

Market Summary

Listed Companies (No.)	2,261
- Main Board	469
- SME Board	959
- ChiNext Market	833
Funds	543
Bonds	7,798
Market Cap. (US\$ bn)	4,536.1
- Main Board	1,303.2
- SME Board	1,889.2
- ChiNext Market	1,343.7
Average Turnover Ratio	2.42
Average P/E Ratio	32.66
No. of IPO (YTD)	61

Most Active Companies

1	East Money Information Co., Ltd. (300059)
2	Luxshare Precision Industry Co., Ltd. (002475)
3	Wuliangye Yibin Co., Ltd. (000858)

Top Gainers

1	Beijing Scitop Bio-tech Co., Ltd. (300858)
2	Sharetronic Data Technology Co., Ltd. (300857)
3	Nanjing Cosmos Chemical Co., Ltd. (300856)

Top Decliners

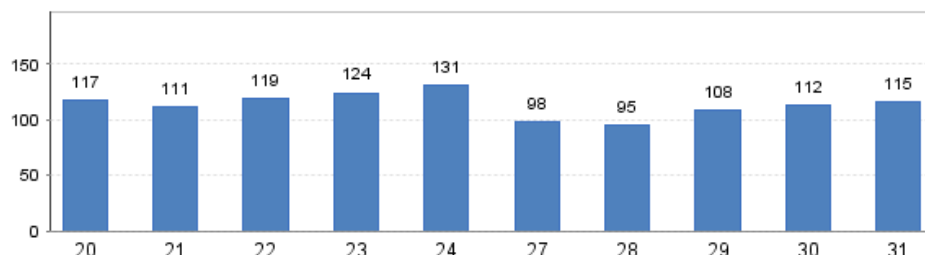
1	Ningbo Sunlight Electrical Appliance Co., Ltd. (002473)
2	Beijing Jiaoda Signal Technology Co., Ltd. (300851)
3	Kennede Electronics Mfg. Co., Ltd. (002723)

New Listing

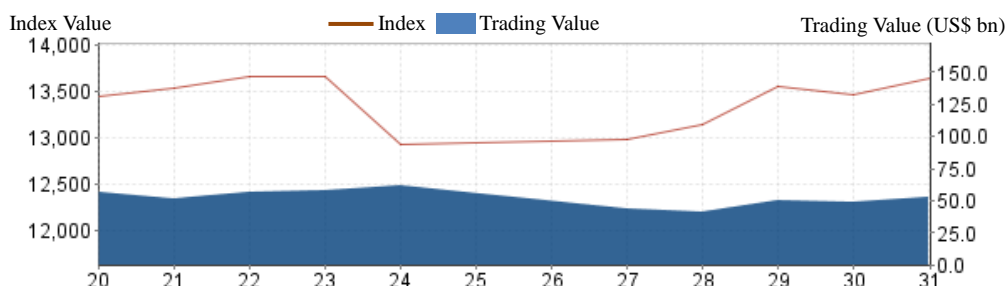
Baoming Technology (002992) Shenzhen Baoming Technology Co., Ltd. principally engages in research and development, design, production and sale of LED backlight, and deep processing of main processes of capacitive touch screen. In 2019, its operating income reached 1,837 million yuan with the net profit of 144.38 million yuan.

Daily Trading Value (July 20 – July 31)

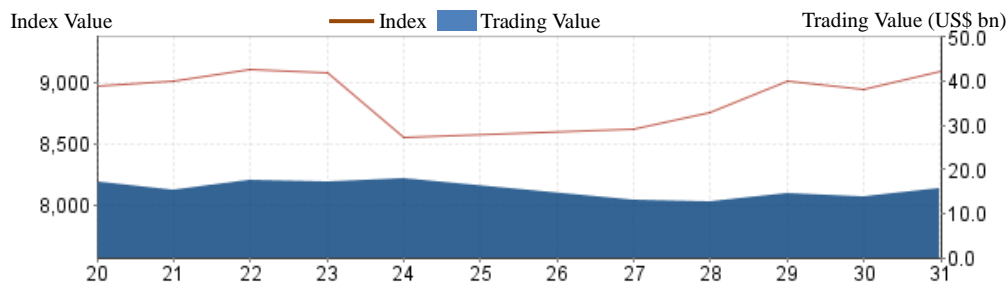
(US\$ bn)



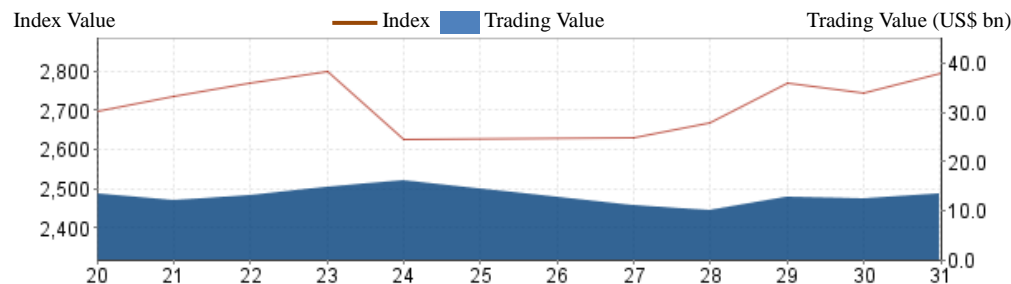
SZSE Component Index (July 20 – July 31)



SME Index (July 20 – July 31)



ChiNext Index (July 20 – July 31)



Market News

1. Rules unveiled for representative litigation in securities disputes

On 31st July, the Supreme Court issued *Provisions on Several Issues Concerning Representative Litigation in Securities Disputes* which, in line with the newly-amended Securities Law, offer detailed stipulation regarding implementation of representative litigation. Representative litigation is categorized into normal representative litigation and special representative litigation where Investor Protection Institute which is entrusted by at least 50 investors may initiate a litigation on behalf of all investors. CSRC on the same day issued *Notice on work on Investor Protection Institutions' Participation in Special Representative Litigation for Securities Disputes*, in which China Securities Investors Service Center and China Securities Investor Protection Fund Corporation Limited are designated as the investor protection institute. The two rules along with the Securities Law and relevant rules and laws set up the framework for representative litigation in securities disputes in China.

Ganyuan Foods (002991)

Ganyuan Foods Co., Ltd. principally engages in research and development, production and sale of snack foods. In 2019, its operating income reached 1,109 million yuan with the net profit of 168.00 million yuan.

Sharetronic Data (300857)

Sharetronic Data Technology Co., Ltd. principally engages in research and development, production and sale of products such as Internet of Things intelligent terminals and data storage devices in the field of consumer electronics. In 2019, its operating income reached 1,56 million yuan with the net profit of 95.28 million yuan.

Scitop Bio-tech (00858)

Beijing Scitop Bio-tech Co., Ltd. principally engages in research and development, production and sale of compound food additives, edible probiotic products and animal and plant micro-ecological preparations. In 2019, its operating income reached 308 million yuan with the net profit of 93.28 million yuan.

2. CSRC held mid-year work conference

On 30th July, the China Securities Regulatory Commission (CSRC) held 2020 mid-year work conference, emphasizing the significance of "system building, non-intervention, and zero tolerance" in high-quality capital markets development and serving the real economy.

- "System buildings": accelerate the promotion of a market system with maturity, enhance the effectiveness of information disclosure, and improve the quality, efficiency and transparency of review and registration.
- "Non-intervention": build a predictable mechanism for the capital market, deepen the reforms to streamline administration, delegate powers, and improve regulation and services, and support the development of high-quality investment banks and wealth management institutions.
- "Zero tolerance": severely crack down on illegal and criminal activities in the capital market, and promote the establishment of a coordination mechanism for cracking down on illegal activities in the capital market.
- Capital market reform: continue to promote the STAR board system, the registration system based ChiNext Market reform and the reform of NEEQ.
- Market opening-up: promote the high-level two-way opening-up of the capital market, strengthen regulatory cooperation, continue to promote the opening of markets, industries and products, and simplify channels for foreign investment in the domestic market.
- Prevent financial risks: prevent and resolve major financial risks, and promote the steady development of the capital market.
- Supervisory capacity: strengthen the construction of supervisory capacity and improve the investor protection mechanism. Further consolidate the "gatekeeper" responsibilities of intermediary agencies, accelerate the implementation of scientific and technological supervision, and actively cultivate a mature and rational equity investment culture.

3. China and EU welcome issuance of CDR in China by European companies

Chinese vice Premier Liu He and Executive Vice President of the European Commission Brofiskis jointly presided over the 8th China-EU High-level Economic and Trade Dialogue through video conferencing on July 28. The two sides promised to further promote two-way opening up and mutually beneficial cooperation in the financial industry. European financial institutions are welcome to invest in China, participate in the establishment of foreign-owned or wholly-owned securities fund and futures companies, and high-quality European listed companies are welcomed to list on China's domestic capital market in the form of Chinese Depositary Receipt (CDR). The European side is willing and considering exemption or relaxation of the regulatory requirements for local branches of Chinese banks. Both sides are committed to continue to promote the internationalization of EURO and RMB, strengthen cross-border regulatory cooperation, promote the interconnection of financial infrastructure, and support each other in building international financial centers with global influence.

4. A green financial bond was listed on SZSE to address climate change

On July 29, China Development Bank (CDB) raised 1 billion RMB by issuing its green financial bond on SZSE's fixed-income tender offer system, part of CDB's 10-billion-RMB issuance of green financial bonds across markets home and abroad. The fund raised will be used in green projects, such as low-carbon transportation, to mitigate climate change, reduce pollutant discharge, and facilitate environmental protection.

5. NEEQ Select debuts to support SMEs

NEEQ Select, a new tier of the National Equities Exchange and Quotations (NEEQ), the nation's equity trading system oriented for SMEs, also called the "new third board", debuted on July 27, with the first batch of 32 quoted firms. NEEQ Select is a market segment for

qualified investors and admittance standards are more relaxed than the exchange market to accommodate a wider range of companies at early stage. NEEQ select will serve as an important part of China's multi-tiered capital market system as its quoted companies may apply for graduation to the exchange market when certain criteria are met.

Analysis

Rules and policies for listing of red-chip companies on ChiNext Market

As a highlight of the ChiNext Market Reform, red-chip enterprises (companies registered overseas with main business activities in China) that have fast-growing operating income and outperform its peers in the industry with in-house developed world-leading technology, are now able to apply for listing on the ChiNext Market with tailor-made rules that accommodate their characteristics and idiosyncrasies in governance and operation. We summarize in this issue its listing standards and special rules for red-chips' trading, compliance and investor protection according to "*Notice of the General Office of the State Council on Forwarding Opinions of the China Securities Regulatory Commission on the Pilot Program of Domestic Issuance of Stocks or Depository Receipts by Innovative Enterprises*", "*Announcement of the China Securities Regulatory Commission on Relevant Arrangements for the Domestic Listing of Innovative Pilot Red Chip Enterprises*" and "*Rules Governing the Review of Listing and Issuance of Shares on the ChiNext Market of Shenzhen Stock Exchange*".

1. Application Requirements

Red-chip companies that meet the following standards can apply for listing on Shenzhen Stock Exchange.

- **Innovative enterprises:**

Eligible red-chip enterprises should be "Innovative enterprises" that are defined as those whose businesses are in line with the national strategies, or which have core technology or command high market recognition. Recognized industries include the Internet, big data, cloud computing, artificial intelligence, software and integrated circuit, high-end equipment manufacturing, biological medicine among other high-tech or strategic industries. The applicants should also have reached a considerable scale.

- **Issuance scale:**

Stock issuance:

- a) The number of shares after issuance shall not be lower than 30 million, and the shares publicly issued shall exceed 25% of the total shares of the company.
- b) If the total number of shares of the company exceeds 400 million, the proportion of shares publicly issued shall be more than 10%.

DR issuance:

- a) The total number of the DRs issued shall not be less than 30 million, and the number of underlying shares shall account for more than 25% of that of the total shares of the company;
- b) If the total number of the issued DR exceeds 400 million, the number of underlying shares shall account for more than 10% of the total shares of the company.

- **Fast-growing operating income with positive net profit in the most recent year**

- **For companies that have already listed overseas, they should meet one of the following standard**

- a) Market cap exceeds 200 bn RMB
- b) Market cap exceeds 20 bn RMB and has self-reliant R&D capacity, strong tech and innovation capacity, international leading technology and leading position in industry competition.

- **For Unlisted Red-Chips one of the following financial criteria should be met:**

- a) Valuation exceeds 20 bn RMB and revenue for the most recent year exceeds 3 bn RMB
- b) For companies with fast-growing operating income, self-reliant R&D capacity, internationally leading technology and leading position in industry competition, they can apply for listing if they meet one of the following criteria:
 - The market capitalization is expected to be no less than 10 bn RMB, with positive net profit in the most recent year.
 - The market capitalization is expected to be no less than 5 bn RMB, with positive net profit in the most recent year and an operating income of no less than 500 mn RMB.

● **Definition of ‘fast-growing operating income’:**

Category	Requirement for Compound Growth Rate
Operating income of the most recent year \geq 500 mn RMB	10% +
Operating income of the most recent year < 500 mn RMB	20% +
Industries in downturn due to cyclical fluctuations	outperform comparable peers
Red-chips in R&D stage or are of great significance for national strategies	N/A

2. Special arrangements for red-chip companies

● **Arrangement of priority rights in Valuation Adjustment Mechanism (VAM)**

For preferred shares of red-chips that are issued to investors before listing with preferential rights (such as redemption): If the issuer and the investor promise not to exercise preferential rights during subscription and issuance, the preferred shares could be converted into common shares before listing, and the converted shares shall not be treated as pre-IPO investment.

● **Calculation of total equity**

Considering the great differences in corporate governance (including organization form, stock par value, and equity requirements) between red-chips and domestic enterprises, specific listing conditions are adjusted for red-chip applicants. The requirements of “total equity” are replaced by the total number of shares or of DRs after issuance.

● **Information disclosure**

Red-chips may apply for waiver of information disclosure requirements. If certain requirements are not in line with those of the company's registration place or the standards generally accepted by the market, the company is entitled to apply for waiver, and shall provide explanation and alternative plans with legal approval.

● **Compulsory delisting concerning transaction indicators**

As the par value of red-chip shares is denominated in USD or HKD, which may be lower than that in RMB due to exchange rate, the delisting trigger is set as “closing price < 1 RMB for 20 consecutive trading days”. As for red-chip DRs, the trigger is adjusted to “market capitalization < 300 mn RMB for 20 consecutive trading days”, while restriction on “number of shareholders” is not applicable.

● **Emphasized investor protection**

For red-chips whose corporate governance and operation standards comply with laws and regulations of their place of registration, the requirements of investor protection shall not be lower than that of domestic laws and regulations. Domestic DR holders shall enjoy equal rights and interests as the overseas holders of the underlying stocks.

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