

**Rules Governing the Listing of Stocks on the Science and Technology  
Innovation Board of Shanghai Stock Exchange (Revised in 2019)**

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# Rules Governing the Listing of Stocks on the Science and Technology

## Innovation Board of Shanghai Stock Exchange

(Effective as of March 2019, revised for the first time in April 2019.)

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## Chapter I General Provisions

1.1 These *Rules* are formulated pursuant to the *Company Law of the People's Republic of China* (“*Company Law*”), the *Securities Law of the People's Republic of China* (“*Securities Law*”), the *Opinions on Launching the Science and Technology Innovation Board and Implementing the Pilot Registration-Based IPO System*, the *Measures for the Ongoing Supervision of Companies Listed on the Science and Technology Innovation Board (for Trial Implementation)*, the *Measures for the Administration of Stock Exchanges*, and other applicable laws, administrative regulations, ministry-level rules, and normative documents (collectively “*laws and regulations*”), as well as the Constitution of Shanghai Stock Exchange to regulate the listing of securities on the Science and Technology Innovation Board of Shanghai Stock Exchange (“*Exchange*”) and their ongoing supervision, support and provide guidance for the better development of innovative enterprises in science and technology, maintain a transparent, fair, and equitable securities market, and protect legitimate rights and interests of investors.

1.2 These *Rules* are applicable to the listing and ongoing supervision of stocks, depositary receipts and their derivatives on the Science and Technology Innovation Board of the Exchange; any matters uncovered herein shall be governed by other applicable rules of the Exchange.

1.3 The initial listing of an issuer's stocks on the Science and Technology Innovation Board of the Exchange, shall be subject to the review of the Exchange and the decision of the China Securities Regulatory Commission (CSRC) on giving consent to the registration of such stocks. The issuer shall enter into a listing agreement with the Exchange to set forth both parties' rights and obligations and other related matters.

1.4 Issuers, listed companies and their directors, supervisors, senior officers, key technicians, shareholders or holders of depositary receipts, *de facto* controllers, acquirers and their relevant personnel, counterparties to material asset restructuring transactions and their relevant personnel, and administrators and their members shall perform their disclosure obligations and promote the compliant operation of the companies in accordance with laws and regulations, these *Rules*, and other rules of the Exchange.

1.5 Sponsors, sponsor representatives, as well as securities service providers and their relevant personnel who provide services to issuers or listed companies and relevant persons with disclosure obligation shall do so in good faith and with due care and diligence in accordance with laws and regulations, these *Rules*, and other rules of the Exchange.

Sponsors, sponsor representatives, and securities service providers shall verify and validate the truthfulness, accuracy, and completeness of the materials based on which they prepare and issue documents to ensure that such documents are free from any misrepresentation, misleading statement or material omission.

1.6 The Exchange shall exercise self-regulation of entities and relevant persons identified in Articles 1.4 and 1.5, in accordance with laws and regulations, these *Rules* and other rules of the Exchange, listing agreements, and representations and warranties of those entities and persons.

## **Chapter II Listing and Trading of Stocks**

### **Section 1 Listing of IPO Stocks**

2.1.1 To apply for listing of its stocks on the Science and Technology Innovation Board of the Exchange, an issuer shall:

- (1) meet the stock offering requirements prescribed by the CSRC;
- (2) have a post-offering total capital stock of no less than RMB 30 million;
- (3) publicly offer 25 percent or more of its total stocks; or 10 percent or more of its total stocks if its total capital stock exceeds RMB 400 million;
- (4) satisfy the criteria for market capitalization and financial indicators as stipulated in these *Rules*; and
- (5) meet other listing requirements as specified by the Exchange.

The Exchange may, upon the approval of the CSRC, modify the above listing requirements and specific criteria to reflect market conditions.

2.1.2 An issuer who applies for listing of its stocks on the Science and Technology Innovation Board of the Exchange shall at least meet one of the following criteria for market capitalization and financial indicators:

- (1) It has an estimated market capitalization of no less than RMB 1 billion and made a positive net profit during the last two years totaling to no less than RMB 50 million, or has an estimated market capitalization of no less than RMB 1 billion and made a positive net profit and an operating revenue of no less than RMB 100 million during the last year;

(2) It has an estimated market capitalization of no less than RMB 1.5 billion, and made an operating revenue of no less than RMB 200 million during the last year and a total R& D investment during the last 3 years, representing no less than 15 percent of the total operating revenue within such years;

(3) It has an estimated market capitalization of no less than RMB 2 billion, made an operating revenue of no less than RMB 300 million during the last year, and achieved total net cash flows from operating activities of no less than RMB 100 million during the last 3 years;

(4) It has an estimated market capitalization of no less than RMB 3 billion and made an operating revenue of no less than RMB 300 million during the last year; or

(5) It has an estimated market capitalization of no less than RMB 4 billion and its main businesses or products, required to be approved by relevant national government authorities, will have a big market and currently have achieved a milestone progress; in the case of a pharmaceutical enterprise, at least one of its core products has to be approved for phase II clinical trial, and in the case of any other eligible enterprise, it has to possess significant superiority in technology and meet the corresponding requirements.

For the purpose of this Article, the net profit refers to the lower of the net profit before or after non-recurring gain or loss; and the net profit, operating revenue, and net cash flows from operating activities all mean the audited amount thereof.

2.1.3 A red chip enterprise which complies with the relevant provisions of the *Notice of the General Office of State Council on Forwarding the Opinions of the CSRC on Launching the Pilot Program of Offering Stocks or Depositary Receipts in China by Innovative Enterprises* (Guo Ban Fa [2018] No. 21) may apply to make an offering of stocks or depositary receipts and list them on the Science and Technology Innovation Board.

To apply to be listed on the Science and Technology Innovation Board, an overseas unlisted red chip enterprise with fast growing operating revenue, independently developed and internationally leading technologies, and relative competitive edge over its peers, shall at least meet any of the following criteria for market capitalization and financial indicators:

(1) It has an estimated market capitalization of no less than RMB 10 billion; or

(2) It has an estimated market capitalization of no less than RMB 5 billion and made an operating revenue of no less than RMB 500 million during the last year.

2.1.4 An issuer which has in place a differentiated voting rights (DVR) arrangement shall

at least meet one of the following criteria for market capitalization and financial indicators:

- (1) It has an estimated market capitalization of no less than RMB 10 billion; or
- (2) It has an estimated market capitalization of no less than RMB 5 billion and made an operating revenue of no less than RMB 500 million during the last year.

The eligibility requirements for shareholders holding the issuer's stocks with special voting rights and the specific provisions of the issuer's articles of association on the DVR arrangement shall be consistent with Section 5, Chapter IV of these *Rules*.

For the purpose of these *Rules*, the DVR arrangement means a mechanism whereby an issuer makes an offering of stocks with special voting rights ("special voting stocks") in accordance with Article 131 of the *Company Law*, in addition to ordinary stocks as generally provided for thereunder. Except that each special voting stock has more voting rights than each ordinary stock, the shareholders of special voting stocks shall have the same rights as those of ordinary stocks.

2.1.5 An issuer who has completed the initial public offering (IPO) of its stocks upon the CSRC's consent to the registration of its stock shall submit the following documents to the Exchange when applying for listing of its stocks on the Exchange:

- (1) Listing application;
- (2) The CSRC's decision on giving consent to the registration of its stocks;
- (3) Supporting documents for registration of all of its stocks with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited (CSDC) following the IPO;
- (4) Capital verification report issued by a CPA firm qualified to engage in securities and futures -related business following the IPO;
- (5) Proof, representations and warranties issued by the issuer and its controlling shareholder, *de facto* controller, directors, supervisors, and senior officers as required under these *Rules*;
- (6) financial documents and statements on relevant material matters additionally provided as required after the IPO and before its listing (if applicable); and
- (7) other documents required by the Exchange.



2.1.6 An issuer and its directors, supervisors, and senior officers shall ensure that its listing application is true, accurate, and complete, and contains no misrepresentation, misleading statement or material omission.

2.1.7 The Exchange will, within 5 trading days of receipt of an issuer's listing application documents, decide whether to give consent to its listing.

If any material event occurs to an issuer which has a material impact on whether it will meet the listing and disclosure requirements, the Exchange may submit such event to the Science and Technology Innovation Board Listing Committee for review, in which case, the time of such review shall not be included into the time limit prescribed in the foregoing paragraph.

2.1.8 An issuer shall, within 5 trading days before listing of its stocks, disclose the following documents on the designated media and the website of the Exchange:

(1) Listing announcement;

(2) Articles of association; and

(3) Other documents as required by the Exchange.

## **Section 2 Offering and Listing of Stocks by Listed Companies**

2.2.1 If a listed company intends to make a public offering of its stocks in accordance with the law, it may, within a time limit prescribed by the Exchange, disclose such documents as its prospectus and rights issue prospectus and apply to the Exchange for public offering or rights issue of its stocks.

2.2.2 A listed company who has completed the public offering or rights issue and registration of its stocks shall, before the listing of its stocks, disclose relevant documents such as a listing announcement and apply to the Exchange for listing of its additional stocks.

2.2.3 A listed company who has completed the non-public offering and registration of its stocks shall, before the listing of its stocks, disclose relevant documents such as an announcement on the results of such offering and apply to the Exchange for listing of its additional stocks.

## **Section 3 Release of Lock-Up Stocks**

2.3.1 If the following lock-up stocks of a listed company are eligible to be released, the

shareholders holding such stocks may, through the listed company, apply for release of such stocks:

- (1) Stocks offered by the issuer before its IPO (“pre-IPO stocks”);
- (2) Stocks not publicly offered by the listed company;
- (3) Stocks placed by the issuer or listed company to securities investment funds, strategic investors, other legal persons or natural persons;
- (4) Lock-up stocks held by such persons as directors, supervisors, senior officers, and key technicians; and
- (5) Other lock-up stocks.

2.3.2 A listed company which has applied for release of its lock-up stocks shall disclose an indicative announcement 5 trading days prior to such release.

The listed company shall also disclose the performance of its shareholders’ lock-up undertakings and its sponsors and securities service providers shall express and disclose their opinions thereon.

#### **Section 4 Shareholding Reduction**

2.4.1 These *Rules* are applicable to the lock-up and reduction of holdings of listed companies’ stocks; matters not covered herein shall be governed by the *Implementing Rules of the Shanghai Stock Exchange for Reduction of Shareholdings by Shareholders, Directors, Supervisors, and Senior Officers of Listed Companies* (“*Shareholding Reduction Rules*”), *Implementing Rules of the Shanghai Stock Exchange for Reduction of Shareholdings by Venture Capital Fund Shareholders of Listed Companies*, and other applicable rules of the Exchange.

Shareholders of listed companies may transfer their pre-IPO stocks through non-public transfer or placement and the Exchange will separately develop rules on matters such as transfer methods, procedures and prices, transferrable percentage, and subsequent transfer as well as the reduction of holdings of stocks non publicly offered by listed companies and implement such rules after they are approved by the CSRC.

2.4.2 A listed company may, before its listing, place pre-IPO stocks in the possession of its shareholders under the custody of sponsors who provide sponsor services for its IPO and

listing, and have the sponsors supervise, in accordance with the business rules of the Exchange, the trading orders of such shareholders for reduction of holdings of the pre-IPO stocks.

2.4.3 If a listed company made no profit when being listed, its controlling shareholder and *de facto* controller may not reduce their holdings of pre-IPO stocks within 3 full financial years from the listing date of its stocks until it makes a profit; and may, subject to relevant provisions of the *Shareholding Reduction Rules*, each year reduce their holdings of pre-IPO stocks equivalent to no more than 2 percent of its total stocks in the 4th and 5th financial years from the listing date.

Its directors, supervisors, senior offices, and key technicians may not reduce their holdings of pre-IPO stocks within 3 full financial years from the listing date of its stocks until it makes a profit; and shall continue to be bound by this paragraph even if they leave office within such period.

After the company makes a profit in any year, the shareholders specified in the preceding paragraphs may, subject to other provisions of this Section, reduce their holdings of pre-IPO stocks from the day immediately following the disclosure of its annual report for that year.

2.4.4 The controlling shareholder or *de facto* controller of a listed company shall comply with the following provisions when reducing its holdings of pre-IPO stocks:

(1) They shall not transfer or authorize others to manage any pre-IPO stocks directly or indirectly held by them, nor propose the repurchase of such stocks by the listed company, within 36 months from the listing date of its stocks; and

(2) Other provisions of laws, regulations, these *Rules*, and business rules of the Exchange regarding the transfer of stocks by controlling shareholder and *de facto* controller.

When an issuer applies to the Exchange for IPO and listing of its stocks, its controlling shareholder and *de facto* controller shall undertake to comply with the provisions of the preceding paragraph.

The parties to the transfer of pre-IPO stocks may be exempt from the first paragraph of this Article after 12 months from the listing date of the issuer's stocks if there is a control relationship between them or they are under the common control of by the same *de facto* controller.

2.4.5 The key technicians of a listed company shall observe the following provisions

when reducing their holdings of pre-IPO stocks:

(1) They shall not transfer the pre-IPO stocks of the company in their possession within 12 months from the listing date of its stocks or 6 months after they leave office;

(2) The pre-IPO stocks transferred by them each year during the 4 years upon the expiry of the lock-up period for the pre-IPO stocks held by them shall not exceed 25 percent of the total pre-IPO stocks held by them when the company was listed, and such percentage may be applied on a cumulative basis; and

(3) Other provisions of laws, regulations, these *Rules*, and business rules of the Exchange regarding the transfer of stocks by key technicians.

2.4.6 If the controlling shareholder or *de facto* controller of a listed company intends to reduce its holdings of pre-IPO stocks upon the expiry of the lock-up period, it shall specify and disclose the arrangement for the control of the company and guarantee the continuous and stable operation of the company.

2.4.7 If a listed company, upon the occurrence of any of the material law-breaking circumstances specified in Section 2, Chapter XII of these *Rules*, triggers the delisting criteria, its controlling shareholder, *de facto* controller, directors, supervisors, and senior officers may not reduce their shareholdings in the company during the period from the issuance date of a relevant administrative penalty decision or judicial decision to the termination of listing of its stocks.

2.4.8 If the controlling shareholder or *de facto* controller of a listed company who intends to reduce its shareholdings disclose their shareholding reduction plans in accordance with the *Shareholding Reduction Rules*, they shall, in the plans, also disclose whether the listed company is exposed to any material negative events, material risks, or other events required to be clarified in their opinion, and other information required by the Exchange.

2.4.9 The stocks of a listed company by its shareholders and those held by parties acting in concert with them shall be calculated on a consolidated basis. Parties acting in concert shall be determined in accordance with the *Measures for the Administration of the Takeover of Listed Companies*.

The provisions of this Section regarding controlling shareholder shall be applied, *mutatis mutandis*, to the largest shareholder of a listed company.

If a specific asset management plan established by the senior officers and key employees of

an issuer reduces its holdings of stocks, acquired in connection with its participation in strategic placement of the issuer's stocks, in the secondary market through call auction, block trading, and other methods, it shall perform the corresponding disclosure obligations in accordance with the provisions of these *Rules* regarding the reduction of holdings of pre-IPO stocks by shareholders of listed companies.

## **Chapter III Continuous Supervision and Guidance**

### **Section 1 General rules**

3.1.1 A sponsor who provides sponsor services to an issuer for the IPO of its stocks shall exercise continuous supervision and guidance over the issuer.

The continuous supervision and guidance over a listed company which has issued additional stocks or engaged in material asset restructuring shall be conducted in accordance with the relevant rules of the CSRC and the Exchange.

3.1.2 If a listed company has made an IPO of its stocks and listed them on the Science and Technology Innovation Board, the continuous supervision and guidance over the listed company shall be conducted for the remaining period of the year of listing of such stocks and the subsequent 3 full financial years. If any sponsoring service remains completed upon the expiration of the continuous supervision and guidance period, its sponsor shall continue to complete such service.

The sponsor shall enter into a continuous supervision and guidance agreement with the issuer, listed company or interested parties to specify their rights and obligations during the continuous supervision and guidance period.

3.1.3 As a general rule, a listed company shall not change its sponsor that performs the continuous supervision and guidance duties.

Where the listed company engages a new sponsor for the offering of its additional stocks, such sponsor shall perform the continuous supervision and guidance duties during the remainder of the continuous supervision and guidance period.

Where the sponsor is disqualified, the listed company shall engage a new sponsor within 1 month to conduct the continuous supervision and guidance duties during the remainder of the continuous supervision and guidance period. Such new sponsor shall conduct continuous supervision and guidance over the listed company for no less than 1 full financial year.

Where the original sponsor has failed to fulfill its duties with due diligence during the continuous supervision and guidance period, its duties shall not be exempted or terminated due to its replacement.

3.1.4 A sponsor shall establish and effectively implement a sound management system for its conducting continuous supervision and guidance duties.

The sponsor and its sponsor representatives shall make and keep the working papers of its continuous supervision and guidance work. Such working papers shall give a truthful, accurate and complete presentation of main works conducted by the sponsor and its sponsor representatives in performing the continuous supervision and guidance duties, and shall serve as the basis for issuance of relevant opinions or reports.

3.1.5 A sponsor shall designate a sponsor representative who provides sponsor services for the IPO of an issuer as being responsible for the continuous supervision and guidance work, and shall disclose such designation in the listing announcement. Where such sponsor representative is unable to perform such responsibilities, the sponsor shall designate and disclose another sponsor representative with equivalent competence for such responsibilities.

The sponsor shall establish a sound work system for its sponsor representatives to define their work requirements and duties and an effective evaluation, incentive and constraint mechanism for such sponsor representatives.

Where the sponsor representatives fail to perform duties in accordance with these *Rules*, the sponsor shall urge the sponsor representatives to perform their duties.

3.1.6 During the continuous supervision and guidance period, a listed company's sponsor shall perform its continuous supervision and guidance duties which include:

(1) urging the listed company to establish and implement such systems as those for information disclosure, compliant operation, fulfillment of commitments and distribution of dividends and returns;

(2) identifying and urging the listed company to disclose risks or negative events that may have a material adverse impact on the listed company's ability to continue as a going concern, core competitiveness or stability of control, and issue opinions thereon;

(3) paying attention to unusual fluctuations in the trading price of the listed company's stocks, and urging the listed company to perform its verification, disclosure and other obligations in accordance with these *Rules*;

(4) conducting a special inspection of events occurred to the listed company that may have a significant impact on the legitimate rights and interests of the company or its investors, and issue an on-site inspection report thereon;

(5) issuing and disclosing a periodic follow-up report on continuous supervision and guidance; and

(6) performing other duties pursuant to the rules of the CSRC and the Exchange or the provisions of the sponsor agreement.

The sponsor and its sponsor representatives shall, based on the listed company's specific conditions, make a plan for the performance of each of its continuous supervision and guidance duties.

3.1.7 A listed company shall provide active cooperation with the sponsor in performance of its continuous supervision and guidance duties in accordance with the following requirements:

(1) Upon the request of the sponsor and its sponsor representatives, timely providing information necessary for the performance of their continuous supervision and guidance duties;

(2) Upon the occurrence of a disclosable material event or material risk, timely informing the sponsor and sponsor representatives thereof;

(3) According to the supervision and guidance opinions issued by the sponsor and sponsor representatives, timely performing its disclosure obligation or taking appropriate rectification measures;

(4) assisting the sponsor and sponsor representatives in disclosing their continuous supervision and guidance opinions; and

(5) providing other conditions and conveniences necessary for the sponsor and sponsor representative to performing their continuous supervision and guidance duties.

Where the listed company fails to cooperate with the sponsor and sponsor representatives in performing their continuous supervision and guidance duties, the sponsor and sponsor representative shall urge the company to make corrections and timely report the same to the Exchange.

## Section 2 Performance of Continuous Supervision and Guidance Duties

3.2.1 A listed company's sponsor and its sponsor representatives shall assist and urge the listed company to establish appropriate internal systems, decision-making procedures and internal control mechanisms to comply with the requirements of laws, regulations and these *Rules* and to ensure that the listed company and its controlling shareholder, *de facto* controller, directors, supervisors and senior officers, and key technicians understand their obligations under these *Rules*.

3.2.2 A listed company's sponsor and its sponsor representatives shall continuously urge the listed company to fully disclose information necessary for investors to make a judgement on the value of its stocks and a decision on investment in its stocks and shall ensure the truthfulness, accuracy, completeness, timeliness and fairness of such disclosure.

The sponsor and sponsor representatives shall provide necessary guidance and assistance to the listed company in preparing disclosure announcements to ensure that information so disclosed is concise, easy to understand, and in plain and understandable language.

The sponsor and sponsor representative shall urge the controlling shareholder and *de facto* controller of the listed company to perform their disclosure obligations, and shall inform and urge them to restrain from requiring or assisting the listed company to conceal important information.

3.2.3 Where a listed company or its controlling shareholder or *de facto* controller makes an undertaking, its sponsor and sponsor representatives shall urge the company or its controlling shareholder or *de facto* controller to fully disclose the specific details of the undertaking, methods and time of performance thereof, analysis of performance ability, performance risk and responses thereto, reliefs in case of non-performance and other information.

The sponsor and sponsor representative shall, based on the disclosure of the undertaking as prescribed in the preceding Paragraph, continuously follow up the performance of such undertaking by relevant parties, and shall urge them to timely and fully perform their undertaking.

Where the listed company or its controlling shareholder and *de facto* controller discloses, performs or changes its undertaking in a manner that violates the laws, regulations, these *Rules* and other rules of the Exchange, the sponsor and sponsor representative shall timely issue a supervision and guidance opinion and urge relevant parties to make corrections.



3.2.4 A listed company's sponsor and sponsor representative shall urge the listed company to actively reward its investors, and establish and effectively implement sound systems for distribution of cash dividends and repurchase of stocks that are consistent with the company's development phase.

3.2.5 A listed company's sponsor and sponsor representative shall continuously pay attention to the listed company's operation, and have a full understanding of the listed company and its business; and by such means as making day-to-day communications, conducting regular visits, having access to materials, and attending shareholder meetings as non-voting attendees, shall pay attention to the company's day-to-day operation and trading of its stocks to effectively identify and urge the company to disclose material risks or negative events.

The sponsor and sponsor representatives shall verify the truthfulness, accuracy and completeness of the disclosure of material risks by the listed company. Where such disclosure contains misrepresentations, misleading statements or material omissions, the sponsor and sponsor representative shall issue an opinion thereon to make clarifications.

3.2.6 Where any event prescribed in Article 3.2.7, Article 3.2.8 and Article 3.2.9 of this Chapter occurs to a listed company and relevant persons with disclosure obligation, its sponsor and sponsor representatives shall urge the company to strictly perform its disclosure obligation, and shall, upon the disclosure of an announcement by the company, issue and disclose an opinion on the truthfulness, accuracy, completeness of information so disclosed and other matters prescribed in of this Chapter.

Where the sponsor and sponsor representatives are unable to perform, on time, the duties as described in the preceding Paragraph, the sponsor and sponsor representatives shall disclose the events to be verified and the time when an opinion thereon is expected to be issued, and shall make a full disclosure of risks resulting therefrom.

3.2.7 Upon the occurrence of any of the following events to the day-to-day operation of a listed company, its sponsor and sponsor representatives shall issue and disclose an opinion on the impact of such event on the company's operation and the existence of other undisclosed material risks:

(1) Its principal business stagnates or there may be material risk events that cause the principal business to stagnate;

(2) Its assets are sealed, seized or frozen;

- (3) It fails to settle debts as they fall due;
- (4) Its *de facto* controller, board chairman, CEO, chief financial officer or key technicians are subject to the compulsory measures of the judicial authority for suspected criminal offenses;
- (5) Material events involving related party transactions and provision of guarantee for others, etc.; or
- (6) Other events on which the Exchange or the sponsor deems necessary to issue an opinion.

3.2.8 Upon the occurrence of any of the following events to a listed company's business and technologies, its sponsor and sponsor representatives shall issue and disclose an opinion on the impact of such event on the company's core competitiveness and day-to-day operation and the existence of other undisclosed material risks:

- (1) There are material adverse changes in the supply of its key raw materials or sale of its products;
- (2) Its key technicians leave office;
- (3) It loses its core intellectual properties, franchise rights or core technology licenses, is unable to renew them or is involved in material disputes over them;
- (4) It fails in the research and development of its main product;
- (5) It loses advantage in core competitiveness or there is a competitor in the market who has significant advantage over it; or
- (6) Other events on which the Exchange or sponsor deems necessary to issue an opinion.

3.2.9 Upon the occurrence of any of the following events to the controlling shareholder and *de facto* controller of a listed company and their parties acting in concert, its sponsor and sponsor representatives shall issue and disclose an opinion on the impact of such event on the stability of control and day-to-day operations of the listed company and the existence of events that may damage the rights and interests of the listed company and any other undisclosed material risks:

- (1) The stocks of the listed company held by them are frozen by the judicial authority;
- (2) More than 80 percent of the listed company's stocks held by them are mortgaged or are subject to forced liquidation; or

(3) Other event on which the Exchange or sponsor deems necessary to issue an opinion.

3.2.10 Where there are significant unusual movements in the trading price of a listed company's stocks, its sponsor and sponsor representatives shall urge the listed company to timely fulfill its disclosure obligation pursuant to these *Rules*.

3.2.11 A listed company's sponsor and sponsor representative shall urge the controlling shareholder, *de facto* controller, directors, supervisors, senior officers and key technicians of the listed company to fulfill their undertakings to reduce their holdings of its stocks, and shall pay attention to such matters as the compliance of such parties' reduction of holdings of such stocks and its impact on the listed company.

3.2.12 A listed company's sponsor and sponsor representatives shall pay attention to the use of the proceeds by the listed company, and urge it to make a reasonable use of such proceeds and continuously disclose such use.

3.2.13 Upon the occurrence of any of the following events to a listed company, its sponsor and sponsor representatives shall conduct a special on-site inspection of such event within 15 days from the date when they become aware of or should have been aware of such event:

- (1) It is suspected to have committed a material financial fraud;
- (2) Its controlling shareholder, *de facto* controller, directors, supervisors or senior officers are suspected to have encroached upon its interests;
- (3) It may have provided a material guarantee in violation of applicable regulations;
- (4) There is a material irregularity in its capital movement or cash flows;
- (5) Other events of which the Exchange or sponsor deems necessary to conduct an on-site inspection.

3.2.14 When conducting on-site inspection, a listed company's sponsor shall issue an on-site inspection report on the details of the inspection, issues to which the attention of the listed company and investors are drawn and the findings of the on-site inspection, etc., and shall disclose such report within 15 trading days after the completion of such on-site inspection.

3.2.15 A listed company's sponsor shall, within 15 trading days of the disclosure of the listed company's annual report and interim report, disclose a follow up report on continuous

supervision and guidance which shall contain:

- (1) issues identified by the sponsor and its sponsor representatives and the rectification thereof;
- (2) material risk events;
- (3) material non-compliance events;
- (4) causes of changes in key financial indicators and their reasonableness;
- (5) changes in its core competitiveness;
- (6) changes in R&D expenditure and R&D progress;
- (7) consistency of progress in new business with previously disclosed information (if any);
- (8) use of the proceeds and the compliance thereof;
- (9) Stocks held by its controlling shareholder, *de facto* controller, directors, supervisors and senior officers, their stocks mortgaged or frozen, their reduction of holdings of such stocks;
- (10) Other events on which the Exchange or sponsor deems necessary to issue an opinion.

Where the listed company does not make a profit, moves from profit-making to loss-making, achieves an operating revenue falling by more than 50 percent compared with the same period of last year or has any irregularity in other key financial indicators, its sponsor shall express a conclusive opinion on the existence of material risks in the listed company in a prominent position in the follow up report on continuous supervision and guidance.

3.2.16 Upon the completion of its continuous supervision and guidance work, a listed company's sponsor shall, within 10 trading days of the disclosure of the listed company's annual report, submit a final sponsor report to the CSRC and the Exchange and disclose such report in accordance with relevant rules of the CSRC and the Exchange.

## **Chapter IV Internal Governance**

### **Section 1 Controlling Shareholders and De facto Controllers**

4.1.1 The controlling shareholder and de facto controller of a listed company shall act in good faith, duly exercise their rights, strictly perform their undertaking, and safeguard the

common interests of the listed company and all its shareholders.

The controlling shareholder and de facto controller shall perform their disclosure obligations, and ensure that information disclosed by them is truthful, accurate, complete, timely and fair and contains no misrepresentations, misleading statements or material omissions.

4.1.2 The controlling shareholder and de facto controller of a listed company shall, prior to the initial listing of its stocks or within 1 month of the change of its control, formally sign and submit to the Exchange the Controlling Shareholder/De facto Controller's Declaration and Undertaking. In case of a material change in the matters being declared therein, they shall update and submit Controlling Shareholder/De facto Controller's Declaration and Undertaking within 5 trading days of such change.

The Controlling Shareholder/De facto controller's Declaration and Undertaking shall be signed in the presence of a lawyer.

4.1.3 The controlling shareholder and de facto controller of a listed company shall maintain the independence of the company and exercise their rights pursuant to the decision-making procedures of the company.

The controlling shareholder, de facto controller, and their related parties shall not injure the lawful rights and interests of the company and other shareholders by directly or indirectly interfering with the decision making and business activities of the company in violation of laws, regulations, and the company's articles of association.

4.1.4 The controlling shareholder and de facto controller of a listed company may not damage the interests, encroach on the property rights, and usurp the business opportunities of the company through related-party transactions, occupation of funds, provision of guarantees, distribution of profits, asset reorganization, external investment, and other methods.

4.1.5 The controlling shareholder and de facto controller of a listed company shall actively cooperate with the company in performing its disclosure obligation, and shall not require or assist the company to conceal important information.

Upon receipt of an inquiry from the company, the controlling shareholder and de facto controller shall timely understand the inquired matter and provide a response to such inquiry, and ensure the truthfulness, accuracy and completeness of such response.

4.1.6 A listed company shall objective and prudently determine who has control over the company, based on its equity structure, the nomination, appointment and removal of directors

and senior officers, and other internal governance matters. The listed company is controlled by any party who:

- (1) holds more than 50 percent of its stocks, unless there is evidence to the contrary;
- (2) actually controls more than 30 percent of voting rights of the company's stocks;
- (3) is able to decide the appointment and removal of the majority of members on the company's board of directors by actually controlling the voting rights of the company's stocks;
- (4) has sufficient voting rights of the company's stocks under his/its actual control to have a material impact on the resolutions of the shareholders' general meeting;
- (5) can actually control or determine the material operating decisions, important personnel appointments, and other matters of the company; and
- (6) is under other circumstances as recognized by the CSRC and the Exchange.

If the listed company is under joint control through an act-in-concert agreement, such agreement shall specify the joint control arrangement and the mechanism for termination of joint control.

4.1.7 If the controlling shareholder and de facto controller of a listed company intend to transfer their control over the company, they shall ensure the fairness and reasonableness of such transfer and shall not injure the legitimate rights and interests of the company and other shareholders.

Any of following activities committed by the controlling shareholder or de facto controller before such transfer shall be addressed:

- (1) Illegal appropriation of funds of the company;
- (2) Failure to settle debts owed to the company or release the guarantee provided by the company for them;
- (3) Failure to complete the performance of their undertakings to the company or other shareholders; or
- (4) Other activities that have a material adverse impact on the interests of the company or its

minority shareholders.

4.1.8 A contractual fund, trust plan or asset management plan holding more than 5 percent of stocks of a listed company shall, in its document of changes in equity, disclose the party controlling the voting rights of the company's stocks, as well as whether such party has a related party relationship with the controlling shareholder or de facto controller of the company.

Any contractual fund, trust plan or asset management plan who becomes the controlling shareholder, the largest shareholder or the *de facto* controller shall, in addition to the obligation specified in the preceding Paragraph, make a pass-through disclosure until its ultimate investors in its document of changes in equity.

4.1.9 The controlling shareholder and de facto controller of a listed company shall strictly perform their undertakings and disclose such performance. If an undertaking cannot be performed on schedule or its performance would be unfavorable to the company's interests, the party who has made the undertaking shall immediately notify the company thereof, and propose and disclose an effective solution thereto.

Where the controlling shareholder or de facto controller intend to change their undertaking, they shall perform corresponding decision-making procedures in accordance with the applicable rules of the CSRC and the Exchange.

## **Section 2 Directors, Supervisors and Senior Officers**

4.2.1 The directors, supervisors, and senior officers of a listed company shall perform their duties of loyalty and duties of diligence, strictly observe their undertakings, and protect the interests of the listed company and all its shareholders.

4.2.2 The incumbent directors, supervisors, and senior officers of a listed company shall, prior to the initial listing of the company's stocks, and the newly-appointed directors, supervisors, and senior officers thereof shall, within 1 month after their appointment, sign and submit to the Exchange the Director/Supervisor/Senior Officer's Declaration and Undertaking. In case of a material change in the matters being declared therein (other than changes in their shareholdings in the company), they shall update and submit the Director/Supervisor/Senior Officer's Declaration and Undertaking within 5 trading days.

The Director/Supervisor/Senior Officer's Declaration and Undertaking shall be signed in the presence of a lawyer.

4.2.3 The directors of a listed company shall perform the following duties of loyalty to protect the interests of the listed company:

- (1) Protecting the interest of the company and all its shareholders, and refraining from injuring the interests of the company for the benefit of the de facto controller, shareholders, employees, themselves, or any other third parties;
- (2) Refraining from usurping the business opportunities of the company for themselves and their immediate family members or from engaging in or authorizing others to engage in any business identical to that of the company;
- (3) Maintaining trade secrets, refraining from divulging any undisclosed material information or from abusing insider information to obtain illegal gains, or after leaving office, performing non-competition obligations as agreed with the company; and
- (4) Performing other duties of loyalty prescribed under laws, regulations, these *Rules*, other rules of the Exchange, and the company's articles of association.

4.2.4 The directors of a listed company shall perform and may not delay in performing the following duties of care:

- (1) Ensuring that they have enough time and energy to participate in the affairs of the company and make a prudent judgement on the potential risks and benefits of the matters to be deliberated; as a general rule, personally attending the meeting of board of directors; and if authorizing a proxy to attend the meeting for any reason, prudently selecting the proxy, specifying the scope of authorization and decision-making intentions, and refraining from granting discretionary power to the proxy;
- (2) Paying attention to the operation and other matters of the company, timely reporting to the board of directors related issues and risks, and refraining from claiming exemption from liability on the grounds that they are unfamiliar with the business of the company or not aware of relevant matters;
- (3) Actively promoting the compliant operation of the company, urging the company to perform its disclosure obligation, timely correcting and reporting any non-compliance of the company, and supporting the company in the fulfilment of its social responsibilities;
- (4) Performing other duties of diligence prescribed under laws, regulations, these *Rules*, other rules of the Exchange, and the company's articles of association.



4.2.5 A director's term of office shall not exceed 3 years, and may be eligible for re-election upon expiry. The directors shall be elected and replaced by shareholders' general meeting, and can be removed from their duties by shareholders' general meeting before the expiry of their terms of office.

Each director shall serve for a term of no more than 3 years and may be reelected upon the expiration of the term. A director shall be elected and replaced by the shareholders' general meeting, and may be removed from office by the shareholders' general meeting before the expiration of his term.

The supervisors and senior officers of a listed company shall perform their duties of loyalty and diligence by reference to Articles 4.2.3 and 4.2.4.

4.2.6 The independent directors of a listed company shall focus on the related-party transactions, external guarantee, use of proceeds, M&As and reorganizations, major investing and financing activities, remuneration of senior officers, distribution of profits, and other matters closely related to the interests of minority shareholders.

The independent directors may propose the holding of the meeting of board of directors and shareholders' general meeting and the engagement of securities service providers such as CPA firms and law firms to audit, review or issue opinions on relevant matters.

4.2.7 If there is a change in the shareholdings of the directors, supervisors, senior officers, and key technicians of a listed company, they shall, within 2 trading days, report such change to the company which shall publish an announcement thereon on the website of the Exchange.

4.2.8 A listed company shall have a board secretary who is responsible for its disclosures matters.

As a senior officer, the board secretary of the listed company shall be eligible and qualified for such position, and perform its duties with loyalty and care.

When the position of board secretary becomes vacant, the listed company shall timely designate 1 director or senior officer to perform the duties of board secretary. If the vacancy remains unfilled for over 3 months, the legal representative of the company shall perform such duties in place of the board secretary.

4.2.9 A listed company shall provide conveniences for the performance of duties by its board secretary, and its directors, supervisors, other senior officers, and relevant personnel shall cooperate with the board secretary in his work.

The board secretary shall be entitled to have access to the operating and financial information of the company, attend relevant meetings, consult relevant documents, and require relevant departments and personnel to provide materials and information.

The dismissal of the board secretary by the listed company shall be based on sufficient grounds, and may not be made without cause.

4.2.10 A listed company shall have a securities affairs representative to assist its board secretary in the performance of duties. If the board secretary is unable to perform his duties or upon authorization of the board secretary, the securities affairs representative shall perform such duties in the place of the board secretary, in which case the board secretary will not be exempt from responsibility for disclosure of the company's information.

4.2.11 Upon the appointment of a board secretary and a securities affairs representative by the board of directors of a listed company, the company shall timely publish an announcement thereon and provide the following materials to the Exchange:

(1) Letters of appointment of the board secretary and securities affairs representative or related resolutions of the board of directors;

(2) The contact information of the board secretary and securities affairs representative, including, but not limited to, office telephone number, home telephone number, mobile phone number, fax number, correspondence address, and special e-mail address.

The Exchange will accept disclosure and equity management matters handled in the name of the listed company by the board secretary, any person performing the duties of the board secretary or the securities affairs representative.

### **Section 3 Compliant Operation**

4.3.1 A listed company shall actively reward shareholders by developing and implementing its shareholder reward policies such as those on distribution of cash dividends and repurchase of stocks based on its own conditions and development stage.

If the listed company clearly meets the conditions for cash dividend distribution but fails to distribute cash dividends, the Exchange may require its board of directors, controlling shareholder, and *de facto* controller to explain the reasons therefor to investors through such means as an investor briefing or an announcement.

4.3.2 A listed company shall have in place an internal control system to ensure the

integrity and effectiveness of its internal control, the reliability of its financial reports and the compliance of its operation, protect its assets and improve its operating efficiency.

4.3.3 A listed company shall establish a reasonable and effective performance assessment system and an incentive and constraint mechanism.

The incentive and constraint mechanism shall serve the strategic goals and sustainable development of the company, be linked to the performance of the company and individual employees, and maintain the stability of senior officers and key employees, and may not harm the interests of the company and its shareholders.

4.3.4 A listed company shall have in place sound shareholders' general meeting, board of director, board of supervisors and management systems to form a decision-making mechanism characterized by clear distribution of powers and responsibilities and effective checks and balances between them.

4.3.5 A listed company shall set forth such procedures as those for convening, holding and voting at shareholders' general meeting in its articles of association, develop the rules of procedure for shareholders' general meeting, and incorporate such rules into or attach such rules as an appendix to its articles of association.

Shareholders' general meeting shall be held in a venue in the form of live meeting. The timing and place of the meeting should be convenient for shareholders to participate. After issuing the notice of the shareholders' general meeting, there shall be no change in the venue of the meeting without justified causes. If there is a need for change, the convener shall announce and explain the reasons at least 2 trading days before the live meeting date. Listed companies shall open the channel of online voting so as to make it convenient for shareholders to attend the general meeting. Shareholders who attend the shareholders' general meeting through the above means shall be deemed present.

The shareholders' general meeting shall be convened as an in-person meeting at a physical place of meeting. The selection of time and place of such in-person meeting shall make it easy for the shareholders to attend. Upon issuance of a notice of shareholders' general meeting, the place of the in-person meeting may not be changed without justifiable cause. If it is necessary to change the place of meeting, the convener shall publish an announcement to that effect at least 2 trading days before the date of meeting and explain the reasons therefor. The listed company shall provide online voting tools to shareholders to facilitate their participation in the meeting. Shareholders attending the shareholder's general meeting through such method shall be deemed as being present in person.

The listed company shall make such arrangements as cumulative voting and solicitation of voting rights in accordance with applicable rules to protect the voting rights of shareholders.

4.3.6 A listed company shall hold a shareholders' general meeting in accordance with laws, regulations, and its articles of association to ensure the lawful exercise of rights by its shareholders. If the company cannot hold a shareholders' general meeting within a prescribed time limit, it shall disclose the reasons therefor and its subsequent plan prior to the expiration of such time limit.

If its shareholders propose in writing the holding of a shareholders' general meeting, the board of directors shall, within a prescribed time limit, give a written reply on whether to agree to hold the shareholders' general meeting, and shall not unreasonably delay in giving the reply. If the shareholders convene the shareholders' general meeting on their own in accordance with the law, the board of directors and board secretary of the company shall provide cooperation with them and timely perform their obligation to disclose information thereon.

The listed company shall send a notice of shareholders' general meeting and timely disclose other information required for the decision making of its shareholders, in accordance with laws, regulations, its articles of association.

4.3.7 When holding a shareholders' general meeting, a listed company shall engage a law firm to issue a legal opinion on such matters as the procedures for convocation and holding of the meeting, eligibility of attendees, eligibility of convener, voting procedures, and voting results, and disclose such opinion together with the resolutions of the shareholders' general meeting.

4.3.8 A listed company shall, after the end of its shareholders' general meeting, timely disclose an announcement on the resolutions of the shareholders' general meeting in such format and substance as required by the Exchange.

4.3.9 The board of directors of a listed company shall ensure the legality and compliance of the company's operation and the equal treatment of all shareholders and the protection of the legitimate rights and interests of other interested parties by the company.

The board of directors shall satisfy requirements for the number and composition of its members under laws and regulations, and its members shall possess the knowledges, skills, and competence necessary for their performance of duties.

4.3.10 A listed company shall develop rules of procedure for its board of directors,

incorporate such rules into or attach such rules as an appendix to its articles of association, and present such rules to the shareholders' general meeting for approval to ensure the effective performance of duties by the board of directors.

If a resolution of the board of directors involves a disclosable matter, the listed company shall state the results of the board of directors' deliberation thereon in an announcement on such matter; if any director votes against or abstains from voting on the resolution, the company shall also disclose his reasons therefor.

4.3.11 The board of directors of a listed company shall have an audit committee to which its internal audit department shall be accountable and report.

The majority of the members of the audit committee shall be independent directors any of whom may serve as the convener of its meeting, but shall be an accounting professional.

4.3.12 The board of supervisors of a listed company shall examine the financial position of the company, and oversee the compliant operation of the company and the performance of duties by its directors and senior officers.

The number and composition of the members on the board of supervisors shall ensure that it is able to independently and effectively perform its duties. A supervisor shall be able to perform his duties. No director and senior officer of the listed company may concurrently serve as a supervisor.

4.3.13 If the board of supervisors of a listed company becomes aware of its directors or senior officers' violation of any laws, regulations, these *Rules* and relevant rules of the Exchange, or its articles of association, it shall inform the board of directors of such violation or report such violation to the shareholders' general meeting, and make a timely disclosure thereof.

4.3.14 A listed company shall develop rules of procedure for its board of supervisors, incorporate such rules into or attach such rules as an appendix to its articles of association, and present such rules to the shareholders' general meeting for approval to ensure the effective performance of duties by the board of supervisors.

The listed company shall disclose an announcement on the resolution of the board of supervisors; if a supervisor votes against or abstains from voting on the resolution, the company shall disclose his reasons therefor.

4.3.15 A listed company shall engage an CPA firm qualified to engage in securities and

futures-related business to provide financial statement audit, capital verification and other related services.

The engagement and dismissal of the CPA firm of the company shall be decided by its shareholders' general meeting and no CPA firm shall be appointed by its board of director before the decision to do so is made by the shareholders' general meeting.

When a vote is cast on the dismissal of the CPA firm at the shareholders' general meeting of the company, the CPA firm may have an opportunity to be heard.

4.3.16 If a listed company's shareholders' general meeting, its board of directors' meeting, or board of supervisors' meeting cannot be held, or there is a dispute over the effectiveness of the resolutions adopted thereat, the listed company shall immediately disclose relevant matters, the claims of the parties to the dispute, the current status of the company, and other information conducive to investors' understanding of the reality of the company.

If any event in the preceding Paragraph arises, the board of directors shall maintain the company's orderly production and operation, protect the interests of the company and all its shareholders, and treat all shareholders equally.

4.3.17 A subsidiary of a listed company shall not acquire shares issued by the said listed company. The situation concerning subsidiary's holding of shares in the listed company for some special reasons shall be legally eliminated within one year. The involved subsidiary shall not exercise the voting rights corresponding to the shares held prior to elimination of the above-mentioned situation.

4.3.18 A holding subsidiary of a listed company may not acquire shares issued by the listed company.

#### **Section 4 Social Responsibilities**

4.4.1 A listed company shall actively undertake social responsibilities, maintain social and public interests, and disclose the performance of its social responsibilities such as protection of environment, product safety, and legitimate rights and interests of employees and other interested parties.

The listed company shall disclose information about the performance of its social responsibilities in its annual report, and prepare and disclose such documents as social responsibility reports, sustainability reports, or environmental responsibility reports, as applicable. Upon the occurrence of a material event breaching its social responsibilities, the

company shall adequately assess its potential impact and make a timely disclosure of such event, stating the reasons and solution therefor.

4.4.2 A listed company shall integrate ecological and environmental protection requirements into its development strategy and corporate governance, and based on its characteristics of production and operation and particular conditions, fulfil its environmental protection responsibilities by:

- (1) complying with laws, regulations, and industry standards governing environmental protection;
- (2) establishing and implementing its environmental protection program;
- (3) efficiently using energy, water resources, raw materials, and other natural resources;
- (4) disposing of pollutants in a compliant manner;
- (5) building and operating effective pollution prevention and control facilities;
- (6) paying in full environmental protection-related taxes and charges;
- (7) protecting the environmental safety of the supply chain; and
- (8) doing any other things required for the performance of environmental protection responsibilities.

4.4.3 A listed company shall, based on its own production and operation mode, fulfill its production and product safety protection responsibilities by:

- (1) complying with laws, regulations, and industry standards governing product safety;
- (2) creating secure and reliable production environment and process;
- (3) developing a product quality safety protection mechanism and a contingency plan for product safety accidents; and
- (4) doing any other things required for the performance of production and product safety responsibilities.

4.4.4 A listed company shall, considering the composition of its employees, perform its employee interest protection responsibilities by:

- (1) establishing management systems such as those for employment and dismissal, salaries and benefits, social insurance, working hours of employees, and measures for handling of non-compliances;
- (2) creating a work environment preventing occupational hazards and its supporting safety measures;
- (3) conducting necessary knowledge and professional skill trainings for its employees; and
- (4) doing any other things required for the performance of employee interest protection responsibilities.

4.4.5 A listed company shall make scientific technologies play a positive role by strictly complying with the code of ethics in science, respecting the spirit of science and adhering to the values, social responsibilities, and code of conduct which it shall observe.

The listed company shall avoid researching, developing, and using any scientific technologies which jeopardize the natural environment, life and health, public security, and ethics and morals, and may not engage in any R&D and business activities which infringe upon the basic rights of individuals or harm social and public interests.

When the listed company develops or uses innovative technologies in innovative science and technology fields such as life science, artificial intelligence, information technology, ecological environment, and new materials, it shall follow principles of prudence and robustness and make full assessment of the potential impact and reliability of such technologies.

### **Section 5 DVR Arrangement**

4.5.1 If a listed company has in place a DVR arrangement, it shall make a full and detailed disclosure of information thereon, especially information on risks and corporate governance, and its various measures for the lawful implementation of provisions on the protection of investors' legitimate rights and interest.

4.5.2 If an issuer has in place a DVR arrangement prior to its IPO and listing, such DVR arrangement shall be approved by more than two-thirds of voting rights of the shareholders attending the shareholders' general meeting.

If the issuer does not have in place a DVR arrangement prior to its IPO and listing, it may not adopt such arrangement thereafter in any way.



4.5.3 A shareholder holding special voting stocks of a listed company shall be a person who has made material contribution to the development or business growth, etc. of the company and has served as a director before its listing and continues to serve as a director after its listing, or a shareholding party actually controlled by such person.

The total stocks of the listed company in which a shareholder holding its special voting stocks has interest shall account for more than 10 percent of all issued voting stocks of the company.

4.5.4 The articles of association of a listed company shall specify the number of voting rights for each special voting stock.

The number of voting rights for each special voting stock shall be the same and shall not exceed 10 times that of voting rights for each ordinary stock.

4.5.5 Except for differences in voting rights as set out in a listed company's articles of association, shareholders holding ordinary stocks shall have the exact same rights as those holding special voting stocks.

4.5.6 Upon the listing of its stocks on the Exchange, a listed company shall not issue special voting stocks in and outside mainland China, nor increase the percentage of special voting rights, unless in connection with a proportional rights issue proportional or capitalization of capital reserve.

If reasons such as repurchase of stocks may result in a higher percentage of special voting rights, the listed company shall ensure that such percentage is not higher than the existing level by taking such measures as converting a corresponding number of special voting stocks into ordinary stocks.

For the purposes of these *Rules*, the percentage of special voting rights refers to the ratio of the number of voting rights for all special voting stocks of a listed company to that of its total issued voting stocks.

4.5.7 A listed company shall ensure that the percentage of ordinary voting rights is not less than 10 percent; a shareholder, alone or with others, holding more than 10 percent of the company's issued voting stocks shall have the right to propose the holding of its extraordinary shareholders' general meeting; a shareholder, alone or with others, holding more than 3 percent of the company's issued voting stocks shall have the right to put forward proposals at its shareholders' general meeting.

For the purposes of these *Rules*, the percentage of ordinary voting rights refers to the ratio of

the number of voting rights for all ordinary stocks of a listed company to that of its total issued voting stocks.

4.5.8 Special voting stocks shall not be traded in the secondary market, but may be transferred in accordance with applicable rules of the Exchange.

4.5.9 Special voting stocks of a listed company shall be converted into ordinary stocks at a ratio of 1:1 if:

(1) its shareholder holding the special voting stocks no longer meets the eligibility and minimum shareholding requirements specified under Article 4.5.3 hereof, or becomes incapable of performing corresponding duties, leaves office, or dies;

(2) its shareholder actually holding the special voting stocks loses actual control over the shareholding party under his control;

(3) its shareholder holding the special voting stocks transfers such stocks to any other person, or delegates the exercise of the voting rights of such stocks to any other person; or

(4) there is a change in the control of the company.

All issued special voting stocks of the listed company shall be converted into ordinary stocks upon the occurrence of the event under subparagraph (4) of the preceding Paragraph.

Upon the occurrence of the event under sub-paragraph (1) of the preceding Paragraph, the special voting stocks shall be immediately converted into ordinary stocks, the shareholder holding the special voting stocks shall promptly notify the listed company which shall timely disclose such information as the details of such event, time of occurrence of such event, quantity of special voting stocks converted into ordinary stocks, and quantity of the remaining special voting stocks.

4.5.10 The number of voting rights for each special voting stock is entitled shall be identical to that of voting rights for each ordinary stock when the shareholders of a listed company exercise their voting rights over:

(1) the revision of the company's articles of association;

(2) the change of number of voting rights for special voting stocks;

(3) the appointment or dismissal of independent directors;

(4) the engagement or dismissal of a CPA firm which issues audit opinions on the periodic reports of the company; and

(5) the combination, division, dissolution, and change of legal form of the company;

The articles of association of the listed company shall provide that the resolution of the shareholders' general meeting on the matter under subparagraph (2) of the preceding Paragraph shall be approved by more than two thirds of the voting rights of the attending shareholders, unless the corresponding number of special voting stocks is converted into ordinary stocks pursuant to Articles 4.5.6 and 4.5.9.

4.5.11 If a listed company has in place a DVR arrangement, it shall, in its periodic report, disclose the implementation and change of such arrangement during the reporting period, and the implementation of measures for protection of the legitimate rights and interests of investors under such arrangement.

In case of a material change in or adjustment to the matter under the preceding Paragraph, the company and relevant person with disclosure obligation shall timely disclose such change or adjustment.

The listed company shall, in a notice of shareholders' general meeting, set forth its shareholders holding special voting stocks, the quantity of such special voting stocks and the number of voting rights for them, whether proposals to be deliberated involve matters under Article 4.5.10, and other information.

4.5.12 If a listed company has in place a DVR arrangement, its board of supervisors shall, in its annual report, issue specific opinions on:

(1) whether its shareholders holding special voting stocks continuously satisfy the requirements of Article 4.5.3 hereof;

(2) whether any of the events under Article 4.5.9 occurs to the special voting stocks and whether they are timely converted into ordinary stocks upon occurrence of any such event;

(3) whether the percentage of special voting rights continuously complies with the provisions hereof;

(4) whether the shareholders holding special voting stocks abuse their special voting rights or otherwise damage the legitimate rights and interests of investors; and

(5) the compliance of the company and the shareholders holding special voting stocks with other provisions of this Chapter.

4.5.13 Shareholders holding special voting stocks of a listed company shall exercise their rights in accordance with applicable laws, regulations, and the company's articles of association, and shall not abuse their special voting rights, nor harm the legitimate rights and interests of investors by taking advantage of their special voting rights.

If the legitimate rights and interests of investors are damaged due to the occurrence of any event described in the preceding Paragraph, the Exchange may require the company or the shareholders holding special voting stocks to make corrections.

4.5.14 A listed company or its shareholders holding special voting stocks shall, in accordance with applicable rules of the Exchange and the CSDC, complete the procedures for registration of special voting stocks and ordinary stocks converted from them.

## **Chapter V General Rules for Disclosure**

### **Section 1 General Principles of Disclosure**

5.1.1 A listed company and relevant persons with disclosure obligation shall disclose all matters that are likely to have a significant impact on the trading price of the company's stocks or the investment decisions of investors ("material events or matters").

5.1.2 A listed company and relevant persons with disclosure obligation shall disclose information in a timely and fair manner and ensure the truthfulness, accuracy and completeness of the disclosed information.

The directors, supervisors and senior officers of the listed company shall ensure that the company discloses information in a timely and fair manner and that the information disclosed is truthful, accurate and complete and contains no misrepresentations, misleading statements or material omissions. Any director, supervisor or senior officer who disagrees with information disclosed in an announcement of the company shall make a statement thereon in the announcement and provide the reasons therefor.

5.1.3 Information disclosed by a listed company and relevant persons with disclosure obligation shall be based on objective facts or facts-based judgments and opinions, truthfully reflect the factual situation, and contain no misrepresentations.

5.1.4 When disclosing information, a listed company and relevant persons with disclosure

obligation shall exercise objectivity and make no exaggeration and misleading statement.

Forward-looking information and other information in relation to the future operation and financial condition of the company shall be disclosed reasonably, cautiously and objectively.

5.1.5 A listed company and relevant persons with disclosure obligation shall maintain the integrity of information being disclosed, fully disclose information which has a material impact on the company, and reveal any major risks to which the company may be exposed, and shall not selectively make a partial disclosure of information or disclose information which contain material omissions.

Disclosure documents shall contain complete information and be in such format as required.

5.1.6 A listed company and relevant persons with disclosure obligation shall disclose material information simultaneously to all investors to ensure that all investors have equal access to the information, and shall not reveal or divulge such information to a single investor or some investors.

When communicating to any institutions and individuals by such means as performance briefings, analyst meetings, roadshows or investigations by investors, a listed company and relevant persons with disclosure obligation shall not provide any material information that has not been disclosed by the company.

Where the listed company submits to its shareholders, *de facto* controller or any other third parties any document that involves non-public material information, it shall make a disclosure of such information pursuant to these *Rules*.

5.1.7 A listed company and relevant persons with disclosure obligation shall timely disclose a material matter if:

(1) its board of directors or the board of supervisors has adopted a resolution upon such material matter;

(2) the parties thereto have signed a letter of intent or agreement with respect to such material matter;

(3) its directors, supervisors or senior officers have become aware of such material matter; or

(4) such material matter occurs under other circumstances.

If the immediate disclosure of a highly uncertain material matter planned by the company may be detrimental to the listed company's interests or mislead investors, and relevant insiders have undertaken in writing to maintain confidentiality of such matter, the company may defer the disclosure of such material matter until no later than the time when a final resolution is adopted, a final agreement is signed or a transaction is confirmed to be able to be executed, with respect to such material matter.

Where it is impossible to keep confidentiality of information on such material matter, such information has been divulged, or there are market rumors of such information, resulting in significant fluctuations in the trading price of the company's stocks, the company shall make an immediate disclosure of its plan for such material matter and any progress therein.

## **Section 2 General Requirements for Disclosure**

5.2.1 A listed company shall disclose material information adequately reflecting the business, technology, finance, corporate governance and competitive edge of the company, industry trends, industrial policies, etc. and adequately reveal the risk factors and investment value of the company so that investors can make reasonable decisions.

5.2.2 A listed company shall disclose information in relation to such matters as its performance fluctuations, industry risks and corporate governance, and continuously disclose such material information as its scientific research level, scientific research personnel and scientific research investment, and key areas in which its proceeds are invested.

5.2.3 Where a listed company plans a material matter for a long period of time, the listed company shall, according to the principle of materiality, disclose in stages its progress and timely give risk warnings related thereto, and shall make no such disclosure only by reason of uncertainty in the outcome of such matter.

5.2.4 A listed company and relevant persons with disclosure obligation may voluntarily disclose information which, in their opinion, may have an impact on the trading price of the company's stocks or help investors make an investment decision, but is not required to be disclosed under these *Rules*.

The listed company and relevant persons with disclosure obligation shall exercise caution and objectivity in making a voluntary disclosure of information, and shall not use such information to unduly influence the trading price of the company's stocks, engage in insider trading or commit other violations of laws and regulations.

If the listed company and relevant persons with disclosure obligation disclose information

pursuant to this Article, they shall, upon the occurrence of similar events, make a disclose of such events in accordance the same standards to avoid selective disclosure.

5.2.5 The announcement of a listed company shall prioritize its key points, be logically clear, use plain, concise and intelligible language, and avoid using a large number of terminologies, unreasonably obscure expressions or foreign languages and their abbreviation and including ambiguous, boilerplate, redundant, and repetitive information, and shall not contain any words of a congratulatory, promotional, advertising, flattering or defamatory nature.

The announcement shall be made in Chinese. Where the Chinese version is accompanied by a foreign language version, the company shall ensure the consistency between the two versions. In case of discrepancy between the two versions, the Chinese version shall prevail.

5.2.6 If a material matter provided under these *Rules* occurs to a subsidiary or any other entity within the scope of consolidated financial statements of a listed company, such material matters shall be regarded as one occurring to the listed company and be subject to these *Rules*.

If a material matter provided under these *Rules* occurring to a company in which the listed company has a participating interest may have a significant impact on the trading price of the listed company's stocks, the listed company shall, by reference to these *Rules*, perform its disclosure obligation with respect to such matter.

5.2.7 Where the information proposed to be disclosed by a listed company and relevant persons with disclosure obligation is business secrets or business sensitive information, and the disclosure thereof or fulfillment of obligations related thereto under these *Rules* might lead to unfair competition, harm the interests of the company and investors or mislead investors, the disclosure of such information may be temporarily delayed or exempted pursuant to the relevant rules of the Exchange.

Where the information proposed to be disclosed is recognized as state secrets, and the disclosure thereof or fulfillment of obligations related thereto under these *Rules* would lead to violations of the applicable domestic laws and regulations or endanger the national security, the disclosure of such information may be exempted pursuant to the relevant rules of the Exchange.

The listed company and relevant persons with disclosure obligation shall exercise caution in determining matters the disclosure of which is to be delayed or exempted, and shall not expand at their own option the scope of matters the disclose of which is to be delayed or

exempted. If information the disclosure of which is delayed has been divulged, they shall timely disclose such information.

5.2.8 Where the application of the relevant disclosure requirements of the Exchange to a listed company and relevant persons with disclosure obligation might make it impossible for them to reflect the actual condition of its operation or comply with the requirements of the industry regulator or the relevant regulations of its place of incorporation, the listed company and relevant persons with disclosure obligation may apply to the Exchange for any adjustment to the application thereof, provided that they shall state the reasons therefor and the alternative plan and submit a legal opinion from a law firm engaged by them.

Where the Exchange deems the application thereof shall not be adjusted, the listed company and relevant persons with disclosure obligation shall implement the relevant rules of the Exchange.

5.2.9 The suspension and resumption of trading of a listed company's stocks shall comply with these *Rules* and relevant rules of the Exchange. Where the listed company fails to apply for suspension and resumption of trading of its stocks as required, the Exchange may decide to suspend and resume the trading of its stocks.

When a listed company plans a material matter or has any other reasons justifiable in the opinion of the Exchange, it may apply for suspension and resumption of trading of its stocks pursuant to relevant rules.

Where there are extreme irregular trading activities on the stock market, the Exchange may, in accordance with the CSRC's decision or the actual conditions of the market, may suspend the processing of trading suspension applications from listed companies to maintain the continuity and liquidity of trading on the market and protect the legitimate trading rights of investors.

5.2.10 The Exchange may decide to suspend or resume the trading of a listed company's stocks, as appropriate, if the listed company:

(1) commits a serious violation of laws and regulations, these *Rules* and other rules of the Exchange and refuses to make corrections as required within a specified time limit;

(2) publish a periodic report or ad hoc announcement which contain material omissions or misleading statements, but refuses to make an explanation on or supplementations to relevant information therein as required;



(3) is under investigation of the relevant authority for being suspected to have committed a serious violation of laws and regulations, these *Rules* and other rules of the Exchange in connection with its operation and disclosure;

(4) is unable to ensure effective contact with the Exchange or refuses to fulfill its disclosure obligation; or

(5) is under any other circumstances where the Exchange deems that the trading of its stocks shall be suspended or resumed.

5.2.11 Where a listed company becomes the target of a tender offer, the trading of its stocks shall be suspended from the expiration of the tender offer to the announcement of the result thereof. The trading of the company's stocks shall be resumed on the day when the result is announced.

### **Section 3 Forms of Supervision over Disclosure**

5.3.1 The Exchange, by such means as reviewing disclosure documents or making inquiries, conducts in-process and *ex post* supervision over disclosure to urge persons with disclosure obligation to perform their disclosure obligation and sponsors and securities service providers to fulfill their duties.

In the event of material, complex and unprecedented matters involved in the disclosure of information, the Exchange may conduct *ex ante* examination of such matters.

5.3.2 The Exchange will examine disclosure documents in form and will be not responsible for the truthfulness of information contained therein.

5.3.3 The Exchange may make an inquiry to a listed company and relevant persons with disclosure obligation if it deems that there is any material problem in their disclosure documents. The listed company and relevant persons with disclosure obligation shall give a truthful response to such inquiry within a specified time limit, and disclose its supplemented or corrected announcement.

5.3.4 Where a listed company or relevant persons with disclosure obligation fails to publish an announcement as required by these *Rules* or the Exchange, or when the Exchange deems necessary, the Exchange may make an explanation to the market in the form of Exchange announcement.

5.3.5 A listed company shall register its announcements through the Exchange's

electronic disclosure system for listed companies. Relevant persons with disclosure obligation shall register their announcements through the listed company or the disclosure platform designated by the Exchange.

A listed company and relevant persons with disclosure obligation shall ensure the consistency of the disclosed information with the registered announcement. If they fail to disclose information as registered, they shall report the same to the Exchange immediately and make timely corrections.

The listed company and relevant persons with disclosure obligation shall disclose their disclosure documents on the website of the Exchange and the media designated by the CSRC.

5.3.6 If the announcements of a listed company or relevant persons with disclosure obligation repeatedly contain misrepresentations, misleading statements or material omissions, the Exchange may decide to suspend the application of one-stop disclosure service to them.

#### **Section 4 Disclosure Management System**

5.4.1 A listed company shall establish a system for management of disclosure affairs and disclose such system after being deliberated and approved by its board of directors.

The listed company shall set up an effective communication channel with the Exchange to ensure smooth contact between them.

5.4.2 A listed company shall develop an internal system for publication of information by its directors, supervisors, senior officers and other relevant personnel to specify such matters as procedures for and means of publication and circumstances where no publication of information is permitted without the approval of its board of directors.

The listed company's controlling shareholder and *de facto* controller shall publish information related to the listed company by reference to the requirements of the preceding Paragraph.

5.4.3 A listed company and relevant persons with disclosure obligation shall not employ such other means as press conferences or Q&A with reporters to substitute for disclosure of information or to divulge non-public material information.

If necessary, the listed company and relevant persons with disclosure obligation may publish disclosable information through such means as press conference, media interview, company website or online we-media during non-trading sessions, provided that the company shall disclose an announcement thereon before the next trading session begins.

5.4.4 A listed company shall establish an insider information management system. The listed company and its directors, supervisors, senior officers and other insiders shall, prior to the disclosure of information, minimize the scope of insiders.

Before the publication of insider information, insiders shall not buy or sell the company's stocks, divulge such information or suggest others to buy or sell the company's stocks.

5.4.5 A listed company's relevant persons with disclosure obligation shall actively cooperate with the listed company in the disclosure of its information, timely notify the listed company of any material event that has occurred or may occur, and strictly fulfill their undertakings.

Where relevant persons with disclosure obligation disclose information through the listed company, the listed company shall provide assistance to them.

5.4.6 A listed company shall establish an effective communication channel with investors to protect their legitimate rights and interests.

The listed company shall actively hold investor briefings to explain material matters to investors and clarify media rumors.

## **Chapter VI Periodic Reports**

### **Section 1 Preparation and Disclosure Requirements**

6.1.1 A listed company shall prepare and disclose its periodic reports within a specified time limit in accordance with the requirements of the CSRC and the Exchange.

Periodic reports include annual reports, interim reports and quarterly reports.

6.1.2 A listed company shall disclose an annual report within 4 months from the end of each financial year, an interim report within 2 months from the end of the first half of each financial year, and a quarterly report within 1 month from the end of the first 3 months and the first 9 months of each financial year. The quarterly report for the first quarter shall be disclosed no earlier than the annual report of the previous year.

Where the listed company forecasts that it would be unable to disclose its periodic reports within the specified time limit, it shall timely announce its reasons therefor, solution thereto and estimated disclosure time.

6.1.3 A listed company shall arrange the disclosure time of its periodic reports with the Exchange.

Where the listed company intends to change the disclosure time for any reason, it shall file an application for such change with the Exchange 5 trading days before such change. The Exchange will decide whether or not to adjust the disclosure time, as the case may be.

6.1.4 The board of directors of a listed company shall prepare and deliberate its periodic reports to ensure the timely disclosure of such reports.

The listed company shall not disclose any periodic report not approved by the board of directors. Where a periodic report is not deliberated by or approved upon deliberation by the board of directors, the company shall disclose the reasons therefor and its existing risks, the specific explanation of the board of directors and the opinions of independent directors.

6.1.5 The board of supervisors of a listed company shall review its periodic reports and in the form of resolution of the board of supervisors, state whether the procedures for preparation and deliberation of such period reports comply with relevant regulations and whether information contained therein is truthful, accurate and complete.

6.1.6 The directors and senior officers of a listed company shall sign their written opinions on its periodic reports to ensure the truthfulness, accuracy and completeness of such periodic reports. Where they disagree with information contained in the periodic reports, they shall state and disclose the reasons therefor.

No director or senior officer may refuse to sign their opinions on the period reports for any grounds.

6.1.7 A CPA firm that issues an audit opinion on the periodic report of a listed company shall do so in strict accordance with the practice standards for CPAs and relevant regulations and shall not affect the timely disclosure of the period report by delaying in issuing the audit opinion thereon without any justifiable reason.

6.1.8 The financial report contained in the annual report of a listed company shall be audited by a CPA firm qualified to engage in securities- and futures-related business.

Where the listed company intends to issue bonus stocks or capitalize capital reserve, the financial report in the interim report or quarterly report based on which such issuance or capitalization is made shall be audited; such financial report may be exempt from audit if only cash dividends are distributed.

6.1.9 Where the financial report of a listed company is issued a modified opinion by a CPA firm, the listed company shall, in accordance with the *Rules for the Preparation of Disclosure Documents by Companies Offering Securities to the Public No. 14: Modified Opinions and Handling of the Matters Involved*, submit the following documents to the Exchange, together with its periodic report:

(1) specific explanation and resolution of the board of directors on the matters to which the audit opinion relates;

(2) opinions of independent directors on the matters to which the audit opinion relates;

(3) opinions and resolution of the board of supervisors on the specific explanation of the board of directors;

(4) special statement made by the CPA firm and the certified public accountant responsible for the audit; and

(5) other documents as required by the CSRC and the Exchange.

6.1.10 Where the financial report of a listed company is issued a modified opinion by a CPA firm and the matters to which the modified opinion relates have clearly violated accounting standards and relevant disclosure regulations, the listed company shall correct such matters, and timely disclose the restated financial data and related documents issued by the CPA firm such as auditor's report or special assurance report.

6.1.11 Where a listed company is ordered by relevant competent authority to correct errors or misrepresentations in its periodic report, or the company's board of directors decides to correct such errors or misrepresentations, the company shall, after it is ordered to do so or its board of directors makes a decision to do so, make timely disclosure thereof in accordance with relevant provisions of the *Rules for the Preparation of Disclosure Documents by Companies Offering Securities to the Public No.19: Restatement of Financial Information and Related Disclosure*.

6.1.12 Where a listed company fails to disclose a quarterly report within the specified time limit, the trading of its stocks shall be suspended for 1 day on the expiration date of the time limit for disclosure of such report. In case that the expiration date falls on a non-trading day, the trading of its stocks shall be suspended for 1 day on the immediately following trading day.

Where the company fails to disclose its annual report or interim report within the specified

time limit, the trading of its stocks shall be suspended from the expiration date of the time limit for disclosure of such report until the date when the company discloses the periodic report in question. In case that the disclosure date of the periodic report falls upon a non-trading day, the trading of its stocks shall be resumed on the first trading day after the disclosure of the periodic report. The trading suspension imposed on the company due to its failure to disclose an annual report or interim report shall continue for no more than 2 months. During the trading suspension, the company shall publish a risk warning announcement at least 3 times.

Where the company fails to disclose an annual report or interim report in addition to a quarterly report, the trading of its stocks shall be suspended and resumed pursuant to the relevant provisions of the preceding Paragraph.

6.1.13 Where a listed company is ordered by the CSRC to correct material errors or misrepresentations in its financial report, but fails to do so within a specified time limit, the trading of its stocks shall be suspended until the date when the company discloses its restated financial report. In case that the disclosure date of the restated financial report falls on a non-trading day, the trading of its stocks shall be resumed on the first trading day immediately following the disclosure of the restated financial report.

The trading suspension imposed on the company due to its failure to disclose an annual report or interim report shall continue for no more than 2 months. During the trading suspension, the company shall publish a risk warning announcement at least 3 times.

## **Section 2 Earnings Preannouncements and Preliminary Results**

6.2.1 A listed company shall release an earnings preannouncement within 1 month from the end of a financial year if it forecasts that any of the following events will occur to its annual earnings for such financial year:

- (1) the net profit will be negative;
- (2) the net profit will rise or fall by more than 50 percent over the same period a year earlier;  
or
- (3) it will turn from deficit to profit.

If the listed company forecasts the occurrence of any of the above enumerated events in its interim and quarterly earnings, it may release an earnings preannouncement.

The directors, supervisors and senior officers of the company shall timely and comprehensively understand and pay attention to the company's operating and financial information and conduct necessary communication with the CPA firm to prudently judge whether or not the events prescribed in this Article have occurred.

6.2.2 Where a listed company forecasts that it will be unable to disclose its annual report within 2 months from the end of a financial year, it shall disclose an earnings preannouncement within 2 months from the end of the financial year in accordance with the requirement of the Article 6.2.5 thereof.

6.2.3 Where a delisting risk warning is issued on the stocks of a listed company upon the occurrence of any event specified in the Article 12.4.2 hereof, the company shall preannounce its annual revenue, net profit, net profit after non-recurring gain or loss and net assets within 1 month after the end of the financial year.

6.2.4 Where a listed company forecasts that, after the disclosure of an earnings preannouncement, the difference between the earnings of this period and that contained in the earnings preannouncement is expected to be more than 20 percent, or it turns from deficit to profit or vice versa, it shall timely disclose a restatement of its earnings preannouncement.

6.2.5 A listed company may release preliminary results prior to the disclosure of its periodic report to disclose such key financial data and indicators as the revenue, operating profit, total profit, net profit, total assets, net assets, earnings per stock, net assets per stock and return on equity for the current period and for the same period of the previous year.

Where the listed company expects that it cannot keep confidential periodic financial data submitted to relevant national authorities prior to the disclosure of its periodic report, it shall timely release its preliminary results.

Where the earnings of the listed company are divulged prior to the disclosure of its periodic report, or any rumors of its earnings have led to unusual movement in the trading price of its stocks, its shall timely disclose its preliminary results.

6.2.6 A listed company shall guarantee that there is no material discrepancy between the financial data and indicators in the preliminary results and the actual figures in the corresponding periodic report.

If, prior to disclosure of the periodic report, the company discovers that the difference between the previously disclosed financial data and indicators and the actual figures is more than 10 percent, it shall timely release a restatement of its preliminary results.

## **Chapter VII Disclosable Transactions**

### **Section 1 Material Transactions**

7.1.1 For the purpose of this Chapter, transactions include:

- (1) purchasing or selling assets;
- (2) making external investment (excluding purchasing bank financial products);
- (3) transferring or acquiring R & D projects;
- (4) entering into a license agreement;
- (5) granting guarantee;
- (6) leasing in or out assets;
- (7) appointing others or being appointed for management of assets or business;
- (8) donating assets or accepting asset donation;
- (9) restructuring debts or claims;
- (10) providing financial assistance; and
- (11) other transactions as recognized by the Exchange.

The aforesaid purchase or sale of assets does not include transactions related to the day-to-day operation, such as acquisitions of raw materials, fuel and power, and sale of products or goods.

7.1.2 A listed company shall make timely disclosure of its transaction (excluding the provision of guarantee) if:

- (1) the total amount of assets involved in the transaction (if such assets have both book value and valuation, whichever is higher) accounts for more than 10 percent of the listed company's latest audited total assets;
- (2) the transaction amount accounts for more than 10 percent of the listed company's market value;



(3) the net assets of the subject matter of the transaction (e.g. equity interest) for the most recent financial year accounts for more than 10 percent of the listed company's market value;

(4) the operating revenue related to the subject matter of the transaction (e.g. equity interest) for the most recent financial year accounts for more than 10 percent of the listed company's audited operating revenue for the same period, and exceeds RMB 10 million;

(5) the profit derived from the transaction accounts for more than 10 percent of the listed company's audited net profit for the most recent financial year, and exceeds RMB 1 million;  
or

(6) the net profit related to the subject matter of the transaction (e.g. equity interest) for the most recent financial year accounts for more than 10 percent of the listed company's audited net profit for the same period, and exceeds RMB 1 million.

7.1.3 When the transaction of a listed company (excluding the provision of guarantee) shall be submitted to the shareholders' general meeting for deliberation if:

(1) the total amount of assets involved in the transaction (if such assets have both book value and valuation, whichever is higher) accounts for more than 50 percent of the listed company's latest audited total assets;

(2) the transaction amount accounts for more than 50 percent of the listed company's market value;

(3) the net assets of the subject matter of the transaction (e.g. equity interest) for the most recent financial year accounts for more than 50 percent of the listed company's market value;

(4) the operating revenue related to the subject matter of the transaction (e.g. equity interest) for the most recent financial year accounts for more than 50 percent of the listed company's audited operating revenue for the same period, with the absolute amount of the income exceeding RMB 50 million;

(5) the profit derived from the transaction accounts for more than 50 percent of the listed company's audited net profit for the most recent financial year, and exceeds RMB 5 million;  
or

(6) the net profit related to the subject matter of the transaction (e.g. equity interest) for the most recent financial year accounts for more than 50 percent of the listed company's audited net profit for the same period, and exceeds RMB 5 million.

7.1.4 The transaction amount specified in Articles 7.1.2 and 7.1.3 hereof refers to transaction amount paid as well as debts and expenses incurred, etc.

If a transaction arrangement involves possible future payment or receipt of consideration, has no specific amount, or determines an amount according to set conditions, the estimated maximum amount shall be the transaction amount.

7.1.5 The market value specified in this Chapter refers to the arithmetic mean of the closing market values in the 10 trading days prior to transaction.

7.1.6 Where a listed company executes a transaction by stages, the total transaction amount shall be used to determine the applicability of Article 7.1.2 or 7.1.3.

The listed company shall timely disclose the actual execution of the staged transaction.

7.1.7 Where a listed company executes two transactions of the same category and in the opposite direction with a counterparty, as specified in Article 7.1.1, the single side amount thereof shall be used to determine the applicability of Article 7.1.2 or 7.1.3.

7.1.8 Except for transactions otherwise provided for under these *Rules* and the business rules of the Exchange such as provision of guarantee and trustee investment, when a listed company executes transactions of the same category and related to the same subject matter as specified in Article 7.1.1, such transactions shall be aggregated for a period of consecutive 12 months to determine the applicability of Article 7.1.2 or 7.1.3.

If the company has performed its obligation pursuant to Article 7.1.2 or 7.1.3, such transactions shall no longer be aggregated.

7.1.9 If the subject matter of a listed company's transaction is equity interest and meets the standards stipulated in Article 7.1.3, the listed company shall provide an auditor's report on the financial report for the most recent financial year and the latest reporting period with respect to the subject matter; if the subject matter of the transaction is non-cash assets other than equity interest, the company shall provide an appraisal report. The as-of date of the audited financial report shall not be over 6 months earlier than the use date of the auditor's report, and the appraisal base date of the appraisal report shall not over 1 year earlier than the use date of the appraisal report.

The auditor's report and the appraisal report as prescribed in the preceding Paragraph shall be issued by a securities service provider qualified to engage in securities- and futures-related business.

When the Exchange deems necessary, the company shall provide an auditor's report or appraisal report even if the transaction fails to meet the standards specified in Article 7.1.3.

7.1.10 Where a listed company executes an equity transaction that results in a change in the scope of its consolidated financial statements, the relevant financial indicators of any company from which the equity is acquired shall be used as the basis of calculation to determine the applicability of Article 7.1.2 or 7.1.3.

If the foregoing equity interest transaction does not result in a change in the scope of the consolidated financial statements, relevant financial indicators calculated according to a percentage of change in the equity held by the listed company shall be used to determine the applicability of Article 7.1.2 or 7.1.3.

7.1.11 Where a listed company directly or indirectly waives its right of first refusal to purchase equity from or its preemptive right in capital increase of its controlled subsidiary, making the subsidiary no longer included in its consolidated financial statements, the company shall be deemed to have disposed its equity assets, and the relevant financial indicators of any company from which the equity is purchased shall be used as the basis of calculation to determine the applicability of Article 7.1.2 or 7.1.3.

Where the listed company waives a part of its right of first refusal to purchase equity from or its preemptive right in capital increase of its controlled or participating subsidiary, resulting in no change in the scope of its consolidated financial statements, but a decrease in its shareholding ratio in such subsidiary, relevant financial indicators calculated according to a percentage of change in the equity held by the listed company shall be used to determine the applicability of Article 7.1.2 or 7.1.3.

Where the listed company waives all or part of its right to earnings from its subordinate unincorporated entities, it shall refer to the preceding two Paragraphs.

7.1.12 Where a listed company provides financial assistance, the amount so incurred shall be used as the transaction amount to determine the applicability of Article 7.1.2 (2) or 7.1.3 (2).

7.1.13 Where a listed company engages in trustee investments on a rolling basis for a period of consecutive 12 months, the highest balance during the period shall be used as the transaction amount to determine the applicability of Article 7.1.2 (2) or 7.1.3 (2).

7.1.14 Where a listed company execute a transaction for lease of assets by it as lessee or management of assets by it as trustee, the rent or income shall be used as the basis of

calculation to determine the applicability of Article 7.1.2 (4) or 7.1.3 (4).

Where the listed company execute a transaction for lease of assets by it as lessor or management of its assets by any other person or entity, the total amount of such assets, rent income, or management fee shall be used as the basis of calculation to determine the applicability of Article 7.1.2 (1) & (4) or 7.1.3 (1) & (4).

Where the company manages assets as trustee, leases assets as lessee, places assets under the management of any other person or entity, or leases assets as lessor, resulting in a change in the scope of its consolidated financial statements, it shall be deemed to have acquired or disposed of such assets.

7.1.15 A listed company shall timely disclose any transaction executed during its ordinary course of business if:

(1) the transaction amount accounts for more than 50 percent of the listed company's latest audited total assets, and exceeds RMB 100 million;

(2) the transaction amount accounts for more than 50 percent of the listed company's audited operating revenue or cost for the most recent financial year, and exceeds RMB 100 million;

(3) the estimated total profit derived from transaction accounts for more than 50 percent of the listed company's audited net profit for the most recent financial year, and exceeds RMB 5 million; or

(4) the transaction may otherwise have a material impact on the assets, liabilities, interests and operating results of the listed company.

7.1.16 A listed company which intends to provide guarantee shall submit the transaction to its shareholders' general meeting for deliberation and make timely disclosure of such transaction.

The following guarantee transactions of the listed company shall be submitted to its shareholders' general meeting for deliberation after being approved by its board of directors:

(1) any single guarantee of which the amount exceeds 10 percent of the company's latest audited net assets;

(2) any guarantee granted after the total amount of external guarantees provided by the company and its controlled subsidiaries exceeds 50 percent of the company's latest audited

net assets;

(3) any guarantee granted to any party with a gearing ratio of over 70 percent;

(4) any guarantee of which the amount aggregated over a period of 12 consecutive months exceeds 30 percent of the company's latest audited total assets;

(5) any other guarantees prescribed by the Exchange or under the articles of association of the company.

Guarantee transactions within the authority of the board of directors shall require the approval of more than two-thirds of the attending directors, in addition to the approval of the majority of all directors. The guarantee transactions prescribed in Subparagraph (4) of the preceding Paragraph shall be approved by more than two-thirds of the voting rights held by the shareholders attending the shareholders' general meeting.

7.1.17 Where a listed company provides guarantee to a wholly-owned subsidiary, or grant guarantee to a controlled subsidiary and other shareholders of the controlled subsidiary provide guarantee thereto in proportion to their equity therein, without prejudice to the interests of the listed company, such guarantee may be exempted from the provisions of Subparagraphs (1) to (3) of Article 7.1.16, unless otherwise provided for in its articles of association. The listed company shall disclose the aforesaid guarantee in its annual and interim reports.

7.1.18 Where a listed company grants guarantee to any party and the guaranteed party fails to perform its debt repayment obligation within 15 trading days of the maturity of the debt, or the guaranteed party becomes bankrupt, is in liquidation proceedings, or is involved in any other circumstances that seriously affect its solvency, the listed company shall make timely disclosure thereof.

7.1.19 Where a listed company executes a transaction for acquisition or disposal of assets, involving a total amount of assets or a transaction amount aggregated over a period of consecutive 12 months exceeding 30 percent of the company's latest audited total assets, the transaction shall be submitted to its shareholders' general meeting for deliberation and be approved by more than two-thirds of the voting rights held by the attending shareholders, in addition to being disclosed and being audited or appraised by reference to Article 7.1.9.

7.1.20 Where a listed company executes a transaction in which the company is benefited unilaterally, including, but not limited to, receipt of cash donation, relief of debts, and receipt of guarantee and financial assistance, the transaction may be exempted from the deliberation

of the shareholders' general meeting under Article 7.1.3.

7.1.21 An unprofitable listed company may be exempted from the application of the net profit indicator under Article 7.1.2, 7.1.3 or 7.1.15.

## **Section 2 Related Party Transactions**

7.2.1 Where a listed company enters into a related party transaction, the related party shall ensure the legality, necessity, reasonableness and fairness of such transaction, maintain the independence of the listed company, and refrain from damaging the interests of the listed company by using such transaction to adjust its financial indicators.

7.2.2 For the purpose of this Chapter, the related party transaction refer to any transaction between a listed company or any of its subsidiaries and other entities within the scope of its consolidated financial statements and a related party of the listed company, including any transaction under Article 7.1.1 and any matter occurring in the ordinary course of business which may lead to transfer of resources or obligations.

7.2.3 A listed company shall timely disclose any transaction (excluding provision of guarantee) with its related party if:

(1) the related party is a natural person and the transaction amount exceeds RMB 300,000; or

(2) the related party is a legal person, and the transaction amount accounts for more than 0.1 percent of the listed company's latest audited total assets or market value and exceeds RMB 3 million.

7.2.4 Where a listed company enters into a transaction (excluding provision of guarantee) with its related party, involving a transaction amount of over RMB 30 million which accounts for more than 1 percent of the listed company's latest audited total assets or market value, the company shall provide an appraisal report or auditor's report, and submit such report to its shareholders' general meeting for deliberation by reference to Article 7.1.9.

Related party transactions related to the company's day-to-day operation may be exempted from audit or appraisal.

7.2.5 Where a listed company grants guarantee to its related party, such guarantee shall have a sound business logic, be timely disclosed after being approved by its board of directors, and be submitted to its shareholders' general meeting for deliberation.

Where the listed company provides guarantee to its controlling shareholder, *de facto* controller and their related party, the controlling shareholder, *de facto* controller and their related parties shall provide counter guarantee.

7.2.6 A listed company shall prudently provide financial assistance or trustee investment to its related parties; if it is necessary to do so, the account incurred shall be used as the basis of calculation for disclosure and be aggregated for a period of consecutive 12 months to determine the applicability of Article 7.2.3 or 7.2.4.

Where the company has performed its obligations in accordance with Article 7.2.3 or 7.2.4, the amount incurred shall no longer aggregated.

7.2.7 The following transactions of a listed company shall be aggregated for a period of consecutive 12 months to determine the applicability of Articles 7.2.3 and 7.2.4 respectively:

- (1) transactions with a single related party;
- (2) transactions with different related parties the subject matters of which are related in category.

The above-mentioned single related party includes legal persons or other organizations which are under the common control of a *de facto* controller with the related party, or have an equity control relationship with the related party, or have any director or senior officer also serving as a director or senior officer in the related party.

Where the company has performed its obligations in accordance with the provisions of this Chapter, such transactions shall no longer be aggregated.

7.2.8 When a listed company enters into day-to-day related party transactions with its related parties, it shall disclose and perform deliberation procedures for such transactions in accordance with the following provisions:

- (1) the listed company may reasonably estimate the annual amount of the day-to-day related party transactions by category, perform deliberation procedures for and disclose them; if the estimated amount is exceeded in the actual execution of such transactions, the listed company shall re-perform deliberation procedures and disclose such transactions based on the excess amount;
- (2) the listed company shall classify, aggregate and disclose such day-to-day related party transactions in its annual and interim reports;

(3) If any day-to-day related party transaction agreement between the listed company and its related party has a term of over 3 years, the listed company shall re-perform relevant deliberation procedures and disclosure obligation every 3 years.

7.2.9 Where a listed company intends to enter into a related party transaction that must be submitted to its shareholders' general meeting for deliberation, the company shall obtain the prior approval of its independent directors before submitting such transaction to its board of directors for deliberation.

The prior approval of independent directors shall be consented by the majority of all independent directors and be disclosed in the announcement on such related party transaction.

7.2.10 Where the board of directors of a listed company deliberates any related party transaction, the related directors shall be recused from voting and may not exercise voting rights on behalf of other directors.

The board meeting shall be attended by the majority of non-related directors, and any resolution made shall be approved by the majority of non-related directors. If less than 3 non-related directors attend the board meeting, the company shall submit the transaction to its shareholders' general meeting for deliberation.

When the shareholders' general meeting of the listed company deliberates the related party transaction, the related shareholders shall be recused from voting and may not exercise voting rights on behalf of other shareholders.

7.2.11 The following transactions between a listed company and its related parties may be exempted from being deliberated and disclosed as a related party transaction:

(1) any transaction in which one party subscribes in cash for stocks, corporate bonds or enterprise bonds, convertible bonds or other derivatives publicly issued by the other party;

(2) any transaction in which one party, as a member of an underwriting group, underwrites stocks, corporate bonds or enterprise bonds, convertible bonds or other derivatives publicly issued by the other party;

(3) any transaction in which one party thereto receives dividends, bonuses or remuneration in accordance with the resolutions of the shareholders' general meeting of the other party;

(4) any transaction in which one party participates in the open tendering or auction of the other party, except as it is impossible for the open tendering or auction to produce a fair price;



(5) any transaction in which the listed company is unilaterally benefited, including receipt of cash donation, relief of debts, receipt of guarantee and financial assistance, etc.

(6) any transaction the price of which is prescribed by the government;

(7) any transaction in which the related party provides funds to the listed company at an interest rate not higher than the benchmark interest rate for applicable loans as set by the People's Bank of China and without any corresponding guarantee therefor from the company;

(8) any transaction in which the listed company provides products and services to its director, supervisor or senior officer on terms and conditions equal to those for non-related parties; and

(9) other transactions as recognized by the Exchange.

7.2.12 A transaction between a listed company and its interested party may be recognized as a related party transaction by the Exchange in accordance with the principle of substance over form. The listed company shall fulfill its disclosure obligation and deliberation procedures in accordance with Article 7.2.3 or 7.2.4.

7.2.13 If there are no provisions in this Section on the calculation of any related party transaction disclosed or deliberated by a listed company, the provisions in Section I of this Chapter shall apply.

## **Chapter VIII Disclosable Industry Information and Operating Risks**

### **Section 1 Industry Information**

8.1.1 A listed company shall actively disclose industry information which has a material impact on the trading price of its stocks or the decision making of investors.

The listed company shall refer to the Exchange's guidelines for disclosure of industry information according to the category of industry into which it falls.

8.1.2 A listed company shall, considering the policy environment and development status of the industry in which it operates, disclose in its annual report:

(1) the basic characteristics and principal technological thresholds of the industry; the development of new technologies, new industries, new types of business, and new modes in the reporting period and their future development trends;

(2) its core competitiveness, the competitiveness analysis of its core management team and technical team, and its pipeline of core technologies which have obtained the relevant certificates of rights or approval documents during the reporting period;

(3) the amount of its R&D expenditure in the current period, the ratio of such amount to its sales revenue, component items of the R&D expenditure, the amount and percentage of the R&D expenditure being expensed and capitalized;

(4) the progress or milestone results of its products or projects under research; estimated total investment, application prospect, and potential material risks of its R&D projects; and

(5) other industry information conducive to the decision making of investors.

In addition to the scope of industry information prescribed in the *Accounting Standards for Business Enterprises*, the listed company may disclose earnings before interest and tax (EBIT), free cash flows, and other reference indicators which reflect its value and core competitiveness in the industry.

In case of a material change in the matters under Paragraph 1 of this Article, the listed company shall make timely disclosure thereof.

8.1.3 Where a listed company engages in a new business different from its main business, or enters into transactions which may result in a material change in its business, such as acquisition of business or disposal of assets, the company shall timely disclose:

(1) reasons therefor and reasonability thereof, including, but not limited to, the basic information and material risks of the existing business and whether the new business is in synergy with its main business of the listed company;

(2) its readiness, including business, capital, technology, talent, and other readiness, and the impact of the new business on its financial position and existing business;

(3) the status of the industry in which the new business operates, including the level of technology relied on by the new business, progress of R&D of such technology, commercialization of such technology, sophistication of the market, policy environment, and market competition, etc.;

(4) the management of the new business, including whether there has been a change in the control of the de facto controller over the company after the launch of the new business and whether the company is able to control the new business;

(5) the approval of the new business, including the statement on approvals already obtained or to be obtained from the relevant competent authorities (if applicable);

(6) risk warnings for the new business, including, among others, its operating, financial and new business risks;

(7) the opinions of independent directors and the board of supervisors on the implementation of the new business; and

(8) other important information which the Exchange or the company deems disclosable.

8.1.4 If a listed company discloses industry information by using specific indicators, it shall explain in detail the meanings of the indicators, describe the basis of calculation and assumptions, and ensure the consistency of the indicators. In case of a change in the basis of calculation, assumptions, and other aspects of relevant indicators, the company shall provide an explanation therefor.

If the company references relevant data and materials, it shall ensure their adequacy, reliability, objectivity and authoritativeness and indicate their sources.

## **Section 2 Operating Risks**

8.2.1 If a listed company is unprofitable, it shall, in a prominent place in its annual report, disclose its core competitiveness and its material risks in operating activities.

The listed company shall, in light of characteristics of the industry, fully disclose the reasons for its unprofitability, and the impact of the unprofitability on its cash flow, business development, talent attraction, stability of staff, R&D investment, strategic investment, sustainability of production and operation, and other aspects.

8.2.2 If the annual net profit or operating revenue of a listed company falls by more than 50 percent from the same period of last year, or its net profit is negative, the company shall disclose in its annual report:

(1) the specific reasons for the sharp decline in its performance or its loss;

(2) whether its main business, core competitiveness, and main financial indicators experience any material adverse change and are consistent with industry trends;

(3) the level of prosperity of the industry in which it operates, whether there is overcapacity,

continuing recession, technology substitution, and other circumstances in the industry;

(4) whether there is a material risk in its ability to continue as a going concern; and

(5) other information that has a material impact on the company.

8.2.3 A listed company shall, in accordance with the principles of relevance and materiality, identify and disclose in its annual report risk factors that may have a material negative impact on its core competitiveness, operating activities, and future development, including:

(1) core competitiveness risks, including technology change, upgrade of products, decreasing market share and user base resulting from increased competition, R&D investment beyond anticipation or short of anticipated progress, obsolescence of key equipment, etc.;

(2) operating risks, including dependence on a single customer, rising price of raw materials, declining price of products or services, etc.;

(3) industry risks, including cyclical downturn, overcapacity, declining market capacity or stagnant market growth, or material adverse change in the supply and demand in the upstream and downstream of the industry;

(4) macro-environment risks, including material adverse changes in applicable legal, tax, foreign exchange, trade, and other policies; and

(5) other material risks.

8.2.4 Upon the occurrence of any of the following material risk matters, a listed company shall immediately disclose the specific impact of such matter on its core competitiveness and ability to continue as a going concern:

(1) There is a material adverse change in the external macro-environment such as national policy, market environment, trade conditions;

(2) There is a material adverse change in the purchase price of raw materials, selling price of products, market capacity, supply and marketing channels, or key suppliers or customers;

(3) Any of its key technicians leaves office;

(4) Its core trademark, patent, know-how, franchise, or core technology license is lost, expires,

is involved in a material dispute;

(5) Its main product, business or the supporting technology relied on by it fails in R&D or is prohibited from being used;

(6) Its main product core technology loses competitive edge; and

(7) Other material risk matters.

8.2.5 Upon the occurrence of any of the following material accidents or negative events, a listed company shall immediately disclose the specific details and impact of such accident or event:

(1) Material environmental, production, and product safety accidents;

(2) Receipt of the government's notice on the decision to order it to make rectification, suspend production, relocate, or close down within a specified time limit;

(3) The abuse of scientific technology or the violation of ethics in science; and

(4) Other material accidents or adverse events resulting from unduly performance of social responsibilities.

8.2.6 Upon the occurrence of any of the following great risk matters, a listed company shall immediately disclose the specific details and impact of such matter:

(1) It may incur or has incurred a heavy loss;

(2) It incurs a material debt, fails to pay off a material debt as it falls due;

(3) It may be legally liable for a material default or large-amount indemnity;

(4) It makes a provision for large-amount asset depreciation;

(5) It makes a decision on its own dissolution or it has its business license revoked by the competent authority in accordance with the law, is ordered to close down or is deregistered;

(6) It estimates that its shareholders' equity will be negative;

(7) Its major debtor becomes insolvent and it fails to make an adequate bad debt provision therefor;

- (8) Its major assets are sealed, seized, frozen, mortgaged or pledged;
- (9) Its principal bank accounts are sealed or frozen;
- (10) Its main business comes to a standstill;
- (11) Its board of directors cannot hold a meeting and adopt a resolution;
- (12) Its controlling shareholder or their related parties use its funds for non-operating purposes or provide external guarantee in violation of applicable regulations;
- (13) Its controlling shareholder, de facto controller, or itself are under the investigation of the competent authority for suspected violation of laws and regulations or subject to grave administrative or criminal penalties;
- (14) Its de facto controller, legal representative, or CEO is unable to perform his duties, its directors, supervisors or senior officers are being investigated by or subject to the compulsory measures of the competent authority for suspected violation of laws and regulations, or are subject to grave administrative or criminal penalties; or
- (15) Other material risks as recognized by the Exchange or the company.

Where the aforesaid matters involve specific monetary amount, the provisions of Article 7.1.2 of these *Rules* shall be applied *mutatis mutandis*.

8.2.7 If an application for reorganization, settlement or bankruptcy liquidation is filed to a court by a listed company or its creditor, the company shall timely disclose the progress of the following matters:

- (1) The court's ruling on acceptance of the application for reorganization, settlement or bankruptcy liquidation;
- (2) The significant progress of reorganization, settlement or bankruptcy liquidation proceedings or the court's ruling thereon;
- (3) The court's ruling approving its bankruptcy reorganization plan, settlement agreement, or liquidation; and
- (4) The implementation of the bankruptcy reorganization plan and the settlement agreement.

In addition to the timely disclosure of aforementioned information, the listed company in bankruptcy proceedings shall timely disclose its periodic reports and *ad hoc* reports.

8.2.8 If a bankrupt listed company adopts the administrator management or supervision model, the administrator and its members and the company's directors, supervisors, and senior officers shall, in accordance with the *Securities Law* and the relevant rules of the Supreme People's Court, the CSRC and the Exchange, disclose information to all creditors and shareholders in a timely and fair manner and ensure the truthfulness, accuracy and completeness of the disclosed information.

## **Chapter IX Other Disclosable Material Matters**

### **Section 1 Unusual Price Fluctuations and Clarification of Rumors**

9.1.1 Where there are unusual fluctuations, as stipulated under the business rules of the Exchange or recognized by the Exchange, in the trading price of the stocks of a listed company, based on the level of unusual fluctuations and if necessary, the Exchange may:

- (1) require the listed company to publish an announcement on unusual fluctuations in the trading price of its stocks;
- (2) require the listed company to suspend the trading of its stocks for verification and disclose an announcement on such verification;
- (3) warn the market against the risk of investing in stocks the trading price of which experiences unusual volatility; and
- (4) take other measures as the Exchange deems necessary.

9.1.2 Where there are unusual fluctuations, as prescribed under the business rules of the Exchange, in the trading price of the stocks of a listed company, the company shall disclose an announcement on unusual fluctuations in the trading of its stocks on the next trading day. The Exchange may, if necessary, arrange for the company to publish such announcement on a non-trading day.

Unusual fluctuations in the trading price of its stocks shall be re-calculated from the date of disclosure of the announcement.

9.1.3 Where there are significant unusual fluctuations, as prescribed under the business rules of the Exchange, in the trading price of the stocks of a listed company, the company

shall disclose a verification announcement on the next trading day in accordance with Article 9.1.4; if the announcement is impossible to be disclosed, the company shall apply for suspension of trading of its stocks from the next trading day for verification until the disclosure of a verification announcement.

9.1.4 Where the event specified in the preceding Article occurs to the stocks of a listed company, the company or relevant persons with disclosure obligation shall verify:

(1) whether there are undisclosed matters that cause significant unusual fluctuations in its stock price;

(2) whether the price of its stocks has significantly deviated from the reasonable estimate of stock price of its listed peers;

(3) whether there are material risk matters; and

(4) whether there are other matters that may result in significant unusual fluctuations in its stock price.

The listed company shall timely disclose a verification result announcement to give adequate warning against the risk of trading in its stocks when there are significant unusual fluctuations in its stock price; where there are undisclosed material matters, the company shall hold an investor briefing.

The trading of the listed company's stocks shall be resumed from the date of disclosure of the verification result announcement or the investor briefing announcement (if any). If the date of disclosure falls on a non-trading day, the trading of its stocks shall be resumed from the immediately following trading day.

The sponsor and its sponsor representative shall urge the listed company to timely make the verification in accordance with the provisions of this Section, and fulfill its corresponding disclosure obligation.

9.1.5 Where there are significant unusual fluctuations in the trading price of stocks of a listed company, and the company finds no disclosable material matters undisclosed upon verification and is unable to give a reasonable explanation on the cause of the unusual fluctuations, the Exchange may publish an announcement to the market to warn against the risk of trading in its stocks, and impose a special trading suspension on its stocks, if appropriate.



9.1.6 A listed company and relevant persons with disclosure obligation shall pay close attention to major reports and market rumors about the company on public media (“rumors”). Where relevant rumors may have a significant impact on the investment decision of investors or the trading of its stocks, the company shall timely verify them and disclose the verification result or clarify the rumors, as the case may be.

Where the Exchange considers that relevant rumors may have a significant impact on the trading price of stocks of the company, the Exchange may require the company to verify and clarify the rumors. The company shall, within the time limit as required by the Exchange, verify them and timely publish a rumor clarification announcement.

## **Section 2 Pledge of Stocks**

9.2.1 The controlling shareholder of a listed company shall prudently pledge the company’s stocks in his possession, reasonably use funds obtained from such pledge, and maintain the stability of control, production and operation of the company.

9.2.2 Where the controlling shareholder of a listed company and his party acting in concert pledge more than 50 percent of the company’s stocks held by them, and thereafter further pledge their stocks, they shall timely notify the company thereof and disclose:

- (1) the quantity of stocks being currently pledged, the total quantity of pledged stocks and its percentage in the total stocks of the company held by them;
- (2) the term of the current pledge, the end use of funds obtained from the pledge and the arrangement for repayment of funds;
- (3) its controlling shareholder and *de facto* controller’s operating condition, financial position, solvency, and external investment in the previous year, and whether they have any debt overdue or is under other circumstances where their credit standing deteriorates;
- (4) related party transactions, transfer of funds, guarantees and joint investments between the controlling shareholder and his related parties and the listed company, and whether the controlling shareholder and the *de facto* controller occupy the resources of the listed company;
- (5) the impact of the pledged stocks on the control of the listed company; and
- (6) other information required to be disclosed by the Exchange.

9.2.3 Where the controlling shareholder of a listed company and his party acting in concert pledge more than 50 percent of the company's stocks held by them, and have any debt overdue or are under other circumstances where their credit standing deteriorates, they shall timely notify the company thereof and disclose:

- (1) the amount of the overdue debt, the cause thereof and responses thereto;
- (2) whether there is any risk of liquidation of the pledged stocks, and the quantity and percentage of the pledged stocks that may be liquidated;
- (3) information prescribed in Subparagraphs (3) to (5) of Article 9.2.2; and
- (4) other information required to be disclosed by the Exchange.

9.2.4 Where the controlling shareholder of a listed company and his party acting in concert are exposed to the risk of liquidation of their pledged stocks, they shall timely notify the listed company thereof, disclose whether the risk may result in a change in the control of the company and the measures to be taken, and give adequate warning against the risk.

Where the company's stocks pledged by the controlling shareholder and his party acting in concert pledge are force liquidated or the risk of liquidation of the pledged stocks is removed they shall continuously disclose any progress therein.

9.2.5 Where the shareholder of a listed company holding more than 5 percent of its stocks pledges his stocks, the shareholder shall notify the listed company thereof within 2 trading days, and disclose the quantity of stocks being currently pledged, the total quantity of the pledged stocks and its percentage in the total capital stock of the company.

### **Section 3 Others**

9.3.1 A listed company shall timely disclose material lawsuits or arbitrations which:

- (1) involves an amount exceeding RMB 10 million and accounting for more than 1 percent of its latest audited total assets or market value (calculated in accordance with Article 7.1.5);
- (2) cause the resolution of its shareholders' general meeting or board of directors to be cancelled upon request or be declared invalid;
- (3) may, in the opinion of the board of directors, otherwise have a significant impact on the stability of the control of the company, its production and operation, or the trading price of its stocks.

9.3.2 A listed company shall fulfill its undertaking. If the company fails to do so, it shall timely disclose its reasons therefor and solutions thereto.

The listed company shall urge its interested parties to fulfill their undertakings. If the interested parties fail to do so, the listed company shall timely disclose measures to be taken by its board of directors.

9.3.3 A listed company shall establish and improve the systems for the deposit, use, change, decision making, supervision and accountability of its proceeds, and disclose the specific arrangements for the key investment of the proceeds in the innovative science and technology fields, and continuously disclose the use of the proceeds.

9.3.4 A listed company shall, upon the occurrence of any of the following matters, timely disclose such matter:

(1) The company changes its name, stock abbreviation, articles of association, registered capital, registered address, principal office address and contact number, etc.;

(2) There is a material change in its business policy and scope;

(3) There is a change in its accounting policies or estimates;

(4) Its legal representative, managers, directors (including independent ones) or more than one-thirds of its supervisors have tendered their resignations or changed;

(5) Its engages or dismisses a CPA firm which issues audit opinions on its periodic reports;

(6) A court has ruled that its controlling shareholder is prohibited from transferring its stocks held by him;

(7) The stocks of its shareholder holding more than 5 percent of its stocks are frozen, judicially auctioned, kept in custody or trust, or restricted from voting according to law;

(8) Any other matter occurs to the company that may have a material impact on its assets, liabilities, interests or operating results;

(9) Other matters as recognized by the Exchange or the company.

If any of the above matters involves a specific amount, the company shall refer to Article 7.1.2 or other rules of the Exchange.

## Chapter X Stock Incentive

10.1 A listed company that intends to provide long term stock-based incentives to its directors, senior officers and other employees in the form of restricted stocks or stock options, or any other form recognized by the Exchange shall perform relevant deliberation procedures and disclosure obligation in accordance with this Chapter.

10.2 A listed company that implements a stock incentive scheme shall establish reasonable assessment indicators for the performance of the company and its employees to ensure that such scheme is beneficial to its sustainable development and has no detriment to its interests.

When implementing the stock incentive scheme, its directors, supervisors and senior officers shall act in good faith and with care and diligence to protect the interests of the company and its all shareholders.

10.3 A listed company that implements a stock incentive scheme shall perform its disclosure obligation in accordance with applicable rules.

The listed company shall, in its annual report, disclose the implementation of its stock incentive scheme during the report period.

10.4 Participants in the stock incentive scheme of a listed company (“SIS participants”) may include its directors, senior officers, key technicians or key business personnel, and other employees who have a direct impact on its operating results and future development and, in its opinion, shall be incentivized, except for its independent directors and supervisors.

Its shareholders who hold, individually or jointly, 5% or more of its stocks, its *de facto* controller and his spouse, parents and children, and its foreign employees, if they serve as its director, senior officer, key technician or key business personnel, may become its SIS participants. In the case of an innovative enterprise in science and technology, it shall fully explain the necessity and reasonableness of inclusion of the foregoing persons as its SIS participants.

Its SIS participants shall not be involved in any circumstances set out in Article 8.2.1 to Article 8.2.6 of the *Measures for Administration of Stock Incentive Schemes of Listed Companies*.

10.5 Restricted stocks granted by a listed company to its SIS participants include:

(1) its stocks obtained by the SIS participants under conditions prescribed in the stock incentive scheme, with part of the stocks' rights such as transfer being restricted; and

(2) its stocks which are obtained and registered in installments by the SIS participants satisfying the granting conditions under the stock incentive scheme, after they meet the corresponding vesting requirements.

10.6 If the price of restricted stocks granted by a listed company to its SIS participants is lower than 50% of the average trading price of its stocks during the 1 trading day, 20 trading days, 60 trading days or 120 trading days prior to the publication of the draft stock incentive scheme, it shall state the pricing basis and method for such restricted stocks.

Upon the occurrence of the event described in the preceding Paragraph, the listed company shall engage an independent financial advisor to issue an opinion on the feasibility of the stock incentive scheme, the reasonableness of the relevant pricing basis and method, or whether the stock incentive scheme is beneficial to its sustainable development or has no detriment to the interests of its shareholders, etc.

10.7 A listed company who intends to grant to its SIS participants restricted stocks specified in Article 10.5(2) shall establish requirements for installment vesting for the SIS participants, and register the restricted stocks by installment upon the SIS participants' satisfaction of the requirements for each installment vesting. If the requirements for an installment vesting are not satisfied, it shall not register the restricted stocks involved.

The company shall, in the stock incentive scheme, explicitly disclose the quantity of interests granted in installments, vesting requirements, time of granting or registration of stocks and relevant lock-up arrangement.

If the vesting requirements include a period of employment of more than 12 months, the company may set no lock-up period after the interests actually granted are registered.

10.8 A listed company may implement multiple stock incentive schemes simultaneously, provided that the aggregate number of the underlying stocks covered by its all valid stock incentive schemes shall not exceed 20% of its total capital stock.

## **Chapter XI Material Asset Restructuring**

11.1 The material asset restructuring of a listed company shall be carried out in accordance with the *Measures for Administration of Material Asset Restructuring of Listed*

*Companies* (the “*Restructuring Measures*”) and other relevant regulations of the CSRC, these *Rules* and other rules of the Exchange.

11.2 In the event of a material asset restructuring or the purchase of assets by issuing stocks (collectively “material asset restructuring”), a listed company shall ensure that the underlying assets are in synergy with its main business and help to promote the integration and upgrading of its main business and improve its ability to continue as a going concern.

11.3 The M&A and restructuring of a listed company involving issuance of stocks, including, but not limited to, purchase of assets by issuing stocks, combination, and division, shall be carried out only after being reviewed by the Exchange and registered with the CSRC.

If the M&A and restructuring constitutes any of the transactions set out in Article 13 of the *Restructuring Measures*, but involves no issuance of stocks, the company shall refer to the preceding Paragraph.

11.4 A listed company shall ensure that it can have effective control over the underlying assets purchased by it, guarantee the compliance of operation of the underlying assets, and urge the counterparty to the material asset restructuring to fulfill its undertaking.

11.5 In event of a material asset restructuring, a listed company shall recognize the goodwill of the underlying assets in accordance with relevant provisions of the *Accounting Standards for Business Enterprises* and, by considering such factors as the macro environment, industry environment, actual operating conditions and future operating plan, prudently carry out the subsequent measurement, presentation and disclosure of the underlying assets, timely have such assets tested for impairment, make a sufficient impairment loss provision for such assets, and disclose information which can give a fair presentation of the value of the goodwill.

11.6 A listed company shall engage an independent financial advisor to issue an opinion on its material asset restructuring.

The independent financial advisor shall issue an explicit opinion on the synergy of the material asset restructuring and the ability of the listed company to control the underlying assets, and during the continuous supervision and guidance period, urge the listed company to effectively control and integrate the underlying assets.

## **Chapter XII Delisting**

### **Section 1 General Rules**

12.1.1 Where the occurrence of any delisting circumstance to the listed company as specified in these *Rules* exposes it to the risk of its stocks being terminated from being listed, the Exchange will initiate the delisting procedures for its stocks.

12.1.2 Where a delisting risk warning is issued on the stocks of a listed company, a \*ST will be put before the short name of the stocks to distinct them from other stocks.

The stocks of the listed company, if subject to a delisting risk warning, are neither permitted to be traded on the risk warning board nor governed by the applicable rules governing trading on the risk warning board.

12.1.3 Upon occurrence of two or more circumstances to a listed company which require the issuance of a delisting risk warning or termination of listing, the Exchange will, on a first-come-first-applied basis, issue a delisting risk warning on its stocks or terminate its stocks from listing.

Upon occurrence of two or more circumstances to the listed company which require issuance of delisting risk warnings, the company may apply for lifting of the delisting risk warning only after it has satisfied all conditions for such lifting, provided that the company will not be subject to the listing termination procedures in connection with any delisting risk warning the conditions for lifting of which have been satisfied by the company.

12.1.4 Where a listed company applies for lifting of a delisting risk warning, it shall engage a sponsor to verify whether it has satisfied the conditions for such lifting and issue an explicit opinion thereon.

12.1.5 Any listed company whose stocks are terminated from listing shall not apply for relisting of its stocks.

### **Section 2 Compulsory Delisting for Material Violations**

12.2.1 In these *Rules*, the stocks of a listed company are subject to compulsory delisting for material violations occurs 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 orderly 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.

12.2.2 The stocks of a listed company shall be terminated from listing if the company commits any of the material violations set out in Article 12.2.1(1) where:

(1) the company receives an administrative sanction from the CSRC 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*, for any misrepresentations, misleading statements or material omissions contained in its IPO application or disclosure documents;

(2) the company receives an administrative sanction from the CSRC 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*, for any misrepresentations, misleading statements or material omissions contained in its application or disclosure documents for purchase of assets by issuance of stocks which constitutes a reverse takeover (RTO);

(3) based on the findings of facts in an administrative sanction decision of the CSRC, the company's financial indicators have actually reached the delisting thresholds under these *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.

12.2.3 The stocks of a listed company shall be terminated from listing if the company commits any of the material violations set out in Article 12.2.1(2) where:

(1) the company or any of its main subsidiaries has its business license legally revoked, is ordered to close 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 becomes legally disqualified 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 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.

12.2.4 The Listing Committee of the Exchange will consider 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 in accordance with the administrative sanction decision of the competent administrative authority, findings of facts in the effective judgment of a people's court and the standards prescribed under these *Rules*.

Matters related to compulsory delisting for material violations, such as determination procedures, disclosure requirements, suspension and resumption of trading and hearing, shall be governed by the *Measures of Shanghai Stock Exchange for the Implementation of Compulsory Delisting of Listed Companies for Material Violations*.

12.2.5 The Exchange will, based on the review opinion of the Listing Committee on whether to subject the stocks of a listed company to compulsory delisting for material violations, decide whether to terminate the listing of the stocks within 5 trading days upon receipt of such opinion.

12.2.6 The Exchange will, within two (2) trading days upon the date of its decision on termination of listing of a listed company's stocks, notify the company thereof and release an announcement thereon, and at the same time file the decision with the CSRC.

The company shall disclose an announcement on the termination of listing of its stocks on the trading day immediately following the receipt of the Exchange's decision on the termination of listing of its stocks.

The company may, within 5 trading days upon receipt of such decision, apply for review thereof pursuant to Section 6 of this Chapter.

12.2.7 Where, after the stocks of a listed company are terminated from listing as a result of compulsory delisting for material violations, the administrative sanction decision or judicial judgment based on which its stocks are subject to compulsory delisting for material violations is legally revoked, found to be invalid or legally modified by the decision of the competent administrative authority or the effective judicial judgment of a people's court, the company

may, within 10 trading days after becoming aware of such decision or judgment, apply to the Exchange for revocation of the decision on termination of listing of its stocks.

12.2.8 The Exchange will, within 15 trading days upon receipt of a revocation application submitted by a listing company pursuant to the preceding Paragraph, hold a Listing Committee meeting to consider whether to revoke the decision on termination of listing of its stocks and issue a review opinion based on the decision of the competent administrative authority or the effective judicial judgment of a people's court.

The Exchange will make a decision on whether to revoke the decision on termination of listing of the company's stocks based on the review opinion of the Listing Committee.

12.2.9 Where the Exchange revokes its decision on termination of listing of a listed company's stocks, the listing of its stocks shall be restored. Where its stocks are also involved in other circumstances which require issuance of a delisting risk warning or termination of listing, the Exchange will issue a delisting risk warning on its stocks or terminate its stocks from listing.

The Exchange will, within 2 trading days upon the date of the revocation decision, notify the company thereof and release an announcement thereon, and at the same time file the decision with the CSRC.

12.2.10 A listed company may, within 20 trading days upon receipt of the revocation decision of the Exchange, apply to the Exchange for restoration of listing of its stocks. Where the company's stocks have been switched to the National Equities Exchange and Quotations (NEEQ) or any other exchange recognized by the Exchange, the Exchange shall make arrangements for listing and trading of its stocks after it completes relevant procedures for its stocks such as their reconfirmation, registration and custody.

The company shall, prior to the restoration of listing of its stocks, enter into a new listing agreement with the Exchange to specify their rights and obligations and other relevant matters. Its controlling shareholder, *de facto* controller, directors, supervisors and senior officers shall execute and submit relevant representations and undertakings.

Its stocks shall be subject to no price limit and are not permitted to be traded on the risk warning board on the first day when the listing of such stocks is restored.

### **Section 3 Compulsory Delisting for Trading Reasons**

12.3.1 The Exchange may decide to terminate the stocks of a listed company from listing

if:

(1) a total of less than 2 million shares of its stocks is traded via the trading system of the Exchange for 120 consecutive trading days;

(2) the daily closing price of its stocks is lower than their par value for 20 consecutive trading days;

(3) the daily market value of its stocks is lower than RMB300 million for 20 consecutive trading days;

(4) it has less than 400 shareholders for 20 consecutive trading days; or

(5) it is involved in other circumstances recognized by the Exchange.

The aforesaid trading days exclude the days of trading suspension and the 20 trading days from the date of its IPO stocks.

Upon the occurrence of such circumstances as material unusual volatility to the securities market, the Exchange may, if appropriate, adjust the trading indicators prescribed in the first Paragraph of this Article.

12.3.2 Where a total of less than 1.5 million shares of stocks of a listed company is traded via the trading system of the Exchange for a period of 90 consecutive trading days (exclusive of the days of trading suspension), then the company shall, on the trading day immediately after such period, publish a risk warning announcement that its stocks may be terminated from listing and shall disclose such announcement on each subsequent trading day until the day when its stocks traded via the trading system of the Exchange within 120 consecutive trading days (exclusive of the days of trading suspension) from the start date of the foregoing period total to more than 2 million shares or when the Exchange makes a decision to terminate the listing of its stocks, whichever is earlier.

12.3.3 Where a listed company is involved in any of the following circumstances for a period of 10 consecutive trading days (exclusive of the days of trading suspension), the company shall, on the trading day immediately after such period, publish a risk warning announcement that its stocks may be terminated from listing and shall disclose such announcement on each subsequent trading day until the day when the circumstance has been eliminated or when the Exchange makes a decision to terminate the listing of its stocks, whichever is earlier:

- (1) the daily closing price of its stocks is lower than their par value;
- (2) the daily market value of its stocks is lower than RMB300 million; or
- (3) the daily number of its shareholders is less than 400.

12.3.4 Upon the occurrence of any of the circumstances set out in Article 12.3.1 hereof to a listed company, the trading of its stocks shall be suspended from the trading day immediately following such occurrence.

The Exchange will, within 5 trading days from the date of trading suspension, issue a prior notice of its intention to terminate the company's stocks from listing to the company which shall make timely disclosure thereof.

12.3.5 A listed company may, upon receipt of a prior notice of termination of listing, apply for hearing and submit its statements and arguments pursuant to Section 6 of this Chapter.

The Listing Committee of the Exchange will, within 15 trading days upon the expiration of the period specified in the preceding Paragraph or the end of the hearing procedures, consider whether to terminate its stocks from listing, make independent and professional judgment thereon, and issue a review opinion thereon.

The Exchange will make a decision whether to terminate the company's stocks from listing based on the review opinion of the Listing Committee.

12.3.6 The Exchange will, within 2 trading days from the date of its decision on termination of listing of a listed company's stocks, notify the company thereof and release an announcement thereon, and at the same time file the decision with the CSRC.

The company shall timely disclose an announcement on termination of listing of its stocks upon receipt of the Exchange's decision on such termination.

The company may, within 5 trading days upon receipt of such decision, apply for review thereof pursuant to Section 6 of this Chapter.

#### **Section 4 Compulsory Delisting for Financial Reasons**

12.4.1 The Exchange will initiate the procedures for delisting of stocks of a listed company if the company is obviously incapable of continuing as a going concern and reach the threshold specified herein upon the occurrence of any of the following circumstances:

- (1) the company's main business is mostly stagnant or extremely small in scale;
- (2) the substantial reduction of the company's operating assets results in its inability to maintain day-to-day business operation;
- (3) the company's operating revenue or profit is mainly derived from related party transactions that have no commercial substance;
- (4) the company's operating revenue or profit is mainly from any trading business unrelated to its main business;
- (5) the company is otherwise obviously incapable of continuing as a going concern.

12.4.2 The Exchange will issue a delisting risk warning on the stocks of a listed company if:

- (1) the company's audited net profit before and after non-recurring gain or loss in the most recent financial year (including that restated retrospectively) is negative, and its audited operating revenue (including that restated retrospectively) in the most recent financial year is less than RMB 100 million;
- (2) the company's audited net assets (including those restated retrospectively) in the most recent financial year are negative; or
- (3) the company is involved in any other circumstances recognized by the Exchange.

Where the listed company derives its operating revenue mainly from the trade business unrelated to its main business or from related party transactions that have no commercial substance and is obviously incapable of continuing as a going concern, the Exchange may request the Listing Committee to make a determination on whether such revenue has been deducted from the calculation of the operating revenue indicator specified in the preceding Paragraph, and notify the listed company thereof.

This Article shall apply to listed companies which have been listed based on the market capitalization and financial indicators as set forth in Subparagraph (5) of Article 2.1.2 hereof ("listed R&D companies"), from the 4th full financial year upon their listing day.

The Exchange may, if appropriate, adjust the delisting indicators set out in Paragraph (1) of this Article.

12.4.3 Where the main product or business of a listed R&D company or the supporting technology relied on by it fails in R&D or is prohibited from being used and the company has no other business or product that complies with the requirements under Subparagraph (5) of Article 2.1.2, the Exchange will issue a delisting risk warning on its stocks.

12.4.4 Where a listed company is predicted to be involved in any of the circumstances specified in Article 12.4.2, it shall, within one month after the end of the corresponding financial year, release a risk warning announcement that its stocks may be subject to a delisting risk warning, and further release such announcement at least twice before disclosing its annual report.

12.4.5 Where a listed company is involved in any of the circumstances specified in Article 12.4.2, it shall, after its annual report or the correction of its financial report is deliberated and approved by its board of directors, timely report the same to the Exchange, disclose the annual report or an announcement on such correction, and submit the written opinion of its board of directors to the Exchange. The stocks of the company shall be suspended from trading from the date of disclosure of the annual report or such announcement. Where the date of disclosure falls on a non-trading day, the trading of its stocks shall be suspended from the immediately following trading day.

Where the company fails to make timely disclosure of the foregoing matter, the Exchange may, after becoming aware of the matter, impose a trading suspension on its stocks and release an announcement thereon to the market.

Within 5 trading days upon the date of trading suspension, the Exchange may, if appropriate, subject the company's stocks to a delisting risk warning. The company shall, as required by the Exchange, timely release an announcement before the delisting risk warning is issued on its stocks.

The trading of the company's shares shall be resumed on the trading day immediately after the disclosure of such announcement. Where the date of disclosure of such announcement falls on a non-trading day, the trading of its stocks shall be resumed from the second trading day immediately after the disclosure. The Exchange will issue a delisting risk warning on its stocks from the date of trading resumption.

12.4.6 Where the main product or business of a listed R&D company or the supporting technology relied on by it is declared as failing in R&D or being prohibited from being used, the company shall apply for suspension of trading of its stocks from the date of occurrence of the relevant facts and release a risk warning announcement that its stocks may be subject to a

delisting risk warning.

Within 10 trading days from the date of trading suspension, the company shall verify whether its other products or businesses comply with the requirements set forth in Subparagraph (5) of Article 2.1.2 and whether it has been involved in any of the circumstances specified in Article 12.4.3, submit to the Exchange and disclose a report thereon. The company shall engage a sponsor to issue a special opinion thereon. Except as provided in Article 12.4.7, the trading of the company's stocks shall be resumed from the date of disclosure of the said report.

12.4.7 Where a listed R&D company fails to submit the said report within the prescribed time limit or, after verification, believes that it has not involved in any of the circumstances specified in Article 12.4.3, the Exchange may request the Listing Committee to make a determination on whether any of the circumstances specified in Article 12.4.3 has occurred to the company, and notify the listed company thereof.

Where the company and its sponsor believe upon verification or the Exchange determines that the company has been involved in any of the circumstances specified in Article 12.4.3, the Exchange will issue a delisting risk warning on the company's stocks within 5 trading days after receiving the relevant report from the company or making a determination. The company shall, as required by the Exchange, timely release an announcement before the delisting risk warning is issued on its stocks.

The trading of the company's stocks shall be resumed on the trading day immediately after the disclosure of the announcement. Where the date of disclosure of such announcement falls on a non-trading day, the trading of its stocks shall be resumed from the second trading day immediately after the disclosure. The Exchange will issue a delisting risk warning on its stocks from the date of trading resumption.

12.4.8 Where the stocks of a listed company is subject to a delisting risk warning as a result of the criteria set forth in Article 12.4.2, the company shall, within one month of the end of the financial year in which the delisting risk warning is issued on its stocks, release a risk warning announcement that its stocks may be terminated from listing, and further release such announcement at least twice before disclosing the annual report for such year.

Where the stocks of the listed company are subject to a delisting risk warning as a result of the criteria set forth in Article 12.4.3, the company shall, during the period in which its stocks are subject to the delisting risk warning, disclose a risk warning announcement thereon each month.

12.4.9 Where the audit results of a listed company for the most recent financial year show that any of the circumstances specified in Article 12.4.2 has been eliminated, the company may, within 5 trading days after the disclosure of the annual report, apply to the Exchange for lifting of the delisting risk warning on its stocks.

Where a listed R&D company's market capitalization, relevant products, businesses and other indicators comply with the requirements under Subparagraph (5) of Article 2.1.2 within 6 months from the day of issuance of a delisting risk warning on its stocks, the company shall make timely disclosure of such compliance and state whether it will apply to the Exchange for lifting of the delisting risk warning. The company may, within 5 trading from the date of disclosure, apply to the Exchange for lifting of the delisting risk warning issued on its stocks.

12.4.10 A listed company shall, on the trading day immediately after submitting an application to the Exchange for lifting of a delisting risk warning on its stocks, release an announcement thereon.

Within 15 trading days upon receipt of the application from the listed company, the Exchange will make a decision on whether or not to lift such delisting risk warning, as the case may be.

12.4.11 Where the Exchange makes a decision to lift a delisting risk warning on a listed company's stocks, the company shall, as required by the Exchange, release an announcement thereon on the trading day immediately before the lifting of such delisting risk warning.

The trading of the company's stocks shall be suspended for one day on the date of disclosure of the announcement or on the trading day immediately after the date of disclosure if the date of disclosure falls on a non-trading day. The Exchange will lift the delisting risk warning on its stocks from the date of trading resumption.

12.4.12 Where the Exchange makes a decision not to lift a delisting risk warning on a listed company's stocks, the company shall release an announcement thereon on the trading day immediately after receiving the relevant written notice from the Exchange. Where the company fails to do so as required, the Exchange may release such announcement in the form of Exchange announcement. The trading of the company's stocks shall be suspended from the date of the announcement.

Where the listed company satisfies the conditions for lifting of a delisting risk warning under Article 12.4.9, but is involved in any other circumstances which require issuance of a delisting risk warning, the Exchange will, in accordance with the procedures for issuance of another delisting risk warning, not lift the delisting risk warning.



12.4.13 Where a listed company fails to satisfy the conditions for lifting of a delisting risk warning under the first Paragraph of Article 12.4.9, the company shall, after its annual report or the correction of its financial report is deliberated and approved by its board of directors, timely disclose the annual report or an announcement on such correction and release a risk warning announcement that its stocks may be terminated from listing. The Exchange will impose a trading suspension on the stocks of the company from the date of disclosure of the annual report or the announcement on such correction. Where the date of disclosure falls on a non-trading day, the trading suspension shall be implemented from the trading day immediately after the disclosure.

Where a listed R&D company fails to satisfy the conditions for lifting of a delisting risk warning under the second paragraph 2 of Article 12.4.9 within 6 months after the delisting risk warning is issued on its stocks, the company shall, on the trading day immediately upon the expiration of such time limit, release a risk warning announcement that its stocks may be terminated from listing. The Exchange will suspend the trading of its stocks from the date of disclosure of the announcement.

Where a listed company satisfies the conditions for lifting of a delisting risk warning under Article 12.4.9, but fails to apply to the Exchange for lifting of such delisting risk warning within the corresponding time limit thereunder, the Exchange will suspend the trading of company's stocks on the trading day immediately upon the expiration of the corresponding time limit.

12.4.14 Where the Exchange impose a trading suspension on the stocks of a listed company in accordance with Articles 12.4.12 and 12.4.13, the Exchange shall, within 5 trading days upon the date of trading suspension, send a prior notice of its intention to terminate its stocks from listing, and the company shall make timely disclosure thereof.

12.4.15 A listed company may, upon receipt of a prior notice of termination of listing, apply for hearing and submit its statements and arguments pursuant to Section 6 of this Chapter.

The Listing Committee of the Exchange will, within 15 days after the expiration of the relevant period specified in the preceding Paragraph or the end of the hearing procedure, consider whether to terminate its stocks from listing, make independent and professional judgment thereon, and issue a review opinion thereon.

The Exchange will decide whether to terminate the company's stocks from listing based on the review opinion of the Listing Committee.

12.4.16 The Exchange will, within 2 trading days from the date of its decision on termination of listing of a listed company's stocks, notify the company thereof and release an announcement thereon, and at the same time file the decision with the CSRC.

The company shall timely disclose an announcement on termination of listing of its stocks upon receipt of the Exchange's decision on the termination of listing of its stocks.

The company may, within 5 trading days upon receipt of such decision, apply for review thereof pursuant to Section 6 of this Chapter.

### **Section 5 Mandatory Delisting for Compliance Reasons**

12.5.1 The Exchange will issue a delisting risk warning on the stocks of a listed company if:

(1) The company has been ordered by the CSRC to correct material accounting errors or misrepresentations in its financial report, but has failed to do so within the specified period, and thereafter fails to do so within the 2 months of trading suspension on its stocks;

(2) The company has failed to disclose its annual report or interim report within the statutory period and thereafter fails to do so within the 2 months of trading suspension on its stocks;

(3) The company has been ordered by the Exchange to rectify its material defects in information disclosure, compliant operation, or other aspects, but has failed to do so within the specified period, and thereafter fails to do so within the 2 months of trading suspension on its stocks;

(4) the company has been unqualified for listing for 20 consecutive trading days due to a change in its total capital stock or equity structure and thereafter fails to become qualified for listing within the 1 month of trading suspension of the its stocks;

(5) The company's financial report for the most recent financial year is issued an adverse opinion or a disclaimer of opinion by a CPA firm;

(6) the company may be legally subject to compulsory dissolution;

(7) a court has legally accepted the company's petition for reorganization, settlement, or bankruptcy liquidation; or

(8) the company is involved in other circumstances recognized by the Exchange.

The Exchange shall submit the circumstance specified in Subparagraph (3) of the preceding Paragraph to the Listing Committee for deliberation and shall make a determination thereon based on the review opinion of the Listing Committee.

12.5.2 If a listed company fails to make correction within the specified period, or disclose relevant periodic reports within the statutory period as set forth in Subparagraphs (1) to (3) of Article 12.5.1, its stocks shall be suspended from trading upon the expiration of the specified period or statutory period.

If the company has completed the correction or disclosed relevant periodic reports within 2 months following the trading suspension on its stocks, it shall timely release an announcement thereon and the trading of its stocks shall be resumed from the date of disclosure of the announcement. If the date of disclosure falls on a non-trading day, the trading of its stocks shall be resumed on the immediately following trading day.

If the company fails to complete the correction or disclosure within 2 months following the trading suspension on its stocks, the trading of its stocks shall be resumed from the trading day immediately following the expiration of the 2 months of trading suspension. The Exchange will issue a delisting risk warning on the company's stocks from the date of trading resumption. The company shall, as required by the Exchange, timely release an announcement before the delisting risk warning is issued on its stocks.

12.5.3 If the total capital stock or equity structure of a listed company, as set forth in Subparagraph (4) of Article 12.5.1, makes the company unqualified for listing for 20 consecutive trading days, the trading of its stocks shall be suspended from the trading day immediately following the occurrence of such circumstance. The company shall disclose its solution thereto and warn against associated risks within 1 month upon the date of trading suspension.

Where the company discloses its solution to the total capital stock or equity structure issue or fails to do so within 1 month following the trading suspension on its stocks, the trading of its stocks shall be resumed on the trading day immediately following the disclosure of the solution or expiration of such period. The Exchange will issue a delisting risk warning on the company's stocks from the date of trading resumption. The company shall, as required by the Exchange, timely release an announcement thereon before the delisting risk warning is issued on its stocks.

If the total capital stock or equity structure of the company during the trading suspension period makes the company requalified for listing, the company shall make timely disclosures

thereof apply for the resumption of trading of its stocks.

12.5.4 Upon the occurrence of any of the circumstances enumerated in Subparagraphs (5) to (8) of Article 12.5.1 to a listed company, the trading of stocks shall be suspended from the trading day immediately following such occurrence. The Exchange will decide to issue a delisting risk warning on the company's stocks within 5 trading days following the suspension date.

The listed company shall, as required by the Exchange, timely release an announcement before the delisting warning is issued on its stocks. The trading of its stocks shall be resumed on the trading day immediately following the date of disclosure of the announcement. If the date of disclosure falls a non-trading day, the trading of its stocks shall be resumed on the second trading day immediately following such disclosure. The Exchange will issue a delisting risk warning on the company's stocks from the date of trading resumption.

12.5.5 A listed company shall, during the period when a delisting risk warning is issued on its stocks, disclose a risk warning announcement every 5 trading days to warn against the risk that its stocks may be terminated from listing, unless the delisting risk warning is issued on its stocks due to the circumstance specified in Subparagraph (5) of Article 12.5.1.

If a delisting risk warning is issued on the stocks of the listed company as a result of the criteria specified in Subparagraph (5) of Article 12.5.1, the company shall, within one month following the end of the financial year in which such risk warning is issued, release a risk warning announcement that its stocks may be terminated from listing, and further release such announcement at least twice before disclosing the annual report for such year.

12.5.6 If a delisting risk warning issued on the stocks of a listed company due to the circumstance specified in Subparagraph (7) of Article 12.5.1, the company shall, by stages, timely disclose the progresses of reorganization matters such as the reorganization plan or settlement agreement approved in the ruling of the court or the reorganization or settlement proceedings terminated therein, and give an adequate warning against associated risks.

The suspension or resumption of trading of its stocks in connection with its bankruptcy or reorganization shall be governed by relevant rules of the Exchange.

12.5.7 After a delisting risk warning is issued on the stocks of a listed company due to any of the circumstances specified in Subparagraphs (1) to (6) of Article 12.5.1, the company may apply to the Exchange for lifting of the delisting risk warning if:

(1) The company has disclosed its corrected financial report within 2 months following the

issuance of the delisting risk warning under due to the circumstance specified in Subparagraph (1) of Article 12.5.1;

(2) The company has disclosed its relevant annual report or interim report within 2 months following the issuance of the delisting risk warning due to the circumstance specified in Subparagraph (2) of Article 12.5.1;

(3) The company has completed the rectification as required, put in place a sound corporate governance structure, maintained compliant operation, and kept its information disclosure and internal control system free from material defects within 2 months following the issuance of the delisting risk warning due to the circumstance specified in Subparagraph (3) of Article 12.5.1;

(4) The company has solved its total capital stock or equity structure issue and been made requalified for listing as a result thereof within 6 months following the issuance of the delisting risk warning due to the circumstance specified in Subparagraph (4) of Article 12.5.1;

(5) a CPA firm has issued an unqualified opinion on the company's financial report for the financial year immediately after the issuance of the delisting risk warning due to the circumstance specified in Subparagraph (5) of Article 12.5.1; or

(6) The circumstance where the company may be legally subject to compulsory dissolution has been eliminated after the issuance of the delisting risk warning due to the circumstance specified in Subparagraph (6) of Article 12.5.1.

The Exchange shall present the circumstance specified in Subparagraph (3) of the preceding Paragraph to the Listing Committee for deliberation and make a decision on whether to lift such delisting risk warning based on the review opinion of the Listing Committee.

12.5.8 A listed company may, after a delisting risk warning is issued on its stocks due to the circumstance specified in Subparagraph (7) of Article 12.5.1, apply to the Exchange for lifting of such delisting risk warning if:

(1) The company has completed the implementation of the reorganization plan;

(2) The company has completed the implementation of the settlement agreement;

(3) the petitioner has not, within the statutory period, appealed against the ruling on dismissal of the bankruptcy petition delivered by a court in accordance the *Enterprise Bankruptcy Law of People's Republic of China* (the "*Enterprise Bankruptcy Law*") after accepting the petition

and before declaring the company bankrupt; or

(4) a court has, after accepting the bankruptcy petition and before declaring the company bankrupt, delivered a ruling on termination of the bankruptcy proceedings in accordance with the *Enterprise Bankruptcy Law* as the company has repaid all due debts or a third party has provided guarantee for the company covering the debts or repaid all due debts.

When applying to the Exchange for lifting of the delisting risk warning on its stocks due to the circumstance specified in Subparagraph (1) or (2) in the preceding Paragraph, the listed company shall submit the supervision report issued by the administrator appointed by the court, the legal opinion issued by a law firm on the implementation of the reorganization plan or settlement agreement, and other supporting documents as required by the Exchange.

12.5.9 If a listed company meets the conditions under Articles 12.5.7 or 12.5.8, it shall, upon the occurrence of the relevant circumstance, make timely disclose thereof and state whether it will apply to the Exchange for lifting of the delisting risk warning. The company may, within 5 trading days upon the date of disclosure, submit to the Exchange and disclose the application for lifting of the delisting risk warning.

The Exchange shall, within 15 trading days upon receipt of the company's application, make a decision whether or not to lift the delisting risk warning, as the case may be.

12.5.10 Where the Exchange makes a decision to lift a delisting risk warning on the stocks of a listed company, the company shall, as required by the Exchange, release an announcement thereon on the trading day immediately before the lifting of the delisting risk warning. The trading of its stocks shall be suspended for one day on the date of disclosure of the announcement or on the trading day immediately after the date of disclosure if the date of disclosure falls on a non-trading day. The Exchange will lift the delisting risk warning on its stocks from the date of trading resumption.

12.5.11 Where the Exchange makes a decision not to lift a delisting risk warning on the stocks of a listed company, the company shall release an announcement thereon on the trading day immediately after receiving the relevant written notice from the Exchange. Where the company fails to do so as required, the Exchange may release such announcement in the form of Exchange announcement. The trading of the company's stocks shall be suspended from the date of the announcement.

If the listed company satisfies the conditions for lifting of a delisting risk warning under Article 12.5.7 or 12.5.8, but is involved in any other circumstances which require issuance of

a delisting risk warning, the Exchange will, in accordance with the procedures for issuance of another delisting risk warning, not lift the delisting risk warning.

12.5.12 If a listed company fails to satisfy the conditions for lifting of a delisting risk warning under Article 12.5.7 or 12.5.8 or apply for lifting of a delisting risk warning during the period specified in Article 12.5.9, the Exchange will impose a trading suspension on its stocks from the trading day immediately following the expiration of the corresponding period.

If a delisting risk warning is issued on the listed company's stocks due to the circumstance specified in Subparagraph (5) of Article 12.5.1, and a CPA firm issues an adverse opinion or a disclaimer of opinion on its financial report for the next financial year, the Exchange may impose a trading suspension on its stocks from the date of disclosure of such opinion. If the date of disclosure falls on a non-trading day, the trading suspension shall be implemented from the trading day immediately following the date of disclosure.

After a delisting risk warning is issued on the listed company's stocks due to any of the circumstances specified in Subparagraph (6) or (7) of Article 12.5.1, the company shall disclose such delisting risk warning no later than the trading day immediately after it becomes aware of the satisfaction of conditions for compulsory dissolution such as having its business license legally revoked, being ordered to close down, or being deregistered or receives a court's ruling declaring the company bankrupt, and the trading of its stocks shall be suspended from the date of disclosure.

12.5.13 If the Exchange imposes a trading suspension on the stocks of a listed company in accordance with Article 12.5.11 or 12.5.12, the Exchange will, within 5 trading days upon the date of trading suspension, send a prior notice of its intention to terminate the company's stocks from listing to the company which shall then make timely disclosure thereof.

12.5.14 A listed company may, upon receipt of a prior notice of termination of listing, apply for hearing and submit its statements and arguments pursuant to Section 6 of this Chapter.

The Listing Committee of the Exchange will, within 15 trading days upon the expiration of the period specified in the preceding Paragraph or the end of the hearing procedures, consider whether to terminate its stocks from listing, make independent and professional judgment thereon, and issue a review opinion thereon.

The Exchange will make a decision whether to terminate the company's stocks from listing based on the review opinion of the Listing Committee.

12.5.15 The Exchange will, within 2 trading days from the date of its decision on the

termination of listing of a listed company's stocks, notify the company thereof and release an announcement thereon, and at the same time file the decision with the CSRC.

The company shall timely disclose an announcement on termination of listing of its stocks upon receipt of the Exchange's decision on such termination.

The company may, within 5 trading days upon receipt of such decision, apply for review thereof pursuant to Section 6 of this Chapter.

### **Section 6 Hearing and Review**

12.6.1 A listed company may, within 5 trading days upon receipt of the Exchange's prior notice of termination of listing, submit a written request to the Exchange for hearing, stating the specific matters for the hearing and the reasons therefor.

If the company disagrees to the termination of listing of its stocks, it may submit relevant written statements and arguments as well as documents related thereto within the period specified in the preceding Paragraph.

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

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

12.6.2 When the Listing Committee organizes and holds a hearing for and deliberates the termination of listing of a listed company's stocks, it may require the company and its sponsors and securities service providers to provide supplementary materials, and the period for provision of such materials shall not be included into the hearing and deliberation period.

The period for provision of supplementary materials by the company and relevant institutions shall not exceed 30 trading days in total. Where the company and relevant institutions fail to provide such materials within the specified period as required by the Exchange, the Listing Committee will continue to proceed with the hearing or deliberation.

The Exchange may on its own initiative or authorize a relevant institution to investigate and verify relevant information of the company, and present the results thereof to the Listing Committee for deliberation. The investigation and verification period shall not be included into the deliberation period.



12.6.3 A listed company may, within 5 trading days upon receipt of the Exchange's decision on termination of listing of its stocks, may submit a written application to the Exchange for review thereof.

The company shall, on the trading day immediately following the submission of the review application to the Exchange, disclose information thereon.

12.6.4 When applying to the Exchange for review pursuant to the provisions of the preceding Article, a listed company shall submit the following documents:

- (1) a review application form;
- (2) its sponsor's opinion on the matters for which the review application is filed;
- (3) a law firm's legal opinion on the matters for which the review application is filed; and
- (4) other documents as required by the Exchange.

12.6.5 The Exchange will, within 5 trading days upon receipt of an applicant's review application documents, make a decision on whether or not to accept such application and notify the applicant thereof.

If the applicant fails to submit the review application documents pursuant to the provisions of the preceding Article, the Exchange will not accept its review application.

After receiving the Exchange's decision on whether to accept its review application, the applicant shall timely disclose the relevant details of such decision and warn against associated risks.

12.6.6 The Exchange's Review Committee will conduct review of the Exchange's decision on termination of listing of a listed company's stocks in accordance with the *Measures of the Shanghai Stock Exchange for Implementation of Reviews*.

During the deliberation of such decision, the Review Committee may require the company, and its sponsors and securities service providers to provide supplementary materials, and the period for provision of such materials shall not be included into the hearing and deliberation period.

The period for provision of such supplementary materials by the company and relevant institutions shall not exceed 30 trading days in total. Where the company and relevant

institutions fail to provide such materials within the specified period as required by the Exchange, the Review Committee will continue to proceed with the hearing or deliberation.

The Exchange may on its own initiative or authorize a relevant institution to investigate and verify relevant information of the company, and present the results thereof to the Review Committee for deliberation. The investigation and verification period shall not be included into the deliberation period.

12.6.7 The Exchange will make its decision on whether or not to maintain its decision of termination of listing based on the review opinion of the Review Committee.

An applicant shall, after receiving the Exchange's review decision, timely disclose the relevant details of such decision.

### **Section 7 Delisting Arrangement Period**

12.7.1 If the Exchange makes a decision on termination of listing of a listed company's stocks pursuant to Sections 2 to 5 of this Chapter, the trading of its stocks shall be resumed and enter the delisting arrangement period on the trading day immediately after the 5th trading day upon the date of announcement of such decision.

12.7.2 Stocks under delisting arrangement have a "delisting" indication put before their short name, are not allowed to be traded on the Exchange's risk warning board, and are not subject to applicable rules governing the trading of stocks on the Exchange's risk warning board.

12.7.3 The delisting arrangement period shall continue for a period 30 trading days. If a listed company's stocks are suspended from trading for a full trading day during the delisting arrangement period, the trading suspension period shall not be included into the delisting arrangement period, provided that the total trading suspension period shall not exceed 5 trading days.

The Exchange will not accept the company's trading suspension application after the total trading suspension period reaches 5 trading days; if the company fails to apply for trading resumption before the expiration of the total trading suspension period, the Exchange will resume the trading of its stocks on the trading day immediately after the expiration of the trading suspension period.

12.7.4 If the stocks of a listed company enter the delisting arrangement period, the company and relevant persons with disclosure obligation shall continue to perform their

disclosure obligations and other related obligations in accordance with laws, regulations, these *Rules* and relevant rules of the Exchange.

12.7.5 A listed company shall, on the first day of the delisting arrangement period, release a risk warning announcement on the decision of the Exchange regarding termination of listing of its stocks, stating such matters as the start date and end date of the delisting arrangement period.

The company shall, every 5 trading days during the first 25 trading days of the delisting arrangement period and on each trading day during the last 5 trading days thereof, release a risk warning announcement that its stocks will be terminated from listing.

12.7.6 During the 5 trading days after the expiration of the delisting arrangement period for the stocks of a listed company, the Exchange will delist its stocks, in which case its stocks are terminated from listing and are switched to a stock trading venue.

12.7.7 After the Exchange makes a decision to terminate the listing of a listed company's stocks, the company shall immediately make arrangements for matters related to the switch of its stocks to the NEEQ or other trading venue recognized by the Exchange to ensure its stocks can be admitted to trading within 45 trading days upon the date of delisting of its stocks.

To this end, the company shall engage and enter into an agreement with a securities company (broker) qualified to operate as a chief agency broker, if the company fails to engage a broker or no broker accepts its engagement, the Exchange may designate a temporary broker for the company after making a decision to terminate the listing of its stocks and shall notify the company and the broker of such designation and, within 2 trading days, publish an announcement on the said matter (unless the company is no longer a legal person).

12.7.8 Relevant provisions of the *Rules of the Shanghai Stock Exchange for Implementation of Business during the Delisting Arrangement Period* shall apply, *mutatis mutandis*, to other matters during the delisting arrangement period of a listed company's stocks.

## **Section 8 Voluntary Termination of Listing**

12.8.1 A listed company may apply to the Exchange for voluntary termination of listing of its stocks if:

(1) the shareholders' general meeting of the company resolves to voluntarily withdraw its stocks from the Exchange and decides not to trade its stocks on the Exchange;

(2) the shareholders' general meeting of the company resolves to voluntarily withdraw its stocks from the Exchange, but applies for trading or transfer of its stocks on any other trading venues;

(3) a change in the total capital stock, equity structure and other aspects of the company caused by an offer from it to all its shareholders to repurchase all or part of their stocks renders the company unqualified for listing;

(4) a change in the total capital stock, equity structure and other aspects of the company caused by an offer from its shareholders to all other shareholders to acquire all or part of their stocks renders the company unqualified for listing;

(5) a change in the total capital stock, equity structure and other aspects of the company caused by an offer from any acquirer other than its shareholder to all shareholders to acquire all or part of their stocks renders the company unsuitable for listing;

(6) the company is disqualified as a separate legal person and cancelled as a result of its merger by incorporation or absorption;

(7) the shareholders' general meeting of the company resolves to dissolve the company; or

(8) the company is involved in other circumstances as recognized by CSRC and the Exchange which require voluntary termination of listing of its stocks.

12.8.2 The resolutions of the shareholders' general meeting as described in Subparagraphs (1) and (2) of the preceding Article shall be approved by both more than two-thirds of the valid voting rights held by all attending shareholders and more than two-thirds of the valid voting rights held by any attending shareholders other than those who are:

(1) the directors, supervisors and senior officers of the listed company; and

(2) individually or collectively hold more than 5 percent of the listed company's stocks.

12.8.3 A listed company shall, before issuing a notice of the shareholders' general meetings as specified in Subparagraphs (1) and (2) of Article 12.8.1 hereof, fully disclose its plan for voluntary termination of listing, the reasons for delisting, and its post-delisting development strategies, including, without limitation, its M&A and reorganization plan, business development plan, and special explanatory note on the protection of dissent shareholders.

Independent directors shall, after conducting adequate consultation with minority

shareholders on whether the above matter is beneficial to the long-term development of the company and the interests of all shareholders, give their independent opinions thereon which shall be announced together with the notice of the shareholders' general meeting.

The company shall engage a financial advisor and a law firm to provide professional services for the voluntary termination of listing and issue their professional opinions thereon which shall be announced together with the notice of the shareholders' general meeting.

After the shareholders' general meeting deliberates the voluntary termination of listing, the company shall timely publish an announcement on the resolutions of such meeting, indicating proposals being deliberated and approved at the meeting.

12.8.4 Where the voluntary termination of listing of a listed company is caused by any stock repurchase, acquisition, merger, voluntary dissolution and other circumstances enumerated in Subparagraphs (3) to (7) of Article 12.8.1 hereof, the company shall, in accordance with the *Company Law*, *Securities Law*, *Measures on the Administration of Acquisition of Listed Companies* and *Restructurings Measures* and other applicable rules as well as the business rules of the Exchange, strictly perform its obligations to make decisions, implement procedures and disclosure information and timely apply to the Exchange for suspension or resumption of trading of its stocks.

If applying for voluntary termination of listing in the form of voluntary dissolution, the company shall comply with Articles 12.8.2 and 12.8.3 hereof in addition to laws, regulations and other applicable rules.

12.8.5 If the acquirer of a listed company makes a general takeover offer due to the performance of its acquisition obligations or for the purpose of terminating the listing of the company, the trading of the company's stocks shall be suspended after the expiration of the offer period and before the announcement of the acquisition results.

If the equity structure of the acquired listed company makes the company unqualified for listing based on the acquisition results, the company shall be treated in accordance with the following provisions:

(1) if the acquirer intends to terminate the listing of the company, the company shall perform the corresponding delisting procedures specified in Subparagraph (4) or (5) of Article 12.8.1 and its stocks shall continue to be suspended from trading from the date of announcement of acquisition results until the Exchange terminates the listing of its stocks; or

(2) if the acquirer does not intend to terminate the listing of the company, the company shall

perform the corresponding procedures specified in Subparagraph (4) of Article 12.5.1

12.8.6 Where a listed company applies for voluntary termination of listing upon the occurrence of any of the circumstances specified in Subparagraphs (1) and (2) of Article 12.8.1 hereof, the company shall apply to the Exchange for suspension of trading of its stocks from the trading day immediately following the record date for the shareholders' general meeting and submit an application for voluntary termination of listing to the Exchange within 15 trading days after the shareholders' general meeting adopts resolutions on the termination of listing.

Where the voluntary termination of listing of the listed company's stocks is caused by any stock repurchase, acquisition, merger, voluntary dissolution and other circumstances enumerated in Subparagraphs (3) to (7) of Article 12.8.1 hereof, the company shall timely file an application for voluntary termination of listing to the Exchange pursuant to applicable rules.

After filing such application, the company shall timely publish an announcement thereon.

12.8.7 A listed company that applies to the Exchange for voluntary termination of listing shall submit to the Exchange:

- (1) an application for voluntary termination of listing;
- (2) the resolutions of the board of directors and opinions of independent directors (if applicable);
- (3) the resolutions of the shareholders' general meeting (if applicable);
- (4) a plan for voluntary termination of listing;
- (5) an explanatory note on the arrangement for the company's future development after voluntary termination of listing;
- (6) a special explanatory note on the protection of dissent shareholders;
- (7) a special opinion issued by the company's financial advisor on its voluntary termination of listing;
- (8) a special legal opinion issued by the company's lawyer on its voluntary termination of listing; and

(9) other documents required by the Exchange.

12.8.8 Where the voluntary termination of listing of a listed company's stocks is not approved by its shareholders' general meeting, the company shall timely apply to the Exchange for resumption of trading of its stocks from the date of announcement of the resolutions of such meeting.

12.8.9 The Exchange will, within 5 trading days upon receipt of the application for voluntary termination of listing submitted by a listed company, make a decision on whether or not to accept such application and notify the company of such decision. The company shall, upon receiving the Exchange's decision, make timely disclosure thereof and give a warning on whether there is the risk that its stocks may be terminated from listing.

12.8.10 The Exchange will, within 15 trading days after accepting a listed company's application for voluntary termination of listing, make a decision whether or not to approve such application. If the Exchange requires the listed company to provide supplementary materials pending such decision, the period for provision of such materials by the company shall not be included into the foregoing time limit for making of such decision by the Exchange, provided, however, that such period may not exceed 30 trading days.

Where the company's stocks are withdrawn from trading in the market as a result of a general takeover offer for the company's stocks, the merger of the company and the general repurchase of its stocks by the company, the Exchange will, within 15 trading days from the day when the company announces its stock repurchase or acquisition results and completes the merger transaction, make a decision whether or not to terminate the listing of its stocks, unless otherwise specified by the Exchange.

12.8.11 The Exchange's Listing Committee will deliberate the voluntary termination of listing of a listed company's stocks and issue its review opinion based on independent and professional judgment after reviewing the compliance of the company's decision-making procedures, with a focus on the protection of the rights and interests of investors, especially minority investors.

The Exchange will make the decision whether or not to terminate the listing of the company's stocks based on the review opinion of the Listing Committee.

12.8.12 The Exchange will, within 2 trading days after making a decision to terminate the listing of a listed company's stocks, notify the company thereof and publish an announcement thereon.

The company shall, on the trading day immediately upon receipt of the Exchange's decision on the termination of listing of its stocks, disclose an announcement on such termination. In such case, the company's stocks may not be traded during the delisting arrangement period.

12.8.13 If a listed company intends to voluntarily terminate the listing of its stocks, the Exchange will, within 5 trading days from the date of announcement of its decision on the termination of listing, delist its stocks, in which case the company's stocks are terminated from listing.

12.8.14 If a listed company intends to voluntarily terminate the listing of its stocks, the company and its interested parties shall make proper arrangements for such matters as transfer or trading of its delisted stocks and measures for protection of dissent shareholders to protect the legitimate rights and interests of investors, especially minority investors.

12.8.15 A listed company which has voluntarily terminated the listing of its stocks may choose to transfer its stocks on any stock trading venue or may make other arrangements in accordance with the law.

12.8.16 The Exchange will, within 15 trading days from the day when the Exchange make a decision to approve or disapprove a listed company's voluntary termination of listing and from the day when the company's stocks are withdrawn from trading on the market, report information on the company's voluntary termination of listing to the CSRC.

## **Chapter XIII Red Chip Enterprises and Coordination between Domestic and Overseas Listings**

### **Section 1 Special Provisions for Red Chip Enterprises**

13.1.1 Where a red chip enterprise applies for issuance of stocks or depositary receipts and listing thereof on the Science and Technology Innovation Board, the rules of the CSRC and the Exchange regarding the review and registration procedures for public offering and listing of stocks or depositary receipts shall apply.

13.1.2 Where a red chip enterprise applies for listing of its domestic IPO stocks on the Science and Technology Innovation Board, it shall obtain the review opinion of the Exchange agreeing to the public offering and listing of the stocks and the decision of the CSRC giving consent to the registration of the stocks, in accordance with the *Rules Governing the Review of Public Offering and Listing of Stocks on the Science and Technology Innovation Board of*



*the Shanghai Stock Exchange.*

Where a red chip enterprise intends to domestically issue and list depositary receipts, it shall also submit documents that demonstrate the depositary receipts being issued have been put under the custody of the CSDC, the executed depositary agreement, the text of the custodian agreement, the custody certificates issued by the custodian for the underlying securities of the depositary receipts, and other documents.

Where a red chip enterprise is not required to submit the domestic public offering and listing of its stocks or depositary receipts to its shareholders' general meeting for deliberation in accordance with the company law and other laws and regulation of its place of incorporation and its articles of association or constitutional document (“articles of association”), it may be permitted not to submit the resolution thereon of the shareholders' general meeting when it applies for listing, provided that it shall submit the resolution thereon of its board of directors.

13.1.3 Where the ownership structure, corporate governance, operating rules, and other aspects of a red chip enterprise who domestically issues stocks or depositary receipts and lists them on the Science and Technology Innovation Board of the Exchange are governed by the company law and other laws and regulations of its place of incorporation, it shall ensure that the level of protection provided for the rights and interests of its investors, such as return on assets, participation in major decision making, and distribution of residual properties, is generally not lower than that required under domestic laws and regulations, and that the holders of domestic depositary receipts are entitled to rights and interests equivalent to those of the holders of overseas underlying securities.

13.1.4 The listing application documents and ongoing disclosure documents submitted by a red chip enterprise shall be prepared in Chinese.

The red chip enterprise and relevant persons with disclosure obligation shall, in accordance with the rules of the CSRC and the Exchange, disclose the listing and ongoing disclosure documents in the disclosure media designated by the CSRC and on the website of the Exchange.

13.1.5 A red chip enterprise shall establish a domestic office for securities affairs and engage a domestic representative for information disclosure who will be responsible for the information disclosure and regulatory communications in connection with the listing of its stocks or depositary receipts. The domestic representative for information disclosure shall have shall have the qualifications equivalent to those of the secretary of the board of directors of a domestic listed company, be familiar with the domestic disclosure rules and requirements,

and have good command of the Chinese language.

The red chip enterprise shall establish effective communication channels with domestic investors, regulators and the Exchange, protect the legitimate rights and interests of domestic investors as required, and maintain smooth communication with domestic regulators and the Exchange.

13.1.6 Where a red chip enterprise has a VIE structure or similar special arrangement, it shall make full and detailed disclosure of information thereon, in particular information on risks, corporate governance, etc., and legally implement various measures required to protect the legitimate rights and interests of investors.

The red chip enterprise shall, in its annual report, disclose the implementation of and changes to the VIE structure or similar special arrangement during the reporting period, as well as the implementation of measures for the protection of the legitimate rights and interests of domestic investors under such arrangements.

Where any matter prescribed in the preceding Paragraph is subject to any material change or adjustment that may have a significant impact on the trading price of its stocks or depositary receipts, it and relevant persons with disclosure obligation shall make timely disclosure thereof.

13.1.7 When a red chip enterprise intends to engage in matters that are required under these *Rules* to be submitted to its shareholders' general meeting for deliberation, such as material transactions and related party transactions, it may do so in accordance with the powers and procedures prescribed under the company law and other laws and regulations of its overseas place of incorporation disclosed by it and its articles of association, unless otherwise provided for under such laws and regulations.

Where it submits relevant matters to the shareholders' general meeting for deliberation in accordance with the provisions of the preceding Paragraph, it shall make timely disclosure thereof.

13.1.8 Where the laws and regulations of the place of incorporation of a red chip enterprise such as the company law, or the standards generally accepted in practice at such place contain different provisions or arrangements on the duties of its board of directors and independent directors, making the board of directors or independent directors unable to perform their duties or express their opinions in accordance with the rules of the Exchange, the red chip enterprise shall provide a detailed explanation thereon and the reasons therefor, and engage a

law firm to issue a legal opinion thereon.

13.1.9 Where a red chip enterprise lists its depositary receipts on the Exchange, it shall, in its annual report and interim report, disclose the implementation of and changes to the depositary and custodian arrangements during the reporting periods, and the list of the top 10 holders of domestic depositary receipts and their holdings at the end of reporting period. Upon the occurrence of any of the following circumstances, it shall make timely disclosure thereof:

- (1) there is a change in the depositary or custodian;
- (2) the underlying assets of the depositary receipts are pledged, misappropriated, judicially frozen or subject to other changes in ownership;
- (3) material modifications are made to the depositary agreement and custodian agreement;
- (4) there is a change in the conversion ratio between the depositary receipts and the underlying securities; or
- (5) other circumstances as required by the CSRC and the Exchange to be disclosed.

Where the red chip enterprise intends to change the conversion ratio between the depositary receipts and the underlying securities, it shall obtain the consent of the Exchange.

In the event of the circumstance specified in Subparagraphs (1) and (2) of the first Paragraph or a material modification to the custodian agreement, the depositary shall timely inform the red chip enterprise thereof and the red chip enterprise shall then make timely disclosure thereof.

13.1.10 A red chip enterprise and its depositary shall make reasonable arrangements for the time and method of exercise of rights by depositary receipt holders to ensure that they have sufficient time and conveniences for exercise of their rights, and shall, in accordance with the depositary agreement, timely disclose the time, method, specific requirements and results of exercise of the rights by the depositary receipt holders.

Where the red chip enterprise or depositary intends to solicit the voting intents of the depositary receipt holders through the network system provided by the Exchange or its subsidiary, it shall do so in accordance with the specific procedures under the rules of Exchange or the applicable agreement, and release an announcement thereon to the market in accordance with the depositary agreement.

13.1.11 Where a red chip enterprise and relevant persons with disclosure obligation may apply to the Exchange for an adjustment to the application of the disclosure requirements or ongoing supervision provisions hereof if such requirements or provisions make it difficult for the red chip enterprise to comply with the rules of its place of incorporation or overseas listing as well as the standards generally accepted in the market in practice, provided that they shall state the reasons therefor and the alternative solution thereto, and engage a law firm to issue a legal opinion thereon. If the Exchange believes that such adjustment is not warranted by, they shall continue to be bound by the relevant provisions of these *Rules*.

## **Section 2 Coordination between Domestic and Overseas Listings**

13.2.1 Where the securities of a company listed on the Exchange are also listed on an overseas stock exchange, the company shall ensure the timely submission to the Exchange of information required by the overseas stock exchange to be disclosed and shall also disclose such information on the designated media in accordance with these *Rules*.

13.2.2 Any report and announcement on an event submitted by a listed company to the overseas stock exchange on which it is listed shall be consistent with information thereon provided to the Exchange. In case of any material discrepancy, the company shall provide a special explanation thereon to the Exchange and publish a restated or supplementary announcement required by the Exchange.

13.2.3 Where the stocks of a listed company and derivatives thereon are suspended from trading on the overseas stock exchange on which it is listed, the company shall timely report the trading suspension as well as the reason therefor to the Exchange, and submit a written statement on whether it needs to apply to the Exchange for trading suspension.

13.2.4 Any matters not covered in this Chapter shall be governed by applicable laws and regulations, memorandums of understanding on regulatory cooperation between the Exchange and other stock exchanges, and other applicable rules.

## **Chapter XIV Day-to-day Supervision and Handling of Breaches of These Rules**

### **Section 1 Day-to-day Supervision**

14.1.1 The Exchange may take one or more of the following day-to-day measures against the institutions and their relevant personnel enumerated in Articles 1.4 and 1.5 hereof (collectively “supervised parties”):

(1) requiring them to make explanations and clarifications on relevant issues;

- (2) requiring them to provide relevant documents or materials for inspection;
- (3) requiring them to engage sponsors and relevant securities service providers to issue opinions;
- (4) interviewing with relevant personnel;
- (5) having access to or examining their working papers, records of securities business activities and relevant materials;
- (6) issuing recommendations on compliant operation to them;
- (7) making a reporting to the CSRC on relevant matters;
- (8) notifying relevant entities of relevant matters;
- (9) other measures.

14.1.2 The Exchange may conduct on-site inspection of listed companies, sponsors, securities service providers and other entities (collectively “inspected parties”) who shall actively cooperate with the Exchange in such inspection.

The on-site inspection mentioned in the preceding Paragraph refers to the process where the Exchange supervises and inspects an inspected party’s compliant operations or performance of duties, such as information disclosure and corporate governance, by such means as accessing or copying documents and materials, checking physical objects, having a conversation or making an inquiry at its production, operating, management or other relevant site.

14.1.3 The Exchange may make public any day-to-day measures taken against a supervised party if the Exchange deems it necessary to do so, and the listed company concerned shall timely disclose relevant matters as required by the Exchange.

## **Section 2 Handling of Breaches of These Rules**

14.2.1 Where a supervised party breaches these *Rules*, the Exchange may take one or more supervisory measures or disciplinary actions against it, depending on the severity of such breach.

14.2.2 The Exchange may take any or more of the following supervisory measures against

any supervised party who breaches these *Rules* in accordance with these *Rules* and other relevant rules of the Exchange, depending on the severity of such breach:

- (1) giving an oral warning;
- (2) giving a written warning;
- (3) conducting an interview for supervision purpose;
- (4) requiring it to make rectifications within a specified time limit;
- (5) requiring it to make public correction, clarification or explanation;
- (6) requiring it to make a public apology;
- (7) requiring it to engage sponsors and securities service providers to make verification and issue opinions;
- (8) requiring it to participate in training or examination within a specified time limit;
- (9) requiring it to hold an investor briefing within a specified time limit;
- (10) in the case of a listed company, requiring its board of directors to recover losses;
- (11) in the case of a listed company which fails to make corrections as required, imposing a trading suspension on its stocks;
- (12) in the case of a listed company which fails to make corrections as required, suspending the provision of the one-stop disclosure service to it;
- (13) in the case of a listed company, recommending it to replace relevant employees;
- (14) issuing a letter of recommendation on supervision to the relevant competent authority; or
- (15) other supervisory measures as prescribed by the Exchange.

14.2.3 Where an issuer, a listed company, a relevant person with disclosure obligation or its relevant personnel fails to fulfil its or his disclosure obligation, or do so in violation of the requirements of truthfulness, accuracy, completeness, timeliness and fairness, or otherwise breaches these *Rules* or its or his undertaking to the Exchange, the Exchange may, depending on the severity of its or his act, take any or more of the following disciplinary actions against

it or him:

- (1) circulating a notice of criticism;
- (2) giving a public censure; or
- (3) assessing punitive liquidated damages.

14.2.4 Where the controlling shareholder or de facto controller of a listed company is involved in any of the following circumstances, the Exchange may, depending on the severity of the circumstance, take the disciplinary actions, prescribed in Article 14.2.5, against him:

- (1) refusing to perform his disclosure obligation or cooperate with the listed company in performing its disclosure obligation;
- (2) directly or indirectly intervening in the company's decision making or business activities in violation of laws & regulations, these *Rules* and other rules of the Exchange, or its articles of association;
- (3) abusing his position as the controlling shareholder or controller to infringe upon the property rights of the company, usurp the business opportunities of the company, or harm the legitimate interests of the company and its minority shareholders;
- (4) breaching his undertaking to the company or other shareholders;
- (5) otherwise breaching these *Rules* or his undertaking to the Exchange.

14.2.5 Where a director, supervisor or senior officer of a listed company fails to perform his duties of loyalty and diligence, or otherwise breaches these *Rules* or his undertaking to the Exchange, the Exchange may, depending on the severity level of his act, take any or more of the following disciplinary actions against him:

- (1) circulating a notice of criticism;
- (2) giving a public censure;
- (3) publicly declaring him as unsuitable to serve as a director, supervisor, senior officer or board secretary of any listed company within more than 3 years; or
- (4) assessing punitive liquidated damages.

14.2.6 Where an administrator or any of its members breaches these *Rules*, the Exchange may, depending on the severity of such breach, take any or more of the following disciplinary actions against it or him:

(1) circulating a notice of criticism;

(2) giving a public censure; or

(3) recommending the court to replace the administrator or the member.

14.2.7 Where a shareholder of a listed company reduces its shareholdings in a way which breaches these *Rules* or evades these *Rules* through transaction, transfer or other arrangements, the Exchange may take supervisory measures or disciplinary actions, such as issuing a written warning, circulating a notice of criticism, giving a public censure, and imposing restriction on transactions, against it.

Where such misconduct in the reduction of shareholdings results in unusual fluctuations in the company's stock price, seriously disrupts the orderly trading of the market, or impairs the interests of investors, the Exchange will take a heavier disciplinary action against it.

14.2.8 Where a sponsor or its sponsor representative, or a securities service provider or its relevant personnel fails to perform its or his duties in accordance with these *Rules*, or fails to act in good faith and with care and diligence in performing its or his duties, the Exchange may, depending on the severity of its or his act, take supervisory measures, such as giving an oral or written warning, conducting an interview for supervision purpose, and requiring the making of corrections within a specified time limit, or impose disciplinary actions, such as circulating a notice of criticism and giving a public censure, against it or him.

Where there is any misrepresentation, misleading statement or material omission in the documents prepared or issued by the parties enumerated in the preceding Paragraph, the Exchange may take the disciplinary action of refusing to accept, for a period of 3 months to 3 years, any application or disclosure documents submitted by the sponsor or securities service provider, or for a period of 1 year to 3 years, those signed by the sponsor representative or other relevant personnel of the sponsor or the relevant personnel of the securities service provider.

14.2.9 Where, upon the occurrence of any of the following events to a listed company, its sponsor or sponsor representative fails to act in good faith and with care and diligence, the Exchange may, depending on the severity of such failure, take the supervisory measures or disciplinary actions, prescribed in the preceding Article, against the sponsor or sponsor



representative:

(1) there is any misrepresentation, misleading statement or material omission in its disclosure documents;

(2) its controlling shareholder, *de facto* controller or other related parties misappropriates its funds;

(3) any of its directors, supervisors or senior officers is subject to administrative sanctions or held criminally liable for encroachment upon its interests;

(4) it provides guarantee in violation of applicable regulations; or

(5) it otherwise breaches rules governing compliant operation and information disclosure.

14.2.10 Disciplinary actions shall be decided and implemented by the Exchange based on the opinion of its Disciplinary Action Committee, and supervisory measures shall be decided and implemented by the Exchange or its department of supervision of listed companies in accordance with applicable rules.

14.2.11 Where a party subject to disciplinary action intends to challenge a letter of intent for imposition of disciplinary actions issued by the Exchange, the party may request to the Exchange for a hearing in accordance with the rules of the Exchange governing hearing procedures.

14.2.12 Where a party subject to disciplinary action is dissatisfied with a decision on imposition of disciplinary actions made by the Exchange, the party may apply to the Review Committee of the Exchange for a review in accordance with the rules of the Exchange governing the review procedures. The implementation of such decision shall not be suspended pending the review.

14.2.13 The Exchange will establish a system for publication of credit records of supervised parties whereby supervisory measures or disciplinary actions taken against them will be made public, put into their credit records and reported to the CSRC.

The Exchange may require supervised parties to publish an announcement in the media designated by the CSRC or on the website of the Exchange regarding supervisory measures or disciplinary actions taken against them.

14.2.14 Where a supervised party subject to any supervisory measures or disciplinary

actions of the Exchange is required by the Exchange to conduct self-inspection and-rectification, the supervised party timely submit and disclose, as required, a report on such self-inspection and-rectification.

## Chapter XV Interpretations

15.1 For the purpose of these *Rules*, the following terms and expressions shall have the following meanings:

(1) “Listed Company” refers to a company limited by stocks with its stocks, depositary receipts, and their derivatives listed on the Science and Technology Innovation Board of the Exchange.

(2) “Not Make a Profit When Being Listed” refers to the lower of the audited net profit before or after non-recurring gain or loss is negative in the financial year immediately before the listing of the company.

(3) “Make a Profit” refers to an innovative enterprise in science and technology which does not make a profit when being listed initially makes a profit in a given full financial year after its listing.

(4) “Variable Interest Entity (VIE) Structure” refers to an investment structure whereby a red chip enterprise exercises *de facto* control over a domestic operating entity through agreements.

(5) “Red Chip Enterprise” refers to an enterprise that is established outside mainland China and carries out its principal business activities within mainland China.

(6) “Relevant Person with Disclosure Obligation” refers to an issuer or listed company’s directors, supervisors, senior officers, key technicians, shareholders or holders of depositary receipts, de facto controller, acquirers and their related personnel, counterparties to material assets reorganization transactions and their related personnel, administrators and their members, etc.

(7) “Timely” refers to within two trading days from the commencement date or after the time point for disclosure as prescribed in these *Rules* is reached.

(8) “Disclosure” refers to a listed company or relevant person with disclosure obligation releases information on the Exchange’s website and other designated media in accordance

with laws, regulations, these *Rules*, and other rules of the Exchange.

(9) “One-stop Disclosure Service” refers to the disclosure method whereby listed companies, through the Exchange’s information disclosure system and by themselves, register and upload their disclosure documents and directly submit them to the Exchange’s website and other designated media for disclosure in accordance with these *Rules*.

(10) “Senior Officer” refers to a company’s CEO, deputy CEO, board secretary or chief financial officer or any other person as defined in its articles of association.

(11) “Controlling Shareholder” refers to the shareholder who holds more than 50 percent of the total capital stock of a company, or the shareholder who holds less than 50 percent of the total capital stock of a company, but is in a position to have a material impact on the resolutions of the shareholders’ general meeting by virtue of the voting rights represented by the stocks it holds.

(12) “*De Facto* Controller” refers to the person who, though not a shareholder of the company, has *de facto* control over corporate actions through investment relationship, agreements or other arrangements.

(13) “Controlled Subsidiary of a Listed Company” refers to a company more than half of whose stocks are held by the listed company, or the majority of the members on whose board of directors can be decided by the listed company, or over which the listed company has *de facto* control by agreements or other arrangements.

(14) “Related Party of a Listed Company” refers to any of the following natural persons, legal persons, or other organizations:

- i. Any natural person, legal person, or other organization who directly or indirectly controls the listed company;
- ii. Any natural person who directly or indirectly holds more than 5 percent of the stocks of the listed company;
- iii. The directors, supervisors, or senior officers of the listed company;
- iv. Close family members of the related natural persons referred to in Subparagraphs 1 to 3 of this Paragraph, including their spouse, children aged 18 or above and their spouse, parents and parents-in-law, siblings and their spouse, spouse’s siblings, and children’s parents-in-law;
- v. Any legal person or other organization that directly holds more than 5 percent of the stocks

of the listed company;

vi. The directors, supervisors, senior officers, or other principal person-in-charge of any legal person or other organization that directly or indirectly controls the listed company;

vii. Any legal person or other organization, other than a listed company or its controlled subsidiary, which is controlled either directly or indirectly by a related legal person or related natural person as enumerated in Subparagraphs 1 to 6 of this Paragraph, or in which such related natural person other than an independent director serves as a director or senior officer;

viii. Any legal person or other organization that indirectly holds more than 5 percent of the stocks of the listed company;

ix. Any other natural person or legal person or other organization, as determined by the CSRC, the Exchange or the listed company in accordance with the principle of substance over form, that has a special relationship with the listed company which may cause the listed company to act in the favor of his or its interests.

Any legal person, other organization or natural person shall be deemed as a related party of a listed company if it or he is any of those identified in the preceding Paragraph within 12 months before the date of occurrence of a transaction or after the effectiveness of the relevant agreement for the transaction or the implementation of the arrangement for the transaction.

Where a listed company and any legal person or other organization directly or indirectly controlled by the legal person or other organization identified in Subparagraph 1 of this Paragraph are under the common control of a state-owned asset administration authority, there shall be no resulting related party relationship between them, unless the legal representative, CEO, person-in-charge, or the majority of the directors of such legal person or other organization serve concurrently as a director, supervisor or senior officer of the listed company.

(15) “Related Director of a Listed Company” includes the any of the directors who:

i. are a counterparty of the listed company;

ii. are the direct or indirect controller of the listed company’s counterparty;

iii. hold a position in the counterparty of the listed company, or in any legal person or other organization that either directly or indirectly controls the counterparty, or in any legal person or other organization under the direct or indirect control of the counterparty;

iv. are a close family member (as defined in Subparagraph 4 of the preceding Paragraph) of the natural persons enumerated in Subparagraphs 1 to 2 of this Paragraph;

v. are a close family member (as defined in Subparagraph 4 of the preceding Paragraph) of any directors, supervisors, or senior officers of the legal persons or organizations enumerated in Subparagraphs 1 and 2 of this Paragraph; or

vi. whose independent business judgment may be affected as determined by the CSRC, the Exchange or the listed company in accordance with the principle of substance over form.

(16) “Related Shareholder of a Listed Company” refers to any of the shareholders who:

i. are a counterparty of the listed company;

ii. are the direct or indirect controller of the listed company’s counterparty;

iii. are under the direct or indirect control of the listed company’s counterparty;

iv. are, together with the listed company’s counterparty, under the common direct or indirect control of a natural person, legal person or other organization;

v. whose voting right is restricted or affected due to the non-completion of performance of any equity interest transfer agreement or other agreements with the listed company’s counterparty or its related party; or

vi. who may, as determined by the CSRC or the Exchange, cause the listed company to act in the favor of their interests.

(17) “Equity Structure Fails to Meet the Listing Requirements” refers to the stocks held by public shareholders fall below 25 percent of the total capital stock of the company for 20 consecutive days, or below 10 percent if the total amount of the company’s capital stock exceeds RMB 400 million.

The aforesaid public shareholders include all shareholders of a listed company other than:

1. shareholders holding more than 10 percent of the stocks of the listed company and their parties acting in concert; and

2. shareholder who are directors, supervisors, senior officers of the listed company and their related parties.

(18) “Securities Service Provider” refers to any CPA firm, asset appraisal agency, law firm, financial advisory agency and credit rating agency that prepares and issues auditor’s reports, asset appraisal reports, legal opinions, financial advisory reports and credit rating reports with respect to the offering, listing and trading of securities and other securities activities.

(19) “Net Assets” refers to ending net assets attributable to shareholders of the parent company, excluding minority interest.

(20) “Net Profit” refers to net profit attributable to shareholders of the parent company, excluding minority interest.

(21) “Earnings per Stock” refers to the basic earnings per stock as calculated pursuant to the relevant regulations of the CSRC.

(22) “Return on Equity” refers to the fully-diluted return on equity as calculated pursuant to the relevant regulations of the CSRC.

(23) “Repurchase of Stocks” refers to the acquisition by a listed company of its issued stocks.

(24) “Bankruptcy Proceedings” refers to the reorganization, settlement or bankruptcy liquidation proceedings subject to the *Enterprise Bankruptcy Law*.

(25) “Administrator Management or Supervision Model” refers to the operation model whereby the administrator is responsible for managing the properties and operation of the listed company, or the listed company manages its own properties and operation under the supervision of the administrator in accordance with the *Enterprise Bankruptcy Law*, as ruled by a court.

(26) “Retrospective Restatement” refers to any adjustments made by the company to its previously disclosed financial reports after the company voluntarily corrects or is ordered by the CSRC to correct any material accounting error or misrepresentation in its current financial report.

(27) “Day of Trading Suspension” refers to any trading day throughout which the Exchange suspends trading in a company’s stocks.

(28) The terms “more than” and “within” in these *Rules* include the given figure, whereas the terms “exceed”, “less than”, “lower than” and “below” do not include the given figure.

The terms and expressions not defined in these *Rules* shall have the meanings ascribed to

them in applicable laws, regulations, and relevant business rules of the Exchange.

### **Chapter XVI Supplementary Provisions**

16.1 The provisions of these *Rules* regarding stocks shall be applied, mutatis mutandis, to the listing, ongoing supervision, and other matters of convertible bonds.

16.2 These *Rules* and any amendment hereto shall come into force after being adopted by the board of directors of the Exchange and upon the approval of the CSRC.

16.3 The power to interpret these *Rules* shall rest with the Exchange.

16.4 These *Rules* shall be implemented as of the date of promulgation.