

Guidelines of Shanghai Stock Exchange for Trading Suspension and Resumption by Listed Companies Planning Material Events

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Chapter I General Provisions

Article 1 This Guidelines is formulated in accordance with the *Measures for the Administration of Stock Exchanges*, the *Measures for the Administration of Major Asset Restructuring of Listed Companies*, the *Measures for the Administration of Issuance of Securities by Listed Companies*, the *Guidance on Improving the Rules of Trading Suspension and Resumption by Listed Companies*, as well as the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange* and other provisions to regulate the suspension and resumption of trading of stocks and their derivatives during the period when listed companies are planning major asset restructuring, safeguard the orderliness of the securities market, and protect investors' rights to information and rights to trade.

Article 2 A listed company shall prudentially apply for trading suspension, specify the grounds for trading suspension, minimize the trading suspension period as possible as it can, and timely apply for trading resumption.

Article 3 A listed company planning for a material event shall disclose the details of the event in phases based on its progress, and shall not apply for trading suspension solely on the ground that the outcome of the event being planned is not yet certain.

A company may apply for trading suspension in accordance with this Guidelines if there is significant uncertainty surrounding the relevant material event which may considerably impact the trading price of the company's stock and its derivatives.

Article 4 During the planning of a material event, the listed company; its shareholders, *de facto* controllers, directors, supervisors, senior officers, and other transacting parties; as well as intermediaries such as securities companies and securities service providers that provide relevant services shall strictly fulfill confidentiality obligations and duly manage information and register the people with access to inside information. The company shall not apply for trading suspension as a substitute for its confidentiality obligations.

Article 5 Where a listed company applies for trading suspension for planning a material event, it shall disclose, among others, the specific reasons for the trading suspension, the trading suspension period, and the anticipated trading resumption date. During the trading suspension, the company shall provide detailed update on the event being planned at each phase, without vague or general languages.

When applying for trading resumption, the company shall disclose, among other information, the main works and progress of the event being planned during the trading suspension; its

impact on the company; as well as subsequent arrangements, and adequately disclose the risks and uncertainties of relevant events.

Upon terminating the planning for the material event, the company shall promptly apply for trading resumption; disclose, among other information, the specific reasons for the termination, the decision-making process, impact on the company, and subsequent arrangements; and adequately disclose related risks.

Article 6 A listed company and its controlling shareholders, *de facto* controllers, directors, supervisors, senior officers, and other transacting parties shall duly perform their responsibilities during the trading suspension by actively advancing the progress of the event being planned, strictly performing their disclosure obligations, and making best efforts to minimize the trading suspension period to protect the trading rights of investors.

Intermediaries such as securities companies and securities service providers that provide the company with relevant services in planning the material event shall act with diligence; timely carry out due diligence, audit, valuation, and other works in strict accordance with the code of conduct and the requirements of their professions; ensure their professional opinions are objective and impartial; and assist the company to accelerate the speed of planning.

Article 7 Where a listed company applies for trading suspension to plan a material event, the Shanghai Stock Exchange (the “Exchange”) will process such application in accordance with this Guidelines and its other applicable market rules. The Exchange may reject the application if it does not meet the permitted reasons, conditions, and requirements for trading suspension under this Guidelines.

The Exchange may require a company to apply for trading suspension or resumption based on the order of the China Securities Regulatory Commission (the “CSRC”), market conditions, or the trading status of the company’s stock or its derivatives. If the company fails to do so as required, the Exchange may enforce mandatory trading suspension and resumption and order the company to explain the relevant circumstances and its actions.

In case of any extremely extraordinary event in the stock market, the Exchange may, based on the decision of the CSRC or the market conditions, suspend the processing of trading suspension applications to safeguard trading continuity and liquidity in the stock market as well as the legitimate trading rights of investors.

Chapter II Planning of Major Asset Restructuring

Article 8 A listed company planning for asset purchase through share issue may apply

for a short-term trading suspension of up to 10 trading days based on the specific circumstances. Where the underlying asset of the restructuring changes during the trading suspension period, the cumulative trading suspension period shall not exceed 10 trading days.

Any listed company intending to apply for trading suspension for planning an asset purchase through share issue shall apply for the trading suspension when submitting the disclosure documents for the relevant event for the first time.

Any listed company that is planning an asset purchase through share issue but foregoes the trading suspension shall maintain the confidentiality of the related information and disclose the preliminary restructuring plan or the restructuring report as soon as practicable.

Any listed company that is planning an asset purchase through private placement of convertible bond shall be governed *mutatis mutandis* by the provisions of this Guidelines on asset purchase through share issue.

Article 9 Any listed company applying for trading suspension for planning an asset purchase through share issue shall disclose the name of the underlying asset and the counterparty, the method of transaction, the letter of intent, and other basic information regarding the restructuring in the trading suspension announcement.

For a restructuring deal to be conducted by auction, the company may postpone disclosing the name of the underlying asset and counterparty of the restructuring in the trading suspension announcement if such disclosure may adversely affect its participation in the auction. Once the cause for such postponement is eliminated, the company shall promptly disclose the underlying asset, counterparty, and progress of the restructuring.

If the underlying asset involves an overseas-listed company and the disclosure thereof and of the counterparty in the trading suspension announcement may impact the trading of such listed company in the overseas market, the SSE-listed company may postpone the disclosure of the underlying asset and the counterparty; it shall, however, disclose the industry of the underlying asset. The underlying asset and the counterparty shall be disclosed by the SSE-listed company no later than when they are disclosed by the overseas-listed company.

Article 10 Any listed company applying for trading suspension for planning a restructuring involving share issue shall, before trading resumes, disclose the name and shareholding of its top 10 shareholders, of its top 10 holders of marketable shares, as well as the total number of shareholders as of the trading day before trading suspension.

Article 11 A listed company shall, before the expiration of the trading suspension period,

disclose the preliminary restructuring plan approved by its board of directors and apply for trading resumption or, if it fails to disclose the preliminary plan within this period, terminate the planning and apply for trading resumption.

Where the company is unable to disclose the preliminary restructuring plan before the expiration of the trading suspension period as required under Article 8 but relevant state authorities have otherwise provided for the timing of trading suspension and resumption for the events concerned, the company may apply to the Exchange for an extension of the trading suspension period after adequately disclosing the progress of the event being planned, the reasons for the extension, and the anticipated trading resumption date, provided that the trading suspension period shall not exceed 25 consecutive trading days in general. Where the trading suspension period and the timing of trading resumption are subject to other requirements due to such factors as involvement of a major strategic project of the state or state military secret, such other requirements shall prevail.

Article 12 Following the disclosure by a listed company of its preliminary restructuring plan or restructuring report, the trading of the company's stock and its derivatives shall in general not be suspended during the period in which the Exchange duly inquires into the information disclosure of the restructuring and the company replies to the inquiry.

Article 13 Where a listed company changes its financial advisor or any other securities service provider during restructuring planning, it shall not cite such a change as a reason for applying for trading suspension or postponing trading resumption, and shall timely disclose relevant events and adequately disclose related risks.

Article 14 If a listed company planning an asset purchase through share issue applies for trading suspension to make major adjustments to its preliminary restructuring plan or restructuring report following the release thereof, it shall disclose, among other information, the particulars, current progress, subsequent arrangements, and pending processes of such major adjustments and apply for trading resumption within 5 trading days of the trading suspension.

Article 15 A listed company shall make a transaction progress memo for the period from the planning of the restructuring to the disclosure of the material asset restructuring report.

The company shall on a monthly basis disclose the detailed progress of relevant events, changes (if any) to the event being planned, and other pertinent details.

The company shall timely disclose any major progress or major change in the event being

planned, including:

- (1) signing a restructuring service agreement or other documents with its financial advisor or other securities service providers;
- (2) signing a restructuring-related agreement with the counterparty, or materially amends or changes any signed restructuring framework agreement or letter of intent;
- (3) receiving the opinion of the pre-examination from competent authorities on the restructuring;
- (4) achieving phased progress in such works as due diligence, audit, and valuation;
- (5) the event being planned is at risk of termination, such as due to a major pricing disagreement between the transacting parties, major market volatility, or material change in tax policies or the industry policies for the underlying assets;
- (6) replacing, adding, or removing any underlying asset of the restructuring;
- (7) replacing the financial advisor or other securities service providers; or
- (8) any other major progress or major change.

Article 16 Where a listed company planning an asset purchase through share issue, or any of its incumbent directors or senior officers, is under formal investigation by the judicial system or the CSRC during the trading suspension period for suspected illegal activity or misconduct, the company shall verify and disclose the impact of the investigation on the proposed restructuring, and, if it can no longer proceed with the restructuring, promptly apply for trading resumption.

Chapter III Other Material Events

Article 17 Any listed company that plans such events as change of control or tender offer shall in general disclose their progress at each phase. If the company has a *bona fide* need for trading suspension, it may apply for the trading suspension for at the maximum 2 trading days and shall fulfill its information disclosure obligations in accordance with Article 5. If absolutely necessary, the trading suspension period may be extended to 5 trading days.

Article 18 Any listed company that plans a material event other than those set forth in Article 17 shall disclose the progress of the event at each phase, and unless otherwise

provided by the CSRC and the Exchange, shall not apply for trading suspension solely on the ground that it is uncertain of the outcome of the event being planned.

Article 19 A listed company shall in general not suspend the trading of its stock during bankruptcy and reorganization proceedings, and shall disclose the progress of the reorganization at each phase. If the company has a *bona fide* need for trading suspension, it shall disclose, among other information, the specific reasons for trading suspension, the progress of the reorganization, and the anticipated trading resumption date, and limit the trading suspension period to a maximum of 2 trading days or, if absolutely necessary, 5 trading days.

Article 20 Subject to the approval of the CSRC or the Exchange, a listed company may apply for trading suspension if there is material uncertainty surrounding a major risk event of the company which may materially impact the market order and harm the legitimate rights and interests of investors.

Chapter IV Handling and Regulation of Trading Suspension and Resumption

Article 21 A listed company applying for trading suspension or resumption shall submit to the Exchange:

- (1) the application for trading suspension or resumption, signed by its board chairman or the director authorized by the chairman and affixed with its common seal;
- (2) the trading suspension or resumption announcement prepared in accordance with Article 5; and
- (3) other documents required by the Exchange.

Where a listed company applies for the trading suspension, the listed company shall apply during non-trading hours.

Article 22 The Exchange may require a listed company in trading suspension to immediately apply for trading resumption if it finds that the reason for the trading suspension is not justified or the application for trading suspension does not comply or no longer complies with this Guidelines. If the listed company fails to apply for trading resumption as required, the Exchange may enforce the trading resumption and require the company to disclose relevant situations and give the explanation.

Article 23 During the review of a trading suspension or resumption application, the

Exchange may, when it deems necessary, require the listed company and its related parties to submit additional documents or to engage securities service providers, such as a financial advisor, to opine on such matters as the reasonableness of the cause and period of the trading suspension and the truthfulness of the reason for terminating a material event and to timely disclose such opinions.

Article 24 Where a listed company, in violation of this Guidelines or other applicable rules, abuses the trading suspension system or does not perform the corresponding decision-making process or disclosure obligations and such non-performance may harm the legitimate rights and interests of investors, the Exchange may explain the situation to the market through an announcement or otherwise and unilaterally resume the trading.

Article 25 For any listed company that has suspended the trading of its stock either frequently or for an excessively long cumulative period, the Exchange may, in view of the circumstances, publicize the information about the company's trading suspensions, including, among others, their periods, the number of trading suspensions within the past year, the cause of trading suspension, and the disclosure of progress during the trading suspensions.

Article 26 If a listed company applies for trading suspension without prudential consideration, or if the company or any of its controlling shareholders, *de facto* controllers, or related parties engages in such activities as abusing the trading suspension system, delaying the resumption of trading, breaking commitment, not performing relevant decision-making process, or disclosing false, inaccurate, or incomplete information, the Exchange may respond with on-site inspections or other actions, and, where appropriate, take regulatory measures or disciplinary actions against the listed company, controlling shareholder, *de facto* controller, board chairman, or other responsible individuals.

If any securities company or securities service provider that provides services to the company, in violation of its duty of due care, issues unprudential opinions for the trading suspension or resumption of trading of the company's stock, the Exchange may take such regulatory measures or disciplinary actions against it as the Exchange deems appropriate.

Where the Exchange finds clues to any suspected violation of laws, administrative regulations, or applicable rules of the CSRC committed by a listed company during the trading suspension or resumption of trading of its stock, the Exchange will promptly forward such clues to the CSRC for further examination.

Chapter V Ancillary Provisions

Article 27 The Exchange reserves the right to interpret this Guidelines.

Article 28 This Guidelines shall come into effect as of the date of release. Relevant provisions of the *Guidelines for Trading Suspension and Resumption by Listed Companies Planning Material Events* (SZF [2016] No. 19) released on May 27, 2016 shall expire on the same date. To the extent of any inconsistency between this Guidelines and other prevailing rules of the Exchange, this Guidelines shall govern.