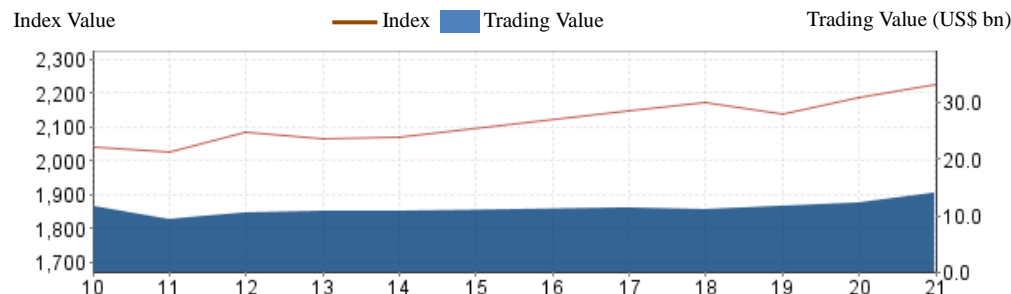
New Listing

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.

SME Index (February 10 – February 21)



ChiNext Index (February 10– February 21)



Market News

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

- **Efforts in 5 aspects to alleviate impact of COVID-19 Outbreak**

First, the CSRC spared no effort to ensure the opening of the stock market on Feb. 3. The A-share market has withstood the severe test of the epidemic situation, and the market has now basically returned to normal operation.

Second, the CSRC has stepped up efforts to prevent risks during this special period. Financial institutions were allowed to extend share pledge agreements through negotiation with their clients that were located in the region severely impacted by the epidemics so that no forced liquidations would be introduced to prevent market fluctuation. Night trading for futures has been suspended, and investors have been guided to trade off-site to avoid the gathering.

Third, simplified procedures were granted for the issuance of corporate bonds and asset-backed securities by companies in areas seriously affected by the epidemic. "Green channel" policies have been adopted for the registration of private equity fund and venture capital funds with special focus on medicine and health industries.

Fourth, regulatory "Green Channel" was launched. Duration of the approval documents for stock and bond financing were reasonably extended and time restriction for merger and acquisition were relaxed. CSRC is also considering postponement of periodic reports of the listed companies affected by the epidemics and reasonably lowering the requirements for securities agencies whose risk control performance were temporarily below the standard due to the impact of the epidemic. Exemptions were granted for listed companies and NEEQ-quoted companies registered in Hubei from listing fees and for futures companies in the province from relevant fees. Securities companies are encouraged to issue bonds to raise funds and improve risk prevention.

Fifth, entities in the securities and futures industry fulfilled their CSR. Nearly a thousand listed companies have donated materials and money totaling over 5 billion yuan. Donations from securities companies, futures companies, fund management companies and private equity firms reached 900 million yuan. Listed companies engaged in medical materials and facilities business have stepped up production and development of protection, detection and treatment products for the novel coronavirus. Listed companies engaged in logistics and construction business have played a crucial part in delivering supplies and constructing designated hospitals.

- **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.

pricing benchmark date may be any of the following three dates: the announcement date of the board of directors, the announcement date of the resolution of the general meeting of shareholders, or the first day of the issuance. New rules also relax the limit of issuing price discount, from no less than 10% off to 20% off the average price of the company's stock 20 trading days before the pricing benchmark date.

3) Relax the upper limits of the issuance scale: The upper limit of investors for each SEO has been increased to no more than 35 from 10 (Mainboard and SME Board) and 5 (ChiNext Board); the cap of the issuance size has been increased to 30% of the total share outstanding before the issuance; the valid period of the SEO license has been extended to 12 months.

4) Ease the restrictions on share reducing in secondary market. The compulsory lock-up period of SEO participants has been reduced from 36 months and 12 months to 18 months and 6 months, respectively. SEO participants will no longer be subject to current share reducing scheme after the lock-up period expires.

The new SEO regulations have significantly relaxed restrictions on the timing, scale, and pricing of SEO issuance, allowing market to fully play its role and streamlining capital circle from SEO investing to exiting. The rules will further deepen financial supply-side structural reforms, improve the market-based refinancing mechanism, and strengthen the capital market's ability to serve the real economy.

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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 illegalities.

-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 of 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 of the listed company.

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.