

# **Implementing Measures of the Shanghai Stock Exchange for the Compulsory Delisting of Listed Companies for Material Violations**

## **Disclaimer Statement**

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## **Implementing Measures of the Shanghai Stock Exchange for the Compulsory Delisting of Listed Companies for Material Violations**

**Article 1** These *Implementing Measures* are formulated in accordance with the applicable provisions of the *Securities Law*, the *Measures for the Administration of Stock Exchanges*, the *Decision of the China Securities Regulatory Commission on Amending the Opinions on Reforming, Improving and Strictly Implementing Rules on the Delisting of Listed Companies* and the *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange* (the “*Listing Rules*”) to strictly implement rules on the compulsory delisting of listed companies for material violations against the law and maintain the sound and orderly development of the securities market.

**Article 2** In these *Implementing Measures*, the stocks of a listed company shall be subject to compulsory delisting for material violations if:

(1) its stocks are required to be terminated from listing due to its fraudulent offering, material disclosure violation or other material violations that severely disrupt the orders of the securities market and affect its listing status; or

(2) its stocks are required to be terminated from listing due to its serious violations involving national security, public security, ecological security, production safety and public health, and other areas which severely harm the national interests or public interests or affect its listing status.

**Article 3** The Listing Committee of the Shanghai Stock Exchange (the “Exchange”) will, based on an administrative sanction decision of the competent administrative authority, findings of facts in the effective judgment of a people’s court, and the standards prescribed herein, review whether to subject the stocks of a listed company to compulsory delisting for material violations, make independent and professional judgment thereon, and issue a review opinion thereon. The Exchange will, based on the review opinion of the Listing Committee, decide whether to subject such stocks to compulsory delisting for material violations.

**Article 4** The stocks of a listed company shall be terminated from listing if the company commits any of the material violations specified in Item (1) of Article 2 where:

(1) the company receives an administrative sanction from the China Securities Regulatory Commission(CSRC) for any misrepresentations, misleading statements or material omissions contained in its IPO application or disclosure documents in accordance with Article 189 of the *Securities Law* or is found guilty in an effective judgment by a people’s court in accordance with Article 160 of the *Criminal Law*;;

(2) the company receives an administrative sanction from the CSRC for any misrepresentations, misleading statements or material omissions contained in its application or disclosure documents for the purchase of assets by issuance of stocks which constitutes a reverse takeover (RTO) in accordance with Article 189 of the *Securities Law* or is found guilty in an effective judgment by a people’s court in accordance with Article 160 of the

*Criminal Law*;

(3) based on the findings of facts in an administrative sanction decision of the CSRC, the company's financial indicators for consecutive fiscal years have actually reached the thresholds for termination of listing under the *Listing Rules* due to any misrepresentations, misleading statements or material omissions contained in its disclosed annual report; or

(4) the company is found by the Exchange to have otherwise severely disrupted the orderly securities market based on the fact, nature, severity, social impact and other factors of its violation.

**Article 5** The stocks of a listed company shall be terminated from listing if the company commits any of the material violations set out in Item (2) of Article 2 where:

(1) the company or any of its main subsidiaries has its business license legally revoked, is ordered to shut down or is deregistered;

(2) the company or any of its main subsidiaries has its production and operation license for main business legally revoked or otherwise loses legal qualification from continuing production and operation; or

(3) the Exchange believes the company's stocks shall be terminated from listing, based on the severity of the harm to the national interests and public interests caused by the company's material violation against the law and considering the type of legal liability assumed by the company and the impact of such violation on the production and operation and listing status of the company, and other factors.

**Article 6** If a listed company might be involved in any circumstances, prescribed herein, where its stocks shall be subject to compulsory delisting for material violations, the listed company shall, on the day when it becomes aware of the competent administrative authority's prior notice of administrative sanction or a people's court delivers a judicial judgment, apply to the Exchange for trading suspension of its stocks and their derivatives, timely disclose related information, and issue a special risk warning about the possibility of its stocks being subject to compulsory delisting for material violations.

If, according to the competent administrative authority's administrative sanction decision or the people's court's effective judgment received by the listed company during the trading suspension prescribed in the foregoing Paragraph, the listed company might be involved in any circumstances, prescribed herein, where its stocks shall be subject to compulsory delisting for material violations, the company shall timely disclose related information and issue a special risk warning about the possibility of its stocks being subject to compulsory delisting for material violations.

If, according to the competent administrative authority's administrative sanction decision or the people's court's effective judgment received by the listed company during the trading suspension prescribed in the first Paragraph of this Article, the listed company is not involved in any circumstances, prescribed herein, where its stocks shall be subject to compulsory

delisting for material violations, the company shall apply for trading resumption of its stocks.

If the listed company fails to apply for trading suspension of its stocks and disclose related information as required by this Article, the Exchange may, after becoming aware thereof, impose a trading suspension on its stocks and their derivatives and will release an announcement thereon to the market.

**Article 7** If a listed company might be involved in any circumstances, prescribed herein, where its stocks shall be subject to compulsory delisting for material violations, the Listing Committee will, within 15 trading days after the listed company's disclosure thereof or the Exchange's announcement of the competent administrative authority's administrative sanction decision or a people's court's effective judgment to the market, review whether to subject the stocks of the listed company to compulsory delisting for material violations, make independent and professional judgment thereon, and issue a review opinion thereon.

During the review, the Listing Committee may require the company, relevant intermediary, etc. to provide supplementary materials, and the period for the provision of such materials shall not be included into the 15-trading-day review period specified in the preceding Paragraph. If the company or relevant intermediary fails to provide such materials within the period as specified by the Exchange, the Listing Committee will continue with the review.

Based on the review opinion of the Listing Committee, the Exchange will, within 5 trading days, issue to the company a notice of opinion for or against subjecting its stocks to compulsory delisting for material violations.

The company shall, upon receiving such notice, timely disclose the notice. If the Exchange issue a notice of opinion against subjecting its stocks to compulsory delisting for material violations, the company shall apply for trading resumption of its stocks.

**Article 8** A listed company may, within 10 trading days upon receiving the Exchange's notice on subjecting its stocks to compulsory delisting for material violations, submit a written hearing request to the Exchange, stating the specific matters to be heard and the reasons therefor.

The company may, within the period specified in the preceding Paragraph, submit in writing to the Exchange an application or arguments against subjecting its stocks to compulsory delisting for material violations as well as documents related thereto.

The company's failure to submit a hearing request, written application or arguments within the period specified in the first or second Paragraph of this Article shall be deemed as a waiver of its corresponding rights.

If the company submit a hearing request within the period specified in this Article, the Listing Committee will organize and hold the hearing in accordance with relevant rules.

**Article 9** Within 15 trading days upon the expiration of the period specified in Article 8 hereof or the end of the hearing procedures, the Listing Committee will, considering the

hearing over and the statements and arguments of a listed company, review whether to subject the stocks of a listed company to compulsory delisting for material violations, make independent and professional judgment, and issue a review opinion thereon.

During the review, the Listing Committee may require the company, relevant intermediary, etc. to provide supplementary materials, and the period for the provision of such materials shall not be included into the 15-trading-day review period specified in the preceding Paragraph. If the company or relevant intermediary fails to provide such materials within the period as specified by the Exchange, the Listing Committee will continue with the review.

Based on the review opinion of the Listing Committee, the Exchange will, within 5 trading days, decide whether to subject the stocks of the company to compulsory delisting for material violations.

**Article 10** If the Exchange decides to subject the stocks of a listed company to compulsory delisting for material violations, the Exchange will, in accordance with the *Listing Rules*, successively issue a delisting risk warning to its stocks and suspend and terminate their listing. The Exchange may, without any review of the Listing Committee, directly decide to suspend or terminate the listing of such stocks.

The delisting risk warning and the suspension of listing, as specified in the preceding Paragraph, shall continue for 30 trading days and 6 months respectively.

If the Exchange decides not to subject the stocks of the company to compulsory delisting for material violations, the company shall, upon receiving the Exchange's decision, timely disclose such decision and apply for trading resumption of its stocks.

**Article 11** If the Exchange decides to subject the stocks of a listed company to compulsory delisting for material violations, the company may, within 5 trading days upon receiving the Exchange's decision, apply to the Exchange for a re-examination of the decision in accordance with applicable rules.

**Article 12** If a listed company who has applied to the Exchange for a hearing or re-examination in accordance with these *Implementing Measures* during the implementation of compulsory delisting of its stocks for material violations against the law submits another hearing or re-examination application to the Exchange with respect to the compulsory delisting of its stocks for material violations when the Exchange decides in accordance with the *Listing Rules* to suspend or terminate the listing of its stocks, the Exchange will not accept such hearing or re-examination application.

**Article 13** If the stocks of a listed company are terminated from listing as a result of a fraudulent offering as specified in the Item (1) or (2) of Article 4 hereof, the company shall not apply for re-listing of its stocks on the Exchange.

If the stocks of the listed company are terminated from listing as a result of any circumstance involving material violation against the law specified in Item (3) or (4) of Article 4 hereof or in Article 5 hereof, the Exchange will, within 5 full fiscal years from the day when its stocks

are listed on the National Equities Exchange and Quotations, not accept its application for re-listing of its stocks.

**Article 14** These *Implementing Measures* shall come into force after being adopted by the board of directors of the Exchange and approved by the CSRC.

**Article 15** These *Implementing Measures* shall be implemented as of the date of issuance.

**Article 16** The Exchange shall reserve the right to interpret these *Implementing Measures*. Any matters not covered herein shall be prescribed separately by the Exchange.