

Shenzhen Stock Exchange Market Bulletin

August 10, 2020 (Issue 24)



Market Summary

Listed Companies (No.)	2,263
- Main Board	469
- SME Board	961
- ChiNext Market	833
Funds	537
Bonds	7,817
Market Cap. (US\$ bn)	4,581.7
- Main Board	1,313.1
- SME Board	1,923.5
- ChiNext Market	1,345.0
Average Turnover Ratio	2.44
Average P/E Ratio	32.89
No. of IPO (YTD)	64

Most Active Companies

1	East Money Information Co., Ltd. (300059)
2	Unigroup Guoxin Microelectronics Co., Ltd. (002049)
3	Walvax Biotechnology Co., Ltd. (300142)

Top Gainers

1	Shenzhen Baoming Technology Co., Ltd. (002992)
2	Beijing Quanshi World Online Network Information Co., Ltd. (002995)
3	Uroica Precision Information Engineering Co., Ltd. (300099)

Top Decliners

1	Hunan China Sun Pharmaceutical Machinery Co., Ltd. (300216)
2	Shenzhen Refond Optoelectronics Co., Ltd. (300241)
3	Zhangzidao Group Co., Ltd. (002069)

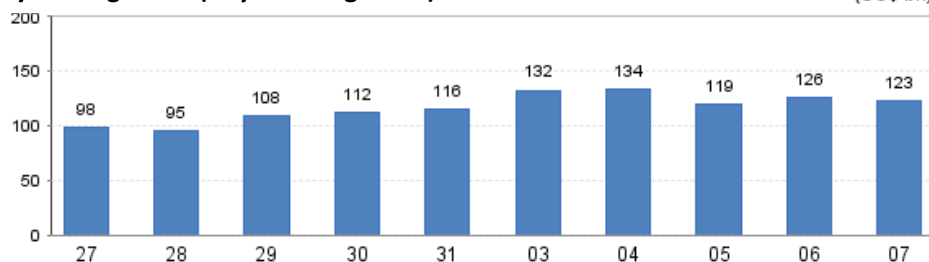
New Listing

Baoming Technology (002992)

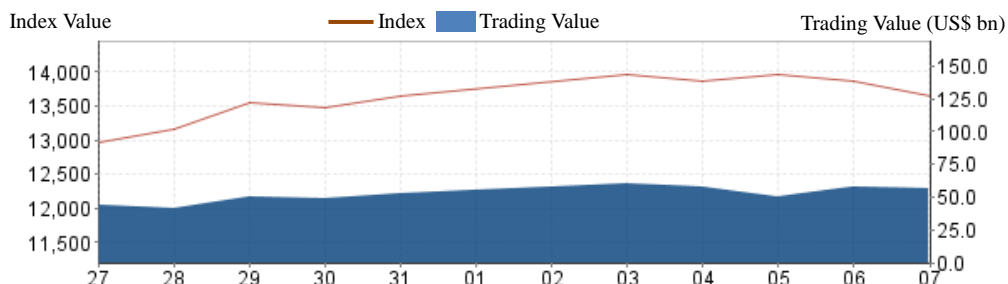
Shenzhen Baoming Technology Co., Ltd. principally engages in research and development, design, production and sale of LED backlight, and deep processing of main processes of capacitive touch screen. In 2019, its operating income reached 1,837 million yuan with the net profit of 144.38 million yuan.

Daily Trading Value (July 27 – August 07)

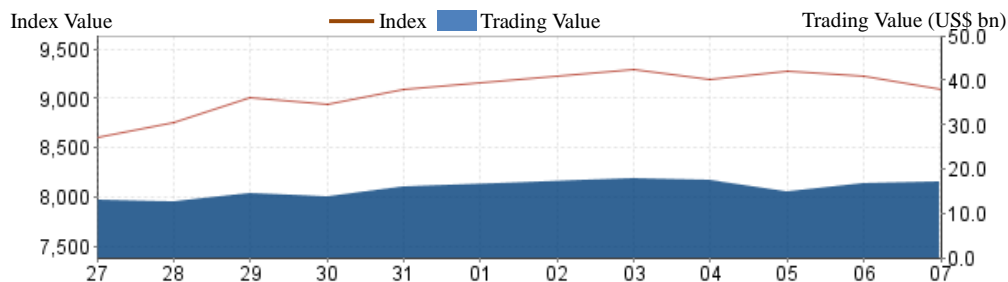
(US\$ bn)



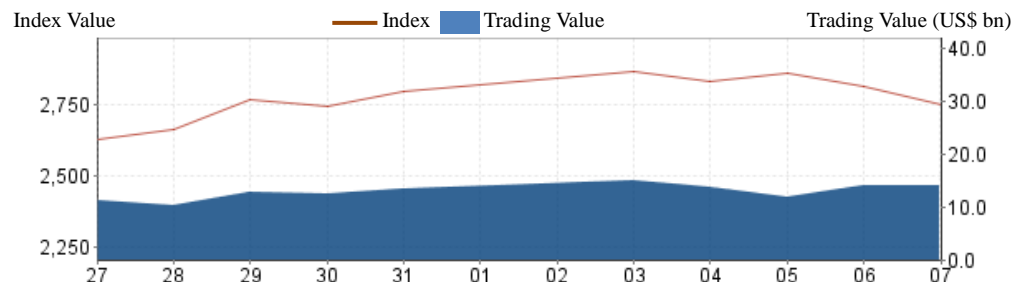
SZSE Component Index (July 27 – August 07)



SME Index (July 27 – August 07)



ChiNext Index (July 27 – August 07)



Market News

1. CSRC issued a circular on the investigation and handling of Luckin Coffee

On 31 July, the China Securities Regulatory Commission (CSRC) announced administrative penalty to domestic business entities, related parties, and interested third parties of Luckin Coffee after its investigation together with the Ministry of Finance and the State Administration for Market Regulation, over Luckin's suspected violations of laws and regulations. At the same time, in line with the arrangements of the International Organization of Securities Regulatory Commission (IOSCO) cross-border supervision cooperation mechanism, the CSRC cooperated with the US securities regulatory authorities to carry out cross-border investigations.

2. CSRC's response for PWG report: open and cooperative approach is the key to the problem

On August 8, the CSRC responded to "Report on Protecting United States Investors from Significant Risks from Chinese Companies" (PWG report) prepared by the U.S. President's Working Group on Financial Markets on its website.

World Online (002995)

Beijing Quanshi World Online Network Information Co., Ltd. principally engages in provision of internet integrated marketing service and enterprise-level SaaS marketing service. In 2019, its operating income reached 2,393 million yuan with the net profit of 99.05 million yuan.

Western Regions Tourism (300859)

Western Regions Tourism Development Co., Ltd. principally engages in development and operation of tourism resources. In 2019, its operating income reached 241 million yuan with the net profit of 73.55 million yuan.

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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

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CSRC officials: We've noticed the PWG report. It is our long-standing belief that, strengthening supervision over information disclosure of listed companies and improving the professional ethics and practice quality of auditors are extremely important to protect lawful rights and interests of investors. This is a shared responsibility of securities regulators around the globe, which can only be discharged via effective cross-border cooperation in today's highly globalized capital markets. To address these common interests, an open and cooperative approach is the right choice for both Chinese and the U.S. regulators to resolve the remaining issues in audit supervision cooperation.

As a matter of fact, both sides have always maintained good communications and interactions. Since 2019, the Chinese regulatory authorities have been actively communicating with the US Securities and Exchange Commission (SEC) and the PCAOB, proposing on many occasions protocols for joint inspections over accounting firms, showing full sincerity of cooperation. Not long ago on August 4, 2020, the Chinese regulatory authorities sent another updated proposal to the PCAOB addressing the most recent concerns raised by the US side. We believe the only way to resolve the issues of common concerns and achieve win-win results is to have open and candid dialogue, and only by doing so can regulators together create a sound environment for the healthy and orderly functioning of the global capital market.

It should be noted that the Chinese side has never prohibited or prevented relevant accounting firms from providing audit working papers to overseas regulators. As mentioned in the PWG report, China's securities regulators have so far provided U.S. securities regulators with audit working papers of a number of Chinese companies listed in the U.S. market. We believe the essence of relevant Chinese laws and regulations is that the exchange of information such as audit working papers should be conducted through regulatory cooperation channels, which is consistent with international norms and common practice.

http://www.csrc.gov.cn/pub/csrc_en/newsfacts/release/202008/t20200808_381340.html

3. Global investment in China grows for three straight months

June marked the third consecutive month of an increase in Chinese stocks and bonds among both overseas institutions and private holders, according to statistics from China's central bank. As of late June, overseas institutions and private holders had held RMB 2.46 trillion (USD 354.16 billion) worth of Chinese shares, representing a significant increase from last month.

4. Special financial platform launched to support SMEs

China SME Development Fund Co., Ltd. was recently set up in Shanghai, with 15 national ministries, state-owned business giants and leading companies in various fields holding stakes. With a total registered capital of RMB 35.75 billion yuan (USD 5.14 billion) for the company, China's Ministry of Finance, for the first time, directly serves as a limited partner, with a 42.66 percent stake worth RMB 15.25 billion (USD 2.19 billion). The establishment of the company marked the official operation of the National SME Development Fund, the country's special financial platform to support small and medium-sized enterprises, and creation of one of China's largest fund-of-funds so far this year.

Highlights on ChiNext Market's IPO Pricing and Issuance

The ChiNext Market Reform brings about important changes in IPO pricing. The reform expands the scope of participants in offline placement that QFIIs are given opportunity to join the IPO pricing process. The reform emphasizes anchorage by strategic investors. Green-shoe mechanism is expanded to coverage IPO of all sizes.

		ChiNext Market		STAR Board
		After the Reform	Before the Reform	
Pricing	1. Pricing method	<p>There are two ways of pricing for IPO</p> <p>i. Book-building</p> <p>ii. Direct pricing*</p> <p>* applicable only when the following requirement are all met: (a) the number of shares issued is less than 20 million and no shareholders openly sell his or her shares; and (b) the P/E ratio is neither higher than the average P/E ratio of its peers on the secondary market, nor higher than its price on overseas market (if listed overseas).</p>	Same	Book-building only
	2. Reference for Pricing	<p>The following four aspects should be taken into consideration when determining the price:</p> <p>(1) average P/E ratio of its comparable peers on the secondary market</p> <p>(2) its price on overseas market (if listed overseas)</p> <p>(3) The median and the weighted average of the bids (highest bids excluded) of mutual fund manager, Social Security Fund, pension funds, corporate annuity funds, and insurance funds. (to determine the upper limit of pricing)</p> <p>(4) The median and the weighted average of the bids (highest bids excluded) of all investors in the placing</p> <p><i>If the IPO price is higher than the lowest one of the above four items, a special warning should be made to investors and the underwriter is required to invest in the IPO with holding no more than 5% varying according to the size of IPO</i></p> <p><i>with 24-month lock-up period</i></p>	N/A	<p>In the (3) item, STAR takes the median and the weighted average of the bids (highest bids excluded) of mutual fund manager, Social Security Fund, pension funds as the medium level for IPO reference.</p> <p><i>underwriter is obliged to invest in the IPO</i></p>
Placement	1. Scope of Investors eligible for off-line placement	<p>Securities companies, fund management companies, trust companies, finance companies, insurance companies, qualified foreign institutional investors (QFII), private equity managers, and other specialized institutional investors can engage in price inquiry.</p> <p>No less than 70% of the off-line offering should be placed to publicly offered products, Social Security Fund, pension funds, corporate annuity funds, and Insurance funds.</p>	<p>Eligible institutional investors and individual investors.</p> <p>No less than 40% shall be offered to the funds.</p>	Same as ChiNext Market (after reform) except for 50% in place of 70%

	2. Investment value research report	Mandatory for book-building <i>If the IPO price is out of the range of underwriter's valuation, issuer should explain to the exchange.</i>	N/A	Same as ChiNext Market (after reform)
	3. Requirements of bids	investor for off-line placement may have no more than 3 different proposed subscription prices, with highest bid \leq 120% of the lowest bid.	Only one bid price is allowed.	Same as ChiNext Market (after reform)
	4. Breakdown between off-line and on-line placement	For companies with no more than 400 million shares after IPO, off-line placement shall account for no less than 70% of the shares to be offered in the IPO; For companies with more than 400 million shares after IPO or the issuer has not yet made a profit, off-line placement shall account for no less than 80% of the shares to be offered in the IPO.	60% and 70% in place of 70% and 80%	Same as ChiNext Market (after reform)
	5. Distribution among investor	Lottery or pro rata distribution.	Pro rata distribution	Pro rata distribution
	6. Lock-up period and amount	6 month lock-up period for 10% of the placed shares	N/A	N/A
	7. Redistribution	100 times>Subscription ratio for on-line investors>50 times: 10% of the IPO redistributed to on-line investors Subscription ratio for on-line investors>100 times: 20% of the IPO redistributed to on-line investors After the claw back, the shares to be offered under the placing tranche without a lock-up period shall generally be no more than 70% of the shares to be offered in the IPO.	20%, 40% and 10% in place of 10%, 20% and 70%.	5%, 10% and 80% in place of 10%, 20% and 70%.
	8. Deposit requirement	20% of the subscription fund as deposit if underwriter requires.	N/A	N/A
	9. Second allotment	If more than 10% of shares subscription is canceled by investors, the issuer can place the shares to off-line investors.	N/A	N/A
	10. Over-allotment	Allowed	Allowed only if the number of shares exceeds 400 million.	Allowed
	Strategic Investors	<ul style="list-style-type: none"> For IPO exceeding 100 million shares no more than 35 strategic investors can be introduced with no more than 30% of placement For IPO with less than 100 million shares no more than 10 strategic investors can be introduced with no more than 20% of placement <i>Introduction of more strategic investors than the specified number Requires an explain report.</i> <i>Strategic investor shall have a potential business connection with the issuer which needs to be specified in a report</i> <i>Senior management and employees may be eligible as strategic investors with 12-month lock-up period</i>	Allowed only for IPO with more than 400 million shares <i>Senior management and employees are not eligible</i>	<p>If IPO shares \geq 400 million, then the number of strategic investors \leq 30</p> <p>If 1 million \leq IPO shares < 400 million, then the number of strategic investors \leq 20</p> <p>If IPO shares < 1 million, then the number of strategic investors \leq 10.</p>