

# **Special Rules Governing the Trading of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange**

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## Chapter I General Provisions

**Article 1** These *Rules* are formulated in accordance with the *Securities Law of the People's Republic of China*, the *Opinions on Launching the Science and Technology Innovation Board and Implementing the Pilot Registration-Based IPO System on the Shanghai Stock Exchange*, the *Measures for the Administration of Stock Exchanges*, and other applicable laws and regulations as well as the *Trading Rules of Shanghai Stock Exchange* (the “*Trading Rules*”) to regulate the trading of stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange (the “*Exchange*”), maintain an orderly securities market, and protect the legitimate rights and interests of investors.

**Article 2** These *Rules* are applicable to the trading of stocks and depositary receipts listed on the Science and Technology Innovation Board. Any matters uncovered herein shall be governed by the *Trading Rules* and other applicable rules of the Exchange.

## Chapter II Investor Suitability

**Article 3** The trading of stocks on the Science and Technology Innovation Board (“*STAR stocks*”) is subject to investor suitability rules.

Members shall develop investor suitability rules with respect to *STAR stocks* to ensure the suitability of investors.

Investors who intend to participate in the trading of *STAR stocks* shall meet suitability requirements prescribed by the Exchange, and for individual investors, they shall also pass a comprehensive suitability assessment, organized by their carrying member, for investors of *STAR stocks*.

**Article 4** To participate in the trading of *STAR stocks*, an individual investor shall meet the following conditions:

- (1) the daily average balance of assets in his or her securities account and funds account are no less than RMB 500,000 (excluding funds and securities borrowed through margin trading and short selling transactions) during the 20 trading days before he or she applies for trading *STAR stocks*;
- (2) he or she has participated in the trading of securities for more than 24 months; and

(3) any other conditions as prescribed by the Exchange.

Institutional investors who intend to participate in the trading of STAR stocks shall comply with applicable laws and regulations as well as the business rules of the Exchange.

The Exchange may, based on market conditions, adjust the above conditions.

**Article 5** A member shall verify whether an investor meets the suitability conditions for investors of STAR stocks, and conduct comprehensive assessment of an individual investor's assets, investment experience, risk tolerance, credit standing, and other aspects.

The member shall mainly assess whether the individual investor understands the business rules and procedures for trading of STAR stocks and is fully aware of investment risks associated therewith.

The member shall dynamically follow and obtain an ongoing understanding of the trading activities of the individual investor, and conduct a subsequent risk tolerance assessment on such individual investor at least every two years.

**Article 6** A member shall obtain a comprehensive understanding of investors who intend to participate in the trading of STAR stocks, and provide an explicit suitability opinion to them, and shall not allow any investors who fail to meet the suitability requirements to participate in the trading of STAR stocks.

**Article 7** A member shall appropriately make a full disclosure of risks from the trading of STAR stocks to investors, call their attention to investment risks, and guide them to rationally and properly participate in the trading of STAR stock.

If a client issues an instruction to purchase any STAR stocks for the first time, the member shall require the client to sign a risk disclosure statement for trading of STAR stocks in paper or electronic form. The risk disclosure statement shall fully disclose the major risks characteristics in STAR Market. The member shall not accept the client's instruction to subscribe for or purchase such STAR stocks until the client signs such a risk disclosure statement.

**Article 8** An investor shall make prudent judgment on whether to participate in the trading of STAR stocks based on full knowledge and understanding of risks from trading of STAR stocks, applicable laws and regulations, and the business rules of the Exchange and taking into account its own capability to identify and tolerate risks.

## Chapter III Special Rules for Trading

### Section 1 General Matters

**Article 9** An investor shall use its or his securities account for SSE-listed A-shares to participate in the trading of STAR stocks.

**Article 10** An investor may participate in the trading of STAR stocks by:

- (1) auction trading;
- (2) after-hours fixed-price trading; or
- (3) block trading.

The after-hours fixed-price trading refers to the trading mode under which the trading system of the Exchange will, after the closing call auction, match after-hours fixed-price orders under the principle of time priority, and execute such orders at the closing price of the day. Specific matters for the after-hours fixed price trading shall be subject to rules separately prescribed by the Exchange.

**Article 11** The tick size applicable to orders for STAR stocks shall be governed by the *Trading Rules*. The Exchange may, based on prices of STAR stocks, apply different tick sizes to orders for such stocks, the details of which shall be subject to rules separately prescribed by the Exchange.

**Article 12** STAR stocks are traded by auction; when the conditions permit, market making mechanism will be applied and market makers will be introduced to provide two-way quotation services for STAR stocks.

A market maker shall, pursuant to the business rules of and the market maker agreement with the Exchange, fulfill its obligations, including the obligation to provide two-way continuous and response quotations for STAR stocks.

Matters such as the eligibility requirements, rights, obligations and supervision of market makers for STAR stocks shall be subject to rules which will be separately prescribed by the Exchange and come into force after being approved by the CSRC.

**Article 13** STAR stocks may be used for margin trading and short selling transactions from the first day of listing.

Securities companies may, pursuant to applicable rules, borrow STAR stocks, the details of which shall be subject to rules separately prescribed by the Exchange.

**Article 14** Depositary receipts listed and traded on the Science and Technology Innovation Board (“STAR depositary receipts”) shall be traded on the Exchange based on each share of depositary receipt, in RMB, and at a price per share of depositary receipt.

Other matters related to the trading of STAR depositary receipts shall be subject to these *Rules*, the *Trading Rules* and other rules of the Exchange on stock trading.

**Article 15** If an issuer has not made a profit or has in place a differentiated voting right arrangement when its stocks or depositary receipts are listed, the Exchange may appropriately assign an identifier for such stocks or depositary receipts to indicate that.

## **Section 2 Auction Trading**

**Article 16** The Exchange may, if required by the market, accept the following market orders:

- (1) “Five Best Orders Immediate or Cancel”;
- (2) “Five Best Orders Immediate to Limit”;
- (3) “Same-side Best Price”, i.e. an order whose quotation price is the best price at the same side in the central order book at the time the order is routed into the Exchange’s trading system;
- (4) “Opposite-side Best Price”, i.e. an order whose quotation price is the best price at the opposite side in the central order book at the time the order is routed into the Exchange’s trading system;
- (5) any other types of orders as specified by the Exchange.

If there is no order at the same side when a “Same-side Best Price” order is routed into the Exchange’s trading system, the “Same-side Best Price” order will be automatically cancelled.

If there is no order at the opposite side when a “Opposite Best Price” order is routed into the Exchange’s trading system, the “Opposite Best Price” order will be automatically cancelled

**Article 17** Market orders are applicable to the trading of stocks subject to price limits and those not during continuous auction.

**Article 18** The Exchange will impose a price limit of 20% on the auction trading of STAR stocks.

The limit price of a STAR stock is calculated as follows: Limit price = Previous closing price x (1± Price limit).

An IPO stock will not be subject to the price limit during the first 5 trading days from being listed;

**Article 19** The Exchange may prescribe separate rules with respect to the scope of valid quotation prices of STAR stocks, temporary intraday trading suspension, and other circumstances, and make adjustments thereto based on market conditions.

**Article 20** If STAR stocks are traded through limit orders, the size of each such order shall be no less than 200 stocks and no more than 100,000 stocks; if they are traded through market orders, the size of each such order shall be no less than 200 stocks and no more than 50,000 stocks. The sale of such stocks with an odd lot of less than 200 stocks shall be made in one order

### **Section 3 Other Matters**

**Article 21** Upon the occurrence of any of the following circumstances during the auction trading of STAR stocks subject to the price limit on a specific trading day, the Exchange shall publish the names of the top 5 members' business offices in terms of the value of such stocks purchased or sold on that day as well as the value of such stocks purchased or sold respectively by them:

- (1) the top 5 stocks whose closing price on the day fluctuates at ±15%;
- (2) the top 5 stocks whose price amplitude on the day reaches 30%; the price amplitude is calculated as follows: Price amplitude = (High price of the day - Low price of the day)/Low price of the day × 100%;
- (3) the top 5 stocks whose turnover rate on the day reach 30%; the turnover rate is calculated as follows: Turnover rate = Quantity of stocks traded/Quantity of unrestricted outstanding stocks × 100%.

If the closing price fluctuations, price amplitudes or turnover rates are identical, the top 5 stocks shall be selected in order of trading turnover and then trading volume.

**Article 22** Upon the occurrence of any of the following circumstances during the auction trading of a STAR stock which is an abnormal fluctuation, the Exchange shall disclose the names of the top 5 brokerage branches in terms of the value of such stock aggregately purchased or sold during the abnormal fluctuation in the trading of such stock as well as the value of such stock purchased or sold respectively by them:

(1) the deviation for fluctuation in the daily closing price totals to  $\pm 30\%$  within 3 consecutive trading days;

The deviation for fluctuation in the closing price is the difference between the fluctuation of a single stock and that of the corresponding benchmark index. The benchmark index will be announced by the Exchange to the market; or

(2) any other circumstance as identified by the CSRC or the Exchange as an abnormal fluctuation.

Indicators for abnormal fluctuations shall be recalculated from the date of announcement.

STAR stocks not subject to the price limit shall not be included into the calculation of indicators for abnormal fluctuations.

The Exchange may adjust the criteria for identification of unusual fluctuations based on market conditions.

**Article 23** An investor shall, in accordance with the relevant rules of the Exchange, prudently engage in the trading of STAR stocks, and shall not affect the normal formation of the trading price of STAR stocks by abusing its or his strengths in funds and shareholdings, etc. to conduct concentrated trading.

In the case of a high-value trade that may have a material impact on the orderly operation of the market, the investor shall select an appropriate method for and, based on market conditions, decentralize such trade.

**Article 24** A member shall establish an effective client trade monitoring system, and set appropriate monitoring indicators and warning parameters to supervise and manage the trading activities of its clients to ensure the price, size and other aspects of orders are in line with the rules of the Exchange and will have no improper impact on the market price.

In the case of an abnormal trade that may seriously affect the order of trading activities, the member shall reject the instruction therefor from its client according to the agreement with the client, and timely report the matter to the Exchange.

If an investor engages in a seriously abnormal trade, or a member fails to manage the trading activity of its clients as required, the Exchange may take disciplinary sanction or supervisory measures in accordance with the *Trading Rules, Member Management Rules of Shanghai Stock Exchange*, and

other applicable rules; if the investor or member is suspected to violate laws, the Exchange will report relevant clues to the CSRC in accordance with the law.

#### **Chapter IV    Supplementary Provisions**

**Article 25**    These *Rules* and any amendments hereto shall come into force after being deliberated and adopted by the board of the Exchange and approved by the CSRC.

**Article 26**    The Exchange reserves the right to interpret these *Rules*.

**Article 27**    These *Rules* shall be implemented from the date of issuance.