

**Guidelines for the Offering and Underwriting of Stocks on the  
Science and Technology Innovation Board of Shanghai Stock  
Exchange**

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# **Guidelines for the Offering and Underwriting of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange**

## **Chapter I      General Provisions**

**Article 1**      These *Guidelines* are formulated pursuant to the *Opinions on Launching the Science and Technology Innovation Board and Implementing the Pilot Registration-Based IPO System on the Shanghai Stock Exchange*, the *Measures for the Administration of the Offering and Underwriting of Securities*, the *Measures for the Administration of Registration of Initial Public Offerings on the Science and Technology Innovation Board (for Trial Implementation)*, the *Implementation Measures for the Offering and Underwriting of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange* (the “*Implementation Measures*”) and other applicable laws, administrative regulations, ministry-level rules, and normative documents (collectively “laws and regulations”), as well as other business rules of Shanghai Stock Exchange (the “Exchange”) to regulate the offering and underwriting of stocks on the Science and Technology Innovation Board of the Exchange (“STAR stocks”) and promote the performance of responsibilities by all participants.

**Article 2**      These *Guidelines* are applicable to strategic investors, participation in strategic placements by relevant subsidiaries of sponsors, brokerage commissions for placement of new stocks and over-allotment options, as well as offering procedures, information disclosure and other matters, with respect to the offering and underwriting of STAR stocks of the Exchange. Matters not covered herein shall be governed by the *Implementation Rules for the Offering of IPO Stocks under the Subscription Tranche on the Shanghai Market* and the *Implementation Rules for the Offering of IPO Stocks under the Placing Tranche on the Shanghai Market* (the “*Implementation Rules for Offering under the Placing Tranche*”) and other rules of the Exchange.

**Article 3**      Securities companies who underwrite securities shall, in accordance with these *Guidelines* and relevant rules of the China Securities Regulatory Commission (CSRC) on risk management and internal control, develop strict risk management and internal control systems to enhance the management of the pricing and placement processes, perform its underwriting responsibilities, and prevent conflicts of interests.

Sponsors, underwriters, investors and other relevant persons shall act in good faith and with honesty, and strictly observe the business rules of the Exchange and relevant industry standards without engaging in tunneling or seeking illegitimate gains.

**Article 4** Issuers and their lead underwriters shall prepare as required and timely and fairly disclose offering and underwriting disclosure documents, and ensure the information so disclosed is truthful, accurate and complete and contains no misrepresentations, misleading statements or material omissions.

Securities service providers and their personnel shall, in accordance with business standards and code of ethics generally accepted in the industry, strictly perform their statutory obligations, and assume liability for the truthfulness, accuracy and completeness of the documents issued by them.

**Article 5** The Exchange will, in accordance with applicable laws and regulations, business rules, and these *Guidelines*, exercise self-regulation of the offering and underwriting of STAR stocks and participants therein such as issuers, securities companies, securities service providers and investors.

## **Chapter II Strategic Investors**

**Article 6** If no less than 400 million shares of stocks are to be offered in an issuer's IPO, its strategic investors shall be no more than 30; if no less than 100 million and no more than 400 million shares are to be offered in the IPO, the strategic investors shall be no more than 20; and if less than 100 million shares are to be offered in the IPO, the strategic investors shall be no more than 10.

A securities investment fund prescribed in the Second Paragraph of Article 17 of the *Implementation Measures* which participates in the strategic placement shall participate in the IPO as one strategic investor in the name of the fund manager. A fund manager may participate in the strategic placement only through one of the securities investment funds managed by it.

The issuer and its lead underwriter shall reasonably determine the number and percentage of investors participating in the strategic placement based on the number of stocks involved in the IPO, the lock-up arrangement and their actual needs, so as to ensure the necessary liquidity of the stocks upon their listing.

**Article 7** An investor who participates in the strategic placement of an issuer shall maintain good market reputation and influence, have strong financial resources, recognize the

long-term investment value of the issuer, and subscribe for the committed number of the issuer's stocks at the final offering price.

A relevant subsidiary of the issuer's sponsor and the senior officers and key employees of the issuer who participate in a specific asset management plan established for the strategic placement shall participate in the strategic placement in accordance with the *Implementation Measures*, these *Guidelines* and other applicable rules of the Exchange.

**Article 8** Investors who are eligible to participate in the strategic placement of an issuer mainly include:

- (1) large enterprises which have a strategic cooperative relationship or a vision for long-term cooperation with the issuer or their subordinates;
- (2) large insurance companies and large national investment funds which intend to make long-term investment in the issuer or their subordinates;
- (3) publicly offered closed-end securities investment funds whose main investment strategies include investment in strategically placed stocks;
- (4) relevant subsidiary of the issuer's sponsor which participates in the strategic placement;
- (5) senior officers and key employees of the issuer who participate in a specific asset management plan established for the strategic placement; and
- (6) other strategic investors who comply with applicable laws, regulations and business rules.

**Article 9** If an issuer and its lead underwriter place stocks to any strategic investor, any of the following circumstances shall not be allowed to occur:

- (1) the issuer and the lead underwriter undertake to the strategic investor that the price of its stocks will increase after the listing of the stocks or that if the price of the stocks does not increase, the issuer will repurchase the stocks from or make any forms of economic compensation to the strategic investor;
- (2) the lead underwriter introduces the strategic investor under the conditions that it undertakes to share a portion of the underwriting fees with such strategic investor, introduce

such strategic investor to participate in the strategic placement of other issuers, and return brokerage commissions for the placement of new stocks, among others;

- (3) the issuer subscribes for shares of any securities investment fund managed by the strategic investor after the listing of the stocks;
- (4) the issuer undertakes to appoint an individual affiliated with the strategic investor to serve as the director, supervisor or senior officer of the issuer during the lock-up period for the stocks placed to the strategic investor, unless the issuer's senior officers and key employees establish a special asset management plan to participate in the strategic placement;
- (5) except as provided for in Item (3) of Article 8 of these *Guidelines*, the strategic investor uses any funds other than its own funds to subscribe for the issuer's stocks, or accepts the authorization of any other investor or authorizes any other investor to participate in the strategic placement; or
- (6) any other direct or indirect tunneling activities.

**Article 10** The issuer's lead underwriter shall verify the selection standards for strategic investors, their qualifications for participation in the placement and whether they fall under any prohibited circumstances set forth in Article 9 hereof, require the issuer to issue a letter of undertaking on the matters so verified, and retain a law firm to issue a legal opinion. The lead underwriter shall publicly disclose the verification documents and the legal opinion.

**Article 11** The issuer and its lead underwriter shall disclose whether a strategic placement will be made and if so, the upper limit of its stocks involved in such strategic placement, the selection standards for strategic investors, etc. in its letter of intent and preliminary price inquiry announcement, and file the strategic placement plan with the Exchange which shall include, but be not limited to, the names of strategic investors, the value or number of stocks which they have committed to subscribe for, and the lock-up arrangement.

The issuer and the lead underwriter shall disclose the names of strategic investors, the number of the stocks which they have committed to subscribe for, the lock-up arrangement, etc. in the offering announcement.

The issuer and the lead underwriter shall disclose, among others, the names of strategic investors to whom the stocks are finally placed, the number of such stocks, and the lock-up arrangement in the announcement on preliminary placement results under the placing tranche and the subscription results under the subscription tranche.

**Article 12** If the senior officers and key employees of an issuer establish a special asset management plan to participate in the issuer's strategic placement, the issuer shall disclose the specific name, time of establishment, size of funds raised, manager and *de facto* controller of the special asset management plan, and the names, positions and proportion of the participants, etc. in its letter of intent and preliminary price inquiry announcement.

If the *de facto* controller of the special asset management plan as prescribed in the preceding Paragraph is a senior officer of the issuer, its stocks placed to the special asset management plan shall not be included into those held by public shareholders.

**Article 13** Investors participating in an issuer's strategic placement shall not participate in the offering of its stocks under the subscription and placing tranches in the IPO, except for any securities investment fund, managed by a securities investment fund manager, which does not participate in the strategic placement.

**Article 14** Prior to the T-3 day (T day is the online and offline subscription date), a strategic investor shall pay its subscription amount in full and the corresponding brokerage commission for placement of new shares of stocks.

### **Chapter III Participation in Strategic Placements by Relevant Subsidiaries of Sponsors**

**Article 15** The Science and Technology Innovation Board will allow for the participation of relevant subsidiaries of sponsors in strategic placements on a pilot basis. An issuer's sponsor shall participate in the issuer's pre-IPO strategic placement through an alternative investment subsidiary legally incorporated by the sponsor or an alternative investment subsidiary legally incorporated by a securities company which exercises *de facto* control over the sponsor, and set a lock-up period for the stocks so placed.

If the sponsor implements the provisions of the preceding Paragraph in any other manner recognized by the CSRC and the Exchange, it shall comply with the provisions and regulatory requirements of these *Guidelines* on participation in strategic placements by relevant subsidiaries of sponsors.

**Article 16** In the event of joint sponsorship, the participating sponsors shall, in accordance with the provisions hereof, cause their respective relevant subsidiaries to participate in the issuer's strategic placement, and disclose their specific arrangements.

**Article 17** A relevant subsidiary of an issuer's sponsor shall use its own funds to participate in the issuer's strategic placement, unless otherwise required by the CSRC.

**Article 18** A relevant subsidiary of an issuer's sponsor who intends to participate in issuer's placement shall enter into a placement agreement with the issuer in advance to undertake to subscribe for 2% to 5% of the issuer's IPO stocks at the offering price, and such percentage shall be determined according to the size of the issuer's IPO as follows:

- (1) in the case of IPO size of less than RMB 1 billion, the percentage shall be 5%, with a maximum subscription amount of RMB 40 million;
- (2) in the case of IPO size of between no less than RMB 1 billion and less than RMB 2 billion, the percentage shall be 4%, with a maximum subscription amount of RMB 60 million;
- (3) in the case of IPO size of between no less than RMB 2 billion and less than RMB 5 billion, the percentage shall be 3%, with a maximum subscription amount of RMB 100 million;
- (4) in the case of IPO size of no less than RMB 5 billion or more, the percentage shall be 2%, with a maximum subscription amount of RMB 1 billion.

**Article 19** A relevant subsidiary of an issuer's sponsor participating in the issuer's placement shall undertake to hold the placed stocks for a period of 24 months upon the IPO and listing of the issuer's stocks.

If the relevant subsidiary of the sponsor intends to reduce its holding of the placed stocks upon expiry of the lock-up period, it shall do so in accordance with the rules of the CSRC and the Exchange on shareholding reduction.

**Article 20** If a relevant subsidiary of an issuer's sponsor fails to participate in the issuer's strategic placement in accordance with these *Guidelines* and its undertaking, the issuer shall suspend the IPO, and timely disclose such suspension. If the issuer is consistent with the Third Paragraph of Article 11 of the *Implementation Measures* after the offering suspension, the issuer may re-initiate its offering process.

**Article 21** An issuer and its lead underwriter shall disclose the total number of stocks placed to a relevant subsidiary of its sponsor participating in the placement, number of stocks subscribed for, their percentage of the total number of the stocks to be offered in the IPO, their holding period, and other information in its letter of intent and preliminary price inquiry announcement.

**Article 22** A relevant subsidiary of an issuer's sponsor participating in the issuer's placement shall open a special securities account for stocks placed to it, effectively segregate

them from securities involved in its proprietary, asset management and other businesses, and separately manage and keep accounts for them to prevent them from being mingled with other businesses.

The special securities account prescribed in the preceding Paragraph shall be used only for selling upon expiry of the lock-up period, or lending to and recovering from China Securities Finance Corporation in accordance with the applicable rules of the CSRC and the Exchange, the placed stocks, and shall not be used for purchasing any stocks or other securities, unless in connection with the issuer's rights issue or capitalization of capital reserve.

**Article 23** An issuer's sponsor shall not charge the issuer and its controlling shareholder and their affiliates any fees other than those charged in relation to its performance of sponsorship and underwriting obligations pursuant to industry standards.

**Article 24** A relevant subsidiary of an issuer's sponsor participating in the issuer's placement shall undertake not to affect the normal production and operation of the issuer by taking advantage of its capacity as a shareholder acquired due to the stocks placed to it and not to seek the control of the issuer within the lock-up period for the placed stocks.

#### **Chapter IV Brokerage Commission for Placement of New Stocks**

**Article 25** The brokerage commission rates for placement of new stocks charged by an issuer's underwriters from investors to whom the issuer's stocks are placed through strategic placement or placement under the placing tranche shall be reasonably determined depending on the results of the placement and disclosed in the preliminary price inquiry announcement and offering announcement.

If the brokerage commission rates for placement of new stocks determined by the underwriters are evidently unreasonable, the Exchange may report the matter to the CSRC and the Securities Association of China, and require the underwriters to adjust the rates.

**Article 26** Information on the payable amount of each placee for stocks under the placing tranche to be uploaded by an issuer's lead underwriter shall include the offering price, number of stocks placed, payment for the placed stocks, commission rates, amount of brokerage commissions, total payable amount, securities account, certificate number of the placee, and other data.

**Article 27** When paying its or his subscription amount for new stocks, an investor in the placing tranche shall pay in full and transfer the brokerage commission for placement of new stocks to a special account for offering of stocks under the placing tranche opened by

Shanghai Branch of China Securities Depository and Clearing Co., Ltd. (CSDC) at a clearing bank.

**Article 28** If a placee in the placing tranche of an issuer fails to pay in full its or his subscription amount for new stocks and the corresponding brokerage commission for placement of new stocks prior to 16:00 p.m. on the T+2 day, the issuer's lead underwriter shall determine the number of new stocks subscribed for by it or him by rounding down the outcome derived from the following formula.

Number of new stocks subscribed for = Paid-up amount / [Offering price x (1+ commission rate)]

Where the number of new stocks so calculated is less than that to be placed based on the successfully subscription of the placee, the shortfall shall be deemed to have been abandoned.

**Article 29** The final data on the results of an issuer's placement to be uploaded by the issuer's lead underwriter shall include the offering price, number of stocks placed, payment for the placed stocks, paid-up amount of brokerage commissions, total payable amount, amount of refunds, securities account, lock-up period for the placed stocks, certificate number of each placee, and other information.

**Article 30** After an issuer's strategic investor has paid the brokerage commission for placement of new stocks, the issuer's lead underwriter shall submit to the Exchange a written certificate of receipt therefor.

**Article 31** After its IPO, an issuer and its lead underwriter shall disclose, in the announcement on the IPO results, information on the underwriters' receipt of brokerage commission for placement of new stocks, including the name of the underwriters and the amount of commissions actually received by each underwriter.

**Article 32** None of an issuer's underwriters shall refund in any form any brokerage commission for placement of new stocks received from investors to whom the issuer's stocks are placed through strategic placement or placement under the placing tranche.

## **Chapter V Over-allotment Option**

**Article 33** An issuer which adopts an over-allotment option shall grant its lead underwriter the right to over-allot stocks and purchase the issuer's stocks in the secondary market through auction trading by using funds raised from the over-allotment of the stocks. If the issuer

makes its IPO through joint lead underwriters, it shall grant the above right to one of such lead underwriters.

The underwriting agreement entered into by and between the lead underwriter and the issuer shall specify the issuer's authorization to the lead underwriter to exercise the over-allotment option and the corresponding responsibilities of the authorized lead underwriter.

The authorized lead underwriter shall exercise diligence and care to establish independent investment decision making procedures and relevant firewall systems, and strictly implement its internal control system to effectively prevent tunneling and conflict of interest.

**Article 34** The authorized lead underwriter of an issuer shall apply to the CSDC Shanghai Branch for opening a special account for purchasing the issuer's stocks with funds raised from the over-allotment of the stocks (the "special account for over-allotment option"), and submit a letter of authorization and the valid specimen signature of its authorized representative to the Exchange and the CSDC Shanghai Branch. Related matters such as account opening, clearing and settlement shall be handled in accordance with relevant rules of the Exchange and the CSDC.

The authorized lead underwriter shall deposit the funds raised from the over-allotment of the stocks into a separate account opened at a commercial bank. The authorized lead underwriter shall, within 30 calendar days upon the listing of the issuer's stocks, not trade the issuer's stocks by using any funds other than those in such account or through others' accounts.

**Article 35** An issuer and its lead underwriters shall prudently assess the feasibility, intended objectives, and other aspects of an over-allotment option, and explicitly state in the first pre-disclosed prospectus whether the over-allotment option will be adopted and if so, the maximum number of stocks to be issued through the exercise of the over-allotment option. The number of stocks to be issued through the exercise of the over-allotment option shall not exceed 15% of the number of the stocks to be offered in the IPO.

**Article 36** If an over-allotment option is adopted, an issuer shall, in its letter of intent and the prospectus, disclose the implementation plan for the over-allotment option, including, but not limited to, its objectives, operational strategies, possibilities, and intended effect; and shall disclose the specific number of stocks to be issued through the full exercise of the over-allotment option in the offering announcement.

**Article 37** An issuer's lead underwriter which exercises an over-allotment option may, when soliciting investors' subscription intents, reach an agreement with the investors in

respect of the presale of the stocks to be issued through the exercise of the over-allotment option to specify that the investors shall make payment in advance and agree to the deferred delivery of the stocks. The lead underwriter shall submit the agreement for the deferred delivery of the stocks to the Exchange and the CSDC Shanghai Branch for the record.

**Article 38** Within 30 calendar days upon the listing of an issuer's stocks, if the market price of the stocks is lower than the offering price, its authorized lead underwriter shall have the right to use funds raised from the over-allotment of the stocks to purchase the issuer's stocks during the continuous auction by placing "Same-side Best Price" orders stipulated in the *Special Rules Governing the Trading of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange*, with the bid price not higher than the offering price; if the authorized lead underwriter fails to purchase the issuer's stocks or has purchased a number of the stocks which is less than the number of stocks to be issued through the full exercise of the over-allotment option, the authorized lead underwriter may require the issuer to issue additional stocks at the offering price.

The sum of the issuer's stocks purchased by the lead underwriter through auction trading in accordance with the preceding Paragraph and the additional stocks which the issuer is required to issue shall not exceed the number of stocks to be issued through the full exercise of the over-allotment option disclosed in the offering announcement.

The issuer's stocks as purchased by the lead underwriter through auction trading in accordance with the first Paragraph of this Article shall not be sold.

**Article 39** An issuer's stocks purchased by its authorized lead underwriter through auction trading and additional stocks which the issuer is required to issue shall be deposited into the special account for over-allotment option.

Within 5 working days after the period for the exercise of the over-allotment option expires or the total number of the stocks repurchased reaches the maximum number of stocks to be issued through the exercise of the over-allotment option, the authorized lead underwriter shall, in the light of the foregoing, submit an application to the Exchange and the CSDC Shanghai Branch accompanied by relevant materials, and deliver all stocks in the special account for over-allotment option to investors who agree to the deferred delivery of stocks.

**Article 40** An issuer's lead underwriter shall, within 5 working days after the period for the exercise of the over-allotment option expires or the total number of the stocks repurchased reaches the maximum number of stocks to be issued through the exercise of the

over-allotment option, pay the payable funds (if any) to the issuer, and the amount of such payable funds shall be calculated according to the following formula:

Funds raised by the issuer from the exercise of the over-allotment option = Offering price × (Total number of stocks issued through exercise of the over-allotment option - Number of the issuer's stocks purchased by the lead underwriter in the secondary market) - Underwriting cost for issuing new stocks through exercise of the over-allotment option.

**Article 41** If the authorized lead underwriter of an issuer purchases stocks in the secondary market by using funds raised from the over-allotment of the stocks, the authorized lead underwriter shall, within 5 working days after the period for the exercise of over-allotment option expires or the total number of the stocks repurchased reaches the maximum number of stocks to be issued through the exercise of the over-allotment option, deliver any remaining funds other than those used for repurchase of the stocks and those (if any) transferred to the issuer for issuance of additional stocks to China Securities Investor Protection Fund Corporation Limited as contribution to the Securities Investor Protection Fund.

**Article 42** An issuer and its authorized lead underwriter shall, within 2 working days after the period for the exercise of the over-allotment option expires or the total number of the stocks repurchased reaches the maximum number of stocks to be issued through the exercise of the over-allotment option, disclose:

- (1) the date on which the period for the exercise of the over-allotment option expires or the total number of the stocks repurchased reaches the maximum number of stocks to be issued through exercising the over-allotment option;
- (2) whether the implementation of the over-allotment option complies with applicable laws and regulations, meets the requirements of the disclosed implementation plan, and achieves the intended effect;
- (3) the number of new stocks issued through the exercise of the over-allotment option; or the number of the issuer's stocks purchased, the total amount paid therefor, and the average, highest and lowest prices of the purchased stocks, if the over-allotment option is not exercised or is partially exercised;
- (4) the total amount of funds raised by the issuer; and
- (5) other information required to be disclosed by the Exchange.

**Article 43** The authorized lead underwriter of an issuer shall keep a complete record of the issuer's stocks purchased with funds raised from the over-allotment of the stocks, and preserve such record for a period not less than 10 years. The following information on the use of the funds raised from the over-allotment of the stocks as contained in such record shall be timely updated:

- (1) the time, price and quantity of each purchase of the stocks;
- (2) the determination of the price of each price of the stocks
- (3) information on each stock purchase transaction, including transaction time, price, quantity, etc.

**Article 44** Within 10 working days after the completion of all offering tasks, the authorized lead underwriter of an issuer shall report to the Exchange for the record the implementation of the over-allotment option and a complete record of stocks purchased with funds raised from the over-allotment of stocks.

**Article 45** The Exchange will monitor the process in which an issuer's authorized lead underwriter purchases the issuer's stocks with funds raised from the over-allotment of the stocks, and exercise self-regulation of stock trading and information disclosure to detect any violation of the Exchange's business rules. In case of a suspected violation of laws and regulations or any abnormal circumstance, the Exchange may investigate related matters, and report them to the CSRC for investigation.

## **Chapter VI Offering Procedures**

**Article 46** An issuer and its lead underwriter shall submit their offering and underwriting plan to the Exchange for the record, which shall include, among others, the offering plan, preliminary price inquiry announcement, investment value research report, strategic placement plan (if any), and implementation plan for the over-allotment option (if any).

**Article 47** If the Exchange raises no objection to the offering and underwriting plan from an issuer and its lead underwriter within 5 working days upon receipt thereof, the issuer and the lead underwriter may initiate the IPO process by publishing its letter of intent in accordance with the law,.

If the offering and underwriting plan submitted by the issuer and the lead underwriter is inconsistent with these *Guidelines*, or any disclosed matter fails to meet the relevant information disclosure requirements, they shall make corrections as required by the Exchange,

and the period for such corrections shall not be included in the 5-working-day period specified in the preceding Paragraph.

**Article 48** An issuer and its lead underwriter may, in accordance with the applicable self-regulatory rules of the Exchange and the Securities Association of China, set other conditions for investors in the placing tranche as stipulated in Article 4 of the *Implementation Measures*, and pre-disclose them in the offering announcement.

The issuer and the lead underwriter shall fully consider the long-term investment philosophy of publicly offered products (especially those created to meet the investment needs of the investors who do not meet the investor suitability requirements of the Science and Technology Innovation Board), Social Security Fund, pension funds, corporate annuity funds, insurance funds and qualified foreign institutional investors, and other placees, reasonably set specific conditions for their participation in the price discovery process within the placing tranche, and guide them to participate in the price discovery process within the placing tranche in a scientific, independent, objective, and prudent manner.

**Article 49** During the preliminary price inquiry process, the difference between the highest price and the lowest price among the proposed subscription prices provided by an investor in the placing tranche shall not represent more than 20% of the lowest price.

**Article 50** After the completion of the preliminary price inquiry process, an issuer and its lead underwriter shall exclude the portion of the proposed total subscription quantity with the highest bids which shall not be less than 10% of the proposed total subscription quantity by all investors in the placing tranche; if the lowest price among the portion with the highest bids to be excluded is identical to the determined offering price (or the upper limit of the offering price range), bids at such price may not be excluded, in which case the ratio of exclusion may be less than 10%. The excluded portion may not be involved in the subscription under the placing tranche.

The Exchange may, in the light of market conditions, adjust the lower exclusion limit for the above portion with the highest bids.

**Article 51** An issuer and its lead underwriter shall disclose the following information prior to the subscription under the placing tranche:

(1) the median and the weighted average of the remaining bids of all investors in the placing tranche and each type of such investors, excluding the highest bids;

- (2) the median and the weighted average of the remaining bids of publicly offered products, Social Security Fund, and pension funds, excluding the highest bids;
- (3) the median and the weighted average of the remaining bids of publicly offered products, Social Security Fund, pension funds, corporate annuity funds, insurance funds, and qualified foreign institutional investors, excluding the highest bids and
- (4) the details of the bids from investors in the placing tranche, specifically including investor names, placee information, subscription price and the corresponding quantity of stocks to be subscribed for, main basis for determining offering price or its range, and the multiple of oversubscription of the stocks by investors in the placing tranche at the offering price or the median of the offering price range.

**Article 52** After the completion of the preliminary price inquiry process, an issuer and its lead underwriter shall, in accordance with the medians and the weighted averages as specified in Article 51 hereof and mainly by reference to the lower of the median and the weighted average of the remaining bids from publicly offered products, Social Security Fund, pension funds, corporate annuity funds, insurance funds, qualified foreign institutional investors, and other places, excluding the highest bids, determine the offering price (or the median of the offering price range) in a prudent and reasonable manner.

If the issuer and the lead underwriter determine an offering price range, the difference between the upper limit and the lower limit of the range shall not exceed 20% of the lower limit.

The Exchange may, in the light of market conditions, adjust the above difference ratio.

**Article 53** After the completion of the preliminary price inquiry process, if the offering price (or the median of the offering price range) determined by an issuer and its lead underwriter fails to fall within the valuation range specified in the investment value research report issued by the lead underwriter, then the issuer and the lead underwriter shall state to the Exchange the reason therefore and the differences between bids from each type investor in the placing tranche and the above valuation range. The Exchange will report this information to the Securities Association of China.

**Article 54** After the completion of the preliminary price inquiry process, if the offering price (or the median of offering price range) determined by an issuer and its lead underwriter exceeds the lower of the median and the weighted average as specified in Article 9 of the *Implementation Measures* by no more than 10%, they shall, at least 5 working days before the

commencement of the subscription, publish a special announcement on investment risks; if by more than 10% but no more than 20%, shall, at least 10 workings before the commencement of the subscription, publish such announcement for two or more times; if by more than 20%, shall, at least 15 working days before the commencement of the subscription, publish such announcement for three or more times.

**Article 55** After an offering price or offering price range is determined by an issuer and its lead underwriter, they shall submit an offering announcement or an IPO suspension announcement to the Exchange by 15:30 on the T-2 day in which they shall state whether the post-IPO total market capitalization as estimated by the issuer meets the listing requirements for market capitalization and financial indicators as clearly selected in the prospectus.

**Article 56** If the proposed subscription prices provided by investors in the placing tranche for their placee accounts during the preliminary price inquiry process are valid bids under Article 8 of the *Implementation Measures*, the investors in the placing tranche shall, in accordance with the *Implementation Rules for Offering under the Placing Tranche*, make their subscriptions at the offering price, or make their bids during the book-building process and subscriptions within the offering price range.

**Article 57** If an issuer and its lead underwriter determine an offering price through the book-building process, they shall determine the oversubscription multiple and the offering price in a prudent and reasonable manner in accordance with the subscription prices and quantities provided by investors in the placing tranche for their placee accounts.

**Article 58** If an issuer and its lead underwriter determine the offering price through the book-building process, they shall submit to the Exchange an announcement on the offering price and the rate of subscription under the subscription tranche by 21:00 on the T day. If they fail to do so, they shall suspend the IPO. If the issuer is consistent with the Third Paragraph of Article 11 of the *Implementation Measures* after the IPO suspension, the issuer may re-initiate the IPO process.

**Article 59** If an issuer intends to place its stocks to investors in the placing tranche by category, in addition to complying with Article 12 of the *Implementation Measures*, the issuer may reasonably set up specific categories based on the placees' institutional categories, product attributes, and committed holding period, etc., pre-disclose them in the offering announcement, and in placing its stocks, give priority to publicly offered products established for satisfying the investment needs of investors who fail to meet the investor suitability requirements of the Science and Technology Innovation Board.

If the issuer places its stocks to investors other than publicly offered products, Social Security Fund, pension funds, corporate annuity funds, and insurance funds, it shall guarantee that the percentage of stocks placed to qualified foreign institutional investors is not less than that of those placed to other investors.

**Article 60** Before the listing of an issuer's stocks, its shareholders may designate any sponsor providing the issuer with IPO sponsor services, as their agent for designated trading via their securities accounts for keeping the pre-IPO stocks.

The sponsor specified in the preceding Paragraph shall, in accordance with the business rules of the Exchange, supervise and manage the instructions of the issuer's shareholders for reducing their holdings of the pre-IPO stocks.

**Article 61** Within 10 working days upon the listing of an issuer's stocks, its lead underwriter shall submit to the Exchange for the record the capital verification report, special legal opinions, underwriting summary report, and other documents.

## **Chapter VII Supplementary Provisions**

**Article 62** If persons as stipulated in Article 5 hereof are involved in any of the following circumstances, the Exchange may subject them to supervisory measures and disciplinary actions as specified in the *Implementation Measures*:

- (1) they engage in tunneling or seek illegitimate gains in violation hereof during the strategic placement, participation in the strategic placement by relevant subsidiary of the sponsor, collection of the brokerage commissions for placement of new stocks, over-allotment option arrangement, etc.;
- (2) issuers, lead underwriters and securities service providers and other persons fail to timely prepare and disclose offering and underwriting information disclosure documents as required, or the information disclosed by them is untruthful, inaccurate or incomplete information and contains misrepresentations, misleading statements or major omissions;
- (3) lead underwriters fail to calculate and collect brokerage commissions for subscription of new stocks as required, or information on such commissions submitted to the Exchange is untruthful, inaccurate or incomplete;
- (4) investors participating in strategic placement and relevant subsidiaries of sponsors violate their undertakings on the lock-up period, shareholding reduction or other matters;

- (5) sponsors and lead underwriters improperly charge fees from issuers or investors in violation of applicable rules;
- (6) lead underwriters submit orders in violation of these *Guidelines* and applicable rules of the Exchange during their exercise of the over-allotment option;
- (7) if the shareholders of an issuer have designated any sponsor providing the issuer with IPO sponsor services, as their agent for designated trading via their securities accounts for keeping the pre-IPO stocks, the sponsor or any other securities company fails to effectively manage and control the reduction of their holdings of the pre-IPO stocks; or
- (8) any other violations to the *Guidelines*.

**Article 63** The Public Offering Self-Regulatory Committee for the Science and Technology Innovation Board may provide advice on the offering and underwriting of STAR stocks.

**Article 64** These *Guidelines* shall be applied, mutatis mutandis, to the offering and underwriting of depositary receipt on the Science and Technology Innovation Board.

**Article 65** These *Guidelines* and any amendment hereto shall come into force after being deliberated and adopted by the Board of Directors of the Exchange and approved by the CSRC.

**Article 66** The Exchange shall reserve the right to interpret these *Guidelines*.

**Article 67** These *Guidelines* shall be implemented as of the date of issuance.