



2010

# First Anniversary Report on ChiNext 2010

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## 1.1 Development Course and Significance of ChiNext

### 1.1.1 Introduction to ChiNext

Growth Enterprise Market (GEM) is a stock market set up for IPO financing of startups and growth enterprises that do not fulfill the listing requirements on main board. China's GEM refers to ChiNext of Shenzhen Stock Exchange (SZSE), which mainly renders listing financing services for small and medium-sized enterprises (SMEs) at growth and startup stages that just begin to have certain scale and profitability and that have distinctive features in terms of technological innovation and business model innovation, and which also provides exit channels for venture capital (VC) and private equity (PE). Because of different targets, ChiNext differs a lot from the main board in listing requirements and system installation.

#### (I) Main Trading Varieties

Shares of high-tech and high-growth listed small and medium-sized joint-stock companies, convertible bonds, etc.

#### (II) Major System Installation

## 1. IPO Criteria (See Table 1.1.1.1)

**Table 1.1.1.1 Requirements of IPO Listing on ChiNext**

Items	Specific Content
Business entity qualifications	The same as main board: lawfully incorporated and legally existing joint-stock companies.
Period of business	The same as main board: as a going concern for more than three years.
Financial indicators	Looser than main board: Earning profit for the recent two years and having the total net profit in the two years no less than RMB10.00M; or Earning profit for the recent one year with the net profit no less than RMB5.00M and the operating revenue no less than RMB50.00M, and having the growth rate in operating revenues in the recent two years no lower than 30.0%; having the pre-IPO net assets no less than RMB20.00M and having all losses made up in the recent period.
Capital stock and public float	Having the total capital stock no less than RMB30.00M and the public float no lower than 25.0% after IPO.
Core business requirements	The issuer should operate a core business and have its production and operation activities comply with the requirements of laws, administrative regulations and articles of association as well as the national industrial policies and environmental protection policies. No great changes have taken place in the recent two years.
Corporate governance	Alike the main board, the issuer has established and improved the systems of shareholders' meeting, board of directors, board of supervisors, independent director and board secretary according to laws.
Continuing obligations after IPO	Alike the main board, the listed companies must fulfill the information disclosure obligations and disclose regular and interim reports as required after IPO.
Other requirements	The issuer's core business, directors and senior managers have no great changes and its actual controller has no change in the recent two years; the company commits no major illegal acts and its financial statements contain no false information in the recent three years.

Source: Zero2IPO Research Center, compiled from publicly available data, Oct. 2010

[www.zero2ipo.com.cn](http://www.zero2ipo.com.cn)

## 2. Trading system

Except for the risk control system on its debut, the trading system of ChiNext keeps consistent with the main board and the current Trading Rules still apply. Under the rules, if any stock fluctuates beyond 20.0% from its opening price, it will be suspended for 30 minutes; if a stock fluctuates again beyond 50.0% of its opening price, it will be suspended for another 30 minutes; and if a stock fluctuates more than 80.0% from its opening price, it will be suspended until 2:57 pm. During the suspension period, investors may either continue or cancel declaration. When a stock is suspended until or beyond 2:57 pm, SZSE will resume the trading at 2:57 pm and adopt resumption call auction for the stock already approved during the suspension period, and then adopt the closing call auction.

Besides, in contrast to the main board, ChiNext has improved the trade suspension system mainly in three aspects: firstly, one-hour regular suspension shall not be put into effect in case of major events, such as disclosure of annual report or earnings preannouncement; secondly, the listed company may take the initiative to apply for suspension or SZSE may directly adopt the intraday suspension in case of any abnormal situation, such as any major event cannot be kept confidential during the planning stage and market rumors appear with abnormal fluctuation of stock price; thirdly, those companies subject to long-term suspension must disclose the reasons for trading suspension and corresponding progress for every five trading days.

### 3. Delisting system

When ChiNext-listed companies meet the rules of Shenzhen Stock Exchange on termination of trading, they will be de-listed directly and no longer enter the Agency Share Transfer System.

#### (III) Regulatory system

Alike the main board, ChiNext market will be subject to co-regulation by China Securities Regulatory Commission (CSRC), local securities regulatory commission and Shenzhen Stock Exchange. These listed companies must fulfill the information disclosure obligations after IPO.

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