

Market Summary

Listed Companies (No.)	2,236
- Main Board	470
- SME Board	956
- ChiNext Market	810
Funds	549
Bonds	7,304
Market Cap. (US\$ bn)	3,580.7
- Main Board	1,069.6
- SME Board	1,497.3
- ChiNext Market	1,013.8
Average Turnover Ratio	2.41
Average P/E Ratio	25.94
No. of IPO (YTD)	32

Most Active Companies

1	Tianshui Huatian Technology Co.,Ltd. (002185)
2	Zte Corporation (000063)
3	Gree Electric Appliances,inc.of Zhuhai Co.,Ltd (000651)

Top Gainers

1	Jinxiandai Information Industry Co.,Ltd. (300830)
2	Northking Information Technology Co.,Ltd. (002987)
3	Xi'an Peri Power Semiconductor Converting Technology Co.,Ltd. (300831)

Top Decliners

1	Hengkang Medical Group Co.,Ltd. (002219)
2	Lead Eastern Investment Co.,Ltd (000673)
3	Shenzhen Sunrise New Energy Co., Ltd. (002256)

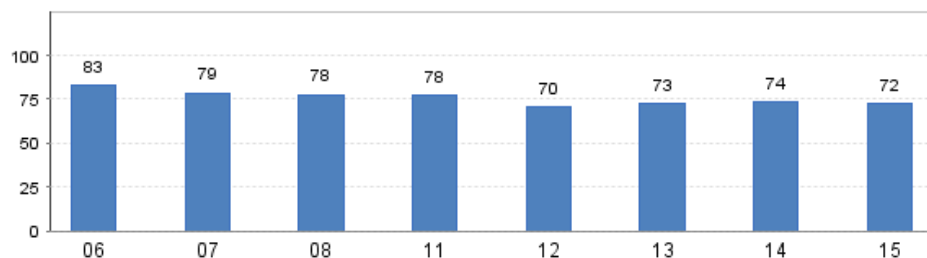
New Listing

New Industries (300832)

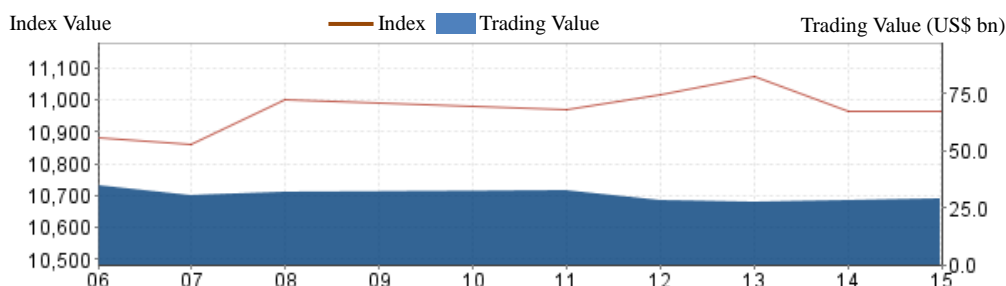
Shenzhen New Industries Biomedical Engineering Co., Ltd. principally engages in the research, development, production and sale of series of automatic chemiluminescence immunoassay instruments and supporting reagents. In 2019, its operating income reached 1,682 million yuan with the net profit of 772.609 million yuan.

Daily Trading Value (May 06 – May 15)

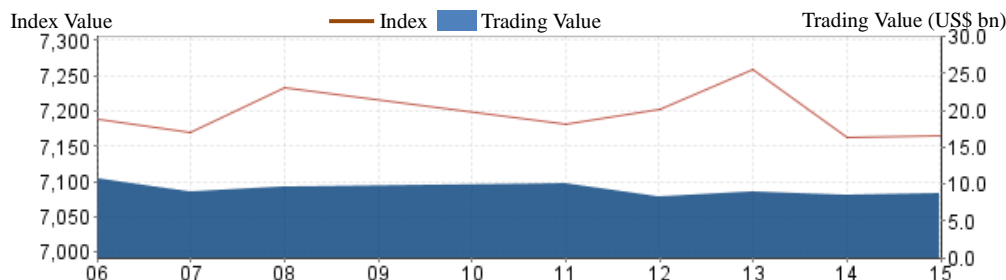
(US\$ bn)



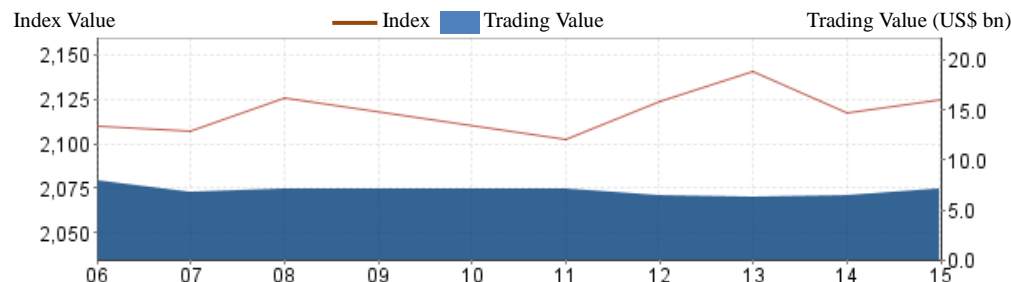
SZSE Component Index (May 06 – May 15)



SME Index (May 06 – May 15)



ChiNext Index (May 06 – May 15)



Market News

1. CSRC: Eligible domestic branches of foreign banks could apply for fund custody license

China will give foreign banks access to fund custody service in the Chinese market, to further open up the financial sector. Eligible domestic branches of foreign banks could apply for fund custody license, according to the draft rules disclosed to solicit public opinions by the CSRC. Besides general requirements, applicants should have operated for at least three consecutive years with good performance and asset quality, as well as enough working capital required to carry out fund custody business. It is also suggested that headquarters of foreign banks shall bear civil liability for their Chinese branches. Detailed requirements on cross-border information system and flow of data are also provided.

2. SZSE releases 5 themed stock indices with SZSE's characteristics including public health and Yangtze River 100

On May 8, SZSE and its wholly-owned subsidiary Shenzhen Securities Information Co., Ltd. ("SSIC") jointly developed five thematic indices, namely, SZSE Public Health 50, SZSE Yangtze River Economic Zone 100, SZSE Cloud Technology 50, SZSE Biological Medicine50 and SZSE Consumer Electronics 50. By introducing new indices, SZSE

Haomei New Material (002988)

Guangdong Haomei New Material Co., Ltd. principally engages in the research and development, design, production and sale of aluminum alloy profiles and system doors and windows. In 2019, its operating income reached 2,968 million yuan with the net profit of 167.3645 million yuan.

encourages index-based investment tools, guides the allocation of resources toward quality assets on its market, and thus contributes to Covid-19 control and prevention and work resumption. The coverage of leading sectors are featured respectively with public health, cloud technology, biomedicine, consumer electronics and geographic characteristics of Yangtze River Economic Zone. The stocks are selected by market capitalization. The free-float, market cap-weighted indices reviews and adjusts the stocks constituents every June and December.

3. SZSE releases schedule for ChiNext Market technical test

On April 27, SZSE announced that all ChiNext Market participants, including those of Stock Connect northbound trading, are requested to be technically ready (except for extended-hours trading) by the end of this June, as the market testing is scheduled this July.

4. China's bond market sees steady growth amid epidemic

As of May 11, the total outstanding corporate and enterprise bonds for this year had reached 1.42 trillion RMB (about 200 billion USD), soaring 69% year on year. The issuance of corporate bonds jumped 79% YOY to 1.26 trillion RMB, while the enterprise bonds balance stood at 155.89 billion RMB as of May 11.

5. More measures in pipeline to help businesses resume work

The National Development and Reform Commission (NDRC) will simplify procedures for businesses to restart activities and digitalize the process required for business resumption, pledging to scrap outdated temporary restrictions and clear up illegal fees for business reopening. A State Council executive meeting last week called for further efforts to improve the business environment, including reviewing the negative list on market access and removing the hurdles facing private firms, especially micro, small and medium-sized enterprises, to boost effective investment from the private sector.

Analysis

An Introduction to SZ-HK Connect



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Shenzhen-Hong Kong Stock Connect is a mutual stock market access mechanism between the Mainland and Hong Kong. The SZSE and the Stock Exchange of Hong Kong Limited (SEHK) have established technical connectivity to enable investors of both sides to trade eligible shares listed on each other's market through local brokers. Shenzhen Connect, or Northbound Connect, opens to HK and overseas investors who appoint Hong Kong brokers to trade eligible SZSE-listed shares under SZ-HK Connect by sending orders (order routing) to SZSE through a securities trading service company established by SEHK in Shenzhen; Hong Kong Connect, or Southbound Connect, refers to investors who appoint mainland securities companies to trade eligible SEHK-listed shares under the scheme by sending orders (order routing) to SEHK through a securities trading service company established by SZSE in Hong Kong. On Dec 5, 2016, SZ-HK Stock Connect was officially launched. Since its inception, SZ-HK Connect has been running smoothly, with increasing vitality. The northbound total trading value exceeded 1.5 trillion USD and southbound exceeded 0.37 trillion USD.

I. Eligible Shares

Northbound eligible shares include: (a) Constituents of SZSE Component Index and SZSE Small/Mid Cap Innovation Index with an average daily market capitalization of at least RMB 6 billion in the 6 months prior to the deadline for periodic review of the relevant index; (b) SZSE-listed A shares of A+H companies. Besides, B Shares and risk alerts (i.e., ST and *ST), or subject to suspended listing or pre-delisting are excluded.

Southbound eligible shares include: (a) Constituents of Hang Seng Composite Large/Mid/Small Cap Indexes (at least HKD 5 billion in the 12 months prior to the deadline for periodic review); (b) SEHK-listed H shares of A+H companies. Besides, H shares of A+H companies whose A shares subject to risk alerts or traded on the Risk Alert Board of either

SZSE or SSE are excluded. In July 2019, SZSE, SSE and SEHK reached an agreement to consider some HK-listed WVR companies as eligible in Southbound Connect.

2. Trading Mechanism

For Northbound Connect, the eligible shares are quoted and traded in RMB. The order types/trading hours are the same as that of SZSE A shares, while block trade and trade by agreement are currently unavailable. The eligible shares for margin trading and covered short selling under Stock Connect shall be among the eligible securities for margin trading and short selling on SZSE. Besides, for see-through regulatory purposes, since Oct 2018, SEHK participants shall issue a unique identifier, or BCAN as mentioned above, to each client, all orders via the Northbound Connect will be tagged with a BCAN. For Southbound Connect, the eligible shares are quoted and traded in HK and through SEHK's Automatic Order Matching System. The trading mechanisms are the same as that followed by investors in HK market, while margin trading and block trade are currently not allowed.

3. Settlement Mechanism

For Northbound Connect, settlement mechanisms are T+0 day for securities and T+1 day for cash, the same as that of A share. Buyers shall prepare enough RMB for settlement, and the shares purchased under Shenzhen Connect shall not be sold before settlement. For Southbound Connect, settlement mechanisms are same as that of HK shares, which is T+2 DVP, and shares purchased by investors may be sold before settlement on the same trading day once the execution is confirmed.

4. Quota Control

For Northbound Connect, the daily quota is 52 billion RMB, SEHK along with its SPV shall monitor the usage of the Shenzhen Connect daily quota on a real time basis and shall publish the information on designated website. For Southbound Connect, the daily quota is 13 billion RMB, SZSE along with its SPV shall monitor the usage of the Hong Kong Connect daily quota on a real time basis and shall publish the information on designated website.

5. Investor Suitability Management

For Northbound Connect, only institutional investors are allowed to trade ChiNext Market stocks. For Southbound Connect, individual investors who trade the SZHK connect shall satisfy the following requirements: (1) Holding no less than RMB 0.5 million in total assets in securities and cash accounts; (2) Having no serious bad credibility record; (3) Not being prohibited or restricted from participating in HK Connect trading by any laws, administrative regulations, government department rules, regulatory documents or operational rules.

6. Shareholding Limit and Disclosure

Investors participating in Shenzhen Connect shall obey the shareholding limits. According to previous QFII rules, the percentage limit of one foreign investor holding the stocks of one listed company is 10%, and cap of all foreign investors, 30%. Besides, when an individual investor fulfills his or her information disclosure obligations under relevant regulations (such as reaching the threshold for disclosure, i.e. holding 5% of a company's shares), the shares of the particular company listed at home and overseas and held by the investors through Shenzhen Connect and other channels shall be aggregated.

7. The Chi-Next reforming to SZ-HK Connect

On April, 27, CSRC and SZSE released a set of rules regarding reforming of ChiNext Market, which indicates that the Chi-Next reform enters fast lane. After reforming, the listing and trading rules will be more flexible, much more innovative companies will be able to go listing on SZSE. Thus for Northbound investors there will be more options and conveniences to enjoy in China's economic achievements, and the trading volume of SZ-HK connect will surely be further increased.



Please SCAN the QR code for MARKET UPDATE, an audio program in supplement to MARKET BULLETIN.

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