

Shenzhen Stock Exchange Market Bulletin

May 25, 2020 (Issue 14)



Market Summary

Listed Companies (No.)	2,238
- Main Board	470
- SME Board	957
- ChiNext Market	811
Funds	548
Bonds	7,374
Market Cap. (US\$ bn)	3,469.4
- Main Board	1,039.8
- SME Board	1,450.2
- ChiNext Market	979.5
Average Turnover Ratio	2.38
Average P/E Ratio	25.18
No. of IPO (YTD)	34

Most Active Companies

1	Tianshui Huatian Technology Co.,Ltd. (002185)
2	Unigroup Guoxin Microelectronics Co., Ltd. (002049)
3	Guangdong Advertising Group Co.,Ltd. (002400)

Top Gainers

1	Guangdong Haomei New Materials Co.,Ltd (002988)
2	Guangzhou Haoyang Electronic Co.,Ltd. (300833)
3	Jinxiandai Information Industry Co.,Ltd. (300830)

Top Decliners

1	Shenwu Environmental Technology Co.,Ltd (300156)
2	Anhui Shengyun Environment-protection Group Co., Ltd (300090)
3	Citic Guoan Information Industry Co., Ltd (000839)

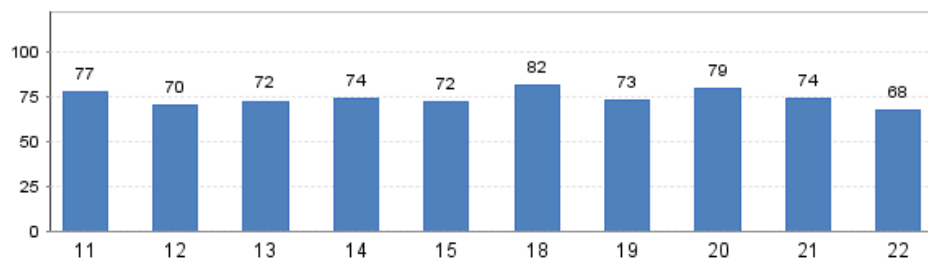
New Listing

Haoyang (300833)

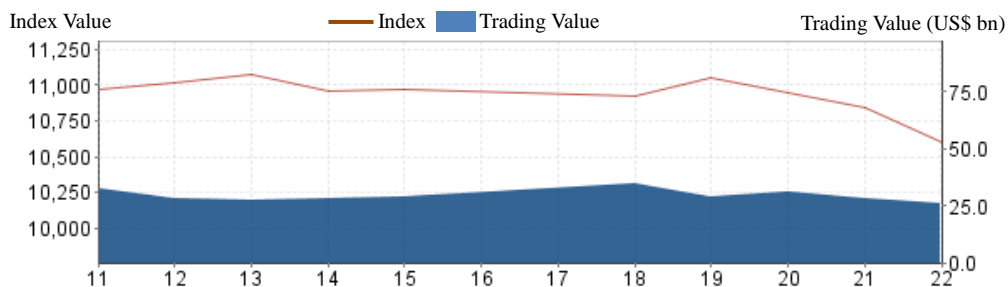
Guangzhou Haoyang Electronic Co., Ltd. principally engages in research, development, production and sale of stage and entertainment lighting equipment, architectural lighting equipment and trusses. In 2019, its operating income reached 845 million yuan with the net profit of 196.25 million yuan.

Daily Trading Value (May 11 – May 22)

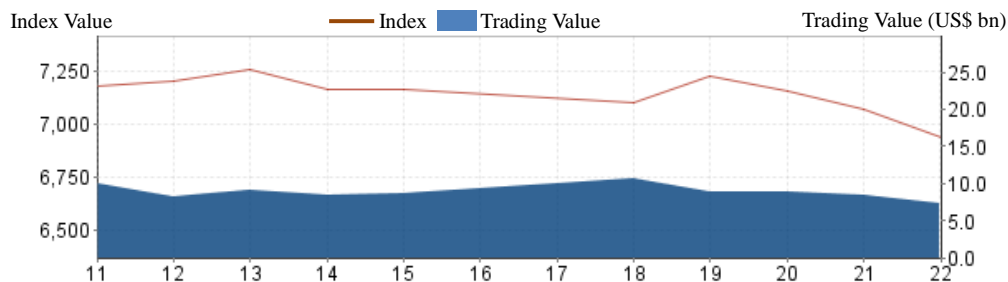
(US\$ bn)



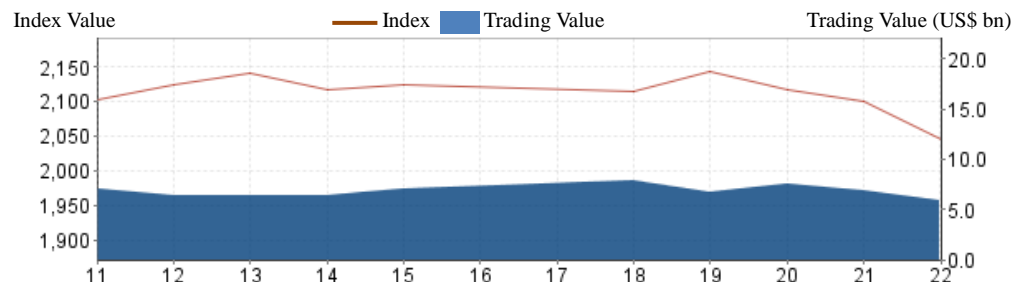
SZSE Component Index (May 11 – May 22)



SME Index (May 11 – May 22)



ChiNext Index (May 11 – May 22)



Market News

1. China unveils guideline to improve socialist market economy in new era

China on May 18th issued a guideline to accelerate the improvement of its socialist market economy in the new era that is more systematic, mature and well-shaped. The guideline stressed minimizing the government's direct allocation of market resources and direct intervention in microeconomic activities. China will unswervingly expand opening-up, draw on the experience of other mature market economy systems and achievements of other civilizations, and accelerate efforts to align domestic systems and rules with international ones.

2. CSRC Chairman: zero tolerance of malicious illegal and non-conforming behaviors

CSRC Chairman Yi Huiman made a speech on National Investor Protection Day on 15th May in which he stressed investor protection in the midst of development and reform of capital market and prevention of COVID-19 pandemic. Yi said CSRC is reinforcing its power for penalizing and deterring illegal behaviors granted by the newly amended *Securities Law*

Sinomag Technology (300835)

Sinomag Technology Co., Ltd. principally engages in research, development, production and sale of new functional materials based on permanent ferrites. In 2019, its operating income reached 551 million yuan with the net profit of 84.63 million yuan.

Maxvision Technology (002990)

Maxvision Technology Corp. principally engages in providing integrated solutions for smart port inspection systems and relevant smart products. In 2019, its operating income reached 807 million yuan with the net profit of 213.10 million yuan.

which includes investigation into major illegal cases with stringent penalty, prevention of intentional fraud with the cover of COVID-19 impact and improvement of rules for information disclosure, corporate governance and litigation system. According to Mr. Yi, investor protection is an integral part of capital market reform and protection and encouragement of investors especially retail investors should be taken into consideration of register-based IPO reform, delisting and shareholding reduction rules improvement and market openness.

3. IPO reforms progressing on ChiNext

SZSE has finished soliciting public opinion on the draft rules for the registration-based IPO system on the ChiNext Market. As of May 11, SZSE had received nearly 300 pieces of feedbacks for the eight business rules released for public consultation. Market participants offered suggestions on further defining the positioning of the ChiNext Market, issuance of the negative list, improving the inclusiveness of offering and listing conditions, making proper arrangements for the transitional period, optimizing application review procedures and standards, refining transaction mechanisms and the continuous regulatory systems such as equity incentive and delisting, as well as strengthening investor protection. The China Securities Regulatory Commission will also finish public consultation on its draft regulations by May 27.

4. SZSE Organizes a Series of “May 15 National Investor Protection Day” Activities

On May 15, the CSRC held the 2020 National Investor Protection Day. In line with CSRC, SZSE recently organized a series of activities with the theme of the new Securities Law and the ChiNext Market reform piloting registration-based IPO system. SZSE also held activities promoting compliance and integrity of listed companies in a bid to further promote rational investment, forge consensus among all market participants, and create a favorable atmosphere for the reform and development of the capital market.

5. Chinese Govt to help companies tap markets, facilitate investment

China will take major steps to stabilize and bolster foreign trade and investment amid the rising uncertainties and disruptions surrounding the world economy and trade from the COVID-19 outbreak, the Ministry of Commerce said on Monday. The government will make a big push to help companies encountering major difficulties amid the outbreak, Commerce Minister Zhong Shan said. It also will help resolve problems companies are facing during such an extremely hard time, including tight funding, falling orders and rising risks in industrial and supply chains.

Analysis

Focus on 2020 NPC& CCPCC National Committee Sessions

With focus on the ongoing 2020 two sessions in China, the report below is to help international readers to better understand the trend of China's capital market and regarding policies.

1. President Xi calls for long-term view on economy

Joining political advisers from the economic sector at a panel discussion on May 23, 2020, President Xi Jinping calls for long-term view on economy.

- The Chinese economy is in a period of transitioning its development mode, optimizing its structure, and shifting growth momentum. The general prospects are promising, but it is also facing challenges and economic pressure amid intertwined structural, institutional and cyclical problems as well as the Covid-19 impact. China's economy is still characterized by ample potential, strong resilience, large maneuver room and sufficient policy instruments.



Please SCAN the QR code for an audio program on the 2020 two sessions in China.

- China has the largest industrial system in the world with the most complete categories, strong production capabilities, complete supporting sectors, as well as over 100 million market entities and a talent pool of 170 million people.
- Facing the future, China shall take domestic demand as the starting point and foothold of development, accelerate the development of a complete system of domestic demand, vigorously promote innovations in science, technology, and other aspects. It shall encourage digital economy, smart manufacture, health, new material, and other strategic emerging industries, to provide new growth points. China shall also connect production, distribution, circulation, and consumption, gradually build up a new development pattern, in which the domestic cycle is at the core, and domestic and international cycles reinforce each other, thus cultivating new advantages in international cooperation and competition.
- It is necessary to take active measures to enhance confidence in the whole of society, and particularly among market players, and to consolidate China's economic stability and good long-term development.
- Unwavering efforts should be made to make economic globalization more open, inclusive and balanced so that its benefits are shared by all, and to build an open world economy.

2. Highlights on government working report

On May 22, Premier Li Keqiang delivered a government work report at the opening meeting of the third session of the 13th National People's Congress. The report puts forward this year's development goals and key directions of the government, which is also the general environment for the reform and development of the capital market.

• No specific "growth target" for 2020

The Government Work Report pointed out that China is facing unforeseen challenges, brought about by the uncertainty surrounding the development of COVID-19 and global economic and trade growth. According to the numeric targets set by the GWR, i.e. >3.6% in general government budget deficit ratio and Rmb1trn YoY expansion in general government deficit.

• Monetary policy is expected to be more flexible

The Government Work Report pledged to fully utilize monetary policy tools, including RRR and rate cuts and relending, in order to guide broad money supply and TSF growth visibly higher than last year. Monetary easing is expected to target the real economy directly, in order to facilitate access to credit of the corporate sector and guide down interest rates further.

• Fiscal loosening should be more effective

The central + local government deficit is set to increase at least by RMB 3.6trn, with a combined gov't deficit ratio of at least 2.9ppt higher than last year. General budget deficit, special Treasury bonds, and local government special bonds combined point to an RMB 3.6trn expansion of central & local government financing this year compared with 2019. According to the proposed budget, the central & local government budgeted fiscal deficit ratio will reach at least 8.1%, i.e. at least 2.9ppt higher than the 5.2% general budget and government funds deficit ratio in 2019.

• Further efforts towards cutting tax and fee burdens for the corporate sector

The government aims to cut tax and fee by Rmb2.5trn this year, even more forceful than last year. Tax and fee cut policies that expire before June will all be extended to year-end. Meanwhile, China will push to lower operating costs of the corporate sector, including extending the 5% corporate electricity rate cut to year-end, lowering the average broadband costs by 15%, reducing or waiving rents of SOE-owned properties, and encouraging other landlords to cut or delay rent payments.

• New direction for infrastructure investment

Priority will be given to new infrastructure and new urbanization initiatives and major projects, such as transportation and hydraulic projects, being mentioned in the government report for the first time. We expect the fiscal stimulus to support investment programs,

including traditional infrastructure, such as irrigation, environmental protection, energy, transportation, municipal construction, and new infrastructure, such as 5G, artificial intelligence, data center; and the renovation of old communities in cities.

• **Decisive reforms and opening up measures**

China will help companies increase their orders, stabilize employment, promote the stability of foreign trade, effectively utilize foreign capital, implement the “Belt and Road” project with high quality, and facilitate trade and investment liberalization

• **Reform on ChiNext stock market**

ChiNext reform is considered as an important part of the reforms to promote market-based allocation of production factors. CSRC’s public opinion solicitation about rules and regulations on ChiNext reform and registration-based IPO system will last until May 27, the SZSE and CSDC Shenzhen are making steady progress in cohesion of enterprises under review, technology guarantee, intermediary institution trainings, risk prevention and control, investor education among other work. All SZSE members and related institutions will be technically prepared by June 30.

3. SZSE Chairman Wang Jianjun: To include fraudulent issuance into the category of financial fraud

SZSE Chairman Wang Jianjun proposes at the two sessions to include fraudulent issuance into the category of financial fraud. He believes that the current Criminal Law defines fraudulent issuance as “undermining the management order of companies and enterprises”, which is obviously not compatible with its social harm. He suggested that fraudulent issuance, the most serious crime in the capital market, should be included in the “crime of financial fraud”. Those who conduct fraudulent issuance shall be sentenced to more than 10 years in prison or life imprisonment, and be imposed a fine of more than 20% and less than 200% the amount of funds raised illegally, if the amount concerned is huge, the consequences are particularly severe, and other extremely serious circumstances are involved.

Tips: Current Penalty for fraudulent issuance under the newly-amended Securities Law

1) Significantly increased the amount of fines for fraudulent issuance

The fine has been raised from 200,000-500,000 RMB to 2-20 million RMB for companies who have not issued securities. For those who have already issued securities, the fine has been raised from 1%-5% to 10%-100% of illegally raised funds;

The fines for directly responsible supervisors and other responsible personnel have been increased from 30,000-300,000 RMB to 1-10 million RMB.

2) Penalty for controlling shareholder and actual controller

Where an issuer's controlling shareholder, actual controller organizes or instructs any person to conceal important facts or fabricate material false content in the securities issuance documents, the illegal gains shall be confiscated and a fine of 10%-100% of the illegal proceeds shall be concurrently imposed thereon;

The fine of 2-20 million RMB shall be imposed there on if there are no illegal gains or the amount of the illegal gains is less than 20 million RMB;

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We welcome any feedbacks with respect to Market Bulletin or other information services offered by the SZSE. Should you have any inquiries, comments or proposal for cooperation, please let us know at international@szse.cn

Rotating Editor: Jing Guo

Co-Editors: Yanxi Chen, Yuan Yao, Lingyu Hou, Xue Dong