

Market Summary

Listed Companies (No.)	2,329
- Main Board	469
- SME Board	984
- ChiNext Market	876
Funds	511
Bonds	8,494
Market Cap. (US\$ bn)	5,023.2
- Main Board	1,445.2
- SME Board	2,016.0
- ChiNext Market	1,561.9
Average Turnover Ratio	2.33
Average P/E Ratio	33.69
No. of IPO (YTD)	135

Most Active Companies

1	Byd Company Limited (002594)
2	Yihai Kerry Arawana Holdings Co., Ltd (300999)
3	Chongqing Changan Automobile Company Limited (000625)

Top Gainers

1	Kangping Technology (suzhou) Co.,Ltd. (300907)
2	Shenzhen Hui Chuang Da Technology Co., Ltd. (300909)
3	Tes Touch Embedded Solutions (xiamen) Co., Ltd. (003019)

Top Decliners

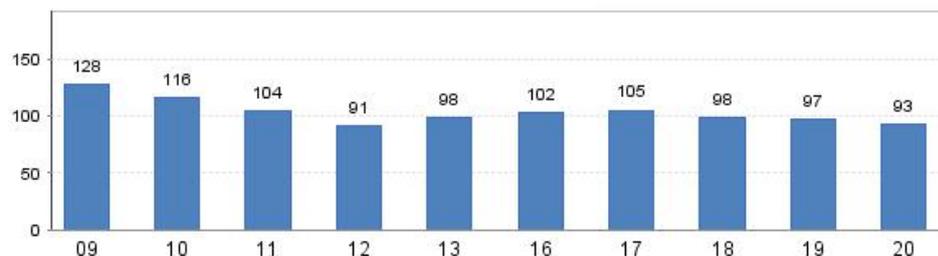
1	Kaidi Ecological And Environmental Technology Co.,Ltd (000939)
2	Beijing Compass Technology Development Co., Ltd. (300803)
3	Digital China Group Co.,Ltd. (000034)

New Listing

Dnake (300884)

Dnake (Xiamen) Intelligent Technology Co., Ltd. principally engages in research and development, design, manufacturing and sale of smart community security intelligent equipment such as building intercom and smart home. In 2019, its operating income reached 615 million yuan with the net profit of 126.49 million yuan.

Daily Trading Value (November 09 – November 20) (US\$ bn)



SZSE Component Index (November 09 – November 20)



SME Index (November 09 – November 20)



ChiNext Index (November 09 – November 20)



Market News

I. Selected Remarks by President Xi Jinping at 15th G20 Leaders' Summit

On Nov. 21, Chinese President Xi Jinping addressed the 15th G20 Leaders' Summit via video link in which Mr. Xi called for a closer cooperation among countries. Here are selected points of Mr. Xi's remarks.

i. **Build a global firewall against COVID-19.** We should speed up action and support the WHO in mobilizing and consolidating resources and distributing vaccines fairly and efficiently.

ii. **Ensure the smooth functioning of the global economy.** While containing the virus, we need to restore the secure and smooth operation of global industrial and supply chains. We need to reduce tariffs and barriers, and explore the liberalization of trade of key medical supplies.

iii. **Harness the role of the digital economy.** We could foster an enabling environment for the development of the digital economy, enhance data security cooperation, strengthen the digital infrastructure, and level the playing field for high-tech companies from all countries

TES (003019)

TES Touch Embedded Solutions (Xiamen) Co., Ltd. principally engages in research and development, design, production and sale services of customized commercial intelligent interactive display equipment. In 2019, its operating income reached 1,322 million yuan with the net profit of 147.14 million yuan.

Kangping Technology (300907)

Kangping Technology (Suzhou) Co., Ltd. principally engages in research and development, design, production and sale of motors for power tools, complete power tools and related spare parts. In 2019, its operating income reached 606 million yuan with the net profit of 51.19 million yuan.

Hui Chuang Da (300909)

Shenzhen Hui Chuang Da Technology Co., Ltd. principally engages in research and development, design, production and sale of light guide structural parts and components, and precision key switch structural parts and components. In 2019, its operating income reached 407 million yuan with the net profit of 79.55 million yuan.

iv. **Pursue more inclusive development.** In spite of its own difficulties, China has fully implemented the Debt Service Suspension Initiative (DSSI) and put off debt repayment totaling over US\$1.3 billion. China supports the decision on DSSI extension and will continue to work with other parties for its full implementation. Meanwhile, China will increase the level of debt suspension and relief for countries facing particular difficulties and encourage its financial institutions to provide new financing support on a voluntary basis and according to market principles.

v. **Improve the governance architecture for economic globalization.** We should promote free trade, oppose unilateralism and protectionism, uphold fair competition, and protect the development rights, interests and space of developing countries.

vi. **Build up capacities for tackling global challenges.** We need to enhance the role of the WHO, improve pandemic preparedness and response, forge a strong shield for human health and safety, and build a global community of health for all. We need to scale up international cooperation on ecology and environment to protect the planet Earth, our only homeland.

2. The CSRC: To Improve the Quality of Listed Companies by Improving the "Entrance" and "Exit" Mechanism.

On November 10, the China Securities Regulatory Commission held a mobilization and deployment meeting on implementing the *Opinions of the State Council on Further Improving the Quality of Listed Companies*. The meeting requested that improvement of the quality of listed companies should be an important goal of the supervision on listed companies.

i. Adhere to regulatory principle of the "two-wheel drive" consisting of information disclosure supervision and corporate governance supervision.

ii. Improve the quality of the market through admission mechanism. The CSRC, exchanges and local agencies of CSRC shall make all effort in improving the quality of listed companies from aspects of rule-making, IPO reviewing, listing marketing.

iii. Streamline the exit mechanism by pressing ahead delisting reform. There will be measures in improving delisting standards, simplifying the delisting procedures, strictly enforcing delisting rules.

iv. Other measures include solving the problem of embezzlement and non-compliant guarantee in a controlled manner, keeping continuous hand-on on risks related to stock pledging and strengthening the enforcement rules and mechanism.

3. SZSE Successfully Holds the 2020 Members' General Meeting

On November 14, SZSE held the 2020 Members' General Meeting. The Meeting reviewed and adopted relevant work reports, and elected members of the 5th Board of Directors and the 3rd Board of Supervisors. Li Chao, CSRC Vice Chairman, fully affirmed the work conducted and efforts made by SZSE and all its members in promoting reform, development and stability of the capital market. He noted that SZSE shall accelerate the building of a high-quality innovation capital center and an outstanding exchange in the world. According to the reports, SZSE will:

i. Make preparations for the full implementation of the registration system based on the experience of the reform of the ChiNext Market

ii. Improve the basic mechanism governing refinancing, M&A, share-selling and delisting. Facilitate long-term capital's participation.

iii. Enrich the product system and meet the demand from both sides centered on industrial chain, supply chain and innovation chain.

iv. Build an accurate and efficient supervision and risk management system.

v. Press ahead high-quality market opening-up in an institutional and systematical way. Improve cross-border financing and investment mechanism and enhance the shared development of Shenzhen and Hong Kong market. Build the Greater Bay Area Bond Platform, improve overseas investor relations management, strengthen IT infrastructure

cooperation.

vi. Empower the SZSE's development with digital system.

vii. Enhance the scientific and efficient governance system of SZSE.

4. FDI Rises for Seventh Month in a row

China's actual use of foreign capital surged 18.3 percent on a yearly basis to 81.87 billion yuan (\$11.83 billion) in October of this year, marking the seventh consecutive month for the country to witness positive growth in foreign direct investment, according to data released by the Ministry of Commerce. Foreign direct investment in China grew by 6.4 percent year-on-year to 800.68 billion yuan between January and October. In dollar terms it increased by 3.9 percent to \$115.09 billion.

Analysis

Introduction of Clearing, Depository, and Settlement system of China's Stock Market

Excerpt from *Disclosure Report Under the Principles for Financial Market Infrastructures* from China Securities Depository and Clearing Corporation Limited, modified by Siqi Wang and Yuan Yao from International Department, Shenzhen Stock Exchange

According to the *Securities Law* and the *Administrative Measures for Securities Registration and Settlement*, the registration and settlement services shall be centrally provided by a single organization. China Securities Depository and Clearing Corporation Limited (ChinaClear) is the only central counterparty (CCP), central securities depository (CSD), securities settlement system (SSS) and central securities registrar for national stock exchanges. Established in 2001 as a 50-50 joint venture of Shenzhen Stock Exchange and Shanghai Stock Exchange, ChinaClear was approved by the CSRC as the sole provider of securities registration and settlement services for national stock exchanges including SSE, SZSE and NEEQ. Its services cover the following products: A-shares, B-shares, treasury bonds, company bonds, corporate bonds, ETFs, LOFs, closed-end funds, securitization products, warrants and stock options, among other financial spots and derivatives, as well as securities listed on NEEQ. In this issue we will introduce to you the complete securities trading cycle consists of four phases: account opening, trading, registration and depository, and settlement as well as risk management from the perspective of clear and settlement.

1. Account Opening

Thanks to the development and application of computer technologies, and driven by laws and regulations and supervisory philosophy, China's securities market has completed the immobilization of physical securities, and then full dematerialization of securities within a short period of time after its establishment. A direct holding system with Chinese characteristics has taken shape, i.e., securities are directly registered in investors' securities accounts with China Clear, investors' securities holdings are directly recorded in the register of securities holders and investors as shareholders can directly claim and exercise their rights to securities issuers. Indirect holdings exist only in a small portion of transactions, such as B-share, QFII, Shanghai-Hong Kong and Shenzhen- Hong Kong stock connect transactions.

2. Securities Trading

The trading channels and policies for ordinary investors are different from those for special institutions and product investors. Brokerage firms and banks are both clearing member of China Clear while the former tend to be trading member of the exchange. Retail investors use brokerage firms for both trading and clearing & settlement, while Special institutions and product investors including QFII use brokerage firms for trading and custodian banks for clearing and settlement.

Ordinary investors can declare their trading orders through securities companies to stock exchanges (including SSE, SZSE and NEEQ; the same below). Ordinary investors need to designate a third-party depository bank and deposit the trade margin in the customer's trade margin account opened by the securities company with the bank. The third-party depository bank and the securities company respectively record the details of investors' funds. The third-party depository bank plays a supervisory role. When an ordinary investor declares to buy securities, the securities company will check the balance of the investor's trade margin and freeze the money the investor uses to buy securities. Ordinary investors who declare to sell securities must hold sufficient securities in their securities accounts. The securities company and the stock exchange separately check in the trading system to see if there are sufficient securities in the investor's securities account.

Special institutions and product investors declare their trading orders to the securities trading venue through their proprietary trading units or leased trading unit of the securities company. CSDC applies front-end risk control of securities trading funds to selected investors, such as proprietary investment of securities companies, asset management of securities companies, asset management of insurance companies and securities investment funds, and imposes a limit on the total declared amount of net buys in a day, which is subject to front-end control by the exchange. In this way, CSDC effectively prevents trade abnormality and settlement risk caused by technical failures or operational errors of the above investors. For the trade declarations within the above-mentioned investors' limits and for special institutional investors (such as HKSCC Nominees Limited) that are not included in the scope of control, the front-end fund monitoring of trade declarations mainly depends on investors' internal control policies.

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3. Registration and Depository

Under the Securities Registration Rules, CSDC is entrusted by the securities issuer to provide securities registration and related services. CSDC has set up an electronic securities registration record and book-entry system to register securities holders according to the records of investors' securities accounts.

4. Clearing and Settlement

CSDC uses a tiered settlement system for securities and funds. When providing multilateral net settlement services as a CCP, CSDC is responsible for the centralized settlement of securities and funds with settlement participants. If it does not provide settlement services as a CCP, CSDC is entrusted by settlement participants with the settlement of securities and funds between settlement participants. The settlement participants are responsible for settlement with their customers, and the securities settlement part shall be entrusted to CSDC. For various types of securities and business, CSDC can act as a CCP to provide multilateral net settlement services and guarantee settlement for the non-defaulting party in the settlement process. It can also not act as a CCP and does not provide settlement guarantee.

Guaranteed multilateral net settlement As a CCP, CSDC guarantees multilateral net settlement for securities transactions the investors have reached and locked on the securities trading venue. The settlement process can be further subdivided into the clearing stage and the settlement stage.

5. Clearing Stage

CSDC receives trade data from the securities trading venue at the end of the trading day (T day), and calculates the numbers of securities receivable and payable and the net cash amount receivable or payable by each settlement participant on the settlement day using

the multilateral net settlement method.

In order to prevent the credit risks associated with settlement participants, CSDC has set up a series of institutional arrangements, including the minimum settlement reserve, settlement margin, pledged bonds for pledge-style repurchase, treasury bond pre-issue margin, stock option margin, settlement risk fund and general risk reserve. The minimum settlement reserve, for example, refers to the minimum amount of money a settlement participant shall, as required by CSDC in accordance with the Measures for Management of Settlement Reserves, deposit in advance with CSDC at a certain percentage of the average daily amount of purchase in the previous month, with the aim of reducing the settlement default risk of settlement participants. CSDC transfers funds by book entry. The settlement reserves paid by settlement participants are deposited in the settlement reserve deposit accounts opened by CSDC with several commercial banks approved by CSDC as eligible settlement banks. The settlement bank transfers funds at the instruction of CSDC.

6. Settlement Stage

CSDC adopts product-specific settlement arrangements and settlement mechanism according to the characteristics of different products. For A-shares, “non-standard” DVP settlement is adopted, with 16:00 cutoff on T day for securities and 16:00 on T+1 day for funds. For innovative products such as ETF, the “standard” DVP settlement is adopted, with the transfer of securities and transfer of funds conditional upon each other. For B-shares, “standard” DVP settlement is adopted, with a 16:00 cutoff on T+3 for securities and funds. CSDC is pushing steadily forward the A-shares DVP reform, taking into account China’s national conditions and securities market actualities.

Non-guaranteed settlement CSDC uses a DVP settlement mechanism through bilateral net settlement or on a gross, obligation-by-obligation basis, and does not guarantee settlement. Each settlement takes into account the sufficiency of securities and funds available for settlement. The settlement is successful if both are sufficient; if one of them is insufficient, the settlement fails.

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Comparison between A share and Hong Kong share in terms of clearing and settlement

	A-share	HK equity
Settlement Cycle	T for securities, T+1 for cash	T+2
Settlement Mode	Non-standard DVP	DVP
Holding Structure	Direct holding	Indirect holding (nominal holding)
Securities Account	Capped at 3	Unlimited
Securities Depository	Electronic	Electronic + Paper Securities
Margin Trading	Leverage ratio is capped at 1:1	Leverage ratio is based on investor credentials
Delivery Time	Fixed	Multiple batches (3-4 times a day)
Pre-Checks of shares and fund	Yes	No