

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

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

**Article 1** These *Measures* are formulated in accordance with the *Securities Law of the People's Republic of China*, the *Company Law of the People's Republic of China*, 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)* and other relevant laws, administrative regulations, ministry-level rules, and normative documents to regulate the offering and underwriting of stocks on the Science and Technology Innovation Board of the Shanghai Stock Exchange (the "Exchange"), maintain an orderly market, and protect the legitimate rights and interests of investors.

**Article 2** These *Measures* are applicable to the offering and underwriting of stocks on the Science and Technology Innovation Board; 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*, the *Implementation Rules for the Offering of IPO Stocks under the Placing Tranche on the Shanghai Market*, and other business rules of the Exchange.

**Article 3** Issuers, securities companies, securities service providers, investors and their relevant personnel shall abide by these *Measures* and accept the self-regulation of the Exchange.

**Article 4** In its IPO, the issuer shall determine the offering price through a price inquiry process involving securities companies, fund management companies, trust companies, finance companies, insurance companies, qualified foreign institutional investors, privately offered fund managers, and other specialized institutional investors (collectively "investors under the placing tranche"). Investors under the placing tranche shall register with the Securities Association of China (SAC), and be subject to the self-regulation of the SAC.

An issuer and its lead underwriter may, in accordance with applicable self-regulatory rules of the Exchange and the SAC, set other conditions for investors under the placing tranche as referred to in the preceding Paragraph, and pre-disclose such conditions in its offering

announcement.

**Article 5** An issuer and its lead underwriter may determine the offering price of its stocks through the preliminary price inquiry process, or through the book building process after a offering price range is determined through the preliminary price inquiry process.

**Article 6** An issuer's lead underwriter shall provide an investment value research report to investors under the placing tranche, and abide by the rules of the SAC governing investment value research reports.

**Article 7** Investors under the placing tranche participating in an issuer's price inquiry process shall submit reasonable bids in an independent, objective and good faith manner, without reaching any agreement on the bids, or intentionally driving down or up the bids.

Issuers, underwriters, and investors under the placing tranche participating in the price inquiry process shall not collude with each other in submit bids, engage in tunneling, or seek other illegitimate gains during the price inquiry process.

**Article 8** An investor under the placing tranche participating in an issuer's price inquiry process may submit a bid for each placee account under its management, and each such bid shall include the information of the placee, price per stock, and number of stocks to be subscribed for at such price. All bids submitted by a single investor under the placing tranche shall include no more than 3 different proposed subscription prices.

After the issuer's offering price (or offering price range) is determined, only investors that have submitted valid bids may participate in the subscription.

The valid bid as mentioned in the preceding Paragraph refers to a bid from an investor under the placing tranche that is not lower than the offering price or the lower limit of the offering price range determined by the issuer and its lead underwriter, has not been excluded as one of the highest bids, and meets other conditions pre-determined and announced by the issuer and its underwriter.

**Article 9** An issuer and its lead underwriter shall, before the commencement of the subscription, disclose the median and the weighted average of valid bids from investors under the placing tranche which exclude the highest bids, the median and the weighted average of bids from publicly offered securities investment funds and other stock-oriented asset management products ("publicly offered products"), National Social Security Fund ("Social Security Fund") and basic pension insurance funds ("pension funds"), and other information.

**Article 10** 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 exceeds the lower of the median and the weighted average as specified in Article 9, the issuer and its lead underwriter shall, at least one week before the commencement of the subscription, publish a special announcement on investment risks which shall:

- (1) state the reasons why the determined offering price (or the median of the offering price range) exceeds the lower of the median and the weighted average prescribed in Article 9 and the pricing basis;
- (2) bring the attention of investors to the difference between the offering price (or the offering price range) and bids from investors under the placing tranche;
- (3) ask investors to consider investment risks, prudently assess the reasonableness of the offering price, and make rational investment decisions;
- (4) contain other information which the Exchange considers as disclosable.

If the price earnings ratio corresponding to the offering price (or the upper limit of the offering price range) determined by the issuer and its lead underwriter is higher than the average price earnings ratio of its listed company peers in the secondary market, but is not involved in the circumstance prescribed in the first Paragraph of this Article, the provisions concerning the publication of a special announcement on investment risks shall not apply to them.

**Article 11** In addition to under the circumstances requiring offering suspension as prescribed in the *Measures for the Administration of the Offering and Underwriting of Securities*, an issuer shall suspend its IPO if its estimated total post-IPO market capitalization will not meet the listing criteria involving market capitalization and financial indicators explicitly selected in its prospectus.

The estimated total post-IPO market capitalization as mentioned in the preceding Paragraph refers to the total market capitalization determined after the preliminary price inquiry process by multiplying the determined offering price (or the lower limit of the offering price range) by the total post-IPO capital stock (excluding stocks issued through the exercise of the over-allotment option).

After the IPO suspension, if the decision of the China Securities and Regulatory Commission (“CSRC”) approving the registration of its stocks has not expired, and the issuer meets the requirements for supervision of post-Public Offering Review Committee meeting matters, the

issuer may, upon filing with the Exchange, re-initiate its IPO process.

**Article 12** In the event of an issuer's IPO on the Science and Technology Innovation Board, the issuer shall comply with the following provisions with respect to the size of the placing tranche:

(1) If the total post-IPO capital stock has no more than 400 million shares, the initial size of the placing tranche shall account for not less than 70% of the stocks to be offered in the IPO;

(2) If the total post-IPO capital stock has more than 400 million shares or the issuer has not yet made a profit, the initial size of the placing tranche shall account for not less than 80% of the stocks to be offered in the IPO;

(3) the issuer shall first place no less than 50% of the stocks to be offered under the placing tranche to publicly offered products (including those established to meet the investment needs of investors who do not meet the investor suitability requirements of the Science and Technology Innovation Board), Social Security Fund, pension funds, corporate annuity funds established in accordance with the *Measures for the Administration of Corporate Annuity Funds* ("corporate annuity funds"), and insurance funds that satisfy the *Measures for the Administration of the Utilization of Insurance funds* and other applicable regulations ("insurance funds").

(4) If the stocks validly subscribed for by publicly offered products, Social Security Fund, pension funds, corporate annuity funds, and insurance funds are less than those placed to them, the issuer and its lead underwriter may place the remaining stocks to other qualified investors under the placing tranche.

(5) If the stocks are placed to investors under the placing tranche by category, the percentage of the stocks placed to investors of the same category shall be identical. The percentage of the stocks placed to publicly offered products, Social Security Fund, pension funds, corporate annuity funds, and insurance funds shall not be lower than that of those placed to other investors; and

(6) if the stocks are placed to strategic investors, the respective size of the subscription tranche and the placing tranche as a percentage of the IPO shall be determined after the deduction of those placed to the strategic investors.

**Article 13** If the number of stocks subscribed for by investors under the placing tranche is less than the initial size of the placing tranche in an issuer's IPO, the issuer and its lead

underwriter shall suspend the IPO, and shall not transfer stocks from the placing tranche to the subscription tranche. If the number of stocks subscribed for by investors under the subscription tranche is less than the initial size of the subscription tranche, they may transfer the excess stocks under the subscription tranche to investors under the placing tranche.

If the number of stocks validly subscribed for by investors under the subscription tranche is more than 50 times but no more than 100 times the initial size of the subscription tranche in the issuer's IPO, the issuer shall transfer 5% of the stocks to be offered in the IPO from the placing tranche to the subscription tranche; if the number of stocks validly subscribed for by investors under the subscription tranche is more than 100 times the initial size of the subscription tranche, the issuer shall transfer 10% of the stocks to be offered in the IPO from the placing tranche to the subscription tranche; after the transfer, the stocks to be offered under the placing tranche without a lock-up period shall generally be no more than 80% of the stocks to be offered in the IPO.

The stocks to be offered in the IPO as mentioned in the preceding Paragraph shall exclude those with a lock-up period.

**Article 14** The quota of an issuer's stocks which is available for an investor to subscribe for under the subscription tranche shall be determined based on the market value held by the investor. The investor may participate in the subscription under the subscription tranche only if the investor meets the investor suitability requirements of the Science and Technology Innovation Board and the market value held by the investor is no less than RMB 10,000. For each RMB 5,000 of such market value, the investor may subscribe for one subscription unit, and the portion of such market value which is less than RMB 5,000 shall not be included into the calculation of the quota of the stocks available to be subscribed for by the investor.

Each subscription unit of the issuer's new stocks shall include 500 stocks. The number of the stocks subscribed for by an investor shall be 500 stocks or a multiple thereof, but not more than one thousandth of the initial size of the subscription tranche and 99.9995 million stocks, or if not so, the subscription shall be void.

The market value of non-lock-up stocks and/or depositary receipts on the Exchange held by an investor shall be calculated in accordance with relevant rules of the Exchange.

**Article 15** If the total number of stocks subscribed for under the subscription tranche is greater than that to be offered under the subscription tranche, the Exchange will assign sequential codes to all valid subscriptions in a way which ensures the assignment of one code for each 500 stocks.

If the total number of stocks validly subscribed for is greater than that to be offered under the subscription tranche, the lead underwriter shall organize a lot drawing under the supervision of a public notary authority according to the total number of codes assigned and a lot-winning rate, and for each lot-winning code, 500 new stocks are allowed to be subscribed for.

**Article 16** Stocks to be offered in an issuer's IPO may be placed to strategic investors.

If no less than 100 million stocks are to be offered in the IPO, the total number of stocks placed to strategic investors shall generally be no more than 30% of the stocks to be offered in the IPO, or if not so, the issuer shall provide sufficient reasons therefor in its offering and underwriting plan.

If less than 100 million stocks are to be offered in the IPO, the total number of stocks placed to strategic investors shall be no more than 20% of the stocks to be offered in the IPO.

**Article 17** An issuer shall enter into a placement agreement with each of its strategic investor in advance. The issuer and its lead underwriter shall, in its offering announcement, disclose the selection criteria for strategic investors, total number of stocks placed to strategic investors, their percentage of the total number of the stocks to be offered in the IPO, and their holding period, etc.

The strategic investors shall use their own funds to participate in the placement, and shall not accept the authorization of other investors or authorize other investors to do so, except for investors such as securities investment funds legally established and consistent with specific investment purposes. The issuer and its lead underwriter shall verify the eligibility of the strategic investors to participate in the placement.

The strategic investors shall undertake to hold the stocks placed to them for a period of no less than 12 months upon the listing of the stocks to be offered in the IPO.

**Article 18** 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, the details of which shall be subject to rules separately prescribed by the Exchange.

**Article 19** The senior officers and key employees of an issuer may establish a special asset management plan to participate in the issuer's pre-IPO strategic placement. The number of

stocks placed to such plan shall be no more than 10% of the stocks to be offered in the IPO, and such plan shall undertake to hold the placed stocks for a period of no less than 12 months.

If the senior officers and key employees of the issuer intend to participate in the pre-IPO strategic placement through the special asset management plan as set out in the preceding Paragraph, the issuer shall have such plan deliberated and adopted by its board of directors, and disclose the name, position, and participation ratio of each participant, and other matters in its prospectus.

**Article 20** The underwriters of an issuer shall collect from investors to whom the issuer's stocks have been placed through strategic placement and placement under the placing tranche brokerage commissions for placement of new stocks that are not lower than a certain percentage of the payable amount for the placed stocks, unless the issuer's stocks are placed to the underwriters in connection with their provision of sponsor services to the issuer or obtained by them as a result of their performance of a firm commitment underwriting obligation.

The underwriters shall specify in the offering and underwriting plan and report to the Exchange for the record the brokerage commission rates for placement of new stocks, the collection method for them, capital verification arrangements, and other matters.

**Article 21** An issuer and its lead underwriter may adopt an over-allotment option in its offering and underwriting plan.

The number of stocks to be offered through the exercise of the over-allotment option shall not exceed 15% of the stocks to be offered in the issuer's IPO.

If the lead underwriter adopts an over-allotment option, it shall reach an agreement with investors participating in the placement and agreeing to its deferred stock delivery arrangement.

**Article 22** Within 30 calendar days upon the listing of an issuer's stocks, the issuer's lead underwriter shall have the right to purchase the issuer's stocks in the secondary market by using funds raised from the overallotment of the stocks, provided that each purchase price shall not be higher than the offering price of the issuer's IPO, the details of which shall be subject to rules separately prescribed by the Exchange.

The lead underwriter may, depending on the exercise of the over-allotment option, require the issuer to issue a corresponding number of stocks in accordance with the over-allotment option plan.

**Article 23** 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 over-allotted stocks reaches the quota of stocks to be offered through the exercise of the over-allotment option, pay the funds raised from the over-allotment of the stocks to the issuer, and deliver stocks to investors agreeing to the deferred delivery of stocks, based on the exercise of the over-allotment option.

**Article 24** The pre-IPO stocks held by an issuer's shareholders may, before the listing of the issuer, be placed in the custody of the sponsor that provides the issuer with the sponsors services for its IPO and listing, and the sponsor shall, in accordance with the business rules of the Exchange, supervise and manage entrustment from the shareholders for reducing their holdings of the pre-IPO stocks.

**Article 25** After obtaining the CSRC approval for the registration of its stocks, an issuer and its lead underwriter shall timely submit their offering and underwriting plans to the Exchange for the record. If the Exchange raises no objection to the plans within 5 working days, the issuer and its lead underwriter may initiate its IPO process by publishing its letter of intent in accordance with the law.

**Article 26** The Exchange will exercise self-regulation of the offering and underwriting of stocks on the Science and Technology Innovation Board, and take supervisory measures or/and disciplinary actions against violations of these *Measures*.

If the offering and underwriting activities of an issuer and its underwriters are suspected to violate laws and regulations, or are abnormal, the Exchange may require the issuer and underwriters to suspend or discontinue the offering, investigate relevant matters, and report them to the CSRC for investigation.

**Article 27** When exercising day-to-day supervision over issuers, securities companies, securities service providers, investors or their directly responsible officers or other directly responsible personnel, the Exchange may take any of the following measures against them:

- (1) issuing notices and letters to the issuers and their sponsors, underwriters and securities service providers;

- (2) interviewing with and inquiring the issuers' directors, supervisors and senior officers as well as their sponsors, underwriters, and securities service providers and their relevant personnel;
- (3) accessing and inspecting the working papers of the sponsors, underwriters and securities service providers;
- (4) requiring the issuers, sponsors, underwriters and securities service providers to explain relevant matters;
- (5) investigating or inspecting the issuers, sponsors, underwriters and securities service providers;
- (6) reporting suspected violations of laws and regulations and abnormal circumstances to the CSRC; or
- (7) other necessary measures.

**Article 28** If issuers, securities companies, securities service providers, investors or their directly responsible officers or any other directly responsible personnel are involved in any of the following circumstances, the Exchange may, depending on the severity of the circumstances, take supervisory measures or/and disciplinary actions against them:

- (1) colluding with each other in submit bids, engaging in tunneling or seeking other illegitimate gains during the price inquiry or placement process;
- (2) including unqualified investors into the price inquiry process or placing stocks with unqualified investors in violation of these *Measures*;
- (3) failing to provide an investment value research report or publish a special announcement on investment risks as required by these *Measures*;
- (4) the issuers fail to perform decision-making procedures and information disclosure obligations as required in the event of the establishment of a special asset management plan to participate in the strategic placement by their senior officers and key employees;
- (5) failing to timely submit the offering and underwriting plan to the Exchange for the record, or continuing to initiating the offering according to the original plan after the Exchange raises objections to the plan;

- (6) failing to suspend the IPO that should have been suspended because the estimated total post-IPO market capitalization will not meet the selected listing criteria involving market capitalization and financial indicators.
- (7) failing to charge the investors to whom stocks have been placed through strategic placement and placement under the placing tranche the brokerage commissions for placement of new stocks according to the rates disclosed in offering and underwriting plan;
- (8) affecting the orderly listing and trading of stocks by violating the provisions hereof concerning the adoption of an over-allotment option;
- (9) failing to prepare information disclosure documents and perform information disclosure obligation as required;
- (10) information disclosed during the offering fails to be truthful, accurate, complete or timely and contains misrepresentations, misleading statements, or material omissions;
- (11) other violations of these *Measures*.

**Article 29** If issuers, securities companies, securities service providers, investors or their directly responsible officers or other directly responsible personnel, etc. violate these *Measures*, the Exchange may take any of the following supervisory measures against them:

- (1) requiring corrections within a specified period;
- (2) conducting an interview for supervision purpose;
- (3) giving an oral warning;
- (4) giving a written warning;
- (5) requiring public correction, clarification or explanation;
- (6) requiring participation in training or examination within a prescribed time limit;
- (7) requiring the sponsors to engage a third-party institution to verify such violation and provide an opinion thereon;
- (8) requiring a public apology; or
- (9) other supervisory measures specified by the Exchange.

**Article 30** If issuers, securities companies, securities service providers, investors or their directly responsible officers or any other directly responsible personnel commit a serious violation of these *Measures*, the Exchange may take any of the following disciplinary actions against them:

- (1) circulating a notice of criticism;
- (2) giving a public censure;
- (3) refusing to accept offering and listing application documents from the issuers within 3 months to 3 years;
- (4) refusing to accept offering and listing application documents or information disclosure documents from the sponsors, underwriters, and securities service providers within 3 months to 3 years;
- (5) refusing to accept offering and listing application documents or information disclosure documents signed by the sponsor representatives and the relevant personnel of the sponsors, underwriters and securities service providers within 3 months to 3 years;
- (6) publicly identifying any of the issuers' directors, supervisors or senior officers as unsuitable to serve as a director, supervisor or senior officer of a listed company for no less than 3 years; or
- (7) other disciplinary actions prescribed by the Exchange.

**Article 31** If the Exchange discovers that an underwriter is involved in any of the violations as set out in relevant rules of the SAC, the Exchange will release a public notice of such violation, and recommend the SAC to take disciplinary actions against the underwriter, such as circulating a notice of criticism and giving a public censure in the industry.

If the Exchange discovers that an investor under the placing tranche is involved in any of the violations as set out in relevant rules of the SAC, the Exchange will release a public notice of such violation, and recommend the SAC to take self-regulatory measures against the investor, such as including the investor into the blacklist of investors under the placing tranche in an IPO.

**Article 32** These *Measures* shall apply, mutatis mutandis, to the offering and underwriting of depositary receipts on the Science and Technology Innovation Board, unless otherwise specified by the Exchange.

**Article 33** These *Measures* and any amendments hereto shall come into force after being deliberated and adopted by the Board of Governors of the Exchange and approved by the CSRC.

**Article 34** The Exchange shall reserve the right to interpret these *Measures*.

**Article 35** These *Measures* shall come into force as of the date of issuance.