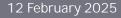


Market value management enables high-quality development of listed companies





On 17 December 2024, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) issued the *Several opinions on improving and strengthening the market value management of listed companies held by central enterprises* (hereinafter referred to as the "Opinions") to further promote listed companies to perform market value management in a standardized and orderly way.

With the evolving regulatory requirements, listed companies are focusing more on improving market value management. Based on the extensive experience, the EY team has developed solutions to improving market value management, with an aim to assist businesses in increasing intrinsic value and improving market performance.

Market value management policies and background

Since 2024, policies on market value management have been introduced and implemented. On 12 April 2024, the State Council issued the *Several opinions on strengthening regulation to prevent risks and promote the high-quality development of the capital market* (hereinafter referred to as the "New National Nine Positive Stimuli"), proposing to encourage listed companies to increase the investment value, develop guidelines on market value management for listed companies and explore the integration of market value management into the review system for performance assessment within and beyond an organization. On 15 November 2024, the China Securities Regulatory Commission (CSRC) issued the *Regulatory Guidelines for Listed Companies No.10 Market Value Management* (hereinafter referred to as "Regulatory Guidelines No.10"), the first guideline on market value management, which specified the definition and purpose of market value management and provided measures for implementation.

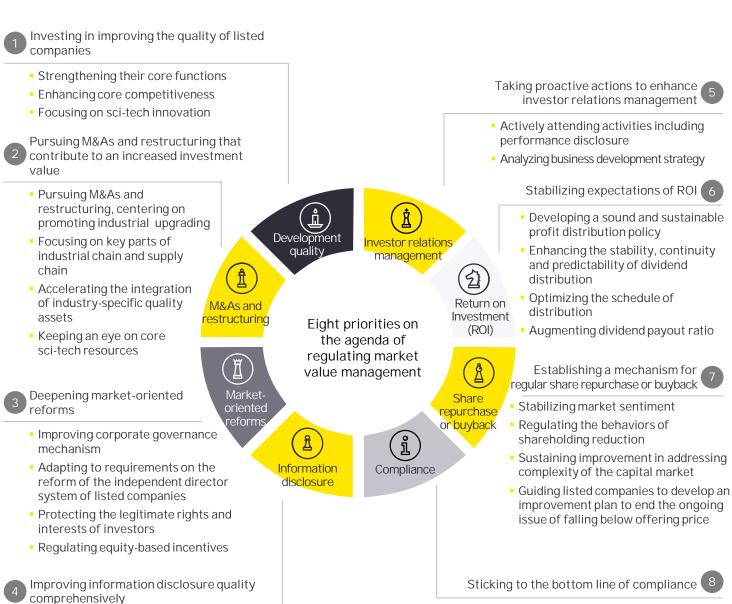
Time	Issuer	Policy	Key takeaways
March 2019	SASAC	Measures for performance assessment for heads of central enterprises	Highlighting a review on high-quality development, categorized assessment, differentiated assessment, benchmarking with world-class practices and assessment for positive stimuli.
November 2019	SASAC	Implementation opinions of the State-owned Assets Supervision Commission of the State Council on accelerating the shift from state-owned assets supervision to state-owned capital supervision	Shifting the state-owned assets supervision to state-owned capital supervision, focusing on the capital supervision with optimized supervision models and intensified support.
May 2022	SASAC	Work plan for improving the quality of listed companies held by central enterprises	Defining the guideline and general provisions on improving the quality of listed companies held by central enterprises, piloting the integration of development quality into performance assessment for heads of central enterprises.

Time	Issuer	Policy	Key takeaways
January 2024	SASAC	Working conference of SASAC on assessment and distribution for central enterprises and local SASACs in 2024	Implementing the assessment of market value management among listed companies on an overall basis, adding measures on the ability of value creation and quantifying market performance of listed companies held by central enterprises.
April 2024	State Council	Several opinions on strengthening regulation to prevent risks and promote the high-quality development of the capital market (New National Nine Positive Stimuli)	Promoting listed companies to increase the investment value and developing guidelines on market value management for listed companies. Exploring the integration of market value management into the review system for performance assessment within and beyond an organization.
November 2024	CSRC	Regulatory Guidelines for Listed Companies No.10 Market Capitalization Management (Regulatory Guidelines No.10)	Providing requirements that listed companies improve operational efficiency and profitability, with their quality reflected in the investment value, along with implementation measures on market value management among listed companies.
December 2024	SASAC	Several opinions on improving and strengthening the market value management of listed companies held by central enterprises	Further promoting listed companies to perform market value management in a standardized and orderly way. Providing clearer standards and guidance for listed companies to improve quality and use instruments for market value management.

Figure: Major policies on market value management

An interpretation on the latest policies

Based on the refined requirements specified in the Regulatory Guidelines No.10, the Opinions further defines the toolkits for market value management among central enterprises and provides clearer standards and guidance on the use of six categories of instruments for market value management to improve the quality of listed companies in the long run. These categories are classified by mergers and acquisitions and restructuring, market-oriented reform, information disclosure, investor relations management, investor returns and share repurchase or buyback. Moreover, the Opinions provides higher requirements on the development and compliance with the market value management mechanism.



- Improving information disclosure policy
- Preparing and reporting high-level ESG-related information
- Enhancing the collection and evaluation of public opinions
- Preventing the risk of misunderstanding false information



- Developing a sound and sustainable

- Sustaining improvement in addressing
- improvement plan to end the ongoing



- Strengthening compliance management
- Improving internal control system
- Prohibiting from manipulating stock price
- Prohibiting from engaging in insider trading

Investing in improving the quality of listed companies

Requiring central enterprises to enhance their core functions and core competitiveness underpinned by the improved development quality of listed companies; steadily improving operational efficiency and profitability to build world-class listed companies with robust business performance, strong innovation capability, wellestablished governance system and high market recognition.

Pursuing mergers and acquisitions and restructuring that contribute to an increased investment value

Centering on improving the competitiveness of core businesses, enhancing sci-tech innovation capability, promoting industrial upgrading and pursuing mergers and acquisitions and restructuring. Focusing on the key parts of the industrial chain and supply chain to accelerate the integration of industry-specific quality assets and strengthening equity-based cooperation with scientific research institutions in the commercialization of scientific and research findings. Fostering new quality productive forces by accelerated expansion into strategic emerging industries and future industries through mergers and acquisitions and restructuring.

Deepening the market-oriented reform

Improving a corporate governance mechanism featuring clear-cut rights and responsibilities, coordinated operation and effective checks and balances and maintaining the independence of listed companies. Giving full play to the role of independent directors in participating in decisions and supervision plus checks and balances. 4 Improving information disclosure quality in an all-round way

Strengthening the disclosure system oriented to the needs of investors and the environmental, social and governance (ESG) management system with requirements on improved ESG disclosures and reporting. Enhancing the collection and evaluation of public opinions, preventing the risk of misunderstanding false information and protecting the right of small and medium-sized investors to be informed.

(5) Taking proactive actions to enhance investor relations management

Actively attending investor relations activities including roadshow campaign, performance disclosure and briefing to demonstrate efforts in sustained and steady development. Inviting investors, industry analysts and media to engage with businesses to win market recognition.

6 Stabilizing expectations of returns on investment

Building the awareness of returns on investment and developing a sound and sustainable profit distribution policy. Enhancing the stability, continuity and predictability of dividend distribution, increasing the distribution frequency, optimizing the schedule of distribution and augmenting dividend payout ratio. Soliciting opinions from investors to improve the transparency of profit distribution policy.

(7) Establishing a mechanism for regular share repurchase or buyback

Enhancing the ability to address the complexity in the capital market, stabilizing market sentiment and boosting investor confidence. Regulating the behaviors of shareholding reduction and bringing the resolution on the agenda to end the ongoing issue of falling below offering price.

8 Sticking to the bottom line of compliance

Strengthening compliance management, improving internal control system and standardizing operation. Prohibiting listed companies from manipulating information disclosure under the guise of market value management, performing stock price manipulation and the insider trading.

Challenges arising from market value management

Based on practical experience, the EY team has identified the following challenges faced by businesses in performing market value management.

- 1 How to effectively integrate the firm's performance in capital market with business management?
- How to perform market value management to enhance the cognition of the firm's medium and long-term value among the capital markets and investors?
- How to develop a toolkit for market value management, analyze change drivers with market value models and introduce effective measures to improve market value performance?

What EY team can help to improve market value management

To help address these challenges, the EY team provides services to assist businesses in improving market value management. Details are listed as follows.

Developing a top-level plan for the improvement of market value management

 Benchmarking leading practices, developing a toplevel plan for improving market value management aligned with SASAC's requirements and tailored to business needs

Building an assessment system for market value management

 With a focus on the management effectiveness and maturity, assisting businesses in building an assessment system for market value management in an effective and systematic way

Developing a model for market value analysis

 Building a practical sciencebased model for market value analysis and applying various algorithms to empower intelligent decision-making in market value management O1

EY solutions to improving market value management

O5

O4 Improving market value management system and process

 Businesses are starting to build their market value management system and mechanism and need to communicate and adapt to the SASAC's requirements while enhancing management

Developing an implementation manual and a list of actions

 Providing guidance to businesses on developing an implementation manual of market value management, empowering them to address the fluctuations in the capital market and investor feedbacks in a timely manner

Building a digital platform for market value management

06

 Using digital technology to design and build a platform and a visualized large screen tailored to business management needs

1. Developing a top-level plan for the improvement of market value management

03

To adapt to business strategy, development stage and core competitiveness, developing a tailored top-level plan to improve market value management amid the changing internal and external environments. Assisting businesses in defining short and long-term goals focusing on high-quality development to empower the intrinsic value to become better reflected in the capital market.

2. Building an assessment system for market value management

With a focus on the management effectiveness and maturity, combined with the evaluation mechanism and process, building an assessment system for market value management to assist businesses with regular assessment in an effective and systematic way for sustaining improvement in market value management.

3. Developing a model for market value analysis

Assisting businesses in developing a customized model for market value analysis to adapt to internal and external environments. Considering industry-specific attributes and operational features to build an analysis system with firm's intrinsic value and market expectation included.

4. Improving market value management system and process

Assisting businesses in developing a management policy and process system aligned with operation feature, encompassing decision-making mechanism and execution monitoring. Defining roles and responsibilities in market value management and standardizing daily operations to enable the market value to be managed in an efficient and orderly way.

5. Developing an implementation manual and a list of actions

To help businesses improve market value management, developing an implementation manual and a list of actions. Breaking down the complicated task of market value management into specific and operable actions in a systematic and structured way. Providing strategic suggestions and key steps for different market value management scenarios and purposes, empowering employees at all levels to understand quickly and act effectively.

6. Building a digital platform for market value management

Assisting businesses in building an intelligent monitoring platform for market value management with leading information technologies including artificial intelligence, providing real-time monitoring of elements involved and visualizing dynamics of key indicators through a large screen. Gaining timely insights into risks and opportunities through big data analysis and intelligent warning function to provide timely, accurate and comprehensive information for management decisions.

These services can provide support to our clients and businesses in the following efforts.

- Promoting the integration of business goals with market value management. Assisting businesses in developing short and long-term growth targets, bridging the gap in management between business goals and market value targets and improving business operation to enhance intrinsic value.
- Improving market value management and execution system. Improving the system and process for market value management, integrating the concept of market value management into firm-wide management to strengthen the efforts in market value management.
- Strengthening dynamic monitoring and boosting response capability. Building a platform to monitor market value management, leveraging leading technology to gain real-time insights into market and business dynamics to provide accurate information for decisions, thus helping businesses seize opportunities while addressing risks in a complex environment amid the pursuit of high-quality development.

Conclusion

With the introduction of the Opinions, businesses are required to perform market value management. Driven by a raft of policies, the concept of market value management has become increasingly understood by the capital market. We provide market value management services to assist businesses in shifting from investor relations management to market value management empowered by digital models, helping them to elevate investment value and realize market value.

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