

## **Detailed Rules of Shanghai Stock Exchange for Implementation of the Preferred Stock Pilot Program**

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## Chapter I General Provisions

**Article 1** These *Detailed Rules* are made pursuant to the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Opinions of the State Council on Implementing the Pilot Project for Preferred Shares*, the *Measures for the Administration of the Preferred Stock Pilot Program*, the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange* and the *Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange* (collectively, "**Stock Listing Rules**") and other relevant laws, administrative regulations, ministry-level rules, as well as the rules of the Shanghai Stock Exchange (the "**Exchange**") to regulate the preferred stock pilot program, maintain an orderly securities market, and protect the legitimate rights and interests of investors.

**Article 2** These *Detailed Rules* apply to the preferred stocks traded or transferred on the Exchange. With respect to any listed company applying to issue preferred stock, such matters as application, issuance review, and issuance are governed *mutatis mutandis* by the provisions of the *Measures for the Administration of the Offering and Underwriting of Securities*, *Rules Governing the Issuance and Listing Review of the Securities of Listed Companies on Shanghai Stock Exchange*, *Rules Governing the Review of Major Assets Reorganization of Listed Companies on Shanghai Stock Exchange*, *Measures for the Administration of the Listing Review Committee and the Review Committee of M&A and Restructuring of Shanghai Stock Exchange*, *Detailed Implementation Rules on the Offering and Underwriting of Securities in Initial Public Offerings on the Shanghai Stock Exchange*, and other applicable rules. Any matter not covered by these *Detailed Rules* are subject to the other relevant rules of the Exchange.

**Article 3** The registration, deposit, and settlement of preferred stocks shall be handled by China Securities Depository and Clearing Co., Ltd. ("**CSDC**") in accordance with its rules.

**Article 4** Members of the Exchange shall fully inform investors who engage in the trading or transfer of preferred stocks for the first time of the features and relevant rules of preferred stocks, adequately disclose the investment risks, and require them to sign the Risk Disclosure Statement for Preferred Stock Investment.

## Chapter II Listing

**Article 5** Any listed company that applies for the listing on the Exchange of the preferred stock issued to non-specific investors shall meet the following requirements:

- (1) the preferred stock has been registered with the China Securities Regulatory Commission ("**CSRC**") and issued to non-specific investors, and still meets the statutory requirements for issuance of preferred stocks at the time of the listing application;
- (2) the actual total amount of funds raised after the issuance of the preferred stocks shall be no less than RMB 250 million; and

- (3) other conditions prescribed by the Exchange.

The Exchange may adjust the foregoing listing requirements based on market needs.

**Article 6** Any listed company that applies to the Exchange for the listing of preferred stock shall submit the following documents:

- (1) listing application;
- (2) decision of the CSRC on approving the registration;
- (3) certificate of registration and deposit of preferred stock issued by the CSDC;
- (4) listing announcement prepared in accordance with the relevant rules;
- (5) sponsorship agreement and the listing sponsorship letter issued by its sponsor;
- (6) legal opinions issued by the relevant law firm; and
- (7) other documents required by the Exchange.

The issuer and its directors, supervisors, and senior officers shall ensure that the listing application documents submitted to the Exchange are true, accurate, and complete, free of any misrepresentations, misleading statements, and material omissions.

**Article 7** The Exchange will make a decision on whether to approve a listing upon receiving an issuer's listing application documents. This decision may be postponed under special circumstances.

**Article 8** An issuer shall disclose the following documents five trading days before the listing of its preferred stock, and keep a copy thereof at its domicile for public access:

- (1) listing announcement;
- (2) its articles of association; and
- (3) other documents required by the Exchange.

Without the consent of the Exchange, the issuer shall not disclose any information relating to the listing of its preferred stock during the listing application period.

**Article 9** Matters requiring risk warning in relation to the listing of preferred stocks are governed *mutatis mutandis* by the Stock Listing Rules, except the risk warning required of a listed company for when the equity structure of its common stock does not meet the listing criteria, which does not apply to its preferred stock.

**Article 10** The termination and restoration of listing of preferred stocks are governed *mutatis mutandis* by the Stock Listing Rules.

Where the listing of a listed company is terminated or restored by the Exchange because the cumulative trading volume, daily closing price, total share capital, or equity structure of its common stock has reached the threshold set out in the Stock Listing Rules, such decision does not extend to its preferred stock.

A preferred stock may be terminated from listing by the Exchange if its average closing market value is below RMB 50,000,000 for 20 consecutive trading days, which termination will be carried out in reference to the provisions of the Stock Listing Rules on the termination of listing of common stocks for hitting the relevant daily closing price threshold.

### **Chapter III Trading**

**Article 11** The provisions of the *Trading Rules of Shanghai Stock Exchange* (“**Trading Rules**”) on stock trading apply similarly to the trading of the preferred stocks listed on the Exchange, unless otherwise provided in these *Detailed Rules*.

**Article 12** The Exchange imposes price limit on the trading of preferred stocks issued to non-specific investors, including on the day of listing. The range and formula of price limit are subject to the relevant provisions of the *Trading Rules* on stock trading.

The price limit of a preferred stock on the day of listing shall be calculated based on the issue price.

**Article 13** The ex-dividend procedure of a preferred stock is handled independently from that of the corresponding common stock, with a separate reference ex-dividend price published.

**Article 14** A single transaction in preferred stock may be executed as a block trade if the transaction amount is no less than RMB 2,000,000.

**Article 15** Any of the following circumstances during the trading of a preferred stock is deemed an unusual movement, in which case the Exchange will publish the names of the top five brokerage branches in terms of cumulative purchase value and sale value during the period of unusual movement, as well as their respective purchase value and sale value:

- (1) the closing price of a preferred stock listed on the Main Board changes by a cumulative  $\pm 20\%$  over three consecutive trading days;
- (2) the turnover rate of a preferred stock listed on the Main Board reaches 20% in a single trading day;
- (3) the closing price of a preferred stock listed on the Science and Technology Innovation Board changes by a cumulative  $\pm 30\%$  over three consecutive trading days;

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(4) any other circumstance deemed an unusual movement by the CSRC or the Exchange.

Each indicator of unusual movement of a preferred stock is reset on the trading day following the announcement date of unusual movement or on the date of resumption of trading.

A listed company shall release an announcement on the unusual movement of its preferred stock if such stock falls under any of the foregoing circumstances of unusual movement during trading.

The provisions of the *Trading Rules* regarding severe unusual movement in stock trading does not apply to the trading of preferred stocks.

**Article 16** The trading information of preferred stocks is separate from and displayed separately from that of common stocks and common stocks under special treatment. Members shall display the trading information of preferred stocks separately from other trading information.

The trading information of preferred stocks is not included in the calculation of the relevant common stock indices of the Exchange.

#### **Chapter IV Transfer**

**Article 17** The preferred stocks issued by listed companies to specific investors, as well as the preferred stocks issued by unlisted public companies to specific investors as they make an initial public offering of common stocks, may in each case be transferred on the Exchange following application and approval.

**Article 18** Any issuer that applies for the transfer of preferred stock on the Exchange shall submit the following documents:

- (1) application for the transfer service;
- (2) decision of the CSRC on approving the registration;
- (3) certificate of registration and deposit of preferred stock issued by the CSDC;
- (4) sponsorship document issued by its sponsor, or the professional opinions of the independent financial advisor (if applicable);
- (5) legal opinions issued by the relevant law firm; and
- (6) other materials required by the Exchange.

**Article 19** Transfer declarations may be made at 9:15 a.m. – 9:25 a.m., 9:30 a.m. – 11:30 a.m., and 1:00 p.m. – 3:00 p.m. each trading day.

**Article 20** The transfer of preferred stocks may be declared in the following manners:

- (1) Intent declaration. A qualified investor may publish and negotiate on its intention to transfer during the transfer declaration window through a member of the Exchange. An intent declaration shall indicate the code of the security, security account number, transfer direction, and other information required by the Exchange, and may include the transfer price and quantity.
- (2) Execution declaration. Once the parties agree on the security, price, and number of shares to be transferred, they may each submit a transfer declaration through their respective members. The transfer declarations shall indicate the code of the security, security account number, transfer price, transfer quantity, transfer direction, and other information required by the Exchange. The code of the security, transfer price, and transfer quantity in the transfer declarations of the transferor and the transferee must be identical.

**Article 21** The execution declaration and execution results for a transfer of preferred stock, once confirmed by the Exchange, shall not be cancelled or modified. The transferor and the transferee must accept the results of the transfer and perform their clearing and settlement obligations.

**Article 22** A member shall ensure that the investor that participates in a transfer of preferred stock has in its account the preferred stock or funds corresponding to its declaration.

Any institution holding or renting a Participant Business Unit of the Exchange that participates in a transfer of preferred stock shall make the transfer declaration through the Participant Business Unit and ensure that it actually possesses the preferred stock or funds corresponding to its declaration.

**Article 23** The transfer of preferred stocks is subject to investor suitability requirements. Qualified investors who meet the requirements of the *Measures for the Administration of the Preferred Stock Pilot Program* may transfer preferred stocks.

**Article 24** Members shall duly enforce investor suitability requirements, including examining, through in-person questioning, verification of submitted materials, and requiring the signing of a confirmation letter, whether the investor participating in a transfer of preferred stock is a qualified investor that meets the relevant requirements, and retaining the relevant materials.

**Article 25** Members shall provide qualified investors who are their clients with information on the declaration and execution of transfer of preferred stocks on the Exchange.

## **Chapter V Information Disclosure**

**Article 26** The issuer of a preferred stock and the relevant persons with disclosure obligations shall disclose information in a fair and timely manner in accordance with laws, administrative regulations, ministry-level rules, these *Detailed Rules*, and other rules of the

Exchange, and ensure that the information they disclose is true, accurate, and complete.

**Article 27** A listed company that has issued preferred stock shall in its periodic reports disclose information about its preferred stock of such contents and in such format as prescribed by the *Measures for the Administration of the Preferred Stock Pilot Program* and the CSRC.

**Article 28** A listed company and the relevant persons with disclosure obligations shall publish interim reports and announcements as required, and shall disclose in a timely manner the following information which may have a significant impact on the trading or transfer price of its preferred stock:

- (1) information relating to the issuance, listing, and transfer of the preferred stock;
- (2) information relating to the repurchase of the preferred stock;
- (3) information relating to the conversion of the preferred stock;
- (4) any material change in the company's credit standing that may affect its dividend distribution to the preferred shareholders;
- (5) information relating to profit distribution or residual property in relation to the preferred stock;
- (6) information relating to the restoration, exercise, and change of the voting rights of the preferred shareholders;
- (7) information relating to the classification-based voting by the preferred shareholders;
- (8) information relating to the deposit and use of proceeds raised from the preferred stock; and
- (9) other information required by the CSRC or the Exchange.

**Article 29** Where trading of the common stock of a listed company is suspended or resumed in accordance with the Stock Listing Rules, the trading or transfer of its preferred stock shall be suspended or resumed accordingly, except where such suspension or resumption is due to the failure of the common stock to meet the listing criteria for equity structure for 20 consecutive trading days.

To ensure fair and timely disclosures, the Exchange may suspend or resume the trading or transfer of a listed company's preferred stock on the Exchange based on the circumstances, the request of the CSRC, or the application of the listed company.

**Article 30** Where a listed company intends to issue preferred stock, its independent directors shall give opinions on the impact of this issue on the rights and interests of all classes of the company's shareholders, which shall be disclosed concurrently with the

announcement of the board resolution on the issuance of the preferred stock.

**Article 31** If a listed company fails to pay the preferred dividend as agreed for a cumulative of three fiscal years or for two consecutive fiscal years, it shall issue a preannouncement on the day following the approval by its shareholders' general meeting of the profit distribution plan for the year. The preannouncement shall state, at a minimum, the reasons for restoring the voting rights to the preferred stock and the starting period, the proportion of voting rights carried by each preferred share, and the impact of such restoration on the company.

Where the preferred dividend may be rolled over to the next financial year, the listed company shall, on the day following its full payment of any due dividend, issue a preannouncement on the termination date for the voting rights of the preferred stock, the impact of such termination on the company, and other pertinent information. Where the preferred dividend may not be rolled over, the listed company shall, on the day following its full payment of the dividend for the current year, issue a preannouncement on the termination date for the voting rights of the preferred stock, the impact of such termination on the company, and other pertinent information

A listed company shall issue a preannouncement in reference to the preceding two paragraphs in the event of any other circumstances specified in its articles of association for restoring or terminating the voting rights of the preferred stock.

**Article 32** In matters involving a related party of the listed company, the number of shares held is calculated based on the common shares and those preferred shares with restored voting rights.

**Article 33** A listed company shall make an announcement, on the trading day following the day on which the conditions for redeeming its preferred stock are met, to clarify whether it intends to exercise the right of redemption. Any listed company deciding to exercise such right shall additionally issue at least three redemption preannouncements before the end of the redemption period, to specify the redemption procedures, redemption price, payment method, payment time, and other relevant information.

Upon the end of the redemption period, the listed company shall announce the results of the redemption and their impacts.

**Article 34** The listed company shall make a resale announcement on the next trading day when the conditions for preferred stock resale are met, and shall issue at least three resale reminders before the end of the resale period, stating the resale procedure, resale price, payment method, payment time and other relevant information.

After the end of the resale period, the listed company shall announce the resale result and its impacts.

**Article 35** Where the preferred stock issued by a listed commercial bank to specific investors is to be forcibly converted into common stock following the occurrence of a trigger

event, the bank shall comply with the rules governing such conversion and perform its disclosure obligations as required by the rules of the Exchange.

**Article 36** Any listed company that issues preferred stock to non-specific investors to repurchase its common shares for the purpose of reducing its registered capital, or issues preferred stock to specific investors to fund the repurchase of common shares from specific shareholders, shall only do so after its board of directors and shareholders' general meeting have made resolutions on the matter in accordance with the *Measures for the Administration of the Preferred Stock Pilot Program* and shall make timely disclosures in accordance with the relevant rules.

**Article 37** Any listed company that issues preferred stock in accordance with the conditions prescribed in the *Measures for the Administration of Material Asset Restructuring of Listed Companies* to finance an asset purchase shall perform its reporting and announcement obligations in accordance with the *Measures for the Administration of the Preferred Stock Pilot Program*, the Stock Listing Rules, and other applicable rules.

## Chapter VI Miscellaneous

**Article 38** A preferred stock shall indicate its preferred stock status in the short name and use a dedicated security code segment.

**Article 39** During the pilot period, the initial listing fee, annual listing fee, handling fees for trading and transfer, and other fees and charges incurred by the listing, trading, and transfer of preferred stocks are charged at 80 percent of the corresponding rates for common stocks; the handling fee for block trades is 30 percent lower than the auction trading fee for preferred stocks; and the fee for Participant Business Units is on par with that for common stocks.

**Article 40** Where an underwriter, in underwriting a preferred stock issued to specific investors, fails to place the stock to qualified investors who meet the requirements of the *Measures for the Administration of the Preferred Stock Pilot Program*, the Exchange may order it to make corrections within a specified time limit and impose the disciplinary sanction of not accepting its securities underwriting documents for a period of three years.

**Article 41** Where the issuer of a preferred stock or any of its controlling shareholder, *de facto* controller, directors, supervisors, or senior officers, or any intermediary or any of its responsible persons, or any members, investors, or other relevant parties violate these *Detailed Rules* or their undertakings, the Exchange may, in accordance with the Stock Listing Rules, the *Trading Rules*, the *Implementation Measures for Disciplinary Sanctions and Regulatory Measures of Shanghai Stock Exchange*, and other relevant rules, impose on them such supervisory measures as oral warning, written warning, requiring correction within a specified time limit, and recommending the replacement of the relevant personnel, or impose such disciplinary sanctions on them as circulating a notice of criticism, issuing a public censure, announcing the relevant person as unsuitable to serve as a director, supervisor, or senior officer of a listed company, suspending the acceptance of the issuer's application documents for securities issuance and listing, and suspending the acceptance of documents

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issued by the relevant intermediary or its employees, and record such measures and sanctions in the integrity record in accordance with the relevant rules.

**Article 42** These *Detailed Rules*, as well as any amendments thereto, will come into effect upon their adoption by the Board of Governors of the Exchange and the approval of the CSRC.

**Article 43** The Exchange reserves the right to interpret these *Detailed Rules*.

**Article 44** These *Detailed Rules* shall be implemented as of the date of release.