

Market Summary

Listed Companies (No.)	2,285
- Main Board	469
- SME Board	964
- ChiNext Market	852
Funds	536
Bonds	8,126
Market Cap. (US\$ bn)	4,726.8
- Main Board	1,341.2
- SME Board	1,942.0
- ChiNext Market	1,443.5
Average Turnover Ratio	2.44
Average P/E Ratio	33.26
No. of IPO (YTD)	89

Most Active Companies

1	East Money Information Co., Ltd. (300059)
2	Wuliangye Yibin Co., Ltd. (000858)
3	Boe Technology Group Co., Ltd (000725)

Top Gainers

1	Ningbo Jianan Electronics Co., Ltd (300880)
2	Ningbo Daye Garden Machinery Co., Ltd. (300879)
3	Shengtak New Materials Co., Ltd. (300881)

Top Decliners

1	Hunan China Sun Pharmaceutical Machinery Co., Ltd. (300216)
2	Shenzhen New Land Tool Planning & Architectural Design Co., Ltd. (300778)
3	Dianguang Explosion-proof Technology Co., Ltd (002730)

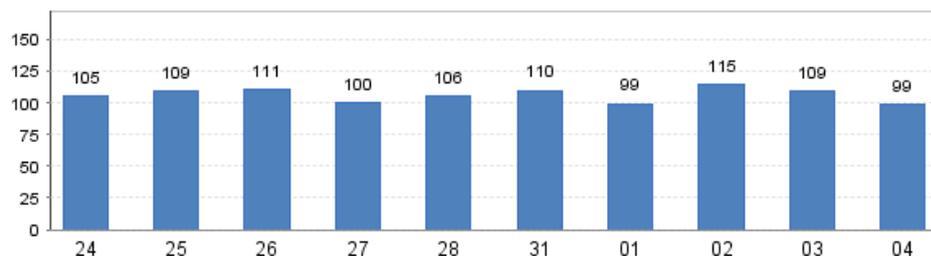
New Listing

Daye (300879)

Ningbo Daye Garden Machinery Co., Ltd. principally engages in design, research and development, manufacturing and sale of lawn mowers, lawn mowers and brush cutters, and other power machinery and accessories. In 2019, its operating income reached 988 million yuan with the net profit of RMB 81.48 million.

Daily Trading Value (August 24 – September 04)

(US\$ bn)



SZSE Component Index (August 24 – September 04)



SME Index (August 24 – September 04)



ChiNext Index (August 24 – September 04)



Market News

1. Foreign institutional investors' access to China's bond market to be enhanced

The People's bank of China, together with the CSRC and State Administration of Foreign Exchange issued for public consultation a draft announcement on matters related to foreign institutional investors in the China's bond market earlier this month. Highlights of the announcement include: (1) types of foreign institutional investors eligible for China's bond investment and way of application have been clarified; (2) foreign investors may invest in exchange bond market through CIMB Direct and Bond Connect by the means of market connectivity with the exchange market; (3) foreign institutional investors may open accounts with either its global custodian bank or domestic infrastructure to participate in the CIMB market.

2. China's capital market sees net inflow this year

Xinghai Fang, Vice-Chairman of the CSRC delivered a speech at the 2020 China International Finance Forum on September 6. He mentioned net inflow of capital over the first 8 month this year through northbound trading of Shanghai-Hong Kong and Shenzhen-Hong Kong Connects was valued at RMB 126.5 billion. He believes the continued opening up of foreign investment will strengthen value investment in A-share

market.

Jianan Electronics (300880)

Ningbo Jianan Electronics Co., Ltd principally engages in research and development, production and sale of series of products such as smart meters, electricity information terminals and electric metering boxes. In 2019, its operating income reached 495 million yuan with the net profit of RMB 74.15 million.

Shengtak (300881)

Shengtak New Material Co., Ltd. principally engages in production, research and development and sale of seamless steel pipes. In 2019, its operating income reached 905 million yuan with the net profit of RMB 69.88 million.

Rayhoo Dies (002997)

Rayhoo Motor Dies Co., Ltd. principally engages in development, design, manufacturing and sale of automobile stamping dies, inspection tools and welding automated production lines. In 2019, its operating income reached 1,053 million yuan with the net profit of RMB 135.91 million.

Tianhe (002999)

Guangdong Tianhe Agricultural Means of Production Co., Ltd. principally engages in sale of fertilizers, pesticides and other agricultural products and provision of professional agricultural technology services. In 2019, its operating income reached 9,012 million yuan with the net profit of RMB 77.40 yuan.

3. China improves foreign investment complaint system

China's Ministry of Commerce issued *Measures for Complaints filing by Foreign-invested Enterprises* (hereinafter, the Measures) on handling complaints from foreign-invested enterprises, which will come into force on October 1 this year. The Measures broaden the scope of complaints, making it clear that foreign-invested enterprises and foreign investors may apply to the complaint agencies for solutions to safeguard their legitimate rights and interests from being infringed upon by administrative acts, or report problems to the complaint agencies concerning the investment environment, and suggest improvement on relevant policies and measures. The Measures also improve the working mechanism for complaints filing, clarify the procedures, and strengthen the protection of rights and interests of foreign investors.¹

4. RMB may become the world's third largest reserve currency in ten years

On Sep 4, Morgan Stanley released a report indicates RMB may account for up to 10% of global foreign exchange reserve assets, and will become the third largest reserve currency in the world after the US dollar and the euro in the next 10 years. The report also predicts a likely combined investment of USD 3 trillion that may flow into China by 2030, which will increase the share of RMB in global reserve assets from current 2% to 5% -10%. However, this forecast is subject to some factors including, for example, the degree of openness in China's financial market, global market volatility and tensions in Sino-US relations.

Analysis

This week we would like to introduce a topics related to supervision of abnormal transactions after reform of the ChiNext Market. SZSE issued Detailed Rules for real-time monitoring of abnormal stock trading in the ChiNext Market (Trial) on June 12, 2020 which sets a clear framework for market supervision. Here are highlights of the rule.

I. Identify Abnormal Trading Behaviors of Investors in the ChiNext Market

SZSE regularly conducts qualitative and quantitative analysis to identify investor's abnormal trading behaviors based on factors such as application volume and frequency, scale of stock transactions, market share, price fluctuations, major information disclosure of listed companies and overall market trends.

II. Category of common abnormal trading behaviors in the ChiNext Market and quantitative measurements

The rule clearly defines five categories of abnormal trading behaviors that are (1) spoofing, (2) ramping and dumping, (3) bulk orders at daily price limit, (4) wash trading and (5) exceeding order frequency on stocks with severe abnormal fluctuation. SZSE focuses on investigating and monitoring the above behaviors strictly and guides investors to trade in compliance. Following paragraphs tend to describe some quantitative measurements for identification of the above 5 abnormal behaviors. SZSE may identify an abnormal behavior if the following standards are not triggered but frequently approached. In addition, SZSE may fine-tune the measurements in response to market conditions.

(1) Spoofing

Spoofing refers to an abnormal trading behavior that misleads or affects other investors' trading decisions through a large number of quotation and cancellations without the purpose of closing transactions.

The following transactions will be deemed suspect of spoofing and will be subject to monitoring.

Open Call Auction	Continuous Auction	
The following situations occur at the same time: 1. Apply to buy or sell at a price that deviates from the previous closing price by more than 5%; 2. Cumulative declared quantity	The following situations occur simultaneously more than 3 times: 1. Apply to buy or sell within the best 5 levels; 2. After a single	The following situations occur simultaneously more than twice: 1. The stock trading price is at the price limit; 2. After a quotation is made

¹ http://www.china.org.cn/business/2020-09/01/content_76656922.htm

<p>is more than 300,000 shares or the amount is more than RMB 3 million;</p> <p>3. The cumulative number of quotation accounts for more than 30% of the total number of that in the same direction;</p> <p>4. The cumulative number of cancelled quotation accounts for more than 50% of the cumulative number of quotation;</p> <p>5. Reversely declare to sell at a lower declared purchase price or reversely declare to buy at a higher declared selling price;</p> <p>6. The virtual reference price of a stock opening call auction has risen (dropped) by more than 5%.</p>	<p>declaration, the accumulated remaining valid declaration quantity in the real-time best 5 levels is more than 1 million shares or the amount is more than RMB 10 million, and it accounts for more than 30% of the total remaining valid declarations in the best 5 levels in the same direction;</p> <p>3. The declaration is cancelled, and the cumulative number of cancelled declarations accounts for more than 50% of the cumulative number of declarations.</p>	<p>at price limit, the remaining valid declaration quantity at that price is more than 1 million shares or the amount is more than RMB 10 million, and it accounts for more than 30% of the total market price remaining valid quotation;</p> <p>3. After a single cancellation of a quotation at price limit, the cumulative number of cancellation at the price limit accounts for more than 50% of the cumulative number of quotation at that price.</p>
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(2) Ramping and Dumping

Ramping and dumping refer an abnormal trading behavior where large-scale quotations, continuous quotations or high-frequency quotations are made at a price significantly deviating from the latest price of a stock and during the same time stock price has risen or dropped significantly.

The following transactions are suspected of ramping and dumping and will be subject to monitoring.

Open Call Auction	Continuous Auction	Closing Call Auction
<p>The following situations occur at the same time:</p> <ol style="list-style-type: none"> 1. The transaction volume is more than 300,000 shares or the amount is more than RMB 3 million; 2. The number of transactions accounted for more than 30% of the total market transactions; 3. The opening price of the stock rises (drops) by more than 5%; 4. When opening price reaches (upper/lower) price limit, effective (buy/sell) orders of an entity on the limit price at opening time is more than 10% of the market's total effective (buy/sell) orders on the limit price at the opening time. 	<p>The following situations occur at the same time at any 3-minutes interval:</p> <ol style="list-style-type: none"> 1. The buying transaction price is on an upward trend or the selling transaction price is on a downward trend; 2. The transaction volume is more than 300,000 shares or the amount is more than RMB 3 million; 3. The number of transactions accounted for more than 30% of the total market transactions; 4. Stock price increases (decreases) by more than 4%. 	<p>The following situations occur at the same time:</p> <ol style="list-style-type: none"> 1. The transaction volume is more than 300,000 shares or the amount is more than RMB 3 million; 2. The number of transactions accounted for more than 30% of the total market transactions; 3. Stock price increases (decreases) by more than 3%.

(3) Bulk Orders at Daily Price Limit

Bulk orders at daily price limit refers to an abnormal trading behavior that fixates the stock trading price at the price limit through large-scale quotations, continuous quotations or high-frequency quotations.

The following transactions are suspected of bulk orders at daily price limit and will be subject to scrutiny.

Continuous Auction	Closing Call Auction
<p>The following situations occur at the same time:</p> <ol style="list-style-type: none"> 1. The stock trading price is in a state of up (down) limit; 2. After a single price limit is reached, the remaining valid quotation quantity at the limit price last for more than 10 minutes with more than 1 million shares or more than RMB 10 million which accounts for more than 30% of the total remaining valid quotation in the market; 	<p>The following situations occur at the same time:</p> <ol style="list-style-type: none"> 1. At the end of continuous auction, the stock trading price is at the up (down) limit; 2. At the end of both continuous auction and closing call auction, the remaining valid quotation quantity at the limit price is more than 1 million shares or the amount is more than RMB 10 million; 3. At the end of closing call auction, the new valid quotations at the limit price is more than 300,000 shares or more than RMB 3 million; 4. At the end of closing call auction, the remaining valid quotation quantity at stock limit price accounts for more than 30% of the total amount of market valid quotations.

(4) Wash Trade

Wash trade refers to an abnormal trading behavior that affects the stock trading price or trading volume by trading a large number of stocks between accounts controlled by a single investor or between related accounts.

The following transactions are suspected of wash trade and will be subject to key monitoring.

Suspected Wash Trade	Suspected counterparty transactions
<ol style="list-style-type: none"> 1. Trade between accounts controlled by a single investor ; 2. Number of transactions account for more than 10% of the total trading volume during continuous auction or the number of transactions during the closing call auction period account for more than 30% of whole market. 	<ol style="list-style-type: none"> 1. Trade between related accounts ; 2. Number of transactions account for more than 10% of the total trading volume during continuous auction or the number of transactions during the closing call auction period account for more than 30% of whole market.

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(5) Exceeding Order Frequency on Stocks with Severe Abnormal Fluctuation

Exceeding order frequency on stocks with severe abnormal fluctuation refers to an abnormal trading behavior that violates the principle of prudent trading. The specific behavior is to quote so intensively in a short period that it aggravates abnormal fluctuations in a stock price in the 10 days after severe abnormal fluctuation occur as defined in the special trading rules for ChiNext Market.

The following transactions are suspected and will be subject to key oversight.

Within 10 trading days after the occurrence of severely abnormal fluctuation in stock trading, a quote on a single severely abnormally fluctuating stock is more than RMB 10 million within 1 minute at the continuous auction session.

III. SZSE Self-regulatory Measures

If abnormal trading behaviors are identified by the SZSE, SZSE will take the self-regulatory measures including oral warnings, written warnings, interviews, monitoring accounts, requiring investors' submission of compliant commitments letter, suspension of trading and after-hour restriction of accounts, etc..