Research on the Positioning and Development of China's ChiNext Market

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Abstract. The establishment of the Growth Enterprise Market is of great significance for the construction of China's multi-level capital market. Since the launch of the ChiNext in October 2009, the number of companies listed for trading has increased from 28 to 134 now. The Chinese ChiNext market is in its infancy, and the rapid development of the ChiNext inevitably exposes various problems during its development process. Through research on the current situation and stages, analyze the characteristics and risks faced by the ChiNext market, and understand the current situation of the coexistence of the ChiNext and SME boards in China's capital market. Drawing on the research on listing resources, listing scale and issuance standards, market operation mechanisms, market supervision and other issues in the development process of overseas ChiNext boards, and explore various solutions.

Keywords: Growth Enterprise Board; Small and Medium Enterprise Board; Development Model; Market Positioning.

1. Introduction

A The purpose of launching the ChiNext market is to provide more convenient financing channels for small and medium-sized enterprises, while creating a normal exit mechanism for venture capital; Against the backdrop of the global financial tsunami, China's vast innovative and technology-based small and medium-sized enterprises are facing severe financing challenges, with some enterprises having already died prematurely due to poor financing channels. The timely launch of the ChiNext will provide a platform for industrial upgrading in China's booming technology development zones. In addition, it can also solve the financing difficulties of small and medium-sized enterprises affected by the financial crisis. Under the large-scale impact of international capitalist economy, the timely launch of China's ChiNext is of great significance for further improving China's multi-level capital market system, promoting the upgrading of China's industrial structure and economic system reform. The positioning of China's ChiNext market is to serve growth oriented entrepreneurial enterprises, with a focus on supporting independent innovation enterprises. The listing on the ChiNext is aimed at enterprises with high growth potential, high technological content, new economy, new technology, new agriculture, new materials, new energy, and new services. [1]

After ten years of preparation, the first batch of 28 companies on China's Growth Enterprise Market have been listed and traded on the Shenzhen Stock Exchange. This indicates that China's capital market is moving towards a higher level of development. Combining the main board market, small and medium-sized board market, and over-the-counter transfer market to form a multi-level and more stable capital market system. Expanding the scope of market services, broadening the path of capital development for high-tech and independent innovation small and medium-sized enterprises, enabling them to better finance and develop. [2]

In the current vast prospect of the launch of the ChiNext in China, we must also be aware of the various situations that may exist after the launch of the ChiNext. We should analyze the listing resources, listing scale and issuance standards, market operation mechanisms, market supervision and other issues of the ChiNext, face the various risks faced by the ChiNext market, explore effective response measures, and propose corresponding countermeasures. In order to establish a fair, orderly, transparent, and efficient ChiNext market, and ensure the healthy and stable development of the ChiNext market. [3]

2. Review of Relevant Literature

2.1 Foreign Literature Research

Salman and Berry believe that venture capital contracts are divided into two aspects: one is the contractual relationship between venture capitalists and venture fund investors, and the other is the contractual relationship between venture capitalists and the companies they invest in.

Leland and Pyle believe that in the process of securities issuance, the issue of information asymmetry is particularly prominent. The most important reason is that the issuing company cannot provide information about the company's operating conditions and specific project content to the capital market without distortion. Therefore, there are systematic differences in the evaluation of the true value of its securities between insiders and investors, So the role of information disclosure in securities issuance cannot be ignored.

Welch (1989) and Allen Faulhaber (1989) proposed the signaling hypothesis of information asymmetry between issuers and investors. Issuers of high-quality companies sell shares at a value lower than the company's valuation to distinguish between issuers of inferior companies, in order to ensure stock issuance, and their losses can be compensated for through methods such as post IPO issuance.

Rock (1986) proposed the "winner's curse" theory of information asymmetry among investors, which divides market participants into "informed participants" and "uninformed participants". The former has an information advantage and can purchase stocks with high underpricing, while the latter will withdraw from the market due to difficulty in purchasing new stocks with high underpricing.

Graman (1976) first proposed the term "securities trading mechanism", believing that the determining factor of price difference is not only the "time structure", but also the trading system itself of expert market making. He proposed that the equilibrium price of the securities market is determined by the behavior of market makers in order to ensure that their market making functions do not fail and maximize their profits per unit of time under the trading system of market makers. [4-5]

2.2 Domestic Literature Research

Liang Huajun summarized the supervision of securities issuance into three aspects: the reasons, objectives, and content of securities issuance supervision. The regulatory reasons for securities issuance in mature securities markets are divided into general reasons and fundamental reasons. The general reason is the subjectivity of securities value determination, and the market failure of securities issuance caused by asymmetric information; The fundamental reason is that the laws governing securities issuance are incomplete. The goal of securities issuance supervision is divided into three levels, with the direct goal of reducing information asymmetry between issuers and investors, and the intermediate goal of achieving openness, fairness, and impartiality among market participants; The ultimate goal is to achieve optimal resource allocation.

Zhang Yujun believes that standardized operation is the prerequisite and foundation for market development and maintaining sustained and vigorous vitality. Whether the ChiNext can operate and develop healthily depends on regulation. Especially for the Growth Enterprise Market (GEM), as a comprehensive and highly market-oriented market dominated by high-tech and small and medium-sized enterprises, if regulation is relaxed, the market will become disorderly and chaotic, unable to continue to survive. This has been a conclusion repeatedly proven by the development of similar foreign markets.

Chen Baohua tested the impact of trading mechanisms on stock price behavior. Under the conditions of using collective bidding for opening trading and continuous bidding for closing trading, the behavior of opening and closing returns of 10 stocks listed on the Shanghai Stock Exchange was compared, and the conclusion was drawn that the trading mechanism has a significant impact on stock price behavior.

Wang Yan, Huang Junhui, and Wang Huanchen studied the mixed market structure of expert brokers and limit order books, as well as limit order books and diversified market makers, using auction models. From the perspective of liquidity demanders, they compared it with the current limit order book market, where liquidity demanders tend to prefer the mixed market of limit order books and expert brokers.

Liu Yang analyzed the volatility characteristics of China's securities market since its establishment, paying special attention to the impact of trading mechanisms on market volatility. Through empirical analysis, it was found that the adoption of price stabilization measures and bidding methods in securities trading mechanisms has a significant impact on market volatility. Furthermore, he proposed suggestions on how to enhance market stability in the design of securities trading mechanisms. [6-7]

3. Market Positioning and Value Analysis of the Growth Enterprise Market

3.1 Development Status of the Growth Enterprise Market

With the launch of the domestic ChiNext market, the capital market has added a new level, and new securities have emerged in the financial market, attracting numerous investors and causing concern from all sectors of society. From the trend that the NASDAQ market, which carries the functions of the US Growth Enterprise Market, once surpassed the main board market, it is expected that the domestic Growth Enterprise Market, which effectively supports innovative enterprises and small and medium-sized enterprises, will develop and occupy half of the capital market, becoming a new investment hotspot in the coming period. The development of the ChiNext in China needs to closely follow international trends, carefully study the basic laws of ChiNext pricing, and continuously optimize the policy orientation of ChiNext investment. [8]

Within a year of the launch of the ChiNext, the Chinese ChiNext market has developed rapidly. Currently, there are a total of 78 listed companies on the ChiNext market in mainland China, with a total market value of 308 billion yuan and a total equity of 9.27 billion shares. The P/E ratio is 67.6 times and the P/B ratio is 7.74%. At present, the proportion of the primary and secondary industries in China's industrial structure is relatively large, while the tertiary industry is relatively weak. Due to the GEM's commitment to supporting small and medium-sized enterprises and high-tech enterprises, it is conducive to driving the development of the tertiary industry and optimizing China's industrial structure. The companies listed on the ChiNext are mostly high-tech enterprises in computer technology, new materials, new energy, biopharmaceuticals, communication, and other fields. Therefore, the ChiNext provides an incentive mechanism for independent innovation, which can promote the development of China's scientific research and innovation capabilities.

From the perspective of the international market, the NASDAQ market in the United States is a relatively successful example of the ChiNext market. The industry distribution of companies listed on the ChiNext market mainly includes high-tech fields such as information technology biotechnology, new material technology, and advanced manufacturing. However, enterprises listed on the ChiNext market in China have not formed a reasonable high-tech industry layout. As of February 11, 2021, most of the 54 listed companies in China are concentrated in four high-tech industries and sectors: information technology, biopharmaceuticals, professional equipment manufacturing, and electronics. Among them, there are 16 startup companies engaged in the information technology industry, accounting for 29.63% of the total number of listed companies; There are 9 listed companies each engaged in the pharmaceutical and biotechnology industries, as well as professional equipment manufacturing, with a proportion of 16.68%; There are 8 listed companies engaged in the electronics industry, accounting for 14.80% of the total number of listed companies; There are 6 listed companies engaged in petrochemical industry, accounting for 11.11% of the total number of listed companies; There are only 6 listed companies engaged in the social service industry, cultural and sports goods manufacturing industry, and other industries, accounting for 11.10% of the total number of listed companies. Currently, there are no listed companies involved in resource and environmental technology, aerospace technology, and other fields. This unreasonable

layout, on the one hand, leads to various systemic risks faced by the ChiNext board, which will be detrimental to the healthy and stable development of the ChiNext board market; On the other hand, the decrease in stock types poses greater market risks for investors when making portfolio choices.

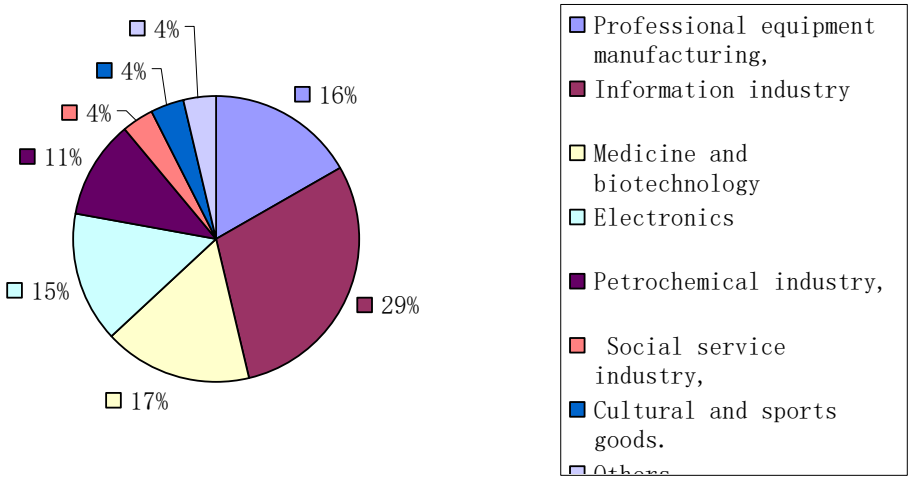


Fig 1. Industry Analysis of the Growth Enterprise Market

3.2 Analysis of the Development of Growth Enterprise Market Abroad

Since the 1960s, regions such as North America and Europe, represented by the United States, have been vigorously creating their own growth enterprise markets to address the financing issues of small and medium-sized enterprises. The development has roughly gone through four stages: initiation, prosperity, adjustment, and recovery. Compared with the main board market, the overseas ChiNext market has obvious characteristics, which can be mainly summarized in the following aspects:

Firstly, the ChiNext market has great potential, with the growth of Microsoft and Intel on the Nasdaq market being the most famous. The ChiNext market has relatively low requirements for the historical situation and performance of companies. The main focus of the market is on the development prospects, growth space, and other high growth potential of listed companies on the ChiNext market, which is a hot topic for investors in the ChiNext market. Secondly, the Growth Enterprise Market (GEM) is a high-risk market. Compared to the main board market, GEM listed companies have a small scale, emerging businesses, and their products are in the early stages of development, facing various risks. The probability and cases of bankruptcy and bankruptcy of listed companies are also much higher than those of the main board market. Furthermore, the threshold for listing in the GEM market is relatively low, simple and flexible, and the market size and profitability requirements for listed companies are relatively low compared to the main board market, Enterprises listed on the ChiNext board do not require approval, only registration and filing can be listed for trading, which is relatively simple and flexible compared to the main board, and the cost is also much lower. Finally, the risk tolerance of investors in the ChiNext market is relatively strong compared to the main board market. Investing in the ChiNext market carries high risks, so the main focus of investing in the market is to seek high investment returns, institutional investors who can afford high risks, and individuals who are familiar with investment knowledge and skills.

3.3 Analyzing the Positioning of the Growth Enterprise Market based on Foreign Experience

3.3.1 Analysis of Successful Experiences Abroad

Taking the NASDAQ market in the United States as an example, the overseas ChiNext market is far superior to the Chinese ChiNext market in terms of industry distribution, resource allocation, and market supervision system. As an emerging market, the Chinese ChiNext should learn from successful overseas experiences and improve the market.

The experience of successful overseas growth enterprise boards is mainly reflected in the following aspects: firstly, continuous institutional reform and innovation to adapt to changes in market conditions; Secondly, focus on the quality of listed companies and the rationality of industry distribution; The third is to implement an effective sponsor system and improve market supervision; The fourth is to actively explore market trading systems that are suitable for the characteristics of the Growth Enterprise Market. While drawing on successful experiences, it is also important to pay attention to the lessons learned from the failures of some overseas growth enterprise markets, which have only survived for a few years or even less due to their own shortcomings.

3.3.2 Drawing Lessons from Successful Experiences on Overseas Growth Enterprise Boards

Reduce listing standards while increasing regulatory efforts to prevent market violations and risks

Market regulation, as the foundation of market establishment, should not relax regulatory requirements while expanding market size or gathering popularity. Some overseas gem markets often do not set financial indicators or continuously lower listing standards to obtain more listing resources. In the ChiNext board, lower listing standards help attract more companies to go public, thus forming economies of scale faster. When regulatory measures are not in place, the occurrence of violations is inevitable. In the absence of clear listing standards and review procedures in the original German new market, a large number of companies relied solely on packaging or concept hype for listing, coupled with weak regulation, and the market was ultimately forced to close due to the integrity crisis caused by various false accounting scandals.

The fundamental to enhancing liquidity lies in improving the quality of the company and protecting the interests of investors

Providing liquidity is one of the main functions of the securities market, and once there is insufficient liquidity in the ChiNext market, it often leads to the loss of financing function. Some cases of the closure of the ChiNext market indicate that although the market maker system was introduced following the example of NASDAQ in the United States, the problem of insufficient liquidity has not been fundamentally solved. Taking the original European NASDAQ as an example, the reason for this is that the trading system cannot completely determine the liquidity of the market. Ensuring the quality of listed companies and effectively protecting the interests of investors in the market is the top priority. At the beginning of the establishment of the Hong Kong Growth Enterprise Market, the listing threshold was relatively low, the quality of listed companies was generally not high, and the regulatory authorities did not provide enough crackdown on illegal behavior of listed companies, resulting in frequent illegal and irregular behavior of companies, seriously affecting the market image.

3.4 The Impact of the Growth Enterprise Board on the Small and Medium Enterprise Board Market

The small and medium-sized enterprise board in China mainly provides convenient financing channels for small and medium-sized companies whose operating conditions meet the conditions for listing on the main board but their scale does not meet the standards. According to the requirements of the China Securities Regulatory Commission, the only difference between the main board and the small and medium-sized board market is the different requirements for post issuance share capital. The main board listing requires a total of over 1 billion shares of post issuance share capital, and companies with less than 1 billion shares will be listed on the small and medium-sized board. The ChiNext board, which also provides financing and development platforms for small and medium-sized enterprises, has lower requirements and tends to focus on innovative or entrepreneurial enterprises that are still in the growth stage. It pays more attention to the evaluation of the company's innovation ability and future development potential, and focuses on supporting independent innovation enterprises.

The establishment of the ChiNext board has reached a scale of over 50 companies from its initial 28 companies. At present, more and more companies are issuing and listing on the Growth Enterprise Market through auditing, and more investors are constantly flocking to this high-risk second board

market for investment speculation. From the current development scale, listing regulations, and trading mechanism of the ChiNext, the establishment of the ChiNext is still difficult to threaten the main board market, as there is still a gap between the two markets. However, the rapid rise of the ChiNext continues to impact the small and medium-sized sectors that also serve small and medium-sized enterprises. Although it is still possible to clearly see the boundary between the two sectors, under certain equity requirements, the relatively low listing threshold of the ChiNext market will inevitably affect the activity of small and medium-sized sectors in the development trend. Given the high risks of the ChiNext board, the SME board has emerged in a transitional form, continuously promoting the accumulation of experience in the ChiNext market and minimizing the negative impact that the establishment of the ChiNext board may have on the main board market.

The market indicates that during the period of good operation since the establishment of the ChiNext, the Small and Medium sized Enterprise Board has completed its historical mission. As a test of the bottom of the ChiNext, it has made a good transition to establish the ChiNext. In the current market situation, there is no need for the Small and Medium sized Enterprise Board to continue to maintain. The choice of the SME board has been put on the agenda. Suspend the issuance of new shares on the Small and Medium sized Enterprise Board, and then make adjustments to existing companies listed on the Small and Medium sized Enterprise Board: merge small and medium sized enterprise board companies that meet the main board standards into the main board market, and the remaining companies that do not meet the main board requirements can choose to delist or merge into the Growth Enterprise Board through various other means, thus officially canceling the Small and Medium sized Enterprise Board.

4. Existing Problems and Proposed Countermeasures

4.1 Existing Problems

4.1.1 Insufficient Standardization and Low Growth Potential of Listed Companies

Most of the companies listed on the ChiNext are small and medium-sized innovative technology enterprises, with limited scale, lack of funds, non-standard management structure, and weak internal control. Moreover, due to the low entry threshold and inadequate issuance supervision system of the ChiNext, a group of companies with poor quality have entered the ChiNext market. These companies that do not have high growth potential will experience performance fluctuations after entering the ChiNext board. The main problems faced by GEM companies are as follows: firstly, there are a large number of parasitic companies present in the GEM market, and the vast majority of their business operations are dependent on other companies. Once other companies suspend this business, it will significantly affect the performance of such GEM companies, such as Shenzhou Taiyue and Hengxin Mobile. Secondly, some companies on the Growth Enterprise Market (GEM) do not belong to growth-oriented companies. China has launched the GEM with the intention of providing development funds for innovative enterprises in the development stage. However, not all companies listed now meet this condition. For example, the first 28 companies listed in the first batch are actually mature enterprises, and there are also many GEM companies listed in the later batches. For example, Jiayu Co., Ltd., which went public at the beginning of this year, was established as early as 1987. These companies have already passed their growth period and their performance is basically difficult to achieve high growth. Some GEM companies also use various patents for packaging in order to achieve listing when their growth is not enough. However, there are not many valuable patents that can truly bring benefits to the company, so these companies cannot show high growth after listing, after going public, the main business of the ChiNext board companies suffered losses, and the phenomenon of profit decline was endless. In addition, some GEM companies have multiple problems in corporate governance, internal control, fundraising, and other aspects, and even some companies do not operate in a standardized manner. The most typical representative of this is Aier

Eye Company, which has serious management problems in the operation of the board of directors' compensation assessment committee and shareholders' meeting.

4.1.2 Incomplete Market Mechanism with High Risks

The system of the ChiNext market is not optimized enough: China's ChiNext market implements a bidding trading system, and its ability to handle large transactions is weak under this system. Overseas failed ChiNext markets indicate that poor liquidity and inactive trading are important reasons for the failure of the ChiNext market. At the same time, the small size of the ChiNext board can easily be manipulated, causing excessive speculation, which not only affects companies listed on the ChiNext board, but also affects the main board and even the entire stock market. Under the influence of excessive speculation, it will inevitably affect the normal operation of the securities market.

The uncertainty of the ChiNext market is high, and regulation is difficult to implement: The ChiNext market is a product of the development of developed countries' capital markets to a certain stage. However, the development of venture capital in China is not yet mature. Companies listed on the ChiNext board mainly engage in research on high-tech, with small asset sizes and significant investment risks. Their profitability is weak, and their performance is not guaranteed, making more institutional investors unwilling to enter in order to avoid such high risks. In addition, China's Growth Enterprise Market (GEM) has just started and market regulation is not yet perfect, making it prone to insider trading, market manipulation, and other violations. If such violations are not effectively regulated, they will cause losses to investors and affect the healthy and stable development of the entire GEM.

The handling of delisted companies is not perfect enough

The delisting system that promotes efficient market operation to achieve healthy and sustainable development has not yet been introduced, making it difficult to effectively protect the interests of investors.

According to the regulations of China's system, companies listed on the ChiNext board can directly delist after termination of listing, without the need to enter the proxy share transfer system like the main board market. As the transfer system allows investors of delisted companies to continue trading, after delisting, investors may not have appropriate trading venues to complete transactions, which is not conducive to protecting the interests of investors.

Analysis of Countermeasures for the Development of the Domestic ChiNext Market

On the basis of grasping the potential listing resources of China, China should strengthen its competition with other overseas gem markets, adopt effective marketing strategies and product innovation, and attract more listing resources. From various research reports, it can be seen that within the statistical scope of the Ministry of Science and Technology alone, there are 1183 enterprises that meet the issuance standards of the Growth Enterprise Market, which can fully serve as a mature reserve of listing resources. Moreover, China is in a period of economic transformation, and the number of companies with potential strength to list on the ChiNext cannot be underestimated. We should also be prepared to compete with overseas ChiNext for these potential listing resources.

In formulating listing standards, it is necessary to learn from the situation in overseas markets, establish a rating system for listed enterprises, establish relatively strict listing standards, evaluate the reputation, development potential, growth potential, and other aspects of the enterprise, select excellent companies, and enhance investor recognition. Select a group of enterprises with large market value, stable operation, and potential development as the market foundation, cultivate truly powerful market leading enterprises, to stabilize the ChiNext market and enhance investor confidence. The formulation of financial and non-financial standards should be stricter, while also ensuring market size. The listing conditions in our country have strict standards for the profitability of enterprises, which are not found in other markets, even the NASDAQ market, which is the highest on the Growth Enterprise Market. According to the regulations of the China Securities Regulatory Commission, if a company wants to be listed on the Shenzhen Stock Exchange Growth Enterprise Board, it must achieve continuous profitability in the past two years, with a cumulative net profit of

no less than 10 million yuan and continuous growth in the past two years; Alternatively, the company has made a profit in the past year with a net profit of no less than 5 million yuan, a revenue of no less than 50 million yuan, and a revenue growth rate of no less than 30% in the past two years. Although this standard may seem too strict, investors may doubt the attractiveness of the ChiNext for listing resources. However, upon careful study, it can be seen that the above profit indicators are not difficult to achieve.

The small and medium-sized enterprise board in China has similar listing conditions to the main board, but it is aimed at the field of small and medium-sized enterprises, which is a transitional period before the opening of the ChiNext board. Therefore, what the financial market truly needs is a ChiNext market that is internally independent, highly attractive to the outside world, has a lower listing threshold, and has strong supervision, while also solving the financing problems of high-tech and high growth enterprises. Its market operation mechanism and trading system must be innovated. On the basis of the market bidding trading system, introduce the market maker system, develop a mixed trading system, maintain the liquidity of the ChiNext market, and form a diversified pattern of market trading systems. For example, many foreign securities markets, such as the NASDAQ market in the United States, have adopted a hybrid trading system that combines electronic matching bidding and market maker systems, achieving great success and playing a demonstration role in the development of China's ChiNext market.

Small and medium-sized entrepreneurial enterprises are a group of high-yield and high-risk enterprises, and their development process has the following three characteristics: high uncertainty, high growth, and high information asymmetry. If the standards of listed companies are low, resulting in huge investment risks, it will affect investors' confidence in the entire market. Therefore, it is particularly important to regulate the internal supervision of listed companies and the entire ChiNext market. Improve legislation, formulate corresponding regulations, and establish a sound legal system. For stock market manipulation behavior, it is necessary to strengthen regulatory efforts and management intensity, regulate daily trading matters, strictly implement information disclosure systems, ensure information accuracy and timeliness, and law enforcement personnel should strictly enforce the law. For illegal behaviors that occur, not only administrative and civil penalties should be imposed, but also moderate criminal penalties should be imposed. At the same time, strengthen education for ordinary investors, establish risk awareness, improve their professional skills, and guide retail investors to conduct rational investment analysis.

Provide a buffer platform for delisted companies on the delisting issue. After delisting, listed companies on the main board market will transfer to the agency share transfer system. Although the transaction procedures in the agency share transfer system are relatively complex and have certain limitations, providing a place for continued trading can allow listed companies to continue trading after delisting without damaging the enthusiasm of investors. Therefore, a buffer market should be provided for delisted companies on the Growth Enterprise Market to protect the interests of investors.

Selection of domestic development models

Based on the improvement and innovation of various systems, the market level differences between the Growth Enterprise Board and the Small and Medium Enterprise Board have been maintained to a certain extent, but the relative homogeneity of their service targets determines the strong correlation between the two markets. Given the awkward position of the small and medium-sized enterprise board as a subsidiary market of the main board and its historical role in transitioning to the growth enterprise board, separating the small and medium-sized enterprise board from the main board market and incorporating it into a multi-level growth enterprise board market system together with the growth enterprise board will be more conducive to clarifying the level of China's capital market, and enabling the organic integration of the differences and commonalities between the growth enterprise board and the small and medium-sized enterprise board. Taking Nasdaq as an example, the Nasdaq market was originally composed of two levels of markets: the National Market System and the Small Cap Market. The target of the small capital market is high growth small and medium-sized enterprises, with high-tech enterprises accounting for a considerable proportion. The target of the

national market is large enterprises worldwide and enterprises developed through small capital markets. After decades of successful operation and accumulation of experience, NASDAQ has further subdivided from the original two markets into the NASDAQ Global Select Market, NASDAQ Global Market, and NASDAQ Capital Market. The latter two correspond to the original Nasdaq national market and the small capital market respectively, in order to optimize the market structure and attract enterprises from different levels to go public.

Referring to the successful experience of NASDAQ and the analysis of the current characteristics of China's capital market, the long-term goal and concept of establishing a multi-level capital system for the Growth Enterprise Market have certain feasibility. The development model of China's ChiNext board should prioritize the existing small and medium-sized enterprise board at the highest level under the ChiNext market system, and focus on serving mature small and medium-sized enterprises with strong independent innovation capabilities, excellent performance, and standardized operation by implementing high listing standards, strict delisting systems, and strong regulatory systems, The existing ChiNext, as the second level of the market, tends to serve innovative small and medium-sized enterprises with certain independent innovation capabilities but immature and frequent financing needs with relatively loose listing standards.

5. Conclusion

With the rapid development of China's economy, on the basis of a favorable entrepreneurial investment environment and conditions, enterprises that meet the requirements of entrepreneurial investment are constantly emerging; However, at present, the existing financing environment in China is not flexible enough. A large number of potential companies have encountered financial bottlenecks in their development, hoping to receive financial support. The growing demand for domestic venture capital has driven the rapid growth of venture capital in recent years. In the context of a large market economy, developing the ChiNext market not only further optimizes the investment and financing structure, increases support for large and small enterprises, alleviates the problem of financing difficulties for small and medium-sized enterprises, but also promotes the performance explosion of participating enterprises. Successfully landing on the ChiNext market will bring rich equity returns to participating companies and enhance their investment value. Despite the deaths of a large number of overseas growth enterprise boards and the sluggish market in Hong Kong, the prospects of the Chinese growth enterprise board are generally optimistic. The main board market in China is not yet fully mature and not very standardized, and launching the ChiNext under such conditions is both an opportunity and a challenge for China.

With the practical experience of the success of NASDAQ in the United States, in the 1990s, many developed countries followed suit and established their own growth enterprise boards. However, the development was not smooth sailing, leaving behind many valuable experiences and lessons. After the transition of the small and medium-sized enterprise board, the domestic ChiNext board needs to strengthen its market function in serving growth, technology, and innovation oriented small and medium-sized enterprises, clarify the deep connotation between the small and medium-sized enterprise board and the ChiNext board, and gradually and timely promote the framework construction of the ChiNext board and the small and medium-sized enterprise board to be integrated into the multi-level ChiNext board market system, and further improve the construction of China's multi-level capital market system.

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