

Rules Governing the Listing of Stocks on Shanghai Stock Exchange

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Chapter I General Provisions

1.1 These Rules are formulated in accordance with the *Company Law of the People's Republic of China* (hereinafter, the *Company Law*), the *Securities Law of the People's Republic of China* (hereinafter, the *Securities Law*), the *Measures on the Administration of Stock Exchanges*, and other applicable laws, administrative regulations, ministry-level rules, normative documents (collectively, the laws and regulations) as well as the *Constitution of Shanghai Stock Exchange*, for the purposes of regulating the listing of stocks, depositary receipts, corporate bonds convertible into stocks (hereinafter, convertible bonds) and other derivatives (hereinafter collectively, stocks and derivatives thereon), as well as the information disclosure by issuers, listed companies, and other persons with disclosure obligations, maintaining an orderly securities market, protecting the lawful rights and interests of investors, improving the quality of listed companies, and promoting a healthier capital market.

1.2 These Rules shall apply to the listing, information disclosure, trading suspension and resumption, delisting, etc. of stocks and derivatives thereon listed on the main board of Shanghai Stock Exchange (hereinafter, the Exchange). Any matters uncovered herein shall be governed by other applicable rules of the Exchange.

Where China Securities Regulatory Commission (hereinafter, the CSRC) or the Exchange has other provisions on the listing, information disclosure, trading suspension and resumption, delisting, etc. of depositary receipts under stock connect schemes between domestic and overseas stock exchanges, such provisions prevail.

1.3 An application by an issuer for listing stocks and derivatives thereon on the Exchange shall be subject to the Exchange's examination and approval and the CSRC's decision approving the registration thereof. An issuer that applies for initial public offering (IPO) and listing of stocks or depositary receipts on the Exchange shall, prior to listing, enter into a listing agreement with the Exchange and specify therein the rights and obligations of both parties and other matters.

1.4 A listed company and its issuer, directors, supervisors, senior officers, shareholders, depositary receipt holders, *de facto* controller, acquirers, other parties subject to change in equity, parties to material asset restructuring, follow-on offerings, major transactions or bankruptcy proceedings, intermediaries and their related persons who provide services to the said parties, as well as other parties who assume relevant obligations for listing, information disclosure, trading suspension and resumption, delisting, etc. as stipulated by the laws and regulations, shall comply with the laws and regulations, these Rules, and other provisions of the Exchange.

1.5 The Exchange exercises self-regulation over the parties specified in Subsection 1.4 in accordance with the laws and regulations, other provisions of the Exchange, listing agreements, declarations and undertakings.

Chapter II General Principles and Rules on Information Disclosure

Section 1 General Principles

2.1.1 A listed company and the relevant persons with disclosure obligations shall disclose information in a timely and fair manner in accordance with the laws and regulations, these Rules and other provisions of the Exchange and shall ensure that the information disclosed is true, accurate, complete, concise and clear, plain and easy-to-understand, and free from misrepresentations, misleading statements or material omissions.

In these Rules, relevant persons with disclosure obligations refer to the parties with disclosure obligations other than the listed company as stipulated in Subsection 1.4 of these Rules.

2.1.2 A listed company and its directors, supervisors and senior officers shall guarantee that the listed company discloses information in a timely and fair manner and that the information disclosed is true, accurate and complete and free from misrepresentations, misleading statements or material omissions.

Any director, supervisor, or senior officer of the company who is unable to guarantee the truthfulness, accuracy, and completeness of or disputes the information disclosed by the company shall make a statement in the announcement accordingly with an explanation of the reason therefor, and the company shall disclose the statement.

2.1.3 A relevant person with disclosure obligations shall perform disclosure obligations as required, actively cooperate with the listed company in information disclosure, and timely notify the listed company of any occurred or potential matter that may significantly affect the prices of its stocks and derivatives thereon (hereinafter, material matter or material information).

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

2.1.4 A listed company and the relevant persons with disclosure obligations shall disclose information based on facts or the judgments and opinions derived from facts. Such information shall reflect realities and contain no misrepresentations.

2.1.5 When disclosing information, a listed company and the relevant persons with disclosure obligations shall exercise objectivity, use clear and proper language and words, and make no exaggeration and misleading statement.

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

2.1.6 When disclosing information, a listed company and the relevant persons with disclosure obligations shall maintain the integrity of information being disclosed, fully disclose information that may significantly affect the prices of its stocks and derivatives

thereon, and reveal potential major risks, and shall not selectively disclose partial information or disclose information with material omissions.

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

2.1.7 A listed company and the relevant persons with disclosure obligations shall disclose material information within the time limit set out in these Rules and shall not intentionally choose the timing of disclosure.

2.1.8 A listed company and the relevant persons with disclosure obligations shall disclose material information simultaneously to all investors to ensure equal access to the information by them, and shall not reveal or divulge the information to any entity or individual in advance.

2.1.9 Information disclosures by a listed company and the relevant persons with disclosure obligations shall use factually descriptive, concise and plain, logically clear, and easy-to-understand language and be free from promotional, advertising, flattering or defamatory phrases.

Section 2 General Rules

2.2.1 A listed company and the relevant persons with disclosure obligations shall, in accordance with the laws and regulations and relevant rules of the Exchange, prepare and disclose announcements, and provide, as required, relevant materials to the Exchange for inspection. The company and the relevant persons with disclosure obligations shall not substitute a periodic report for a disclosable *ad hoc* report.

The above announcements and materials shall be prepared in Chinese. Where the Chinese version is accompanied by a foreign language version, the persons with disclosure obligations shall ensure the consistency between the two versions. In case of discrepancy between the two versions, the Chinese version prevails.

2.2.2 Announcements of a listed company shall be issued by the board of directors and affixed with the seal of the company or the board of directors, and announcements of the resolutions of the board of supervisors may be affixed with the seal of the board of supervisors, unless otherwise provided by the laws and regulations or the Exchange.

2.2.3 Announcements of a listed company and the relevant persons with disclosure obligations shall be disclosed on the website of the Exchange and in the media meeting the conditions specified by the CSRC (collectively, eligible media).

The listed company and the relevant persons with disclosure obligations shall guarantee that the information disclosed are consistent with that set out in the announcements and materials submitted to the Exchange. In the case of any inconsistency, they shall report it to the Exchange and timely correct it.

2.2.4 In the case of a material matter, a listed company and the relevant persons with

disclosure obligations shall timely perform disclosure obligations when:

- (1) the board of directors or board of supervisors reaches a resolution on the material matter;
- (2) a letter of intent or an agreement on the material matter is signed (whether or not a condition or time limit is imposed); or
- (3) the company (or any of its director, supervisor, or senior officer) becomes aware of or should have been aware of the material matter;

During the planning of a material matter, if any of the following circumstances precedes any of the circumstances in the preceding Paragraph, the company and relevant persons with disclosure obligations shall timely disclose relevant planning details and existing facts:

- (1) it is difficult to keep the material matter confidential;
- (2) the material matter is leaked or a rumor about the material matter is circulating on the market (hereinafter, the rumor); or
- (3) there is unusual movement in the prices of the company's stocks and derivatives thereon.

2.2.5 Where a listed company is unable to disclose the details of a material matter within the prescribed time limit as required, it shall publish an indicative announcement explaining the reason therefor and undertake to disclose a required announcement within 2 trading days.

2.2.6 Where a listed company and relevant persons with disclosure obligations plan a material matter for a long period of time, they shall disclose by stages the progress of the material matter and timely warn against associated risks, and shall not withhold the disclosure only by reason of uncertainty in the outcome of the matter.

Where any matter disclosed is subject to a material change that may have a significant impact on the prices of the company's stocks and derivatives thereon, the company and the relevant persons with disclosure obligations shall timely disclose announcements on the progress of the matter.

2.2.7 Where the information proposed to be disclosed by a listed company and the relevant persons with disclosure obligations is recognized as state secrets, and the disclosure thereof or fulfillment of obligations related thereto as required by these Rules might lead to violations of the laws and regulations or endanger the national security, then the disclosure of such information may be exempted according to the relevant rules of the Exchange.

Where the information proposed to be disclosed by the company and the relevant persons with disclosure obligations is trade secrets or business sensitive information, and the disclosure thereof or fulfillment of obligations related thereto as required by 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 suspended or exempted according to the relevant rules of the Exchange.

2.2.8 To suspend or be exempted from information disclosure according to Subsection 2.2.7 of these Rules, a listed company shall meet the following conditions:

- (1) the relevant information has not been leaked;
- (2) relevant insiders have undertaken in writing to keep confidential such information;
and
- (3) there is no unusual movement in the prices of the company's stocks and derivatives thereon.

If the reasons for the suspension or exemption no longer exist, the company shall timely disclose relevant information, and explain, among others, the reasons for not making timely disclosure, the decision-making procedures performed by it for the suspension or exemption, and the confidentiality measures taken by it.

Where the company fails to meet the requirements for suspended or exempted disclosure under Paragraph 1 of this Subsection 2.2.8 and Subsection 2.2.7 of these Rules, it shall timely perform disclosure obligations and other related obligations.

2.2.9 A listed company and the relevant persons with disclosure obligations shall not provide any entity or individual with any undisclosed material information by such means as shareholders' general meetings, investor briefings, analyst meetings, roadshows, investigations by investors, or media interviews.

If necessary, the listed company and the relevant persons with disclosure obligations may publish material information through such means as press conference, media interview, the website of the company or online we-media during non-trading sessions, provided that they shall disclose an announcement thereon within the most recent disclosure period.

2.2.10 Any material matter within the meaning of these Rules that occurs to any controlled subsidiary of or any other party controlled by a listed company shall be deemed as a material matter occurring to the listed company itself and shall be governed by these Rules.

Where a material matter within the meaning of these Rules occurs to a company in which the listed company has equity interest, which would have a significant impact on the prices of the listed company's stocks and derivatives thereon, the company shall fulfill disclosure obligations by reference to relevant provisions of these Rules.

Where the laws and regulations or the Exchange has other provisions in this regard, such provisions prevail.

2.2.11 Where an event occurring to or arising in connection with a listed company does not meet the disclosure requirements under these Rules or is not covered by these Rules, but

would have a significant impact on the prices of the company's stocks and derivatives thereon, the company shall timely disclose the event by reference to these Rules.

2.2.12 In addition to the information that should be legally disclosed, a listed company and the relevant persons with disclosure obligations may voluntarily disclose information that is relevant to investors in making value judgments and investment decisions, provided that it does not conflict with the information legally disclosed or mislead investors.

When disclosing information voluntarily, the listed company and the relevant persons with disclosure obligations shall do so in a true, accurate, complete, and fair manner, maintain the continuity and consistency of disclosure, and make no selective disclosure.

When disclosing information voluntarily, the listed company and the relevant persons with disclosure obligations shall exercise caution and objectivity, and shall not, by virtue of the information, unduly influence the prices of the company's stocks and derivatives thereon, or engage in insider trading, market manipulation or other violations of the laws and regulations.

Section 3 Disclosure Management System

2.3.1 A listed company shall establish and strictly implement a system for management of disclosure affairs, and disclose such system after the system is deliberated and approved by its board of directors.

2.3.2 A listed company shall have communications facilities necessary for its information disclosure, set up an effective communications channel with the Exchange, and ensure its hotline is accessible.

2.3.3 A listed company shall develop a code of conduct governing publication of information by its directors, supervisors, senior officers, and other relevant personnel to specify such matters as procedures for and means of publication.

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

2.3.4 A listed company shall establish an insider registration and management system, and disclose such system after the system is deliberated and approved by its board of directors.

The listed company, the relevant persons with disclosure obligations, and other insiders shall, prior to information disclosure, minimize the scope of insiders.

Before the inside information is legally disclosed, insiders shall not publish or divulge such information, buy or sell the company's stocks, or suggest others to buy or sell the company's stocks.

2.3.5 A listed company and the relevant persons with disclosure obligations shall pay attention to media reports or rumors about the company as well as the trades in the company's stocks and derivatives thereon, and timely request true information thereon from the parties

concerned.

Where the media reports or rumors may have a significant impact on the trades in the company's stocks and derivatives thereon, the company and the relevant persons with disclosure obligations shall verify the reports or rumors with the parties concerned and timely disclose a clarification announcement.

2.3.6 A listed company discloses information in either a one-stop or non-one-stop manner.

In principle, information shall be disclosed in a one-stop manner. The Exchange may adjust the scope of companies eligible for one-stop disclosure based on the disclosure quality and level of compliant operations of these companies.

The scope of announcements of one-stop disclosure is determined by the Exchange and may be adjusted by the Exchange in view of business needs.

2.3.7 The Exchange conducts *prima facie* review of the information disclosed by a listed company and the relevant persons with disclosure obligations in accordance with the laws and regulations and relevant rules of the Exchange, and is not liable for the truthfulness of the information.

Chapter III Listing of and Management of Changes in Stocks and Derivatives Thereon

Section 1 Listing of IPO Stocks

3.1.1 A domestic issuer that applies for IPO and listing of its stocks on the Exchange shall meet the following requirements:

- (1) it meets the offering requirements prescribed by the *Securities Law* and the CSRC;
- (2) it has a total post-offering capital stock of no less than RMB 50 million;
- (3) it publicly offers 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) it satisfies the criteria for market capitalization and financial indicators under these Rules; and
- (5) it meets other requirements as may be imposed by the Exchange.

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

3.1.2 A domestic issuer that applies for listing on the Exchange shall at least meet one of the following criteria for market capitalization and financial indicators:

- (1) it made a positive net profit during the last 3 years totaling no less than RMB 150 million, made a net profit of no less than RMB 60 million during the last year, and achieved total net cash flows from operating activities of no less than RMB 100 million or total operating revenue of no less than RMB 1 billion during the last 3 years;
- (2) it has an estimated market capitalization of no less than RMB 5 billion, made a positive net profit during the last year, and achieved an operating revenue of no less than RMB 600 million during the last year and total net cash flows from operating activities of no less than RMB 150 million during the last 3 years; or
- (3) it has an estimated market capitalization of no less than RMB 8 billion, made a positive net profit during the last year, and achieved an operating revenue of no less than RMB 800 million during the last year.

For the purpose of this Section, the net profit refers to the lower of the net profit before or after non-recurring gain or loss; the net profit, operating revenue, and net cash flows from operating activities all mean the audited amount thereof; the estimated market capitalization refers to the total nominal value of an issuer's stocks calculated by multiplying the number of total post-offering stocks by the offering price.

3.1.3 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 Exchange.

A red chip enterprise which applies for making an offering of stocks or depositary receipts and list them on the Exchange shall meet the following requirements:

- (1) it meets the offering requirements prescribed by the *Securities Law* and the CSRC;
- (2) in the case of offering stocks, it has no less than 50 million of post-offering stocks; in the case of offering depositary receipts, it has no less than 50 million of post-offering depositary receipt units;
- (3) in the case of offering stocks, it publicly offers 25 percent or more of its total stocks, or 10 percent or more of its total stocks if its total stocks exceed 400 million shares; in the case of offering depositary receipts, it publicly offers depositary receipts representing 25 percent or more or if its post-offering depositary receipts exceed 400 million units, 10 percent or more, of the underlying stocks;
- (4) it satisfies the criteria for market capitalization and financial indicators under these Rules; and
- (5) it meets other requirements as may be imposed by the Exchange.

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

3.1.4 To apply for offering stocks or depositary receipts and listing them on the Exchange, an overseas listed red chip enterprise shall at least meet one of the following criteria:

- (1) it has a market capitalization of no less than RMB 200 billion; or
- (2) it has a market capitalization of RMB 20 billion or more and possesses independently developed and internationally leading technologies, strong capability in technological innovation, and relative competitive edge over its peers.

3.1.5 To apply for offering stocks or depositary receipts and listing them on the Exchange, an overseas unlisted red chip enterprise shall at least meet one of the following criteria:

- (1) it has an estimated market capitalization of no less than RMB 20 billion and made an operating revenue of no less than RMB 3 billion during the last year;
- (2) it has fast-growing operating revenue, independently developed and internationally leading technologies, relative competitive edge over its peers, and an estimated market capitalization of no less than RMB 10 billion; or

- (3) it has fast-growing operating revenue, independently developed and internationally leading technologies, relative competitive edge over its peers, and 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 “fast-growing operating revenue” in the preceding Paragraph means:

- (1) a compound growth rate on operating revenue of 10 percent or more in each of the last 3 years, if the issuer had an operating revenue of no less than RMB 500 million in the last year;
- (2) a compound growth rate on operating revenue of 20 percent or more in each of the last 3 years, if the issuer had an operating revenue of less than RMB 500 million in the last year; or
- (3) a compound growth rate on operating revenue higher than the average rate of comparable companies in each of the last 3 years, if the industry as a whole is in a downward cycle due to cyclical fluctuations or other factors.

The above “fast-growing operating revenue” test shall not apply to red chip enterprises that are in the R&D stage or that are important to the national innovation-driven development strategy.

3.1.6 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 20 billion and made a positive net profit during the last year; or
- (2) it has an estimated market capitalization of no less than RMB 10 billion and made a positive net profit during the last year and an operating revenue of no less than RMB 1 billion during the last year.

The eligibility requirements for shareholders holding the issuer’s stocks with special voting rights (hereinafter, special voting stocks) and the specific provisions of the issuer’s articles of association on the DVR arrangement shall be consistent with the provisions of Section 6, Chapter IV of these Rules.

3.1.7 An issuer who has completed the IPO of its stocks after CSRC approves the registration of its stocks 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 approving the registration of its stocks;
- (3) document evidencing the registration of all its IPO stocks with China Securities

Depository and Clearing Corporation Limited Shanghai Branch (hereinafter, the CSDC) upon completing the IPO;

- (4) capital verification report produced by a CPA firm upon completing the IPO;
- (5) proof, declarations and undertakings issued by the issuer and its controlling shareholder, *de facto* controller, directors, supervisors and senior officers in accordance with the relevant rules of the Exchange;
- (6) the financial materials and statements on relevant material matters additionally provided as required after the IPO and before the listing (if applicable); and
- (7) other documents as required by the Exchange.

3.1.8 An issuer and its directors, supervisors and senior officers shall guarantee that the listing application documents submitted to the Exchange are true, accurate and complete and free from misrepresentations, misleading statements and material omissions.

3.1.9 The stocks issued by an issuer before its IPO shall not be transferred within 1 year after the listing of its stocks.

3.1.10 When an issuer applies to the Exchange for listing its IPO stocks, its controlling shareholder and *de facto* controller shall make an undertaking that, within 36 months of the listing of the stocks, they will not transfer or authorize others to manage the pre-IPO issued stocks of the issuer held by them directly or indirectly or have the issuer repurchase their pre-IPO stocks. The issuer shall disclose the above undertaking in its listing announcement.

If any of the following circumstances arises after 1 year from the date of the listing of the issuer's stocks, the above undertaking parties may, upon approval by the Exchange of their application for exemption, be exempt from performing the above undertaking:

- (1) the transferor and transferee are in *de facto* control relation or are under the common control of a *de facto* controller, and the transferee undertakes to continue to perform the above undertaking;
- (2) in the event of a crisis or serious financial hardship facing the listed company, the rescue plan proposed by the transferee is adopted upon deliberation at the company's shareholders' general meeting and approved by competent authorities, and the transferee undertakes to continue to perform the above undertaking; or
- (3) there arise other circumstances as recognized by the Exchange.

If the issuer has no or no easily identifiable controlling shareholder or *de facto* controller, shareholders who undertake, as required, to not transfer their pre-IPO stocks within 36 months from the listing of the issuer's stocks, shall apply Subparagraph (1) of the preceding Paragraph.

3.1.11 The Exchange will, within 5 trading days of receiving the full set of listing application documents enumerated in Subsection 3.1.7 hereof, decide on whether to grant an approval. Under special situations, the Exchange may defer the decision making.

3.1.12 Upon approval by the Exchange of an issuer's application for listing its IPO stocks, the issuer shall, within 5 trading days before the listing, disclose the following documents in the eligible media:

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

The above documents shall be placed at the issuer's domicile for public inspection.

Without the permission of the Exchange, the issuer shall not disclose listing-related information during its listing application.

3.1.13 After disclosing a preliminary prospectus or a prospectus, an issuer shall pay continuous attention to media reports and rumors to learn the real situation from relevant parties in a timely manner. If any of the relevant media reports and rumors may significantly impact the trading prices of or the investment decisions on its stocks and derivatives thereon, the issuer shall disclose a risk warning announcement on the first day of listing to clarify relevant issues and warn against its main risks.

Section 2 Offering and Listing of Stocks and Derivatives Thereon by Listed Companies

3.2.1 A listed company that applies to the Exchange for securities offerings such as offering of stocks or convertible bonds to non-specified investors shall submit the following documents:

- (1) the CSRC's decision approving the registration of its stocks;
- (2) proposed schedule for the offering;
- (3) specific implementation plan for the offering as well as offering announcement;
- (4) prospectus or other offering documents; and
- (5) other documents as required by the Exchange.

3.2.2 A listed company shall, according to the relevant regulations of the CSRC, prepare and timely disclose relevant announcements on securities offering such as offering of new stocks or convertible bonds.

3.2.3 Upon completing the offering of its securities such as stocks or convertible bonds, the listed company may apply to the Exchange for listing thereof.

3.2.4 A shareholder who has subscribed for the new stocks issued by a listed company shall comply with restrictions on stock transfer under the laws and regulations and the relevant rules of the Exchange, and shall not transfer the stocks within the prescribed period, except where the transfer is between entities under the common control of a *de facto* controller and the transferee succeeds to the obligation of not transferring the stocks.

If a shareholder who has subscribed for the new stocks issued by the company undertakes to not transfer the stocks within a certain period, it/he shall not transfer the stocks within the period, except where it/he performs relevant procedures for changing the undertaking in accordance with the laws and regulations.

3.2.5 A listed company that applies to the Exchange for listing its new stocks or convertible bonds shall still meet the conditions for offering stocks or convertible bonds.

3.2.6 A listed company that applies to the Exchange for listing its stocks or convertible bonds offered to non-specified investors shall submit the following documents:

- (1) listing application;
- (2) listing announcement prepared pursuant to relevant rules;
- (3) capital verification report issued by a CPA firm upon completing the offering;
- (4) written confirmation by the CSDC of registration and custody of the new stocks;
- (5) a report on the changes in the shareholdings of directors, supervisors, and senior officers; and
- (6) other documents as required by the Exchange.

3.2.7 A listed company that applies to the Exchange for listing its convertible bonds shall submit the following documents:

- (1) listing application;
- (2) listing announcement prepared pursuant to relevant rules;
- (3) capital verification report issued by a CPA firm upon completing the offering;
- (4) written confirmation by the CSDC of registration and custody of the new convertible bonds;
- (5) a custody agreement; and

(6) other documents as required by the Exchange.

3.2.8 A listed company shall, at least 3 trading days before the listing of its securities such as stocks or convertible bonds offered to non-specified investors, disclose the following documents and matters in the eligible media:

- (1) listing announcement; and
- (2) other documents and matters as required by the Exchange.

Section 3 Release of Lock-Up Stocks and Derivatives Thereon

3.3.1 This Section applies to the release of the following lock-up stocks and derivatives thereon held by investors:

- (1) Pre-IPO issued stocks;
- (2) Stocks and derivatives thereon offered to specified investors by listed companies; and
- (3) Other stocks and derivatives thereon that are subject to lock-up restrictions as required by the laws and regulations and relevant rules of the Exchange.

3.3.2 Investors selling the stocks and derivatives thereon released from lock-up shall strictly abide by their undertakings, and the sale shall not affect the continued performance of their undertakings.

3.3.3 A listed company and its investors shall pay attention to the lock-up periods of stocks and derivatives thereon and the performance of relevant undertakings as of the lock-up release request.

The sponsor and its sponsor representatives, independent financial advisers and their principal personnel shall, as required, guide and supervise relevant investors to strictly fulfill their undertakings, thus facilitating compliant release of lock-up stocks and derivatives thereon.

The sponsor and its sponsor representatives, independent financial advisers, and principal personnel shall verify the compliance of the lock-up release concerned, and express conclusive opinions on whether the quantity of stocks to be released and the timing of release comply with the laws and regulations, the relevant rules of the Exchange, and the investors' undertakings, and whether the relevant information disclosed is true, accurate, and complete.

3.3.4 An investor requesting for the release of its/his lock-up stocks and derivatives thereon shall authorize the listed company to perform relevant procedures and meet the following conditions:

- (1) The lock-up period for its/his stocks and derivatives thereon expires;
- (2) The release does not affect the performance of its/his relevant undertakings;

- (3) It/he does not misappropriate the funds of the company, and the company does not provide any non-compliant guarantee to it/him or take any other action that benefits it/him to the detriment of the company; and
- (4) It/he is not subject to transfer restrictions under the laws and regulations and relevant rules of the Exchange.

3.3.5 A listed company shall apply for the release of its lock-up stocks and derivatives thereon 3 trading days before the expiration of the lock-up periods and disclose announcements on the release.

The announcements include, among others, the tradable time, quantity, and proportion to the total capital stock, of the lock-up stocks and derivatives thereon to be released, the lock-up undertakings of investors and the performance thereof, and the post-release equity structure of the company.

The above provisions apply, *mutatis mutandis*, to a listed company that applies for releasing the lock-up on its stocks derived from the non-tradable share reform, unless otherwise provided by the Exchange.

3.3.6 Where the Exchange has other provisions on the release of lock-up stocks and derivatives thereon, such provisions prevail.

Section 4 Management of Changes in Stocks and Derivatives Thereon

3.4.1 Any changes in the stocks and derivatives thereon held by the investors, directors, supervisors, senior officers, etc. of a listed company shall comply with the laws and regulations, relevant rules of the Exchange, and the articles of association of the company.

The investors, directors, supervisors, senior officers, etc. shall strictly perform their undertakings (if any) as to the proportion and period of shareholding as well as the means and price of changes.

3.4.2 If the stocks in a listed company in which a shareholder, *de facto* controller, or any other person with disclosure obligations has an interest reach 5 percent or more of the company's issued voting stocks, or subsequently a change in these stocks triggers any of the circumstances requiring acquisition or equity changes under the *Securities Law*, the *Measures on the Administration of Acquisition of Listed Companies*, or other related rules, the shareholder, *de facto* controller, or other person with disclosure obligations shall notify the company of the situation according to the said rules and make an announcement thereon.

If any of the above investors purchases the voting stocks of the company in violation of Paragraph 1 or 2, Article 63 of the *Securities Law*, the investor shall, within 36 months after the purchase, not exercise voting rights of the portion of stocks exceeding the prescribed proportion therein. The company shall, in accordance with the *Securities Law*, not include that portion of stocks in the total voting stocks present at the shareholders' general meeting.

The company shall cooperate with the investor in performing disclosure obligations. Where a shareholder, *de facto* controller, or any other person with disclosure obligations of the company fails to perform reporting and announcement obligations, the board of directors of the company shall do so on the day it becomes aware of the failure, and urge the shareholder, *de facto* controller, or the person with disclosure obligations to perform announcement obligations.

3.4.3 A listed company that is the target of an acquisition by tender offer or by its directors, supervisors, senior officers, employees, or the legal persons or other organizations controlled or entrusted by it shall disclose an announcement on the acquisition and perform relevant obligations in accordance with the *Securities Law*, the *Measures on the Administration of Acquisition of Listed Companies*, and other related rules.

3.4.4 A contractual fund, trust plan or asset management plan holding 5 percent or more 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 the party has a related party relationship with the controlling shareholder or *de facto* controller of the company.

A contractual fund, trust plan or asset management plan who becomes the controlling shareholder, the largest shareholder or the *de facto* controller of a listed company 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.

3.4.5 Where, due to a change in the capital stock of a listed company, a change in its stocks in which an investor has an interest triggers any of the circumstances requiring acquisition or equity changes under the *Securities Law*, the *Measures on the Administration of Acquisition of Listed Companies*, and other related rules, the company shall, within 2 trading days of completing the registration of the change in the capital stock, make an announcement on the resulting changes in shareholders' shareholdings.

3.4.6 Where a shareholder, *de facto* controller, or any other person with disclosure obligations of a listed company fails to perform reporting and announcement obligations, or refuses to perform relevant obligations to cooperate, or the shareholder or *de facto* controller is under a circumstance where it/he is prohibited from acquiring the listed company, the board of directors of the listed company shall reject the proposals or temporary proposals from the shareholder or *de facto* controller or other shareholders under its/his control and report the situation to the Exchange and competent regulatory authorities.

3.4.7 The directors, supervisors, and senior officers of a listed company shall not transfer their stocks in the company if:

- (1) it has been less than 1 year since the day the company's stocks were listed for trading;
- (2) it has been less than half year since the day they left office;
- (3) they undertake to not transfer their stocks within a certain period and the period does

not expire; and

- (4) there arise other circumstances as stipulated by the laws and regulations or the Exchange.

The directors, supervisors, and senior officers shall report to the Exchange the information on the above stocks before the listing of the company's stocks, or when their appointment as a director, supervisor or senior officer takes effect, or when they increase their shareholding in the company.

3.4.8 In case of any change in the shareholdings of the directors, supervisors and senior officers of a listed company, they shall, within 2 trading days of the change, disclose on the website of the Exchange the quantity of stocks held before the change, the date, quantity, and price of the change, and the quantity of stocks held after the change.

3.4.9 When the convertible bonds held by an investor reach 20 percent of the total convertible bonds issued by a listed company, the investor shall, within 2 trading days from the date of the occurrence, notify the company of the occurrence for announcement.

After the convertible bonds held by an investor reach 20 percent of the total convertible bonds issued by a listed company, the investor shall perform reporting and announcement obligations with respect to each 10 percent increase or decrease in the quantity of its/his convertible bonds according to the preceding Paragraph.

3.4.10 A listed company shall timely disclose an announcement when the combined stocks converted from its convertible bonds reach 10 percent of its total pre-conversion issued stocks.

The company shall, after the end of each quarter, timely disclose changes in its equity structure resulting from the conversion of the convertible bonds.

3.4.11 Where the directors, supervisors or senior officers of a listed company or its shareholders holding 5 percent or more of its stocks sell their stocks or other equity-like securities in the company within 6 months after purchasing them or vice versa in violation of the *Securities Law*, the board of directors of the company shall recover any income derived therefrom, and timely disclose the details of the illegal trades by the parties concerned, the amount of income derived therefrom, the counter measures taken by the company, and the details of the recovery by the company.

The stocks or other equity-like securities held by the directors, supervisors, senior officers, and individual shareholders listed in the preceding Paragraph include those held by their spouses, parents, and children as well as those held through the accounts of others.

3.4.12 Where the controlling shareholder of a listed company, shareholders holding 5 percent or more of its stocks, the parties acting in concert with the said shareholder(s), its directors, supervisors, senior officers disclose their plans for shareholding increase, they shall specify therein the quantity or amount of the stocks to be increased, and if a quantity or amount range is set for the shareholding increase, shall prudently and reasonably determine

the upper and lower limits.

3.4.13 When transferring their stocks in a listed company, the shareholders holding 5 percent or more of the stocks of the company, the parties acting in concert with the shareholders, the company's *de facto* controller, directors, supervisors, senior officers, or other shareholders regulated by the relevant rules of the Exchange shall comply with the laws and regulations and the provisions of relevant rules of the Exchange governing the holding period, transfer time, price, quantity and method, and information disclosure.

3.4.14 If a special asset management plan established by the senior officers of an issuer reduces its holdings in the issuer's stocks acquired via strategic placement, through call auction or block trade, it shall perform the corresponding disclosure obligations with reference to the provisions of the Exchange regarding the reduction of holdings of pre-IPO stocks by shareholders of listed companies.

3.4.15 A controlled subsidiary of a listed company shall not hold the stocks issued by the company. If, for special reasons, the controlled subsidiary holds the stocks, it shall divest its shareholding in the company within 1 year, and before the divestment, shall not exercise the voting rights of the stocks.

Chapter IV Corporate Governance

Section 1 General Rules

4.1.1 A listed company shall establish a sound, effective governance structure, develop a scientific, effective system for separation of powers and checks and balances, strengthen internal and external supervision and checks and balances, and ensure its internal controls are complete, reasonable, and effective.

The company shall ensure the lawful operation and scientific decision-making of its shareholders' general meeting, board of directors, board of supervisors, and other organs; clarify the rights and obligations of its shareholders, directors, supervisors, and senior officers; enable the shareholders to fully exercise their lawful rights; respect the basic rights and interests of stakeholders; ensure the legality and compliance of its operation and management, the security and safety of its capital and assets, and the truthfulness, accuracy, and completeness of its information disclosure; and effectively prevent financial fraud, funds misappropriation, non-compliant guarantees, and other violations of the laws and regulations to protect its and the shareholders' lawful rights and interests.

4.1.2 The board of directors, board of supervisors, and other internal organs of a listed company shall operate independently through independent exercise of decision-making and management powers; shall not have their members identical to those of the board of directors, board of supervisors, and other internal organs of the controlling shareholder and *de facto* controller of the company and their related parties, or otherwise affect the independent operation of the company, thus ensuring the segregation of the company's personnel, assets, and finance, and the independence of the company's organs and business, from those of its controlling shareholder and *de facto* controller and their related parties.

4.1.3 Transfer of funds or provision of guarantee between a listed company and its directors, supervisors, senior officers, controlling shareholder, *de facto* controller or other related parties shall comply with the laws and regulations, relevant rules of the Exchange, and the articles of association of the company, and shall not damage the interests of the company.

If the company incurs or is likely to incur losses due to the misappropriation or transfer of its funds, assets or other resources by the related parties, the board of directors shall timely take such measures as litigation and property preservation to avoid or reduce losses and hold relevant persons liable.

If a related party forces, instigates, or requires the company to provide funds or guarantees in violation of regulations, the company and its directors, supervisors and senior officers shall refuse to do so, and shall not provide assistance, cooperation and acquiescence.

4.1.4 A listed company shall practice the concept of sustainable development, voluntarily assume social responsibility, safeguard the social and public interest, and value ecological and environmental protection.

The company shall prepare and disclose corporate social responsibility reports and other non-

financial reports in accordance with regulations. In the case of a material matter such as breach of social responsibility, the company shall fully assess the implications, and timely disclose the matter stating the reasons and solutions.

4.1.5 A listed company shall value and enhance investor relations management, set up an information sharing channel necessary to manage investor relations, and establish a good mechanism and platform for communication with investors, thus promoting the investors' understanding of the company.

The investor relations management shall be conducted in an open, fair, and impartial manner, and present and reflect the realities at the company in a true, accurate, and complete manner. In carrying out investor relations-related activities, the company shall avoid any violation of information disclosure rules or any suspected manipulation of the price of its stocks and derivatives thereon, including without limitation, releasing or leaking non-published material information, excessive publicity that misleads investors' decision making, and making forecast or undertakings as to the price of its stocks and derivatives thereon.

The board of directors of the company shall develop investor relations management rules and designate the secretary to the board of directors to manage the investor relations. The board of supervisors shall supervise the implementation of the rules.

4.1.6 If a listed company commits fraudulent offering, misrepresentation, or other illegal or incompliant disclosure act, resulting in a mass securities dispute, the company shall, through the diversified resolution mechanism for securities disputes or otherwise, timely resolve the dispute to reduce investors' costs of rights protection.

Section 2 Shareholders' General Meeting, Board of Directors, and Board of Supervisors

4.2.1 The convening, holding, voting, and other aspects of a shareholders' general meeting of a listed company shall comply with the laws and regulations, relevant rules of the Exchange, and the articles of association of the company. The company shall equally treat all shareholders, and shall not, by tunneling, exchange of benefits or otherwise, sway the voting by the shareholders, manipulate the voting results, or harm the lawful rights and interests of other shareholders.

4.2.2 Shareholders who convene a shareholders' general meeting on their own shall, before issuing the notice of the meeting, notify in writing the board of directors of the listed company and submit relevant documents to the Exchange. For a shareholders' general meeting legally convened by the shareholders, the board of directors and the secretary to the board of directors of the company shall provide cooperation and necessary support, and timely fulfill disclosure obligations.

Before the disclosure of the resolutions of the shareholders' general meeting, the convening shareholders shall hold not less than 10 percent of the total capital stock of the company. They shall disclose the announcement of the meeting no later than the issuance of the notice of the meeting and undertake to hold not less than 10 percent of the total capital stock of the

company between the date of proposing the holding and the holding date.

4.2.3 The convener shall issue the notice of a shareholders' general meeting to shareholders by means of announcement within the notice period provided by the laws and regulations.

The notice shall specify the time, place and form of the meeting and such other matters as the convener and the equity record date, and fully and completely disclose the details of all the proposals. The contents of the proposals shall be consistent with the laws and regulations, relevant rules of the Exchange, the articles of association of the company, and the scope of authority of the shareholders' general meeting, with clear topics and specific matters to be deliberated.

The convener shall, 5 days prior to the date of the meeting, disclose the materials necessary for shareholders to make reasonable decisions on the matters to be discussed. If additional materials are required for the meeting, the convener shall disclose them before the date of the meeting.

4.2.4 A shareholders' general meeting of a listed company shall be held in a venue by means of a combination of live meeting and online voting. The time and place of the live meeting should be convenient for shareholders to participate. After the notice of the meeting is issued, there shall be no change in the place of the live meeting without justified causes. If there is a need for change, the convener shall announce the change and explain the reasons at least 2 trading days before the live meeting date.

The company shall open the channel of online voting to make it convenient for shareholders to attend the shareholders' general meeting. Shareholders who attend the meeting through the above means shall be deemed present.

4.2.5 If the board of directors, independent directors, or shareholders with 1 percent or more of voting stocks of a listed company, or legally-established investor protection institutions publicly solicit proxies from shareholders to exercise, on their behalf, the right to make proposals, the right to vote or otherwise, the solicitor shall disclose the solicitation announcement and relevant solicitation documents in accordance with the laws and regulations, and the company shall cooperate with the solicitation. The solicitor shall not publicly solicit shareholders' rights in a paid or disguisedly paid manner.

4.2.6 After the notice of a shareholders' general meeting is issued, the meeting shall not be postponed or cancelled without justifiable reasons, and the proposals listed in the notice shall not be revoked. In the event of postponement, cancellation or revocation, the convener shall issue an announcement thereon at least 2 trading days before the original meeting date, stating the specific reasons therefor. In the case of postponement, the new meeting date shall also be disclosed in the announcement.

4.2.7 If a shareholder proposes a temporary proposal according to the laws and regulations, the convener shall issue a supplementary notice of the shareholders' general meeting within the prescribed time, disclosing the name, shareholding, and contents of the

proposal of the proposing shareholder.

4.2.8 The convener shall disclose an announcement of the resolutions of the shareholders' general meeting within the prescribed time after the end of the meeting. The announcement shall include the time, place and form of the meeting, the convener, the number of attending shareholders (including proxies), the number of stocks held (including those represented) and its proportion to the total voting stocks of the listed company, the voting method and result of each proposal, the conclusions of the legal opinion, among others.

When deliberating on material matters affecting the interests of medium and small investors, the shareholders' general meeting of a listed company shall separately count and disclose the votes of shareholders other than those of its directors, supervisors, senior officers, and shareholders separately or aggregately holding 5 percent or more of the company's stocks.

The lawyer of the company shall act with diligence and care and issue a legal opinion on whether the convening, holding, and voting of the shareholders' general meeting comply with the laws and regulations. The legal opinion shall be disclosed concurrently with the announcement of the resolutions of the meeting, and shall include opinions on the legality and validity of such matters as the convening, rules of procedure, the qualification of the attendees, the qualification of the convener, the voting procedures (including the abstinence from voting by shareholders, etc.), and the voting results, of the meeting.

The convener shall provide the minutes of the meeting to the Exchange upon request.

4.2.9 A listed company and its shareholders, directors, supervisors, and senior officers shall not disclose or divulge non-published material information at shareholders' general meeting.

4.2.10 The board of directors of a listed company shall perform duties in accordance with the laws and regulations, relevant regulations of the Exchange, and the articles of association of the company. The number of members and composition of the board of directors shall comply with the laws and regulations, relevant rules of the Exchange, and the articles of association of the company. The members of the board of directors shall possess the knowledge, expertise, and competency necessary for their performance of duties and have good professional ethics.

4.2.11 A listed company shall convene and hold a meeting of the board of directors in accordance with the laws and regulations, relevant rules of the Exchange, and the articles of association of the company. Resolutions of the meeting shall be signed and confirmed by the attending directors. The company shall provide the minutes of the meeting to the Exchange upon request.

Where the company is required to disclose the resolutions of the meeting of the board of directors by relevant rules of the Exchange, the announcement of the disclosure shall include the time and means of the dispatch of the meeting notice, the time, place and form of the meeting, the number and names of directors present by proxy and absent, the reasons for absence and the names of the proxy directors, the voting result of each proposal, reasons for

dissenting or abstention votes by directors concerned, among others.

Where the resolutions of the board of directors involve matters requiring consideration by the shareholders' general meeting or material matters specified by the laws and regulations or these Rules, the company shall respectively disclose the announcement of the resolutions and the announcement of the relevant material matter. The material matter shall be announced according to relevant regulations of the CSRC or in the format set by the Exchange.

4.2.12 A listed company shall establish an audit committee under the board of directors, and its internal audit department shall account and report to the audit committee. The company may set up strategy, nomination, remuneration and assessment, and other special committees, which shall perform duties according to the articles of association of the company and the authorization of the board of directors.

Except as otherwise provided by the laws and regulations, each special committee comprises solely directors; in particular, independent directors make up the majority of and convene the meetings of the audit, nomination, and remuneration and assessment committees, and the convenor of the audit committee meeting shall also be an accounting professional.

4.2.13 The board of supervisors of a listed company shall duly perform supervisory duties in strict accordance with the laws and regulations, relevant rules of the Exchange, and the articles of association of the company. The members and composition of the board of supervisors shall ensure its independent, effective performance of duties. Supervisors shall have proper expertise or work experience, the ability to perform their duties, and good professional ethics. Directors and senior officers of the company shall not concurrently serve as supervisors.

4.2.14 A listed company shall convene and hold a meeting of the board of supervisors in accordance with the laws and regulations, relevant rules of the Exchange, and the articles of association of the company, and timely disclose the resolutions of the meeting. Resolutions of the meeting shall be signed and confirmed by the attending supervisors. The company shall provide the minutes of the meeting to the Exchange upon request.

The announcement of the resolutions shall include the time and means of dispatch of the meeting notice, the time, place and form of the meeting, the supervisors present by proxy and absent, the voting result of each proposal, the reasons for dissenting or abstention votes by supervisors concerned, the details of the matters considered, and the resolutions passed.

4.2.15 If the meeting of the shareholders' general meeting, the board of directors, or the board of supervisors of a listed company cannot be normally held or if the validity of the resolutions of the meeting is disputed, the company shall timely disclose the relevant matters, the claims of the disputing parties, its current status, other information beneficial to investors' understanding of its realities, as well as its lawyer's special legal opinion.

If any of the circumstances in the preceding Paragraph arises, the board of directors of the company shall maintain a normal production and operation order of the company, protect the interests of the company and all shareholders, and fairly treat all shareholders.

Section 3 Directors, Supervisors, and Senior Officers

4.3.1 The directors, supervisors, and senior officers of a listed company shall comply with and procure the company to comply with the laws and regulations, relevant regulations of the Exchange, and the articles of association of the company; faithfully and diligently perform their duties; strictly perform their declarations and undertakings; effectively perform their reporting and disclosure obligations; safeguard the interests of the company and all shareholders; and actively cooperate with the Exchange's day-to-day supervision.

4.3.2 The term of office of each director shall not exceed 3 years and may be renewed upon re-election upon expiry. If a director is elected by the shareholders' general meeting, the meeting may remove the director before expiry of his term of office.

4.3.3 A candidate shall not be nominated as a director, supervisor, or senior officer of a listed company if:

- (1) he is involved in a circumstance under the Company Law that prohibits him from serving as a director, supervisor and senior officer of a listed company;
- (2) he is imposed a securities market ban by the CSRC that prohibits him from serving as a director, supervisor, and senior officer of a listed company, and the applicable period has not yet expired;
- (3) he is publicly identified by a stock exchange as unsuitable to serve as a director, supervisor, and senior officer of a listed company, and the applicable period has not yet expired; and
- (4) there arise other circumstances as provided by the laws and regulations or the Exchange.

Whether the above period is expired or not shall be determined as at the day when the board of directors, the shareholders' general meeting, or any other competent organ of the company considers the appointment proposals for the candidate directors, supervisors and senior officers.

If a director, supervisor or senior officer falls into the circumstance in Subparagraph (1) or (2) of Paragraph 1 during his term of office or an independent director fails to meet the conditions for independence, he shall immediately stop performance of duties and be removed from office by the company according to relevant rules.

If a director, supervisor or senior officer falls into the circumstance under Subparagraph (3) or (4) of Paragraph 1 during his term of office, the company shall remove him from office within 1 month of the occurrence of the circumstance, except as otherwise provided by the Exchange.

If a director or supervisor that should be removed from office but has not yet removed attends and votes at a meeting of the board of directors or the board of supervisors, then his vote shall be deemed valid.

4.3.4 Directors, supervisors, and senior officers of a listed company shall, before the IPO and listing of the stocks of the company, sign a *Declaration and Undertaking of Directors (Supervisors or Senior Officers)* in accordance with relevant rules of the Exchange and submit it to the Exchange and the board of directors of the company. The newly-appointed directors, supervisors, and senior officers of the company shall do so within 1 month of their appointment. In the event of material changes in the matters declared or undertaken by them (except changes in shareholdings in the company), the directors, supervisors, and senior officers shall update and report the changes to the Exchange and the board of directors of the company within 5 trading days.

The directors, supervisors, and senior officers shall ensure that the matters declared by them are true, accurate and complete, and free from misrepresentations, misleading statements or material omissions. The signature of the *Declaration and Undertaking of Directors (Supervisors or Senior Officers)* shall be witnessed by a lawyer.

The secretary to the board of directors shall urge the directors, supervisors, and senior officers to timely sign the *Declaration and Undertaking of Directors (Supervisors or Senior Officers)* and submit it in such format and through such channel as required by the Exchange.

4.3.5 Directors of a listed company shall voluntarily perform duties of loyalty and diligence to the company.

The directors shall fulfill the following duties of loyalty and diligence:

- (1) they shall fairly treat all shareholders;
- (2) they shall protect the safety and integrity of the company's assets, and shall not, by virtue of their office, seek benefits for the *de facto* controller, shareholders or employees of the company, themselves, or other third parties to the detriment to the company;
- (3) they shall not seek for themselves or their close family members a business opportunity that belongs to the company without the approval of the shareholders' general meeting, or engage in any like business of the company by themselves or through others;
- (4) they shall keep trade secrets confidential; not disclose the non-published material information of the company; not obtain improper benefits by using inside information; fulfill the agreed non-competition obligations to the company after leaving the company;
- (5) they shall invest sufficient time and energy in taking part in the affairs of the company. They shall in principle attend the board of directors in person, or if they cannot attend in person for any reason, through proxy, provided that they should prudently select a proxy without granting discretionary authority and clearly specify the scope of authority and voting intention;

- (6) they shall prudently assess the potential risks and benefits associated with the matters considered by the meeting of the board of directors of the company, and clearly comment on the matters under consideration. If casting dissenting or abstention votes at the meeting, they shall clearly disclose the reasons and basis for voting intention, and suggestions or measures for improvement;
- (7) they shall carefully read the operating and financial reports and media reports of the company; timely stay informed of and track the business, operation, and management status of the company and the occurred or potential material matters of the company and their impacts; timely report to the board of directors the problems identified in the company's operations; and not evade their responsibilities on the grounds that they are not directly engaged in the operations and management or are not aware of or familiar with the matters concerned;
- (8) they shall pay attention to whether the related parties or potential related parties have misappropriated funds of or otherwise encroached on the interests of the company, and in the case of an abnormal situation, timely report it to the board of directors and take appropriate measures;
- (9) they shall carefully read financial reports of the company; and pay attention to whether there are significant preparation errors or omissions therein, whether there are significant fluctuations in the main accounting data and financial indicators, whether the explanations for the fluctuations are reasonable. If they have any questions about the financial reports, they shall make investigation or request the board of directors to provide the required materials or information;
- (10) they shall promote the compliant operation of the company, urge the company to fulfill disclosure obligations according to the laws and regulations, timely rectify and report violations of the company, and support the company in performing its social responsibilities; and
- (11) they shall fulfil other duties of loyalty and diligence as provided by the laws and regulations, relevant rules of the Exchange, and the articles of association of the company.

Supervisors and senior officers of the company shall perform their duties with reference to the provisions of the preceding Paragraph.

4.3.6 Directors, supervisors, and senior officers of a listed company shall keep track of the pledges of stocks by the controlling shareholder of the company and its/his parties acting in concert, and as required, prudently check and assess the possible impact of the pledges of a high percentage of stocks by the controlling shareholder and its/his parties acting in concert on the stability of the company's control and production and operation, its equity structure, corporate governance, and fulfillment of performance compensation obligations.

4.3.7 When disclosing the notice of a shareholders' general meeting convened for electing independent directors, a listed company shall submit to the Exchange the relevant materials of

all candidate independent directors (including, among others, nominators' statements, candidates' declarations, and candidates' resumes).

If the board of directors of the company disputes relevant information about a candidate independent director, its written opinions thereon shall also be submitted to Exchange.

When holding a shareholders' general meeting convened for electing independent directors, the board of directors of the company shall state whether the candidate independent directors have been objected to by the Exchange. The objected candidates shall not be submitted to a vote at the meeting.

4.3.8 Independent directors of a listed company shall perform duties in an independent and impartial manner, fully understand the operations of the company, urge the company and its board of directors to operate in a compliant manner, and safeguard the interests of the company and the lawful rights and interests of minority shareholders. They shall focus on such matters of the company as related party transactions, external guarantees, use of raised proceeds, protection of public shareholders, major asset restructuring, major investment and financing, remuneration of directors and senior officers, profit distribution, and information disclosure.

The independent directors may propose to hold a meeting of the board of directors, propose to the board of directors to hold a meeting of the shareholders' general meeting, or engage intermediaries including CPA firms to audit, verify, or issue opinions on relevant matters.

4.3.9 Supervisors of a listed company shall supervise the compliance of the directors and senior officers with the laws and regulations, relevant rules of the Exchange, and the articles of association of the company, as well as their performance of duties and the resolutions of the shareholders' general meeting. The directors and senior officers shall faithfully provide relevant information and materials to the supervisors and shall not interfere with the supervisors' exercise of powers.

When performing supervisory duties, the supervisors may propose the removal of directors or senior officers who violate the relevant provisions or resolutions in the preceding Paragraph.

If the supervisors find that the directors or senior officers of the company have violated the relevant provisions or resolutions in Paragraph 1 of this Subsection 4.3.9 or otherwise harmed the interests of the company, which have caused or may cause major losses to the company, they shall timely report the situation to the board of directors or the board of supervisors, request the parties concerned to rectify the situation, and report the situation to the Exchange.

4.3.10 Resigning directors, supervisors, and senior officers of a listed company shall submit written resignations. The resignation of a director or supervisor takes effect when it is served on the board of directors or the board of supervisors, except where:

- (1) his resignation would result in the board of directors or the board of supervisors failing to meet the quorum;

- (2) in the case of an employee representative supervisor, his resignation would result in the number of employee representative supervisors being less than one-third of the members of the board of supervisors; and
- (3) in the case of an independent director, his resignation would result in the number of independent directors being less than one-third of the members of the board of directors or the lack of an accounting professional among the independent directors.

In the case of any circumstance under the preceding Paragraph, a resignation shall not take effect until the replacing director or supervisor fills the vacancy resulting from the resignation. Before the resignation takes effect, the resigning director or supervisor shall continue to perform duties in accordance with the laws and regulations, relevant rules of the Exchange, and the articles of association of the company, except where the circumstances under Subsection 4.3.3 of these Rules arise.

Section 4 Secretary to the Board of Directors

4.4.1 A listed company shall appoint a secretary to the board of directors (hereinafter, the board secretary) to serve as the designated point of contact between the company and the Exchange.

The company shall establish an information disclosure department and put the board secretary in charge of the department.

4.4.2 The board secretary shall account to the listed company and the board of directors and perform the following duties:

- (1) responsible for disclosure of the company's information, coordinating corporate disclosure affairs, organizing the establishment of management systems for information disclosure, and urging the company and the relevant persons with disclosure obligations to observe relevant disclosure regulations;
- (2) responsible for investor relations management, coordinating communications between the company and the securities regulatory authority, investors and *de facto* controller, intermediaries, and public media;
- (3) organizing and preparing the meetings of the board of directors and the shareholders' general meeting, attending the meetings of the shareholders' general meeting, the board of directors, the board of supervisors, and senior officers, and keeping and signing the minutes of the meetings of the board of directors;
- (4) responsible for confidentiality with respect to information disclosure of the company, and reporting to the Exchange and making timely disclosure whenever any non-published material information is leaked;
- (5) paying attention to media coverage on the company and ascertaining whether the coverage is true or not, and urging the company and other parties concerned to timely

respond to the inquiries of the Exchange;

- (6) organizing trainings for directors, supervisors, and senior officers on relevant the laws and regulations and relevant rules of the Exchange, and helping them have a clear grasp of their respective responsibilities in information disclosure;
- (7) urging the directors, supervisors, and senior officers to comply with the laws and regulations, relevant rules of the Exchange, and the articles of association of the company, and to duly fulfill their undertakings; when becoming aware that the company, or any of its directors, supervisors or senior officers makes or is likely to make any decision in violation of relevant regulations, reminding the parties concerned of the situation and promptly and faithfully reporting the situation to the Exchange;
- (8) responsible for the management of changes in the company's stocks and derivatives thereon; and
- (9) performing other duties as required by the laws and regulations and the Exchange.

4.4.3 A listed company shall provide conveniences for the board secretary to perform his duties, and directors, supervisors, person in charge of finance, other senior officers, and relevant staff shall support and cooperate with the board secretary in his work.

In the performance of his duties, the board secretary shall be entitled to look into the financial and operating conditions of the company, participate in disclosure-related meetings, consult all the related documents, and require the relevant departments and persons of the company to timely furnish relevant materials and information.

In case that the board secretary meets with improper interference or serious obstruction in the performance of his duties, he may report directly to the Exchange.

4.4.4 The board secretary shall have the financial, management, and legal expertise as required for performing his duties, and have good professional and personal ethics.

Any of the following persons shall not serve as a board secretary:

- (1) a person who is under any of the circumstances under Subsection 4.3.3 of these Rules where he is prohibited from serving as a director, supervisor or senior officer of a listed company;
- (2) a person who has been subject to any administrative penalty from the CSRC in the most recent 3 years;
- (3) a person who has been censured publicly or criticized 3 times or more through circulating notices by stock exchanges in the most recent 3 years;
- (4) a person who is the incumbent supervisor of the company; and

- (5) any other person who is deemed by the Exchange as inappropriate for serving the position.

4.4.5 A listed company shall, within 3 months after the listing of its IPO stocks or within 3 months after the former secretary leaves office, appoint a board secretary.

4.4.6 When the position of the board secretary of a listed company becomes vacant, the board of directors shall timely designate 1 director or senior officer to perform the duties of the board secretary and report the designation to the Exchange, and determine the candidate for board secretary as soon as possible. Before the company designates a person to perform the duties, its board chairman shall do the same in place of the board secretary.

If the vacancy for the board secretary remains unfilled for over 3 months, the board chairman shall perform the duties in place of the board secretary and complete the engagement of board secretary within 6 months.

4.4.7 A listed company shall have a securities affairs representative to assist its board secretary in performing his duties. If the board secretary is unable to perform his duties, the securities affairs representative shall perform the 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.

The conditions for appointment of the securities affairs representative shall apply, *mutatis mutandis*, Subsection 4.4.4 of these Rules.

4.4.8 Upon the appointment of a board secretary or a securities affairs representative, a listed company shall timely publish an announcement thereon and submit the following materials to the Exchange:

- (1) a recommendation letter from the board of directors, including, among others, a statement that the board secretary or the securities affairs representative meets the conditions for appointment as specified in these Rules, and his current position, performance record, and personal ethics;
- (2) a resume and a copy of diploma certificate of the board secretary or securities affairs representative;
- (3) a letter of appointment of the board secretary or securities affairs representative or related resolutions of the board of directors; and
- (4) the contact information of the board secretary or securities affairs representative, including, but not limited to, office telephone number, mobile phone number, fax number, correspondence address, and special e-mail address.

The company shall timely submit any update to the above contact information to the Exchange.

4.4.9 A listed company shall not dismiss the board secretary without sufficient reasons.

If the board secretary is dismissed or resigns from his position, the company shall timely report to the Exchange stating reasons therefor and make an announcement thereon.

The board secretary may submit to the Exchange a personal statement on the company's improper dismissal or other matters related to the resignation.

4.4.10 A listed company shall dismiss its board secretary within 1 month from the date of occurrence of any of the following circumstances:

- (1) the board secretary is under any of the circumstances specified in Subsection 4.4.4 of these Rules;
- (2) the board secretary is unable to perform his duties for 3 consecutive months or more;
- (3) the board secretary commits a major mistake or gross negligence in his performance of duties, thus causing heavy losses to the company and investors; and
- (4) the board secretary violates the laws and regulations, relevant rules of the Exchange, and the articles of association of the company, thus causing heavy losses to the company and investors.

4.4.11 A listed company shall designate the board secretary, the person performing the duties of the board secretary, or the securities affairs representative to act as a point of contact with the Exchange, and to make information disclosure and manage the changes in stocks and derivatives thereon in the name of the company.

Section 5 Controlling Shareholder and De Facto Controller

4.5.1 The controlling shareholder and *de facto* controller of a listed company shall act in good faith, exercise shareholder rights and perform shareholder obligations according to the laws and regulations, strictly perform their undertakings, and safeguard the common interests of the company and all its shareholders.

The controlling shareholder and *de facto* controller shall maintain the independence of the company and shall not, by virtue of their control over the company, seek illegal benefits or misappropriate the company's funds and other resources.

The controlling shareholder and *de facto* controller shall not obstruct the disclosure of information by the company or relevant persons with disclosure obligations, or arrange or instigate illegal information disclosure by the company or relevant persons with disclosure obligations.

4.5.2 The controlling shareholder and *de facto* controller of a listed company shall perform the following duties:

- (1) they shall comply with and procure the company to comply with the laws and regulations, relevant rules of the Exchange, and the articles of association of the company, and submit to the supervision of the Exchange;
- (2) they shall legally exercise shareholder rights and not abuse their control rights to harm the lawful rights and interests of the company or other shareholders;
- (3) they shall strictly fulfill their public declarations and undertakings, and not change or release themselves from the declarations and undertakings without authorization;
- (4) they shall strictly fulfill disclosure obligations in accordance with relevant regulations;
- (5) they shall not misappropriate the company's funds in any way in violation of the laws and regulations;
- (6) they shall not force, instigate, or require the company and relevant persons to provide guarantees in violation of the laws and regulations;
- (7) they shall not seek benefits using the non-published material information of the company, or divulge the non-published material information in any way, or engage in insider trading, short-swing trading, market manipulation, and other violations of the laws and regulations;
- (8) they shall not harm the lawful rights and interests of the company and other shareholders through non-fair related party transactions, profit distribution, asset restructuring, external investment or other means;
- (9) they shall ensure the integrity of the company's assets, independence of its personnel, finance, organs, and business, and not affect the independence of the company in any way; and
- (10) they shall perform other duties that, in the Exchange's opinion, should be performed.

The controlling shareholder and the *de facto* controller shall explicitly undertake that if the controlling shareholder, the *de facto* controller, and their related parties misappropriate the company's funds or require the company to provide guarantees in violation of the laws and regulations, they shall not transfer the stocks of the company held or controlled by them until all the misappropriated funds are returned and all the non-compliant guarantees are released, except when the proceeds from the transfer are used to repay the misappropriated funds or release the non-compliant guarantees.

4.5.3 The controlling shareholder and *de facto* controller of a listed company shall fulfill disclosure obligations and ensure that the information disclosed is true, accurate, complete, timely and fair, and free from misrepresentations, misleading statements or material omissions. Upon receipt of an inquiry from the company, they shall timely acquire information for the inquiry and provide a response thereto, and ensure the truthfulness,

accuracy and completeness of the response.

The controlling shareholder and *de facto* controller shall timely inform the company and cooperate with the company in fulfilling disclosure obligations, if they are under any of the following circumstances:

- (1) there are major changes in their shareholdings or control of the company, or major changes in the business identical or similar to that of the company as engaged in by the *de facto* controller and other companies under its control;
- (2) a court delivers a judgment prohibiting the transfer of their stocks; 5 percent or more of their stocks in the company are pledged, frozen, judicially marked, judicially auctioned off, placed in custody or trust, legally restricted from being voted, or subject to a risk of forced transfer;
- (3) they propose to restructure the debts, business or major assets of the company;
- (4) they enter bankruptcy or dissolution proceedings due to deteriorating business conditions;
- (5) there are rumors about them, which may significantly affect the prices of the company's stocks and derivatives thereon;
- (6) they are subject to criminal penalties, pending investigation by the CSRC for suspected violations of the laws and regulations, administrative penalties of the CSRC, or severe administrative penalties of other competent authorities;
- (7) they are subject to detention measures imposed by disciplinary inspection and supervision authorities for suspected severe violations of discipline and laws or suspected duty-related crimes, which affect their performance of duties;
- (8) they are subject to compulsory measures due to suspected crimes; and
- (9) they are under other circumstances that may significantly affect the prices of the company's stocks and derivatives thereon.

The controlling shareholder and the *de facto* controller shall inform the company in writing of any information known to them regarding the major progress or change in the matters under the preceding Paragraph, and cooperate with the company in fulfilling disclosure obligations.

4.5.4 The controlling shareholder and *de facto* controller of a listed company shall, considering their performance capacity and credit standing, fully assess the possible risks associated with the pledges of their stocks, and prudently pledge their stocks, especially lock-up stocks or a high percentage of the stocks, so as to maintain a stable control of the company.

4.5.5 The controlling shareholder and *de facto* controller of a listed company shall exercise shareholder rights and perform shareholder obligations according to the laws and

regulations, and shall not conceal their capacity as controlling shareholder and de facto controller to evade relevant obligations and liabilities.

If the company is controlled through an acting-in-concert agreement, the agreement shall set forth the control arrangement and control transfer mechanism.

The company shall determine the ownership of its control in an objective, prudent, and faithful manner by considering the following factors: shareholders' shareholding percentages, the composition of members of the board of directors and the parties recommending and nominating them, the implementation of its past decisions, the acting-in-concert agreement or other arrangement among shareholders, voting rights arrangement, among others. It shall not be determined without good and reasonable causes that the company has no controlling shareholder or *de facto* controller.

4.5.6 If a listed company has no controlling shareholder and *de facto* controller, its largest shareholder and ultimate controller shall comply with, *mutatis mutandis*, this Section as if they were the controlling shareholder and *de facto* controller.

Section 6 DVR Arrangement

4.6.1 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.

4.6.2 If an issuer has in place a DVR arrangement prior to its IPO and listing, such DVR arrangement shall be approved by two-thirds or more 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.

4.6.3 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 10 percent or more of all issued voting stocks of the company.

4.6.4 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.

4.6.5 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.

4.6.6 Upon the listing of its stocks on the Exchange, a listed company shall not issue special voting stocks in and outside Chinese mainland, nor increase the percentage of special voting rights, unless in connection with a proportional rights issue, conversion of capital reserve into capital stock, or distribution of stock dividends.

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.

4.6.7 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 10 percent or more 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 3 percent or more 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.

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

4.6.9 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 4.6.3 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.

Upon the occurrence of the event under Subparagraph (4) of the preceding Paragraph, all issued special voting stocks of the listed company shall be converted into ordinary stocks.

Upon the occurrence of the event under Subparagraph (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.

4.6.10 The number of voting rights for each special voting stock 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 appointment or dismissal of supervisors;
- (5) the engagement or dismissal of a CPA firm which issues audit opinions on the periodic reports of the company; and
- (6) the merger, division, dissolution, and change of legal form of the company.

The articles of association of the listed company shall provide that the shareholders' general meeting shall make resolutions on matters under Subparagraphs (1), (2) and (6) of the preceding Paragraph, and the resolutions shall be approved by two thirds or more of the voting rights of the attending shareholders, unless the corresponding number of special voting stocks is converted into ordinary stocks pursuant to Articles 4.6.6 and 4.6.9.

4.6.11 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 4.6.10, and other information.

4.6.12 Where there are major changes or adjustments in the DVR arrangement of a listed company, the company and relevant persons with disclosure obligations shall make a timely disclosure, stating, among others, the pledge, freeze, judicial mark, judicial auction sale, custody, trust, legal restriction on voting, or risk of forced transfer associated with or created over the special voting stocks held by shareholders.

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.

4.6.13 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 4.6.3 hereof;
- (2) whether any of the events under Article 4.6.9 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 Section.

In the continuous supervision and guidance period, the sponsor shall perform continuous supervision and guidance obligations on matters concerning the special voting rights of a listed company, and express opinions on the matters specified in the preceding Paragraph in the annual sponsorship work report. When discovering that a shareholder has abused special voting rights or otherwise damaged the legitimate rights and interests of investors, the sponsor shall promptly urge the shareholder to correct the situation and report it to the Exchange.

4.6.14 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 or by virtue of such rights, harm the legitimate rights and interests of investors.

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.

4.6.15 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.

4.6.16 If the DVR arrangement of an overseas listed red chip enterprise deviates from the provisions of this Section, its DVR arrangement shall be governed by the company law and other laws and regulations of its place of incorporation, the relevant rules of its overseas place of listing, and its articles of association. The red chip enterprise shall explain in detail the deviations and reasons and the measures for lawful implementation of requirements on protection of investors' legitimate rights and interest.

Chapter V Periodic Reports

Section 1 Performance Forecasts and Performance Snapshots

5.1.1 A listed company that forecasts the occurrence of any of the following circumstances in its annual business performance and financial position shall release a performance forecast within 1 month from the end of the financial year:

- (1) the net profit would be negative;
- (2) the net profit would turn from negative to positive;
- (3) the net profit would be positive and would rise or fall by 50 percent or more over the same period a year earlier;
- (4) the lower of the net profit before or after deducting non-recurring gain or loss would be negative, and the operating revenue after deducting the revenue that is unrelated to the main business or that has no commercial substance would be lower than RMB 100 million;
- (5) the ending net assets would be negative; or
- (6) other circumstances as recognized by the Exchange.

A listed company that forecasts the occurrence of any of the above circumstances described in Subparagraphs (1) to (3) of the preceding Paragraph in its semi-annual business performance shall release a performance forecast within 15 days from the end of the financial half year.

5.1.2 Where a listed company forecasts its net profit would be positive for the reporting period and would rise or fall by 50 percent or more over the same period a year earlier, the company may be exempt from releasing a performance forecast as required by Subparagraph (3) of Paragraph 1 of Subsection 5.1.1 under any of the following circumstances:

- (1) the absolute value of its annual earnings per stock for the previous year is below or equivalent to RMB 0.05; or
- (2) the absolute value of its semi-annual earnings per stock for the previous year is below or equivalent to RMB 0.03.

5.1.3 If a delisting risk warning is issued on the stocks of a listed company due to any of the circumstances under Subsection 9.3.2, the company shall release a forecast about its annual operating revenue, operating revenue after deducting the revenue that is unrelated to the main business or that has no commercial substance, net profit, net profit after deducting non-recurring gain or loss, and ending net assets within 1 month from the end of the financial year.

5.1.4 A listed company shall disclose its performance forecast in a reasonable, prudent,

objective, and accurate way, specifying among other things the forecasted amount or range of gain or loss, range of performance change, main causes of any significant change in the business performance or financial position.

The company shall also disclose any uncertainties that may influence the accuracy of the performance forecast and the extent of such influence.

5.1.5 Where a listed company expects any of the following significant differences would arise between its business performance or financial position for the current period and its previously disclosed performance forecast, it shall release a restatement of the performance forecast in a timely manner to describe the specific difference and causes therefor:

- (1) where the performance forecast was disclosed under Subparagraphs (1) to (3) of Paragraph 1 of Subsection 5.1.1, the new forecast of the net profit is opposite to the disclosed performance forecast, or the two forecasted amounts or ranges differ significantly;
- (2) where the performance forecast was disclosed under Subparagraph (4) or (5) of Paragraph 1 of Subsection 5.1.1, the new forecast no longer triggers a disclosure thereunder;
- (3) where the performance forecast was disclosed under Subsection 5.1.3, the new forecast of relevant financial indicators is opposite to the disclosed performance forecast, or the forecasted amounts or ranges differ significantly; or
- (4) other circumstances specified by the Exchange.

5.1.6 A listed company may disclose performance snapshot prior to the release of its periodic reports; however, the company shall disclose performance snapshot in a timely manner under any of the following circumstances:

- (1) before disclosing relevant periodic report, it has submitted to competent authorities undisclosed periodic financial data that are expected to lose confidentiality;
- (2) before disclosing relevant periodic report, its performance data have been leaked or any performance rumors have led to abnormal fluctuations in its stock and other derivatives trading; or
- (3) it plans to disclose the performance for the first quarter, but the annual report for the previous year has not been disclosed yet.

Under the circumstance described in Subparagraph (3) of the preceding Paragraph, the company shall disclose performance snapshot for the previous year upon releasing the relevant announcement.

5.1.7 A listed company that discloses performance snapshot shall specify such data and indicators as the operating revenue, operating profit, total profit, net profit, net profit after

deducting non-recurring gain or loss, total assets, net assets, earnings per stock, net assets per stock, and return on equity for the current period and for the corresponding period of the previous year.

5.1.8 Where a listed company that has disclosed performance snapshot expects that its performance or financial position would differ from the data and indicators in the performance snapshot by 20 percent or more, or the new forecast of net profit, net profit after deducting non-recurring gain or loss, or ending net assets during the reporting period is opposite to the performance snapshot, the company shall release a restatement of the performance snapshot in a timely manner to describe the specific difference and causes therefor.

5.1.9 Where a listed company expects a material difference between its performance for the current period and the previously disclosed earnings forecast, its board of directors shall release a restatement of the earnings forecast, including a statement on whether the basis and process for making the restatement are proper and prudential, and a special statement of a CPA firm on the material difference between the actual figure and the earnings forecast.

5.1.10 The directors, supervisors, and senior officers of a listed company shall keep abreast of and pay attention to the business operation and financial information of the company in a timely and comprehensive way, and shall communicate with the CPA firm as appropriate to make a prudent decision on whether to disclose a performance forecast.

The company and its directors, supervisors, and senior officers shall be responsible for the accuracy of the performance forecast and restatement thereto, the performance snapshot and restatement thereto, as well as the earnings forecast and restatement thereto, ensuring that there is no material difference between the disclosure and the actual figures.

Section 2 Annual Reports, Semi-Annual Reports, and Quarterly Reports

5.2.1 Periodic reports of a listed company include annual reports, semi-annual reports, and quarterly reports.

A listed company shall prepare and disclose periodic reports within the time limit specified in the laws and regulations and by the Exchange and in accordance with applicable requirements of the CSRC and the Exchange.

5.2.2 A listed company shall disclose the annual report within 4 months from the end of each financial year, the semi-annual report within 2 months from the end of the first half of each financial year, and the quarterly report within 1 month from the end of the first 3 months and the end of the first 9 months of each financial year, respectively.

The first-quarter report shall be disclosed no earlier than the annual report of the previous year.

Any listed company unable to disclose its periodic reports within the specified time limit shall, in a timely manner, make an announcement on the reasons therefor, its solution plan,

and the deadline for a delayed disclosure.

5.2.3 A listed company shall schedule the disclosure date with the Exchange for its periodic reports. The Exchange will work out an overall disclosure timetable based on the principle of a balanced pace of disclosure.

A listed company shall make periodic disclosure on the scheduled date. Any listed company that intends to change the disclosure date for some reason shall, at least 5 trading days in advance, file an application with the Exchange stating the reasons therefor and proposing a new date for disclosure. The Exchange will, in accordance with the circumstances, decide whether or not to adjust the disclosure date. In principle, the Exchange only accepts one application from one company to this effect.

If the company fails to file such an application, it shall make an announcement on its intentional change of the disclosure date, the reasons therefor, and the new disclosure date.

5.2.4 The board of directors of a listed company shall ensure timely disclosure of periodic reports.

No company may disclose any periodic report not approved by its board of directors. A periodic report shall be deemed as unapproved if half or more of the directors cannot guarantee its truthfulness, accuracy, or completeness.

Where the board of directors has not considered, does not approve, or is unable to reach a resolution on a periodic report for some reason, the company shall publicly disclose the reasons therefor, the risks involved, specific explanation of the board of directors, and opinions of the independent directors.

5.2.5 The board of directors of a listed company shall, in accordance with the relevant regulations of the CSRC and the Exchange on periodic reports, organize relevant personnel in preparing and disclosing periodic reports.

The general manager, financial officer, board secretary, and other senior officers of the listed company shall prepare the draft periodic reports in a timely manner and present them to the board of directors for deliberation.

5.2.6 The directors and senior officers of a listed company shall give their written opinions on the periodic reports, stating whether the preparation and deliberation procedures of the board of directors conform with the laws and regulations and the relevant rules of the Exchange, and whether the contents of the periodic reports reflect the realities of the company in a truthful, accurate, and complete way.

The board of supervisors shall review the periodic reports prepared by the board of directors and issue an opinion; supervisors shall give their written opinions. The opinion issued by the board of supervisors shall state whether the preparation and deliberation procedures of the board of directors conform with the laws and regulations and the relevant rules of the Exchange, and whether the contents of the periodic reports reflect the realities of the company

in a truthful, accurate, and complete way.

Any director or supervisor who cannot guarantee the truthfulness, accuracy, or completeness of or disagrees with any contents in a periodic report shall cast a vote of objection or abstention, when the board of directors or supervisors deliberates or reviews the report.

Any director, supervisor, or senior officer who cannot guarantee the truthfulness, accuracy, or completeness of or disagrees with any contents in a periodic report shall express their views and reasons in their written opinions, which shall be disclosed by the company. If the company does not disclose, the director, supervisor, or senior officer may apply for disclosing on their own.

The reasons for disagreement given by a director, supervisor, or senior officer shall be clear, specific, and relevant to the disclosures in the periodic report. Directors, supervisors, and senior officers who give any opinions under the preceding Paragraph shall follow the principle of prudence and undertake that their respective responsibility for the truthfulness, accuracy, and completeness of the contents in the periodic report will not be exempt only on the basis of such giving of opinions.

No director, supervisor, or senior officer may refuse to give their written opinions on the periodic reports for any reason.

5.2.7 The financial report in the annual report of a listed company shall be audited by a CPA firm.

The financial report in the semi-annual report may be exempt from auditing unless any of the following applies:

- (1) the company plans to pay stock dividend, convert reserve into capital stock, or use the reserve to offset its losses based on the semi-annual financial data; or
- (2) other circumstances where auditing is required by the CSRC or the Exchange.

The financial information in the quarterly report is exempt from auditing, unless otherwise specified by the CSRC or the Exchange.

5.2.8 Upon the approval of a periodic report by the board of directors, a listed company shall submit the following documents to the Exchange in a timely manner:

- (1) full text and the summary of an annual or semi-annual report, or a quarterly report;
- (2) the audit report (if applicable);
- (3) resolutions of the board of directors and the board of supervisors;
- (4) written opinions given by directors, supervisors, and senior officers;

- (5) electronic documents containing the periodic report and financial data prepared as required by the Exchange; and
- (6) other documents as required by the Exchange.

5.2.9 Where the financial report of a listed company is issued a modified opinion, the listed company shall submit the following documents to the Exchange and make disclosure at the time as it submits its periodic report in accordance with *The Rules No. 14 on the Preparation of Information Disclosure Documents by Companies That Offer Securities to the Public: Modified Opinions and Handling of the Matters Involved* (hereinafter, *The Rules No. 14*):

- (1) specific explanation made by the board of directors in accordance with *The Rules No. 14* on the matters to which the audit opinion relates, the resolution adopted by the board of directors after considering such specific explanation, and the materials on which the resolution is based;
- (2) opinions of the independent directors on matters to which the audit opinion relates;
- (3) opinions and relevant 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 in accordance with *The Rules No. 14*; and
- (5) other documents as required by the CSRC and the Exchange.

5.2.10 Where the financial report of a listed company is issued a modified opinion referred to in Subsection 5.2.9, which relates to matters in significant breach of the accounting standards and the relevant information disclosure rules, the company shall take corrective actions and timely disclose the corrected financial accounting information, and the audit report or special assurance report issued by the CPA firm.

If the company does not disclose information related to the matter in question and take corrective measures to eliminate its effects in a timely manner, the Exchange will take regulatory measures or disciplinary action against the company or report the case to the CSRC for investigation and processing.

5.2.11 A listed company shall take seriously the Exchange's *ex post* review opinion on its periodic report, respond to the Exchange's inquiries in the specified time limit and, as required by the Exchange, make explanations and clarifications on the relevant contents in its periodic report. If a listed company intends to disclose a restatement or supplementary announcement and revise its periodic report accordingly, it shall make disclosure timely after completing relevant procedures.

5.2.12 Where a listed company is ordered to correct any errors or falsehoods in its released periodic reports, or the company's board of directors decides to correct such errors or

falsehoods, the company shall make timely disclosure after it receives such order or its board of directors makes such decision and, if such errors or falsehoods involve any financial information, shall make corrections and disclosure in accordance with *The Rules No. 19 on the Preparation of Information Disclosure Documents by Companies That Offer Securities to the Public: Restatement of Financial Information and Related Disclosure* and other relevant regulations issued by the CSRC.

5.2.13 The annual and semi-annual reports of a listed company that offers convertible bonds shall also include the following information:

- (1) information on each adjustment and correction of stock conversion prices, and the latest adjusted and corrected stock conversion price;
- (2) information on all the stocks converted from convertible bonds after the offering of convertible bonds;
- (3) list of the top 10 convertible bond holders and their holdings;
- (4) information on any material changes in the profitability, asset status, and credit status of the warrantor (if applicable);
- (5) information on the liabilities and credit changes of the company and its cash provisions for repaying its debt in the coming years; and
- (6) other information as required by the CSRC and the Exchange.

5.2.14 Where a listed company fails to disclose its periodic report within the specified time limit or fails to correct any major accounting errors or false records in its financial report within the specified time limit after being ordered to do so by the CSRC, trading in the stocks of the company and derivatives thereon shall be suspended and resumed pursuant to the relevant provisions in Chapter VIII hereof.

Section 3 Profit Distribution and Conversion of Capital Reserve into Capital Stock

5.3.1 A listed company shall actively reward its shareholders and formulate a reasonable profit distribution policy based on a rational and prudent decision, which shall be made after holistically considering, among others, the industry characteristics, development stage of the company, its business model, profitability, and plans for major capital expenditures.

The company shall offset its losses (if any), set aside statutory and other reserves, and determine the base of its capital stock, distribution ratio, total amount for distribution, and funds sources in accordance with the provisions of the *Company Law* and its articles of association.

When paying stock dividend or converting capital reserve into capital stock, a listed company shall comply with the laws and regulations, the *Accounting Standards for Business Enterprises*, the relevant rules of the Exchange, the company's articles of association, and

other applicable regulations, and ensure that the ratio of bonus and converted stocks shall match the performance growth.

When paying both stock dividend and cash dividend, a listed company shall clarify and justify the ratio of cash dividend in the profit distribution from such aspects as the company's development stage, growth, dilution of net assets per stock, and plans for major capital expenditures.

5.3.2 A listed company shall make its profit distribution plan based on the distributable profit shown in its parent's financial statements.

5.3.3 Where after the end of a reporting period, the total capital stock of a listed company changes before the company releases its plan for profit distribution or conversion of capital reserve into capital stock, the company shall take the new capital stock as the base for distribution or conversion.

When deliberating the company's plan for profit distribution or conversion of capital reserve into capital stock, the board of directors shall establish the principles for adjusting the plan in case of any change in the total capital stock.

5.3.4 Where a listed company intends to issue any securities, but its plan for profit distribution or conversion of capital reserve into capital stock has not been submitted for vote at a shareholders' general meeting or has not been implemented after being voted, the company shall issue the securities after implementing the plan. The lead underwriter shall not underwrite the company's securities before such implementation.

5.3.5 After the board of directors of a listed company reviews and approves the plan for profit distribution or conversion of capital reserve into capital stock, the company shall timely disclose the contents of the plan and clarify whether the plan aligns with the profit distribution policy in the company's articles of association, the disclosed shareholder rewarding plan, and other applicable documents.

5.3.6 A listed company shall make an announcement on the implementation of the plan within 3 to 5 trading days prior to the corresponding date of record.

5.3.7 The announcement shall contain the following information:

- (1) ordinal number of the shareholders' general meeting at which the plan is approved as well as the date of the meeting;
- (2) ratios for payment of cash or stock dividend and conversion of capital reserve into capital stock (for every 10 stocks), base of the capital stock (actual capital stock before implementing the plan), and whether tax is included and withheld;
- (3) date of record, ex-right (ex-dividend) date, listing date of newly increased stocks;
- (4) method of implementing the plan;

- (5) table of capital stock changes (shown in such captions as total capital stock before change, stock dividend paid, number of stocks converted, total capital stock after change, and ratios to total capital stock);
- (6) the exercise (conversion) price, exercise (conversion) ratio, and promised minimum reduction in the holdings of relevant derivatives that need to be adjusted after the payment of stock dividend and the conversion of capital reserve into capital stock;
- (7) diluted earnings per stock for the previous year or diluted earnings per stock for the current half year calculated based on the new capital stock after the payment of stock dividend and the conversion of capital reserve into capital stock; and
- (8) other information as required by the CSRC and the Exchange.

5.3.8 A listed company shall complete profit distribution and conversion of reserve into capital stock within 2 months upon the approval of the plan by its shareholders' general meeting.

Chapter VI Disclosable Transactions

Section 1 Material Transactions

6.1.1 For the purpose of this Section, “material transaction” of a listed company excludes its day-to-day operational activities but includes the followings:

- (1) acquiring or selling assets;
- (2) making external investment (including trustee investment and investment in subsidiaries);
- (3) providing financial assistance (including interest-bearing or interest-free loans and entrusted loans);
- (4) granting guarantee (including guarantee for subsidiaries);
- (5) leasing in or out assets;
- (6) appointing others or being appointed for management of assets or business;
- (7) donating assets or accepting asset donation;
- (8) restructuring debts or creditor’s rights;
- (9) entering into a licensing agreement;
- (10) transferring or succeeding R&D projects;
- (11) waiving rights (including the right of first refusal and the pre-emptive subscription right); and
- (12) other transactions as recognized by the Exchange.

6.1.2 Unless otherwise provided in Subsections 6.1.9 and 6.1.10 hereof, a listed company shall make timely disclosure when its transaction reaches any of the following standards:

- (1) total amount of assets involved in the transaction (if such assets have both book value and valuation, whichever is higher) accounts for 10 percent or more of the company’s latest audited total assets;
- (2) net assets related to the subject matter of the transaction (for instance, equity interest) (if such assets have both book value and valuation, whichever is higher) account for 10 percent or more of the company’s latest audited net assets, with the absolute amount of the transaction exceeding RMB 10 million;

- (3) transaction amount (including the debt and expenses incurred) accounts for 10 percent or more of the company's latest audited net assets and exceeds RMB 10 million in absolute terms;
- (4) profit derived from the transaction accounts for 10 percent or more of the company's audited net profit for the most recent financial year and exceeds RMB 1 million in absolute terms;
- (5) operating revenue related to the subject matter of the transaction (for instance, equity interest) for the most recent financial year accounts for 10 percent or more of the company's audited operating revenue for the same period and exceeds RMB 10 million in absolute terms; or
- (6) net profit related to the subject matter of the transaction (for instance, equity interest) for the most recent financial year accounts for 10 percent or more of the company's audited net profit for the same period and exceeds RMB 1 million in absolute terms.

In case that a certain figure involved in the aforesaid indicators is of negative value, the absolute value thereof shall be used in the calculation.

6.1.3 Unless otherwise provided in Subsections 6.1.9 and 6.1.10 hereof, when the transaction of a listed company reaches any of the following standards the company shall submit the transaction to the shareholders' general meeting for consideration in addition to making timely disclosure:

- (1) total amount of assets involved in the transaction (if such assets have both book value and valuation, whichever is higher) accounts for 50 percent or more of the company's latest audited total assets;
- (2) net assets related to the subject matter of the transaction (for instance, equity interest) (if such assets have both book value and valuation, whichever is higher) account for 50 percent or more of the company's latest audited net assets, with the absolute amount of the transaction exceeding RMB 50 million;
- (3) transaction amount (including the debt and expenses incurred) accounts for 50 percent or more of the company's latest audited net assets and exceeds RMB 50 million in absolute terms;
- (4) profit derived from the transaction accounts for 50 percent or more of the company's audited net profit for the most recent financial year and exceeds RMB 5 million in absolute terms;
- (5) operating revenue related to the subject matter of the transaction (for instance, equity interest) for the most recent financial year accounts for 50 percent or more of the company's audited operating revenue for the same period and exceeds RMB 50 million in absolute terms; or

- (6) net profit related to the subject matter of the transaction (for instance, equity interest) for the most recent financial year accounts for 50 percent or more of the company's audited net profit for the same period and exceeds RMB 5 million in absolute terms.

In case that a certain figure involved in the aforesaid indicators is of negative value, the absolute value thereof shall be used in the calculation.

6.1.4 A listed company may be exempt from submitting any of the following transactions that fall under Subsection 6.1.3 hereof to the shareholders' general meeting for consideration, but shall fulfill information disclosure obligations as required:

- (1) any transaction that does not involve consideration payment or impose any obligation on the company such as acceptance of cash donation and relief of debts; or
- (2) any transaction that only reaches the standard prescribed in Subparagraph (4) or (6) of Paragraph 1 of Subsection 6.1.3 hereof, with the absolute value of the earnings per stock of the company for the most recent financial year below RMB 0.05.

6.1.5 Where a listed company purchases or sells its equity interest in an investee company, relevant financial indicators shall be calculated based on the changes of its equity interest in such investee company, in which case Subsections 6.1.2 and 6.1.3 hereof shall apply.

If the company's scope of consolidated statements changes as a result of the equity interest transaction, relevant financial indicators of the investee company shall be used as the calculation basis, in which case Subsections 6.1.2 and 6.1.3 hereof shall apply.

If the company's scope of consolidated statements changes as a result of leasing in or out assets or appointing others or being appointed for management of assets or business, the preceding Paragraph shall apply *mutatis mutandis*.

6.1.6 Where the transaction of a listed company reaches any of the standards prescribed in Subsection 6.1.3 hereof and the subject matter of the transaction is an equity interest, the company shall disclose the financial report of the subject matter for the most recent financial year and the latest financial period audited by a CPA firm. The audit opinion given by the CPA firm shall be standard unqualified opinion, with the audit deadline not earlier than 6 months prior to the date of the shareholders' general meeting at which relevant transaction is to be considered.

Where the transaction of the company reaches any of the standards prescribed in Subsection 6.1.3 hereof and the subject matter of the transaction is any assets other than equity interest, the company shall disclose an appraisal report of the subject asset issued by an asset appraisal firm, with the appraisal base date not earlier than 1 year prior to the date of the shareholders' general meeting at which relevant transaction is to be considered.

Other transactions to be considered at the shareholders' general meeting as required by the CSRC and the Exchange based on the principle of prudence, or as submitted by the company in accordance with its Articles of Association or other laws and regulations or at its own

initiative shall be governed by the preceding 2 Paragraphs.

6.1.7 Where the transaction of a listed company reaches any of the standards prescribed in Subsection 6.1.2 hereof and the counterparty uses non-cash assets for payment of consideration or repayment for the debts to the company, the company shall disclose the audit report or appraisal report on such assets by reference to Subsection 6.1.6 hereof.

6.1.8 Where a listed company purchases or sells minority equity interest in any subject matter of a transaction, but it is impossible to audit the financial reports on such subject matter for the most recent financial year and the latest financial period due to objective reasons, including that the company has no control, joint control, or significant influence over the subject matter either before or after the transaction, then the company, after disclosing relevant information, may be exempt from disclosing such audited report as provided in Subsection 6.1.6 hereof, unless otherwise specified by the CSRC or the Exchange.

6.1.9 Where a listed company conducts a transaction of “financial assistance,” such transaction shall be approved by a majority of all directors as well as by two-thirds or more of the directors attending the board meeting, and shall be timely disclosed.

The financial assistance transaction, after being approved by the board of directors, shall also be submitted to the shareholders’ general meeting for consideration under any of the following circumstances:

- (1) the amount of the financial assistance alone exceeds 10 percent of the company’s latest audited net assets;
- (2) the assisted party has a gearing ratio exceeding 70 percent as shown in its financial statement for the latest financial period;
- (3) the aggregate amount of financial assistance provided over the most recent 12 months exceeds 10 percent of the company’s latest audited net assets; or
- (4) other circumstances as specified by the Exchange or in the company’s articles of association.

If the assisted party is a subsidiary in the company’s consolidated statements and none of the other shareholders of the subsidiary are the company’s controlling shareholders, *de facto* controllers, or their related parties, then the company may be exempt from the provisions of the preceding 2 Paragraphs.

6.1.10 Where a listed company conducts a transaction of “granting guarantee,” such transaction shall be approved by a majority of all directors as well as by two-thirds or more of the directors attending the board meeting, and shall be timely disclosed.

The guarantee transaction, after being approved by the board of directors, shall also be submitted to the shareholders’ general meeting for consideration under any of the following circumstances:

- (1) the amount of the guarantee alone exceeds 10 percent of the company's latest audited net assets;
- (2) the guarantee is granted after the aggregate amount of guarantees granted by the company and its subsidiaries exceeds 50 percent of the company's latest audited net assets;
- (3) the guarantee is granted after the aggregate amount of guarantees granted by the company and its subsidiaries exceeds 30 percent of the company's latest audited total assets;
- (4) the guarantee is granted after the aggregate amount of guarantees granted over the most recent 12 months exceeds 30 percent of the company's latest audited total assets;
- (5) the guarantee is granted to a party with a gearing ratio exceeding 70 percent;
- (6) the guarantee is granted to the company's shareholders, *de facto* controllers, or their related parties; or
- (7) other guarantees as specified by the Exchange or in the company's articles of associations.

Any guarantee under the preceding Subparagraph (4) that is submitted to the shareholders' general meeting for consideration shall require two-thirds or more of the votes held by the shareholders attending the meeting.

6.1.11 A listed company shall timely disclose any guarantee that reaches the disclosure standards if the guaranteed party defaults on the debt due for 15 trading days, enters bankruptcy or liquidation procedures, or otherwise becomes insolvent.

6.1.12 Where a listed company conducts trustee investment and faces difficulty in performing the deliberation procedures and information disclosure obligations for each investment due to high transaction frequency and lack of time, the company may make reasonable estimates of the investment scope, quota, and term and calculate the ratio of such quota to its net assets, in which case Subsections 6.1.2 and 6.1.3 hereof shall apply.

The quota shall cover a period no longer than 12 months, during which the amount of any investment (including any re-investment with its return) shall not exceed the quota.

6.1.13 Where a listed company leases in or out assets, Subsections 6.1.2 and 6.1.3 hereof shall apply to the total amount of the agreed lease expenses or revenue.

6.1.14 Where a listed company waives either directly or indirectly its right of first refusal or pre-emptive subscription right to any of its subsidiaries or other entities under its control and the scope of its consolidated statements hence changes, Subsections 6.1.2 and 6.1.3 hereof shall apply to the amount waived and relevant financial indicators of such entity.

If the waiver does not change the scope of the company's consolidated statements but reduces the ratio of its equity interest in such entity compared to that before the waiver, Subsections 6.1.2 and 6.1.3 hereof shall apply to the amount waived and relevant financial indicators calculated based on the percentage change in equity interest.

Where the company waives the rights in part, Subsections 6.1.2 and 6.1.3 hereof shall apply to the amounts and indicators set out in the preceding 2 Paragraphs as well as the actual amount of acquisition or subscription.

6.1.15 Where a listed company conducts transactions other than “granting guarantee,” “providing financial assistance,” and “making trustee investment,” all the transactions under the same category and with related subject matters shall be aggregated for a period of 12 consecutive months and in each case Subsections 6.1.2 and 6.1.3 hereof shall apply. In case that the relevant obligations have been fulfilled pursuant to Subsections 6.1.2 and 6.1.3 hereof, the transactions in question shall no longer be included in the aggregation.

Notwithstanding the provisions in the preceding Paragraph, if the aggregated amount of assets involved in, or the aggregated transaction amount of, all the transactions over a period of 12 consecutive months under the category of “acquiring or selling assets”, whether with related subject matters or not, exceeds 30 percent of the company's latest audited total assets, then in addition to making disclosure and carrying out audit or appraisal by reference to Subsection 6.1.6 hereof, the company shall submit such transactions to the shareholders' general meeting for consideration, which require two-thirds or more of the votes held by the shareholders attending the meeting.

6.1.16 Where the amounts of a listed company's transactions over 12 consecutive months are aggregated in accordance with the provisions of this Section and reach the corresponding disclosure standards, the company may disclose the most recent transaction only as per the Exchange's requirements and specify in an announcement all the previous transactions that have not been disclosed; where the amounts as aggregated reach the standard for consideration at a shareholders' general meeting, the company may submit the most recent transaction only to the meeting and specify in an announcement all the previous transactions that have not been considered at a shareholders' general meeting.

Where the company has fulfilled relevant obligations as per Subsections 6.1.2 and 6.1.3 hereof, all the transaction concerned will no longer be included in the corresponding aggregation. Transactions that have been disclosed by the company but not submitted to the shareholders' general meeting for consideration shall still be included in the corresponding aggregation to determine whether deliberation procedures shall apply.

6.1.17 Where the amount of a listed company's transaction can be determined based on, for example, the consideration that may be paid or received in the future, the maximum amount that may be paid or received shall be taken as the transaction amount, in which case Subsections 6.1.2 and 6.1.3 hereof shall apply.

6.1.18 Where a listed company conducts any transaction set out in Subsection 6.1.1 hereof in phases, Subsections 6.1.2 and 6.1.3 hereof shall apply to the total amount agreed in the

relevant agreement.

6.1.19 Where a listed company conducts two related transactions set out in Subsection 6.1.1 hereof, other than those as described in Subparagraphs (2) to (4), with the same counterparty but in opposite sides, Subsections 6.1.2 and 6.1.3 hereof shall apply to the transaction that has higher indicators.

6.1.20 Where a listed company renews an expired transaction agreement with the original counterparty for another term, the company shall perform deliberation procedures and information disclosure obligations in accordance with the provisions of this section.

6.1.21 A listed company shall, based on the category of its transaction, disclose relevant information in accordance with the relevant rules of the Exchange, including the counterparty, subject matter, main contents of the transaction agreement, transaction pricing and basis, approval documents from competent authorities (if any), and opinions of intermediaries (if applicable).

6.1.22 Unless otherwise required by the CSRC or the Exchange, transactions between a listed company and its subsidiaries in the consolidated statements or other entities under its control, or between such subsidiaries and entities, may be exempt from the disclosure requirements and relevant procedures in this Chapter.

Section 2 Day-to-Day Transactions

6.2.1 For the purpose of this Section, “day-to-day transaction” of a listed company refers to any of the followings that are related to its day-to-day operation:

- (1) purchasing raw materials, fuels, and power;
- (2) accepting labor services;
- (3) selling products and merchandise;
- (4) providing labor services;
- (5) contracting projects; and
- (6) other transactions in relation to day-to-day operation.

If an asset replacement involves any of the aforesaid transactions, Section 1 hereof shall apply.

6.2.2 A listed company shall timely disclose any day-to-day transaction contract that reaches any of the following standards:

- (1) the contract involves any transaction under Subparagraphs (1) and (2) of Paragraph 1 of Subsection 6.2.1 hereof, with an amount accounting for 50 percent or more of the

company's latest audited total assets and exceeding RMB 500 million in absolute terms;

- (2) the contract involves any transaction under Subparagraphs (3) to (5) of Paragraph 1 of Subsection 6.2.1 hereof, with an amount accounting for 50 percent or more of the company's latest audited revenue from main business and exceeding RMB 500 million in absolute terms; or
- (3) the company or the Exchange believes the contract may have a material impact on the company's financial position and performance results.

6.2.3 Where a listed company, as the general contractor, undertakes a construction project jointly with others, Subsection 6.2.2 hereof shall apply to the total contract amount of the project; where the company is not the general contractor, Subsection 6.2.2 hereof shall apply to the contract amount attributable to the company.

6.2.4 Where a listed company bids for a contracting or procurement project whose contract amount reaches any of the standards prescribed in Subsection 6.2.2 hereof and a bid-winning result is announced, the company shall, timely before receiving a notification of award or relevant document of proof, release an indicative announcement, disclosing the main contents of the bid-winning announcement in accordance with the relevant rules of the Exchange.

Where the company receives a notification of award after the bid-winning announcement period, it shall timely disclose the relevant information in accordance with the relevant rules of the Exchange. If the company expects that a notification of award will not be given, it shall timely disclose relevant progress and give adequate risk warning.

6.2.5 A listed company shall disclose the information on day-to-day transactions in accordance with the relevant rules of the Exchange, including the counterparties, main contents of the contracts, impact of contract performance on the company, deliberation procedures for the contracts, approval documents from competent authorities (if any), and risk warning.

Section 3 Related Party Transactions

6.3.1 A listed company shall ensure the lawfulness, necessity, reasonableness, and fairness of related party transactions and maintain the company's independence, and shall not utilize any related party transactions to adjust financial indicators and harm the company's interests. None of the parties to a related party transaction shall conceal their related party relationship or otherwise avoid the company's deliberation procedures or information disclosure obligations for related party transactions.

6.3.2 A related party transaction of a listed company refers to the transfer of resources or obligations between the company, its subsidiary, or other entity under its control and a related party of the company, including:

- (1) transactions enumerated in Subsection 6.1.1 hereof;
- (2) purchasing raw materials, fuels, and power;
- (3) selling products and merchandise;
- (4) providing or accepting labor services;
- (5) selling by consignment or selling on commission;
- (6) depositing and lending services;
- (7) co-investing with a related party; and
- (8) other matters agreed upon that would lead to transfer of resources or obligations.

6.3.3 Related parties of a listed company include related legal persons (or other related organizations) and related natural persons.

A legal person (or other organization) will be a related legal person (or other related organization) of the company if any of the following applies:

- (1) the legal person (or other organization) directly or indirectly controls the company;
- (2) the legal person (or other organization), other than the company, its subsidiaries, and other entities under its control, is controlled either directly or indirectly by a legal person (or other organization) defined in the preceding Subparagraph;
- (3) the legal person (or other organization), other than the company, its subsidiaries, and other entities under its control, is controlled either directly or indirectly by a related natural person, or where a related natural person serves as a director (except as an independent director in both parties) or senior officer; or
- (4) the legal person (or other organization) and its parties acting in concert hold 5 percent or more of the stocks of the company.

A natural person will be a related natural person of the company if any of the following applies:

- (1) he holds 5 percent or more of the stocks of the company either directly or indirectly;
- (2) he is a director, supervisor, or senior officer of the company;
- (3) he is a director, supervisor, or senior officer of the legal person (or other organization) that controls the company either directly or indirectly; or

- (4) he is a close family member of a person referred to in Subparagraphs (1) and (2) of this Paragraph.

A legal person (or other organization) or natural person that falls under any of the circumstances described in Subparagraphs (2) and (3) of this Subsection in the past 12 months or the 12 months after the effectiveness of relevant agreement or arrangement is a related party of the company.

The CSRC, the Exchange or the company may, based on the principle of essence over form, may consider any other legal person (or other organization) or natural person who has such a special relationship with the company as would make or has made the company tilted towards its or his interests as a related party of the company.

6.3.4 Where a legal person (or other organization) falls under the circumstance defined in Subparagraph (2) of Paragraph 2 of Subsection 6.3.3 because it is controlled by the same state assets administration authority as a listed company, it shall not be considered to have a related party relationship with the company, unless its legal representative, chairman, general manager, or half or more directors concurrently serve as the company's directors, supervisors, or senior officers.

6.3.5 The directors, supervisors, senior officers, shareholders with 5 percent or more shareholding, the parties acting in concert with such shareholders, and the *de facto* controller of a listed company shall submit to the board of directors of the company a list of the company's related parties and a description of the related party relationship in a timely manner, and the company shall then properly register and manage such related parties.

6.3.6 Unless otherwise provided in Subsection 6.3.11 hereof, a listed company shall make timely disclosure if a transaction between the company and a related party reaches any of the following standards:

- (1) the amount of the transaction, if between the company and a related natural person, reaches RMB 300,000 or more (including debts and expenses incurred); or
- (2) the amount of the transaction, if between the company and a related legal person (or other organization), reaches RMB 3 million or more (including debts and expenses incurred) and accounts for 0.5 percent or more of the absolute value of the company's latest audited net assets.

6.3.7 Unless otherwise provided in Subsection 6.3.11 hereof, where the amount of a transaction between a listed company and its related party reaches RMB 30 million or more (including debts and expenses incurred) and accounts for 5 percent or more of the absolute value of the company's latest audited net assets, the company shall disclose an audit report or appraisal report thereon in accordance with Subsection 6.1.6 hereof and submit the transaction to the shareholders' general meeting for consideration.

Day-to-day related party transactions as set out in Subsection 6.3.17 hereof may be exempt from auditing and appraisal.

Where the company co-invests to establish a new company with a related party and makes a contribution that reaches the standard as prescribed in Paragraph 1 of this Subsection, the company may be exempt from submitting the transaction to the shareholders' general meeting for consideration if all investors make contributions in cash and their shareholding ratios in the new company are determined on a *pro rata* basis.

If a related party transaction of the company does not reach the standard prescribed in Paragraph 1 of this Subsection, but is to be considered at the shareholders' general meeting as required by the CSRC and the Exchange based on the principle of prudence, or as submitted by the company in accordance with its Articles of Association or other laws and regulations or at its own initiative, then the company shall perform deliberation procedures and disclosure obligations in accordance with the provisions of Paragraph 1, and relevant auditing or appraisal requirements shall also apply.

6.3.8 When the board of directors of a listed company considers a related party transaction, the related director shall withdraw from voting and shall not exercise any voting rights as a proxy of other directors. Such board meeting may be held if a majority of the non-related directors are present and the resolution of such board meeting requires the approval of a majority of the non-related directors. If fewer than 3 non-related directors are present at the board meeting, the company shall submit the transaction to the shareholders' general meeting for consideration.

The related director as mentioned in the preceding Paragraph refers to the following directors or a director that meets any of the following conditions:

- (1) being the counterparty to the transaction;
- (2) having direct or indirect controlling power over the counterparty to the transaction;
- (3) holding a position in the counterparty to the transaction, or in any legal person or other organization that either directly or indirectly controls or is under the direct or indirect control of such counterparty;
- (4) being a close family member of the counterparty to the transaction, or of the direct or indirect controller of such counterparty;
- (5) being a close family member of a director, supervisor, or senior officer serving the counterparty to the transaction or serving the direct or indirect controller of such counterparty; or
- (6) other directors whose independent business judgment may be affected as determined by the CSRC, the Exchange, or the company in accordance with the principle of essence over form.

6.3.9 When the shareholders' general meeting considers a related party transaction, related shareholders shall withdraw from voting and shall not exercise any voting rights as a proxy of other shareholders.

The related shareholder as mentioned in the preceding Paragraph refers to the following shareholders or a shareholder that meets any of the following conditions:

- (1) being the counterparty to the transaction;
- (2) having direct or indirect controlling power over the counterparty to the transaction;
- (3) being under the direct or indirect control of the counterparty to the transaction;
- (4) being under the direct or indirect control of the same legal person or other organization or natural person as is the counterparty to the transaction;
- (5) holding a position in the counterparty to the transaction, or in any legal person or other organization that either directly or indirectly controls or is under the direct or indirect control of such counterparty;
- (6) being a close family member of the counterparty to the transaction, or of the direct or indirect controller of such counterparty;
- (7) being any shareholder whose voting right is restricted or affected due to any uncompleted agreement on transfer of equity interest or other agreements between it and the counterparty to the transaction or the related party thereof; or
- (8) other shareholders that would make the listed company tilted towards their interests as determined by the CSRC or the Exchange.

6.3.10 A listed company shall not provide financial assistance to any related party set out in Subsection 6.3.3 hereof, unless the related party is a company in which the listed company has an equity interest but is not controlled by the listed company's controlling shareholders or *de facto* controllers, and other shareholders of this company also provide financial assistance under equal conditions in *pro rata* to their capital contributions.

Where the listed company provides financial assistance to the said related company, such transaction shall be approved by a majority of all non-related directors and by two-thirds or more of the non-related directors attending the board meeting, and shall be submitted to the shareholders' general meeting for consideration.

6.3.11 Where a listed company grants guarantee to a related party, such transaction shall be approved by a majority of all non-related directors and by a resolution of two-thirds or more of the non-related directors attending the board meeting, and shall be submitted to the shareholders' general meeting for consideration. Where the company grants guarantee to its controlling shareholders, *de facto* controllers, or their related parties, such shareholders, controllers, and their related parties shall provide counter-guarantee.

Where the guaranteed party becomes a related party of the company as a result of any transaction or related party transaction, the company shall perform corresponding deliberation procedures and information disclosure obligations on the related party guarantee while

conducting said transaction or related party transaction.

Where the board meeting or the shareholders' general meeting does not approve the related party guarantee described in the preceding Paragraph, the parties to such guarantee shall take effective measures including terminating the guarantee.

6.3.12 Where a listed company and its related party co-invest to establish a company, the capital contribution made by the listed company shall be taken as the transaction amount and Subsections 6.3.6 and 6.3.7 hereof shall apply.

6.3.13 Where a listed company has a related party transaction with its related party as a result of its waiver of any rights, Subsections 6.3.6 and 6.3.7 hereof shall apply to the transaction if it reaches any of the standards prescribed in Subsection 6.1.14 hereof.

6.3.14 Where the amount of a transaction between a listed company and a related party can be estimated based on, for example, the consideration that may be paid or received in the future, the highest estimation shall be taken as the transaction amount, in which case Subsections 6.3.6 and 6.3.7 hereof shall apply.

6.3.15 Subsections 6.3.6 and 6.3.7 hereof shall apply to the aggregate of the following related party transactions that a listed company conducts over 12 consecutive months:

- (1) all the transactions conducted with the same related party; or
- (2) all the transactions conducted with different related parties but on subject matters in the same category.

The aforesaid related party includes a party that controls, is controlled by, or is under common control with the related party.

Where the aggregate amount over 12 consecutive months reaches the disclosure standards or the standards for consideration at the shareholders' general meeting under this Section, Subsection 6.1.16 hereof shall apply *mutatis mutandis*.

6.3.16 Where a listed company conducts trustee investment for a related party and faces difficulty in performing the deliberation procedures and information disclosure obligations for each investment due to high transaction frequency and lack of time, the company may make reasonable estimates of the investment scope, quota, and term and use such quota as the calculation basis, in which case Subsections 6.3.6 and 6.3.7 hereof shall apply.

The quota shall cover a period no longer than 12 months, during which the amount of any investment (including any re-investment with its return) shall not exceed the quota.

6.3.17 Where a listed company conducts related party transactions relating to its day-to-day operations as enumerated in Subparagraphs (2) to (6) of Subsection 6.3.2 hereof (hereinafter, day-to-day related party transaction), it shall perform the deliberation procedures as follows and make disclosure:

- (1) where, in the course of performance of any agreement on the day-to-day related party transaction that has been approved by the shareholders' general meeting or the board of directors, the main terms and conditions of the agreement have not been subject to material changes, then the company shall disclose in its annual report and semi-annual report the performance of each such agreement in accordance with relevant regulations and also state whether the stipulations of the agreement are met; where any main terms and conditions of the agreement have been subject to material changes in the course of performance or the agreement needs to be renewed upon expiration, then the company shall submit the revised or renewed agreement to the board of directors or the shareholders' general meeting for consideration, depending on the total transaction amount of the agreement. In the absence of a specific total transaction amount, such revised or renewed agreement shall be submitted to the shareholders' general meeting for consideration.
- (2) where the company conducts the day-to-day related party transaction for the first time, it shall perform the deliberation procedures and make timely disclosure based on the total transaction amount of the agreement; in the absence of a specific total transaction amount, such agreement shall be submitted to the shareholders' general meeting for consideration; where the agreement has been subject to material changes in its main terms and conditions during its performance, or is to be renewed upon expiration, the provisions in the preceding Subparagraph shall apply.
- (3) the company may make reasonable estimates of the current-year amount of day-to-day related party transactions by categories, and on this basis perform deliberation procedures and make disclosure; if the actual amount exceeds the estimated amount, the company shall perform deliberation procedures for the excess and make disclosure accordingly;
- (4) the company shall disclose in its annual and semi-annual reports the progress of all the day-to-day related party transactions by categories; and
- (5) where the term of an agreement between the company and a related company on the day-to-day related party transaction exceeds 3 years, the company shall perform deliberation procedures and information disclosure obligations pursuant to the provisions in this Chapter every 3 years.

6.3.18 The following related party transactions between a listed company and a related party may be exempt from such deliberation and disclosure requirements as applicable to related party transactions:

- (1) the company unilaterally profits from the transaction without payment of any consideration or assumption of any obligation, including accepting cash donations, being released from debt, accepting guarantee for free, and accepting financial assistance;
- (2) the related party provides loans to the company at an interest rate no higher than the loan prime rate and without requiring any security from the company;

- (3) one party subscribes in cash for the stocks, corporate bonds or enterprise bonds, convertible bonds, or other derivatives publicly offered by the other party;
- (4) as a member of the underwriting syndicate, one party underwrites the stocks, corporate bonds or enterprise bonds, convertible bonds, or other derivatives publicly offered by the other party;
- (5) one party receives dividends, bonus, or remuneration in accordance with the resolutions of the shareholders' general meeting of the other party;
- (6) one party participates in the other party's public bidding and auction, except such bidding and auction that faces difficulty in generating a fair price;
- (7) the company offers products and services to the related natural person as defined in Subparagraphs (2) to (4) of Paragraph 3 of Subsection 6.3.3 hereof under the same trading conditions with non-related parties;
- (8) the price for the related party transactions is set by the state; and
- (9) other transactions as recognized by the Exchange.

6.3.19 A listed company shall, based on the category of a related party transaction, disclose relevant information in accordance with the relevant rules of the Exchange, including the counterparty, subject matter, description of related party relationship between the parties, basic information of the related party, main contents of the transaction agreement, transaction pricing and basis, approval documents from competent authorities (if any), and opinions of intermediaries (if applicable).

6.3.20 In the absence of any provisions in this Section on the obligations and disclosure and deliberation standards with regard to any transactions between a listed company and a related party, the provisions in Section 1 of this Chapter shall apply.

Chapter VII Other Disclosable Material Matters

Section 1 Abnormal Fluctuation in Stock Trading and Clarification of Rumors

7.1.1 Where there are abnormal 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 abnormal fluctuations and if necessary, the Exchange may:

- (1) require the listed company to publish an announcement on abnormal 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 abnormal fluctuations; and
- (4) take other measures as the Exchange deems necessary.

7.1.2 Where the trading of the stocks of a listed company is considered abnormal pursuant to relevant regulations, the company shall publish an announcement of abnormal fluctuation in stock trading on the next trading day.

7.1.3 The announcement of abnormal fluctuation in stock trading by a listed company shall contain the following information:

- (1) particulars on the abnormal fluctuation;
- (2) description of the concerns and verification of the board of directors for important matters;
- (3) inquiries made to the company's controlling shareholder, *de facto* controller, and others in the form of letters;
- (4) statement on whether the company has any disclosable information left undisclosed; and
- (5) other information as required by the Exchange.

7.1.4 Where there are significant abnormal 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; if the announcement is impossible to be disclosed, the company shall apply for suspension of trading of its stocks and derivatives thereon from the next trading day for verification. The trading of the company's stocks and derivatives thereon shall be resumed from the date of disclosure of a verification announcement.

7.1.5 Where significant abnormal fluctuations occur to the stocks of a listed company, the company or relevant persons with disclosure obligations shall verify:

- (1) whether there are undisclosed matters that cause significant abnormal 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 abnormal fluctuations in its stock price.

In the verification announcement, the company shall fully warn the market against trading risks arising from significant abnormal fluctuations in its stock price.

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

7.1.6 Where there are significant abnormal 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 abnormal fluctuations, the Exchange may publish an announcement to the market to warn against the risk of trading in its stocks, and impose a trading suspension on its stocks, if appropriate.

7.1.7 Where any rumor would have or has already had a material impact on the prices of the stocks of a listed company and derivatives thereon, the company shall, in a timely manner, verify relevant information and release an explanation or clarification announcement in accordance with the laws and regulations and the relevant rules of the Exchange.

7.1.8 A listed company's clarification announcement shall contain the following information:

- (1) details and origin of the rumor;
- (2) truth about the matters involved in the rumor;
- (3) relevant risk warning (if applicable); and
- (4) other information as required by the Exchange.

Section 2 Material Matters Related to Convertible Bonds

7.2.1 Upon the occurrence of any of the following material matters that may have a significant influence on the trading or conversion price of the convertible bonds of a listed

company, the company shall make timely disclosure:

- (1) material matters specified in Paragraph 2, Article 80 and Paragraph 2, Article 81 of the *Securities Law*;
- (2) any rights issue, additional issue, bonus stock offer, dividend payment, corporate division, capital decrease, or any other cause leads to stock changes, and as a result, the company's stock conversion price needs to be adjusted, or, pursuant to the reset provision in the bond offer prospectus or the restructuring report, needs to be reset;
- (3) the total par value of publicly offered convertible bonds that are not yet converted is less than RMB 30 million;
- (4) the company's credit status changes to a material extent and would affect its payment of principal and interest of bonds upon maturity;
- (5) the warrantor to the convertible bonds undergoes major asset changes, encounters major litigations, or is involved in merger or division;
- (6) a credit rating agency has assigned a rating to the convertible bonds or the company and issued the rating result; or
- (7) other circumstances prescribed by the CSRC and the Exchange.

7.2.2 A listed company shall release an interest payment announcement for its convertible bonds within 3 to 5 trading days prior to the specified date for interest payment. It shall also release a principal and interest payment announcement within 3 to 5 trading days prior to the maturity of the convertible bonds.

7.2.3 A listed company shall release a stock conversion announcement within 3 trading days prior to the commencement of stock conversion.

7.2.4 A listed company shall constantly check whether the agreed call conditions for its convertible bonds would have been met and, if yes, shall release an indicative announcement 5 trading days in advance to give adequate risk warning to the market.

The company shall decide whether it will exercise the call option or not on the day the call conditions are met and shall disclose its decision on the next trading day. If the call option is to be exercised, the company shall release an indicative announcement at least every 5 trading days after the call conditions are met, and announce the call results and impact thereof after the end of the call period. If the call option is not to be exercised, the company shall clearly specify the reasons.

7.2.5 A listed company shall release a put announcement on the trading day after the day the put conditions are met and release an indicative announcement at least every 5 trading days after the call conditions are met. After the end of the put period, the company shall announce the put results and the impact thereof.

To change the use of the proceeds raised from the offering of convertible bonds, the company shall grant the bond holders a one-time put option within 20 trading days after the resolution on that change is adopted at the shareholders' general meeting, and shall release a relevant indicative announcement at least 3 times, i.e., at least once within the 5 trading days after the announcement of the resolution and prior to the exercise of the put option, at least once during the put period, with the last-time announcement to be made whenever necessary.

7.2.6 A listed company shall, 20 trading days prior to the end of the stock conversion period, release an indicative announcement at least 3 times, informing investors that trading or conversion will be suspended in the 3 trading days prior to the end of the stock conversion period.

Upon the occurrence of other circumstances where trading or conversion of convertible bonds must be suspended pursuant to relevant regulations, the company shall announce the suspension in a timely manner after it becomes aware of such circumstances.

7.2.7 A listed company that has issued convertible bonds shall apply to the Exchange for suspending corresponding stock conversion if any of the following applies:

- (1) the company resets or adjusts the conversion price;
- (2) the company implements a plan of profit distribution or conversion of capital reserve into capital stock; or
- (3) other circumstances under which stock conversion shall be suspended as specified by the CSRC or the Exchange.

7.2.8 Upon the occurrence of any of the following circumstances, trading or conversion of a listed company's convertible bonds shall be suspended:

- (1) the total par value of publicly offered convertible bonds falls below RMB 30 million, and 3 trading days have elapsed after the company releases an announcement thereon, except that such circumstance occurs during the company's exercise of its call option;
- (2) on the 3rd trading day prior to the end of the stock conversion period; or
- (3) other circumstances specified by the CSRC or the Exchange.

Section 3 Merger, Division, and Spin-Off

7.3.1 A listed company that seeks listing through merger, division, or spin-off shall comply with the laws and regulations and the relevant rules of the Exchange, and perform corresponding deliberation procedures and information disclosure obligations.

Where the company holds a shareholders' general meeting to deliberate a relevant resolution, the resolution requires two-thirds or more of the votes held by the shareholders present at the meeting. In case of a listing through spin-off, the resolution further requires two-thirds or

more of the votes held by other attending shareholders who are not the company's directors, supervisors, or senior officers, or shareholders individually or collectively holding 5 percent or more of the stocks in the company.

7.3.2 Following a merger, the listed company shall complete the registration of stock changes and, pursuant to the provisions in Chapter III hereof, apply to the Exchange for the listing of the stocks of the new company and derivatives thereon. Stocks of the target company in the merger and derivatives thereon shall be delisted pursuant to the provisions in Chapter IX hereof.

7.3.3 Where the subsidiary of a listed company intends to launch an IPO and seeks listing, the company's board of directors shall make a resolution on the specific IPO plan and submit it to the shareholders' general meeting for deliberation.

Where the subsidiary seeks listing through restructuring, the company's board of directors shall make a resolution on the specific restructuring plan and submit it to the shareholders' general meeting for deliberation.

7.3.4 Where a listed company spins off its subsidiary for listing, it shall announce the listing progress in a timely manner after releasing the first spin-off announcement.

Section 4 Major Litigations and Arbitrations

7.4.1 A listed company shall make timely disclosure of the following major litigations and arbitrations:

- (1) any litigation or arbitration that involves an amount exceeding RMB 10 million and accounting for 10 percent or more of the absolute value of the company's latest audited net assets;
- (2) any litigation that causes any resolution of the shareholders' general meeting or the board of directors to be canceled or declared null and void; or
- (3) any representative litigation for securities disputes.

In case that a litigation or arbitration does not fit any of the above descriptions or involves no specific monetary amount, but may have a significant impact on the prices of the company's stocks and derivatives thereon, the company shall also make timely disclosure.

7.4.2 Where the amounts involved in a listed company's litigations and arbitrations for 12 consecutive months add up to the level prescribed in Subparagraph (1) of Paragraph 1 of Subsection 7.4.1 hereof, the provisions of Subsection 7.4.1 hereof shall apply.

Where the company has disclosed any litigations and arbitrations pursuant to the provisions of Subsection 7.4.1 hereof, such litigations and arbitrations shall no longer be included in the aforesaid calculation.

7.4.3 The announcement of a listed company on major litigations and arbitrations shall contain the following information:

- (1) particulars of acceptance of the case and a briefing on the case;
- (2) impact of the case on the company's profit for or after the current period;
- (3) any other undisclosed litigations and arbitrations involving the company, if any; and
- (4) other information as required by the Exchange.

7.4.4 A listed company shall make timely disclosure of the progress of major litigations and arbitrations as well as their impact on the company, including but not limited to the judgments of the first instance and the second instance, arbitration awards, execution of judgments and awards, and impact on the company.

Section 5 Bankruptcy Event

7.5.1 A listed company that encounters any bankruptcy event such as reorganization, settlement, and liquidation (hereinafter, bankruptcy event) shall perform corresponding deliberation procedures and information disclosure obligations in accordance with the laws and regulations and the relevant rules of the Exchange.

A listed company that implements a prepackaged reorganization plan shall fulfill information disclosure obligations by reference to the provisions of this Section.

7.5.2 Where the controlling or largest shareholder of a listed company, or its subsidiary or joint-stock company that has a material influence on its business operation encounters any bankruptcy event, which may have a significant impact on the prices of the company's stocks and derivatives thereon, the company shall fulfill information disclosure obligations in a timely manner by reference to the provisions of this Section.

7.5.3 Upon the occurrence of any of the circumstances enumerated in Chapter IX hereof that trigger a delisting risk warning or termination of listing, a listed company shall perform its obligations of disclosing information and applying for trading suspension and resumption in accordance with the relevant rules of the Exchange.

7.5.4 After the board of directors of a listed company decides to apply to a competent court for reorganization, settlement, or bankruptcy liquidation, or the company becomes aware that any creditor has applied to a competent court for reorganization or bankruptcy liquidation of the company, the company shall disclose particulars of the application and impact on the company and give adequate risk warning in a timely manner.

Before the court decides on whether to accept the bankruptcy event, the company shall keep disclosing the progress each month.

7.5.5 Where the court accepts the application for reorganization, settlement, or bankruptcy

liquidation, the listed company shall, in a timely manner, disclose the main contents of the court's decision, basic information on the appointed administrator, and information on the persons responsible for information disclosure after the company enters bankruptcy proceedings.

7.5.6 Where the reorganization plan of a listed company brings in any investors, the company shall disclose, among others, how the investors are selected, their basic information, and main contents of the investment agreement in a timely manner.

Where the investors intend to acquire any stocks of the company, the company shall also disclose the consideration of the stocks, pricing basis and its fairness, lock-up arrangements, and other relevant matters.

7.5.7 A listed company or its administrator shall timely disclose the notice and main agenda of the creditors' meeting, as well as the full text of any reorganization plan or settlement agreement approved at the creditors meeting.

Where the reorganization plan contains a property disposal plan and business plan that reaches the disclosure threshold specified herein, the company or administrator shall fulfill information disclosure obligations separately by giving a detailed account of such plans.

7.5.8 Where a draft reorganization plan involves any material matter closely related to the shareholders' rights such as equity adjustment for capital contributors, capital contributors shall be grouped up to vote on relevant matters.

A resolution of the capital contributors' group on matters related to equity adjustment must require two-thirds or more of the votes held by the capital contributors present at the meeting.

A meeting of the capital contributors' group shall be held by reference to provisions of the CSRC and the Exchange on holding a shareholders' general meeting, and the listed company or administrator shall allow online voting for the convenience of capital contributors, unless otherwise required by the competent court.

7.5.9 When giving a meeting notice to the capital contributors' group, the listed company or administrator shall separately disclose the equity adjustment plan for capital contributors, the necessity, scope, content, and ex-right/dividend principle for the adjustment, and whether the adjustment helps protect the interests of the listed company and minority investors.

After the meeting, the company shall disclose the voting results and the legal opinion issued by a law firm in a timely manner.

7.5.10 Where the court decides to approve the reorganization plan or settlement agreement, the listed company or administrator shall timely announce the decision, disclose the full text of the reorganization plan or settlement agreement, and, if such text is different from the previously disclosed text, specify the differences and causes therefor.

Where the reorganization plan or settlement agreement is not approved, the company or

administrator shall timely announce the decision and reasons therefor and give an adequate warning against the risk that the company's stocks and derivatives thereon may be delisted after the court declares the company's bankruptcy.

7.5.11 In implementing the reorganization plan or settlement agreement, the listed company shall disclose its progress in a timely manner. After the implementation, the company shall timely disclose relevant facts, major impact on the company, as well as the content of the administrator's supervision report and the court's decision.

Where the company is unable to or fails to implement the reorganization plan or settlement agreement, it shall timely disclose the reasons, responsibility ascription, subsequent arrangements, and relevant matters and give an adequate warning against the risk that the company's stocks and derivatives thereon may be delisted after the court declares the company's bankruptcy.

7.5.12 Where a listed company adopts an administrator management model, the administrator and its members shall, in accordance with the *Securities Law* and the relevant regulations of the Supreme People's Court, the CSRC, and the Exchange, fulfill their information disclosure obligations in a truthful, accurate, complete, and timely manner, and guarantee that all the creditors and shareholders have equal access to the information.

The periodic reports disclosed by the company shall be signed by the administrator's members with their written opinions and the *ad hoc* reports disclosed shall be published by the administrator and affixed with the seal of the administrator.

7.5.13 Where a listed company adopts an administrator supervision model, the company and its directors, supervisors, and senior officers shall continue to fulfill their information disclosure obligations in accordance with the relevant rules of the Exchange.

The administrator shall notify the board of directors in a timely manner of all the matters related to information disclosure and shall supervise and urge the directors, supervisors, and senior officers to perform relevant obligations with due diligence.

7.5.14 In a bankruptcy event, a shareholder, creditor, reorganization investor, or any others whose equity in the listed company changes shall fulfill information disclosure obligation in accordance with the laws and regulations and the relevant rules of the Exchange.

Section 6 Changes in Accounting Policies and Accounting Estimates, and Impairment of Assets

7.6.1 A listed company shall not manipulate its operating revenue, net profit, net assets, or other financial indicators by changing its accounting policies and accounting estimates.

7.6.2 Where a listed company changes its accounting policies as required by the laws and regulations or the uniform accounting system of the state, an announcement on the changes shall be released no later than the disclosure date for the company's periodic report for the period when the changes become effective.

7.6.3 The announcement of a listed company on changes in its accounting policies shall include, among others, an overview of the changes, impact of the changes on the company, and description of the shift (if any) from profit to loss or vice versa for previous reporting years due to the retrospective application of the changes to the company's disclosed annual financial reports for the most recent 2 years.

Where the company changes its accounting policies on its own initiative, it shall not only make disclosures in accordance with the preceding Paragraph after the changes have been approved by the board of directors, but also further disclose the opinions of the board of directors, independent directors, and board of supervisors on the compliance of the changes. Where the changes need to be deliberated at a shareholders' general meeting, the company shall further disclose the special statement issued by a CPA firm.

7.6.4 Where a company changes any important accounting estimates on its own initiative, it shall submit the changes to the board of directors for deliberation before disclosing the periodic report for the period when the changes shall become effective. After the board of directors approves the changes, the company shall fulfill corresponding disclosure obligations as if it has changed its accounting policies on its own initiative.

7.6.5 A listed company shall make timely disclosure if the influence of its provision for asset impairment or write-off of asset on its current gain or loss accounts for 10 percent or more of the absolute value of its latest audited net profits for the most recent financial year and exceeds RMB 1 million.

Section 7 Others

7.7.1 A listed company shall comply with the relevant rules of the CSRC and the Exchange in repurchasing its stocks for the purposes of reducing registered capital, implementing stock incentive or employee stock ownership plan, converting into its convertible bonds, or protecting corporate value and shareholders' interests.

7.7.2 A listed company that implements a stock incentive or employee stock ownership plan shall perform corresponding deliberation procedures and information disclosure obligations in accordance with the applicable laws and regulations and the relevant rules of the Exchange.

7.7.3 A listed company shall develop a sound management system for its proceeds raised from offering stocks, use the proceeds in accordance with the laws and regulations and the relevant rules of the Exchange and for such purposes as listed in the prospectus and other offering documents, and perform corresponding deliberation procedures and information disclosure obligations.

7.7.4 A listed company that makes cash option arrangements with a third party shall comply with the applicable laws and regulations, the relevant rules of the Exchange and the CSDC, and provisions of the company's articles of association, and ensure that relevant shareholders can exercise their cash option successfully.

The third party for cash option arrangements shall authorize the company to apply to the Exchange on its behalf.

7.7.5 A listed company and relevant persons with disclosure obligations shall strictly comply with their undertakings and fulfill their corresponding obligations in accordance with the relevant rules of the CSRC and the Exchange.

The company shall extract its undertakings and the undertakings of the relevant persons with disclosure obligations from relevant information disclosure documents, and publish the undertakings one by one on the Exchange's website. If any undertaking changes, the company shall update the same on the Exchange's website.

Any company failing to fulfill the aforesaid undertakings shall, in a timely manner, disclose the reasons therefor and the legal liabilities that relevant persons are likely to bear. In case that any person with disclosure obligations fails to fulfill the aforesaid undertakings, the company shall take the initiative in inquiring such person about the reasons therefor and, in a timely manner, disclose such reasons as well as the measures intended to be adopted by the board of directors.

The company shall disclose the progress in fulfilling the aforesaid undertakings in its periodic reports.

7.7.6 Upon the occurrence of any of the following material risk events, a listed company shall disclose relevant information and the impact on the company in a timely manner:

- (1) the company incurs a major deficit or a heavy loss;
- (2) the company incurs a major debt, or defaults on any major debt that becomes due;
- (3) the company is likely to be liable for any material default or for large-amount indemnity in accordance with law;
- (4) the company decides to dissolve itself or is ordered to close down by a competent authority;
- (5) any major claim of the company that becomes due fails to be settled, or any major debtor becomes insolvent or enters bankruptcy proceedings;
- (6) major business assets of the company are sealed up, detained, frozen, mortgaged, or pledged, or more than 30% of the total assets get scrapped;
- (7) major bank accounts of the company are frozen;
- (8) principal or all business activities of the company come to a standstill;
- (9) the company is investigated for suspected crimes, or its controlling shareholder, *de facto* controller, directors, supervisors, and senior officers are subject to compulsory

measures in accordance with law;

- (10) the company or its controlling shareholder, *de facto* controller, directors, supervisors, and senior officers are subject to criminal punishment, are investigated or given administrative punishment by the CSRC for suspected violation of laws and regulations, or are subject to harsh administrative punishment by other competent authorities;
- (11) the company's controlling shareholder, *de facto* controller, directors, supervisors, and senior officers are subject to detention measures by the discipline inspection and supervisory authorities for suspected duty crimes or grave violation of laws and disciplines, which has impacted their performance of duties;
- (12) the company's chairman or general manager is unable to perform his duties. Any of the company's directors, supervisors, and senior officers other than the chairman and general manager has been unable to perform his duties for or potentially for 3 months or more due to physical reasons or working arrangements, or is subject to compulsory measures by competent authorities, which has impacted his performance of duties; or
- (13) other material risk events as recognized by the Exchange or the company itself.

7.7.7 Where a listed company encounters any event set out in Subparagraph (9) or (10) of Subsection 7.7.6 that is likely to trigger compulsory delisting for material violations, the company shall make timely disclosure upon becoming aware of the relevant investigation by competent administrative authorities or public prosecution by a people's procuratorate, and shall disclose a risk warning announcement at least once a month thereafter, updating relevant progress and warning against the risk that its stocks may be subject to compulsory delisting for material violations. When the Exchange or the board of directors of the company deems necessary, the frequency of disclosing risk warning announcements may be increased and, if appropriate, arrangements may be made to the trading suspension and resumption of the company's stocks and derivatives thereon.

7.7.8 A listed company shall make timely disclosure if any of the following circumstances applies:

- (1) it changes its name, short name of its stock, its articles of association, registered capital, registered address, principal business address, telephone number, etc. In the case of amendment to its articles of association, it shall also disclose its new articles of association approved at a shareholders' general meeting on the Exchange's website;
- (2) it changes its business guidelines and scope of business to a material extent;
- (3) the industry that it belongs to changes as a result of applicable regulations of the CSRC on industry classification;
- (4) its board of directors reaches a resolution on issuance of new stocks, convertible

- bonds, preferred stocks, corporate bonds, and other domestic or overseas refinancing plans;
- (5) its application for issuance of new stocks or other domestic or overseas offerings, major asset restructuring, or similar matters have been given corresponding opinions after review;
 - (6) its business operations, external conditions, or production environment encounter material changes (including material changes in industry policies, product prices, procurement of raw materials, and procurement methods);
 - (7) it concludes an important contract that would have a material impact on its assets, liabilities, equity, or performance results;
 - (8) any of its directors, one-third or more of the supervisors, general manager, or financial officer changes;
 - (9) a court ruling prohibits the controlling shareholder from transferring the stocks it holds in the company;
 - (10) 5 percent or more stocks held by any shareholder are mortgaged, frozen, marked or auctioned off by judicial department, put in custody, or held in trust, or the voting rights attached to such stocks are restricted, or the stocks face the risks of compulsory transfer;
 - (11) the shareholding of any shareholder holding 5 percent or more stocks or the *de facto* controller or the conditions of the controlling company encounter significant changes; the *de facto* controller and other companies under his control that engage in the same or similar business activities as those of the company encounter significant changes;
 - (12) it receives additional revenue that has a significant influence on its current gain or loss and may have a material impact on its assets, liabilities, equity, or performance results; or
 - (13) other circumstances as recognized by the Exchange or the company.

7.7.9 A listed company that intends to change its full name or short name of its securities as required by business operation and development shall act in a prudential manner considering its actual businesses, and shall not make arbitrary changes.

The company's new name shall reflect its main businesses, shall not be used to influence the prices of its stocks and derivatives thereon, or mislead investors, and shall not violate the applicable laws and regulations and the relevant rules of the Exchange.

The short name of the company's securities shall come from its full name, and the new short name shall not be the same as or extremely similar to the old one and shall not use any term common to a region or industry that is irrelevant to the company.

The company shall submit a written application to the Exchange for changing the short name of its securities, when it releases an announcement that its board of directors is deliberating on the matter. The company may proceed with the change if the Exchange fails to raise any objection within 5 trading days.

The company shall release a corresponding announcement 3 trading days before the date of making the change.

7.7.10 A listed company shall disclose its performance of corporate social responsibilities as required. Upon the occurrence of any of the following events, the company shall disclose the overview of the event, its causes, impact, and countermeasures or solutions:

- (1) occurrence of a major environmental, production, or product safety accident;
- (2) receipt of a decision or notice from a competent authority that requires the company to rectify its major violations, stop production, relocate, or close down;
- (3) improper use of technologies or violation of scientific ethics; or
- (4) other major accidents or negative events resulted from improper performance of corporate social responsibilities.

7.7.11 Where any matters enumerated in this Section involve specific monetary amount, the provisions of Subsections 6.1.2 and 6.1.3 hereof shall be applied *mutatis mutandis*.

Where any shareholder that holds 5 percent or more stocks of a listed company has a material influence on the occurrence or progress of any matters enumerated in this Section, the shareholder shall inform the company of any information in his knowledge in writing and cooperate with the company in performing information disclosure obligations.

Chapter VIII Trading Suspension and Resumption

8.1 Upon the occurrence of any of the circumstances as prescribed in this Chapter under which trading suspension and resumption is required, a listed company shall apply to the Exchange for suspension and resumption of trading in its stocks and derivatives thereon.

In the absence of any express provisions in this Chapter, the company may, by a reason deemed appropriate by the Exchange, apply to the Exchange for suspension and resumption of trading in its stocks and derivatives thereon, and the Exchange will make a decision as appropriate.

8.2 Where the stocks of a listed company trigger a risk warning by the Exchange or termination of listing, trading in the stocks and derivatives thereon shall be suspended and resumed pursuant to the provisions in Chapter IX hereof.

8.3 Where a listed company fails to disclose its annual report or semi-annual report within the statutory period, or half or more of its directors are unable to guarantee the truthfulness, accuracy, or completeness of the annual report or semi-annual report, and this inability persists even until the expiration of the statutory period, then trading in the stocks of the company and derivatives thereon shall be suspended from the trading day following the expiration for a period of no longer than 2 months. If the company makes corrections in accordance with applicable regulations during the 2-month period, trading will be resumed; otherwise, relevant provisions in Chapter XI hereof shall apply.

8.4 Where a listed company is ordered by the CSRC to correct any material accounting errors or misrepresentations in its financial report but fails to do so within the specified time limit, trading in the stocks of the company and derivatives thereon shall be suspended from the trading day following the expiration of the specified time limit for a period of no longer than 2 months. If the company makes corrections in accordance with applicable regulations during the 2-month period, trading will be resumed; otherwise, relevant provisions in Chapter XI hereof shall apply.

8.5 Where a listed company is ordered by the Exchange to correct any material defects in its information disclosure, compliant operation, or other aspects but fails to do so within the specified time limit, trading in the stocks of the company and derivatives thereon shall be suspended for a period of no longer than 2 months. If the company makes corrections in accordance with applicable regulations during the 2-month period, trading will be resumed; otherwise, relevant provisions in Chapter XI hereof shall apply.

Where the company is investigated by a competent authority for suspected serious violations of any laws and regulations or the relevant rules of the Exchange in its compliant operations and information disclosure, the Exchange may, in accordance with the circumstances, determine the timing for trading suspension and resumption of the stocks of the company and derivatives thereon during the period of investigation.

8.6 Where a listed company is unsuitable for listing for 20 consecutive trading days as a result of changes in its total capital stock or equity structure, the Exchange will suspend

trading in the stocks of the company and derivatives thereon starting from the trading day following the expiration of the aforesaid 20 trading days for a period of no longer than 1 month. If the company releases an announcement that its total capital stock or equity structure meets the listing requirements again during the one-month period, trading will be resumed; otherwise, relevant provisions in Chapter XI hereof shall apply.

8.7 Where the acquirer of a listed company fulfills tender offer obligations, or the acquirer makes a general offer for the purpose of terminating the listing status of the listed company, trading in the stocks of the company and derivatives thereon shall be suspended from the expiration of the tender offer period until the announcement of tender offer results.

Where the total capital stock and equity structure of the company meet listing requirements after the acquisition, trading in the stocks of the company and derivatives thereon shall be resumed after the announcement of tender offer results. Where the total capital stock or equity structure does not meet the listing requirements and the acquirer had made the general offer for the purpose of terminating the listing status of the company, trading suspension of the stocks of the company and derivatives thereon shall remain until the Exchange terminates the listing. Where the total capital stock or equity structure does not meet the listing requirements but the acquirer has not made the general offer for the purpose of terminating the listing status of the company, trading suspension of the stocks of the company and derivatives thereon shall continue to be in effect, until the company releases an announcement that its total capital stock and equity structure meet the listing requirements. If the total capital stock or equity structure still fails to meet the listing requirements within 1 month after trading suspension, relevant provisions in Section 4 of Chapter IX shall apply *mutatis mutandis*.

8.8 Where any undisclosed information of a listed company appears in media reports or rumors, which may impact or has already impacted the trading prices of the company's stocks and derivatives thereon to a significant extent, the Exchange may suspend the trading in the company's stocks and derivatives thereon during trading hours until the company releases an announcement thereon.

8.9 In case of any material abnormal trading in the stocks of a listed company, the Exchange may suspend trading in the stocks and derivatives thereon and require the company to carry out a check, until the company releases an announcement thereon.

In case of any material abnormal trading in the stock derivatives of a listed company, the Exchange may suspend trading in the derivatives and require the company to carry out a check, until the company releases an announcement thereon.

8.10 A listed company that implements cash option arrangements shall apply to the Exchange for trading suspension of its stocks and derivatives thereon.

8.11 Where a listed company that plans for any material matters needs a trading suspension, it shall apply to the Exchange in accordance with the relevant rules of the CSRC and the Exchange.

The company shall make the application after prudent consideration, clarify the reasons

therefor, rationally determine the timing for the suspension, keep the suspension period as short as possible, and apply for a trading resumption in a timely manner.

8.12 During the period when the stocks of a listed company and derivatives thereon are suspended from trading, the listed company shall disclose the reasons for failure to resume trading every 5 trading days and the progress of relevant matters, save as otherwise prescribed by the Exchange.

8.13 In addition to the above provisions, the Exchange may determine to suspend and resume the trading in the stocks of any listed company and derivatives thereon as required by the CSRC or as necessary to protect the lawful rights and interest of investor and maintain an orderly market.

Chapter IX Delisting and Risk Warning

Section 1 General Rules

9.1.1 Where the occurrence of any delisting circumstance hereunder to a listed company exposes it to the risk of its stocks being terminated from listing, the Exchange will initiate the delisting procedures for its stocks.

For the purpose of these Rules, delisting includes compulsory termination of listing (hereinafter, compulsory delisting) and voluntary termination of listing (hereinafter, voluntary delisting). Compulsory delisting may be triggered due to trading reasons, financial reasons, compliance reasons, or material violations.

9.1.2 Where the abnormality in the financial condition or other aspects of a listed company exposes the company to the risk of its stocks being terminated from listing, prevents investors from making a judgment on its prospects which may consequently impair their interest, or leads to other material risks, the Exchange will issue a risk warning to the stocks.

9.1.3 A risk warning may be issued to warn against the risk of compulsory termination from listing (hereinafter, delisting risk warning) or other major risks.

9.1.4 If a delisting risk warning is issued to the stocks of a listed company, “*ST” will be prefixed to the short name of the stocks; if a non-delisting risk warning is issued to the stocks, “ST” will be prefixed to the short name of the stocks.

If a delisting risk warning is issued together with a non-delisting risk warning to the stocks, “*ST” will be prefixed to the short name of the stocks.

9.1.5 The Exchange establishes a risk warning board. The stocks of a listed company given a risk warning or having entered the delisting arrangement period will be traded on such board.

Details about the risk warning board will be separately provided by the Exchange.

9.1.6 A listed company shall fulfill such obligations as disclosing information and applying for trading suspension and resumption in accordance with the provisions and requirements of this Chapter. Where the company fails to fulfill the information disclosure obligations provided in this Chapter, the Exchange may, upon becoming aware of the same, suspend and resume the trading in its stocks and derivatives thereon, issue a risk warning, or terminate its listing, and release a market announcement.

9.1.7 A listed company whose stocks face the risk of being issued a risk warning or terminated from listing shall release a risk warning announcement in accordance with applicable provisions of this Chapter.

The Exchange may require the company to release more such announcements as appropriate.

9.1.8 A listed company whose stocks have been issued a risk warning shall release a disclosure announcement in accordance with the requirements of this Chapter, specifying the starting date of the risk warning, triggering event and main causes therefor, opinions and specific measures of the board of directors on seeking a lifting of the risk warning, a warning against the risk that the stocks may be terminated from listing (if applicable), main channels for investor inquiries during the risk warning period, and other contents required by the Exchange.

9.1.9 A listed company that intends to apply for lifting its risk warning shall submit to the Exchange an application, a resolution of its board of directors, a description of how it meets the conditions for a lifting, and corresponding supporting materials.

9.1.10 The Listing Review Committee of the Exchange (hereinafter, the Listing Review Committee) deliberates on the delisting of the stocks of a listed company and, based on its professional and independent judgment, issues a deliberation opinion thereon. The Exchange will, based on the opinion of the Listing Review Committee, make a decision on whether to terminate the stocks from listing.

9.1.11 Before making a decision on whether to lift the risk warning from the stocks of a listed company, terminate them from listing, or revoke the termination of them from listing, the Exchange may require the company to submit supplementary materials. The company shall provide supplementary materials within the time limit specified by the Exchange. The period for provision of the supplementary materials is excluded from the period for the Exchange to make such decision.

Where the company fails to provide the supplementary materials within the time limit specified by the Exchange, the Exchange will proceed with the review of the company's relevant matters, and make a decision in accordance with these Rules.

Before making a decision on whether to lift the risk warning from the stocks of a listed company, terminate them from listing, or revoke the termination of them from listing, the Exchange may, on its own or through a relevant institution, investigate and verify relevant matters of the company. The investigation and verification period is excluded from the period for the Exchange to make such decision.

9.1.12 If the Exchange decides not to terminate the stocks of a listed company from listing, the company shall make a timely announcement after receiving the Exchange's decision.

9.1.13 If the Exchange decides to terminate the stocks of a listed company from listing, it will, within 2 trading days, notify the company thereof, release an announcement thereon, and file the decision with the CSRC.

The company shall, after receiving the Exchange's decision of terminating its stocks from listing, timely release an announcement thereon, specifying among others the date of termination, main contents of the Exchange's decision, stock transfer arrangements after the termination, and contact information of the company.

9.1.14 The stocks of listed companies that are compulsorily terminated from listing by the Exchange will enter the delisting arrangement period, except for those stocks that are terminated from listing due to trading reasons.

9.1.15 If the stocks of a listed company are compulsorily terminated from listing, the company shall, immediately after the Exchange decides such termination, engage a securities company qualified to operate as a chief agency broker to arrange for the admittance of its stocks to the National Equities Exchange and Quotations (hereinafter, NEEQ) or other trading venues, so as to ensure that the stocks are transferrable within 45 trading days of the date of delisting. If the company fails to engage any broker or no broker accepts its engagement, the Exchange may designate one as its temporary broker.

A listed company that voluntarily terminates its stocks from listing may trade or transfer its stocks on a stock exchange or make other arrangements according to law.

9.1.16 Upon occurrence of 2 or more circumstances to a listed company which require the issuance of a risk warning to or termination of listing of its stocks, the Exchange will, in the order of such occurrences, issue a risk warning to its stocks or terminate its stock from listing.

Upon concurrence of 2 or more circumstances to a listed company which require issuance of delisting risk warnings to its stocks, if the company has satisfied the conditions for lifting one of the delisting risk warnings, it may apply for lifting that delisting risk warning within the specified time period, and upon the Exchange's review and approval of the application, will not be subject to the listing termination procedures in connection with that delisting risk warning.

Upon concurrence of 2 or more circumstances to a listed company which require issuance of risk warnings to its stocks, such risk warnings may be lifted only after the conditions for lifting all such risk warnings are satisfied.

If a listed company meets the conditions for lifting the delisting risk warning from its stocks but is under any circumstance which requires issuance of a non-delisting risk warning, the Exchange will issue a non-delisting risk warning.

9.1.17 If the stocks of a listed company are terminated from listing, the company's convertible bonds and other derivatives shall also be terminated from listing.

The provisions on listing termination of stocks shall be applied, *mutatis mutandis*, to matters concerning listing termination of the convertible bonds and other derivatives.

If the Exchange has made separate rules on listing termination of the convertible bonds and other derivatives, those rules shall apply.

9.1.18 A listed company may apply to the Exchange for a hearing before the Exchange decides to compulsorily terminate its stocks from listing.

Section 2 Compulsory Delisting for Trading Reasons

9.2.1 The Exchange may make a decision to terminate the stocks of a listed company from listing upon the occurrence of any of the following circumstances:

- (1) for a listed company that only issues A-share stocks on the Exchange, the cumulative trading volume via the trading system of the Exchange is lower than 5 million stocks for 120 consecutive trading days, or the daily closing price of the stocks is lower than RMB 1 for 20 consecutive trading days;
- (2) for a listed company that only issues B-share stocks on the Exchange, the cumulative trading volume via the trading system of the Exchange is lower than 1 million stocks for 120 consecutive trading days, or the daily closing price of the stocks is lower than RMB 1 for 20 consecutive trading days;
- (3) for a listed company that issues both A-share and B-share stocks on the Exchange, the trading volumes or closing prices of both its A-share and B-share stocks reach the criteria under Subparagraphs (1) and (2);
- (4) the daily number of shareholders of the listed company is lower than 2,000 for 20 consecutive trading days (excluding the first 20 trading days after its IPO);
- (5) the total daily closing market value of the stocks of the listed company at the Exchange is lower than RMB 300 million for 20 consecutive trading days; or
- (6) other circumstances as recognized by the Exchange.

The Exchange may make a decision to terminate the depositary receipts of a red chip enterprise from listing upon the occurrence of any of the following circumstances:

- (1) the cumulative trading volume via the trading system of the Exchange is lower than 5 million units of depositary receipts for 120 consecutive trading days;
- (2) the daily closing price of the depositary receipts multiplied by the ratio of the depositary receipts to the underlying stocks (hereinafter, the underlying stock value) is lower than RMB 1 for 20 consecutive trading days;
- (3) the daily closing market value of the depositary receipts at the Exchange is lower than RMB 300 million for 20 consecutive trading days; or
- (4) other circumstances as recognized by the Exchange.

For the purpose of the preceding 2 Paragraphs, trading days exclude the days in which the stocks or the depositary receipts are suspended from trading.

9.2.2 If, for a listed company that only issues A-share stocks on the Exchange, the total trading volume completed through the Exchange over a period of 90 consecutive trading days

(excluding those days of trading suspension) is lower than 3.75 million, the company shall, on the following trading day, publish a risk warning announcement that its stocks are likely to be terminated from listing, and subsequently disclose the announcement once each trading day, until the total trading volume of its stocks completed through the Exchange over a period of 120 consecutive trading days (excluding those days of trading suspension) from the starting date of the aforementioned 90-day period reaches 5 million or more, or until the date when the Exchange makes a decision to terminate the listing of its stocks, whichever is earlier.

If, for a listed company that only issues B-share stocks on the Exchange, the total trading volume completed through the Exchange over a period of 90 consecutive trading days (excluding those days of trading suspension) is lower than 750,000, the company shall, on the following trading day, publish a risk warning announcement that its stocks are likely to be terminated from listing, and subsequently disclose the announcement once each trading day, until the total trading volume of its stocks completed through the Exchange over a period of 120 consecutive trading days (excluding those days of trading suspension) from the starting date of the aforementioned 90-day period reaches 1 million or more, or until the date when the Exchange makes a decision to terminate the listing of its stocks, whichever is earlier.

If, for a listed company that issues both A-share and B-share stocks on the Exchange, the trading volumes of both its A-share and B-share stocks reach the criteria under the preceding 2 Paragraphs, the company shall, on the following trading day, publish a risk warning announcement that its stocks are likely to be terminated from listing, and subsequently disclose the announcement once each trading day, until the total trading volume of its A-share and B-share stocks completed through the Exchange over a period of 120 consecutive trading days (excluding those days of trading suspension) from the starting date of the aforementioned 90-day period reaches 5 million or more and 1 million or more, respectively, or until the date when the Exchange makes a decision to terminate the listing of its stocks, whichever is earlier.

If, for a red chip enterprise that issues depositary receipts on the Exchange, the total trading volume completed through the Exchange over a period of 90 consecutive trading days (excluding those days of trading suspension) is lower than 3.75 million units, the red chip enterprise shall, on the following trading day, publish a risk warning announcement that its depositary receipts are likely to be terminated from listing, and subsequently disclose the announcement once each trading day, until the total trading volume of its depositary receipts completed through the Exchange over a period of 120 consecutive trading days (excluding those days of trading suspension) from the starting date of the aforementioned 90-day period reaches 5 million units or more, or until the date when the Exchange makes a decision to terminate the listing of its depositary receipts, whichever is earlier.

The Exchange may adjust the aforementioned risk warning criteria as the case may be.

9.2.3 If, for a listed company that only issues A-share or B-share stocks on the Exchange, the closing price of its stocks is lower than RMB 1 for the first time, the company shall, on the following trading day, publish a risk warning announcement that its stocks are likely to be terminated from listing; if the daily closing price of its stocks is lower than RMB 1 over a period of 10 consecutive trading days (excluding those days of trading suspension), the

company shall, on the following trading day, publish a risk warning announcement that its stocks are likely to be terminated from listing, and subsequently disclose the announcement once each trading day, until the closing price is no longer lower than RMB 1, or until the date when the Exchange makes a decision to terminate the listing of its stocks, whichever is earlier.

If, for a listed company that issues both A-share and B-share stocks on the Exchange, the closing prices of both its A-share and B-share stocks are concurrently lower than RMB 1 for the first time, the company shall, on the following trading day, publish a risk warning announcement that its stocks are likely to be terminated from listing; if the daily closing prices of both its A-share and B-share stocks are lower than RMB 1 over a period of 10 consecutive trading days (excluding those days of trading suspension), the company shall, on the following trading day, publish a risk warning announcement that its stocks are likely to be terminated from listing, and subsequently disclose the announcement once each trading day, until the closing prices of both its A-share and B-share stocks are no longer lower than RMB 1, or until the date when the Exchange makes a decision to terminate the listing of its stocks, whichever is earlier.

If, for a red chip enterprise that issues depositary receipts on the Exchange, the underlying stock value is lower than RMB 1 for the first time, the red chip enterprise shall, on the following trading day, publish a risk warning announcement that its depositary receipts are likely to be terminated from listing; if the daily underlying stock value is lower than RMB 1 over a period of 10 consecutive trading days (excluding those days of trading suspension), the red chip enterprise shall, on the following trading day, publish a risk warning announcement that its depositary receipts are likely to be terminated from listing, and subsequently disclose the announcement once each trading day, until the underlying stock value is no longer lower than RMB 1, or until the date when the Exchange makes a decision to terminate the listing of its depositary receipts, whichever is earlier.

The Exchange may adjust the aforementioned risk warning criteria as the case may be.

9.2.4 If the daily number of the shareholders of a listed company is lower than 2,000 over a period of 10 consecutive trading days (excluding the first 20 trading days after its IPO and those days of trading suspension), the company shall, on the following trading day, publish a risk warning announcement that its stocks are likely to be terminated from listing, and subsequently disclose the announcement once each trading day, until the number is no longer lower than 2,000, or until the date when the Exchange makes a decision to terminate the listing of its stocks, whichever is earlier.

The Exchange may adjust the aforementioned risk warning criteria as the case may be.

9.2.5 If the total daily closing market value of the stocks of a listed company at the Exchange is lower than RMB 300 million for 10 consecutive trading days (excluding those days of trading suspension), or the daily closing market value of depositary receipts of a red chip enterprise at the Exchange is lower than RMB 300 million for 10 consecutive trading days (excluding those days of trading suspension), the company or the red chip enterprise shall, on the following trading day, publish a risk warning announcement that its stocks or depositary receipts are likely to be terminated from listing, and subsequently disclose the

announcement once each trading day, until the total daily closing market value of the stocks or the daily closing market value of the depositary receipts is no longer lower than RMB 300 million, or until the date when the Exchange makes a decision to terminate the listing of its stocks or depositary receipts, whichever is earlier.

The Exchange may adjust the aforementioned risk warning criteria as the case may be.

9.2.6 Where any of the circumstances under Paragraph 1 of Subsection 9.2.1 occurs to a listed company, the trading of its stocks and the derivatives thereon shall be suspended from the trading day immediately following such occurrence. Where any of the circumstances under Paragraph 2 of Subsection 9.2.1 occurs to a red chip enterprise, the trading of its depositary receipts shall be suspended from the trading day immediately following such occurrence.

The Exchange will, within 5 trading days upon such occurrence, issue a prior notice of its intention to terminate the company's stocks or the red chip enterprise's depositary receipts from listing to the company or the red chip enterprise, which shall make timely disclosure thereof upon receipt of the notice.

9.2.7 If any of the circumstances under Paragraph 1 or Paragraph 2 of Subsection 9.2.1 occurs to a listed company, the Exchange may, within 15 trading days upon such occurrence and based on the deliberation opinion of the Listing Review Committee, make a decision on whether to terminate its stocks or depositary receipts from listing.

If the company applies to the Exchange for hearing, the above 15-trading day period shall exclude the period from the Exchange's receipt of the application to the end of the hearing procedures.

9.2.8 If the Exchange decides not to terminate the stocks of a listed company from listing, the company shall, upon receipt of such decision, make timely disclosure thereof and apply for relisting of its stocks and derivatives thereon.

9.2.9 If the Exchange makes a decision to terminate the stocks of a listed company from listing, it will delist the stocks within 5 trading days upon announcement of the decision, in which case the stocks are terminated from listing.

Section 3 Compulsory Delisting for Financial Reasons

9.3.1 The Exchange will issue a risk warning to the stocks of a listed company if relevant financial indicators in the company's audited financial report for the most recent year have fallen into the circumstances requiring compulsory delisting for financial reasons as set out in this Section. The Exchange will terminate the stocks of a listed company from listing if relevant financial indicators in the company's the audited financial reports for the most recent 2 consecutive financial years have fallen under the circumstances requiring compulsory delisting for financial reasons as set out in this Section.

9.3.2 The Exchange will issue a delisting risk warning to the stocks of a listed company if

any of the following circumstances occurs to the company:

- (1) the audited net profit in the most recent financial year is negative and the operating revenue is less than RMB 100 million, or after retrospective restatement, the net profit in the most recent financial year is negative and the operating revenue is less than RMB 100 million;
- (2) the audited ending net assets in the most recent financial year are negative, or after retrospective restatement, the ending net assets in the most recent financial year are negative;
- (3) a disclaimer of opinion or adverse opinion is issued on the financial report for the most recent financial year;
- (4) according to an administrative penalty decision of the CSRC, there is misrepresentation, misleading statement, or material omission in the audited annual report for the most recent financial year disclosed by the company and the company's relevant financial indicators for that year have thus actually fallen into the circumstance under Subparagraph (1) or (2); and
- (5) other circumstances as recognized by the Exchange.

For the purpose of this Section, “net profit” refers to the lower of the net profit before or after non-recurring gain or loss, and the “operating revenue” shall exclude the revenue that is unrelated to the main business or that has no commercial substance.

If the lower of the audited net profit before or after non-recurring gain or loss in the most recent financial year is negative, the company shall disclose the deductions from the operating revenue and the amount of post-deduction operating revenue in its annual report or correction announcement. The CPA firm responsible for the audit shall issue a special verification opinion on the deductions' compliance with the preceding provisions and the amount of post-deduction operating revenue.

If the company fails to make deductions pursuant to Paragraph 2 of this Subsection, the Exchange may require the company to do so, and based on the company's post-deduction operating revenue, make a decision on whether to issue a risk warning to its stocks.

If, due to retrospective restatement or the circumstance under Subparagraph (4) of Paragraph 1 of this Subsection, relevant financial indicators of a listed company have fallen into the circumstance under Subparagraph (1) or (2) of Paragraph 1 of this Subsection, the most recent financial year shall refer to the latest year in which an audited financial report is disclosed.

9.3.3 If a listed company is predicted to be involved in any of the circumstances under Paragraph 1 of Subsection 9.3.2, it shall, within 1 month after the end of corresponding financial year, publish a risk warning announcement that a delisting risk warning is likely to be issued to its stocks, and publish this announcement at least 2 times before disclosure of its annual report.

If a listed company is predicted to be involved in any of the circumstances under Subparagraph (1) or (2) of Paragraph 1 of Subsection 9.3.2 due to retrospective restatement, or under Subparagraph (4) of Paragraph 1 of Subsection 9.3.2, it shall, upon knowledge of relevant risks, timely publish a risk warning announcement that a delisting risk warning is likely to be issued to its stocks.

9.3.4 Upon occurrence of any of the circumstances under Subparagraphs (1) to (3) of Paragraph 1 of Subsection 9.3.2 to a listed company, the company shall, after its board of directors has deliberated and approved the restatement of its annual report or financial report, submit a report to the Exchange in a timely manner along with the written opinion of its board of directors. The trading in its stocks and derivatives thereon shall be suspended from the day when the announcement of the restatement is disclosed. If the disclosure is made on a non-trading day, the trading shall be suspended from the following trading day.

Upon occurrence of the circumstance under Subparagraph (4) of Paragraph 1 of Subsection 9.3.2 to a listed company, the company shall, upon receipt of the administrative penalty decision, submit a report to the Exchange in a timely manner along with the written opinion of its board of directors. Trading in its stocks and derivatives thereon shall be suspended from the day when the administrative penalty decision is disclosed. If the disclosure is made on a non-trading day, the trading shall be suspended from the following trading day.

If a listed company corrects the deductions from the operating revenue for the previous period pursuant to Subsection 9.3.2, or the Exchange requires the company to deduct relevant operating revenue pursuant to Subsection 9.3.2, and after the deduction, the company is involved in any of the circumstances requiring issuance of a delisting risk warning as enumerated in Subsection 9.3.2, then the company shall immediately disclose its correction, or on the trading day following receipt of the Exchange's notice, disclose relevant matters. The trading in the company's stocks will be suspended from the date of disclosure. If the disclosure is made on a non-trading day, the trading shall be suspended from the following trading day.

If the stocks and derivatives thereon of a listed company are suspended from trading, the Exchange will, within 5 trading days upon the suspension and in view of the specific conditions, issue a delisting risk warning to the company's stocks. The company shall make an announcement on the trading day immediately before the issuance as required by the Exchange. Trading in the company's stocks and derivatives thereon shall be resumed on the trading day following the date when the announcement is disclosed. The Exchange will issue a delisting risk warning to the company's stocks from the date of trading resumption.

9.3.5 If a delisting risk warning is issued to the stocks of a listed company due to any of the circumstances under Subparagraphs (1) to (3) of Paragraph 1 of Subsection 9.3.2, the company shall, within 1 month after the end of the financial year in which the delisting risk warning is issued, release a risk warning announcement that its stocks are likely to be terminated from listing, and before disclosure of its annual report for the year, release the announcement at least 2 times.

If a delisting risk warning is issued to the stocks of the company due to any of the

circumstances under Subparagraphs (1) and (2) of Paragraph 1 of Subsection 9.3.2 or the circumstance under Subparagraph (4) of Paragraph 1 of Subsection 9.3.2 after retrospective restatement, the company shall, before disclosure of its annual report, release at least 2 times a risk warning announcement that its stocks are likely to be terminated from listing.

9.3.6 After a delisting risk warning is issued to the stocks of a listed company due to any of the circumstances under Subsection 9.3.2, the company may, within 5 trading days of disclosure of its annual report, apply to the Exchange for lifting such risk warning if:

- (1) the company's audited financial report for the most recent financial year is not involved in any of the circumstances under Subparagraphs (1) to (3) of Paragraph 1 of Subsection 9.3.2 hereof;
- (2) the company's audited financial report for the most recent financial year is not issued a qualified audit report;
- (3) the company has disclosed its annual report for the most recent year within the statutory time limit; and
- (4) a majority of its directors guarantee that the annual report disclosed by the company is true, accurate, and complete.

If, due to retrospective restatement or the circumstance under Subparagraph (4) of Paragraph 1 of Subsection 9.3.2, the company's relevant financial indicators fall into the circumstance under Subparagraph (1) or (2) of Paragraph 1 of Subsection 9.3.2 and a delisting risk warning is thus issued to its stocks, the most recent financial year shall refer to the financial year following the year in which such financial indicators are reported.

9.3.7 If, during the period when a risk warning is issued to the stocks of a listed company due to any of the circumstances under Subsection 9.3.2 hereof, the company engages in major asset restructuring in accordance with the CSRC's relevant regulations and meets the following conditions, it may apply to the Exchange for lifting such risk warning:

- (1) the company has completed sale of all its operating assets and liabilities as well as acquisition of other assets in accordance with the CSRC's regulations on listed companies' major asset restructuring;
- (2) the assets acquired are an entire operating entity which has been in operation for 3 consecutive years or more under the same management before being acquired by the company;
- (3) according to the special statement of its CPA firm, the financial report for the year in which the company is expected to complete the major asset restructuring will meet the conditions for lifting a delisting risk warning under Paragraph 1 of Subsection 9.3.6;
- (4) the company has disclosed the latest periodic report after completion of the major

asset restructuring; and

- (5) other conditions required by the Exchange.

9.3.8 A listed company shall make an announcement on the day it applies to the Exchange for lifting the delisting risk warning issued to its stocks.

If, after a delisting risk warning is issued to the stocks of the company due to any of the circumstances under Subsection 9.3.2, the company applies to the Exchange for lifting such risk warning in accordance with Paragraph 1 of Subsection 9.3.6 and the lower of the company's net profit before or after non-recurring gain or loss is negative, the company shall also disclose a special verification opinion issued by its CPA firm responsible for the audit on whether the deductions from the operating revenue comply with rules, which should state the company's deductible operating revenue (if applicable) and the amount of post-deduction operating revenue. The Exchange will, within 10 trading days of receipt of the company's application and in view of specific conditions, make a decision on whether to lift such delisting risk warning.

9.3.9 Where the Exchange decides to lift the delisting risk warning from the stocks of a listed company, the company shall publish an announcement as required by the Exchange on the trading day immediately preceding the date when such warning is lifted. The stocks and derivatives thereon of the company shall be suspended from trading for 1 day on the date of announcement. Upon the trading resumption, the Exchange will lift the delisting risk warning from the stocks of the company.

9.3.10 Where the Exchange decides not to lift the delisting risk warning from the stocks of a listed company, the company shall, on the trading day following receipt of the Exchange's relevant written notice, publish a risk warning announcement that its stocks are likely to be terminated from listing. If the company fails to do so, the Exchange may publish an announcement thereon to the market.

9.3.11 If, after a delisting risk warning is issued to the stocks of a listed company due to any of the circumstances under Subsection 9.3.2, the Exchange may decide to terminate the company's stocks from listing upon occurrence of any of the following circumstances to the company:

- (1) the audited financial report for the most recent financial year as disclosed by the company falls into any of the circumstances under Subparagraphs (1) to (3) of Paragraph 1 of Subsection 9.3.2 or a qualified audit report is issued on such financial report;
- (2) the company fails to disclose its annual report for the most recent year within the statutory time limit;
- (3) the company fails to apply to the Exchange for lifting the delisting risk warning within the time limit as set out in Paragraph 1 of Subsection 9.3.6;

- (4) half or more of the company's directors are unable to guarantee the truthfulness, accuracy, and completeness of its annual report for the most recent year and the company fails to make corrections within the statutory time limit; or
- (5) the Exchange disapproves the company's application for lifting the delisting risk warning.

If, due to retrospective restatement or the circumstance under Subparagraph (4) of Paragraph 1 of Subsection 9.3.2, relevant financial indicators of the company have fallen into the circumstance under Subparagraph (1) or (2) of Paragraph 1 of Subsection 9.3.2 and a delisting risk warning is thus issued to its stocks, the most recent financial year shall refer to the financial year following the year in which such financial indicators are reported.

If the company fails to deduct the revenue that is unrelated to the main business or that has no commercial substance from its operating revenue as required in Paragraph 2 of Subsection 9.3.2, the Exchange may require the company to do so and determine whether to terminate the stocks of the company from listing based on the operating revenue after such deduction.

9.3.12 Upon occurrence of any circumstances under Subparagraph (1) of Paragraph 1 of Subsection 9.3.11 to a listed company, the company shall, after its board of directors has deliberated and approved its annual report, report to the Exchange and disclose its annual report in a timely manner. Meanwhile, the company shall also publish a risk warning announcement that its stocks are likely to be terminated from listing. The Exchange will suspend trading in the company's stocks and derivatives thereon from the date when the annual report is disclosed. If the disclosure is made on a non-trading day, the trading will be suspended from the following trading day.

Upon occurrence of any circumstances under Subparagraph (2) of Paragraph 1 of Subsection 9.3.11 to a listed company, the company shall timely publish a risk warning announcement that its stocks are likely to be terminated from listing. The Exchange will suspend trading in the company's stocks and derivatives thereon from the trading day immediately following expiration of applicable statutory time limit.

Upon occurrence of any circumstances under Subparagraph (3) of Paragraph 1 of Subsection 9.3.11 to a listed company, the company shall, upon expiration of the time limit for application for lifting delisting risk warning, timely publish a risk warning announcement that its stocks are likely to be terminated from listing. The Exchange will suspend trading in the company's stocks and derivatives thereon from the trading day immediately following expiration of such time limit.

If, after a delisting risk warning is issued to the stocks of a listed company due to the circumstances under Subsection 9.3.2, half or more of the company's directors are unable to guarantee the truthfulness, accuracy, and completeness of its disclosed annual report and the company is thus likely to be involved in the circumstance under Subparagraph (4) of Paragraph 1 of Subsection 9.3.11, then the company shall disclose a risk warning announcement that its stocks are likely to be terminated from listing along with the annual report. If the company fails to correct the annual report before expiration of the statutory

disclosure period, it shall, upon the expiration, timely publish a risk warning announcement that its stocks are likely to be terminated from listing. The Exchange will suspend trading in the company's stocks and derivatives thereon from the trading day immediately following the expiration.

Upon occurrence of the circumstance under Subparagraph (5) of Paragraph 1 of Subsection 9.3.11 to a listed company, the company shall, on the trading day immediately following receipt of the Exchange's relevant notice, disclose a risk warning announcement that its stocks are likely to be terminated from listing. The Exchange will suspend trading in the company's stocks and derivatives thereon from the date of disclosure.

9.3.13 The Exchange will, within 5 trading days upon occurrence of any of the circumstances under Subparagraphs (1) to (4) of Paragraph 1 of Subsection 9.3.11 to a listed company, send a prior notice of its intention to terminate the company's stocks from listing to the company, which shall make timely disclosure thereof upon receipt of such notice.

If the Exchange makes a decision to not lift the delisting risk warning from the company's stocks, it will, at the same time, send a prior notice of its intentions to terminate the listing of the stocks to the company, which shall make timely disclosure thereof.

9.3.14 The Exchange will, within 15 trading days upon occurrence of any circumstances under Paragraph 1 of Subsection 9.3.11 to a listed company, make a decision on whether to terminate the company's stocks from listing based on the deliberation opinion of the Listing Review Committee.

If the company applies to the Exchange for hearing, the above 15-trading day period shall exclude the period from the Exchange's receipt of the application to the end of the hearing procedures.

9.3.15 If the Exchange decides not to terminate the stocks of a listed company from listing, the company shall, upon receipt of such decision, make timely disclosure thereof and apply for resuming trading in its stocks and derivatives thereon. If the company's stocks are not under any other circumstances requiring issuance of a delisting risk warning, the Exchange will, from the date of trading resumption, lift the delisting risk warning it issued to its stocks.

Section 4 Compulsory Delisting for Compliance Reasons

9.4.1 The Exchange will issue a delisting risk warning to the stocks of a listed company upon the occurrence of any of the following circumstances:

- (1) the company is ordered by the CSRC to correct any material accounting errors or misrepresentations in its financial report, but fails to do so within the specified time limit; as a result, trading in its stocks and derivatives thereon are suspended from the trading day immediately following expiration of such time limit, but the company still fails to do so within 2 months of the trading suspension;
- (2) the company fails to disclose its semi-annual report or audited annual report within

the statutory time limit; as a result, trading in the company's stocks and derivatives thereon is suspended from the trading day immediately following expiration of such time limit, but the company still fails to do so within 2 months of the trading suspension;

- (3) half or more of the company's directors fail to guarantee the truthfulness, accuracy, and completeness of the semi-annual report or annual report disclosed by the company and the company fails to make corrections within the statutory time limit; as a result, trading in the company's stocks and derivatives thereon is suspended from the trading day immediately following expiration of such time limit, but the company still fails to do so within 2 months of the trading suspension;
- (4) the company is ordered by the Exchange to correct any material defects in its information disclosure, compliant operation, or other aspects within a specified time limit, but fails to do so; as a result, trading in the company's stocks and derivatives thereon is suspended from the trading day immediately following expiration of such time limit, but the company still fails to do so within 2 months of the trading suspension;
- (5) the company is unqualified for listing for 20 consecutive trading days due to a change in its total capital stock or equity structure; as a result, trading in the company's stocks and derivatives thereon is suspended from the trading day immediately following expiration of such time limit, but the company fails to become qualified for listing within 1 month of the trading suspension;
- (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) other circumstances as recognized by the Exchange.

9.4.2 The "material defects in information disclosure, compliant operation, or other aspects" referred to in Subparagraph (4) of Subsection 9.4.1 shall include the following circumstances:

- (1) the Exchange is unable to obtain valid information on the company;
- (2) the company refuses to disclose its disclosable material information;
- (3) the company seriously disrupts the information disclosure order, which results in severe consequence; or
- (4) other circumstances in which the Exchange deems that the company has material defects in information disclosure or compliant operation.

In determining whether the company has triggered any of the aforementioned circumstances,

the Exchange may report to the Listing Review Committee for deliberation and make a determination based on the Listing Review Committee's deliberation opinion.

9.4.3 Upon occurrence of any of the circumstances under Subparagraphs (1) to (4) of Subsection 9.4.1 to a listed company, the company shall, on the trading day immediately following expiration of 2 months of trading suspension on its stocks and derivatives thereon, disclose an announcement that its stocks are issued a delisting risk warning. Trading in the company's stocks and derivatives thereon will be resumed on the trading day immediately following the date of disclosure. The Exchange will issue a delisting risk warning to the company's stocks from the date of trading resumption.

The company shall release a risk warning announcement at least 3 times during the trading suspension. If the aforesaid circumstance is eliminated during the trading suspension, the company shall make timely disclosure thereof and apply for resuming trading in its stocks and derivatives thereon.

9.4.4 Upon occurrence of the circumstance under Subparagraph (5) of Subsection 9.4.1 to a listed company, the company shall, on the trading day immediately following expiration of 1 month of trading suspension on its stocks and derivatives thereon, disclose an announcement that its stocks are issued a delisting risk warning. Trading in the company's stocks and derivatives thereon will be resumed on the trading day immediately following the date of disclosure. The Exchange will issue a delisting risk warning to the company's stocks from the date of trading resumption.

The company shall release a risk warning announcement at least 3 times during the trading suspension. If the total capital stock or equity structure of the company during the trading suspension makes the company requalified for listing, the company shall make timely disclosure thereof and apply for resuming trading in its stocks and derivatives thereon.

9.4.5 Upon occurrence of any of the circumstances under Subparagraphs (6) to (8) of Subsection 9.4.1 to a listed company, the company shall make timely disclosure thereof, and trading in its stocks and derivatives thereon shall be suspended from the trading day immediately following such occurrence. The Exchange will, within 5 trading days upon trading suspension and in view of the specific conditions, issue a delisting risk warning to the company's stocks.

The company shall, on the trading day immediately preceding such issuance, disclose an announcement thereon as required by the Exchange. Trading in the company's stocks and derivatives thereon shall be resumed from the trading day immediately following the date of disclosure. The Exchange will issue a delisting risk warning to the company's stocks from the date of trading resumption.

9.4.6 If a delisting risk warning is issued to the stocks of a listed company due to any of the circumstances under Subparagraphs (1) to (6) of Subsection 9.4.1, the company shall, during the period when the delisting risk warning is issued to its stocks, disclose a risk warning announcement every 5 trading days to warn against the risk that its stocks are likely to be terminated from listing.

9.4.7 If a delisting risk warning is issued to the stocks of a listed company due to the circumstance under Subparagraph (7) of Subsection 9.4.1, the company shall, by stages, timely disclose the progress 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 adequate warning against associated risks.

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

9.4.8 If a delisting risk warning is issued to the stocks of a listed company due to any of the circumstances under Subparagraphs (1) to (6) of Subsection 9.4.1, the company may apply to the Exchange for lifting the delisting risk warning upon satisfaction of any of the following conditions:

- (1) the company discloses its corrected financial report within 2 months following issuance of the delisting risk warning due to the circumstance under Subparagraph (1) of Subsection 9.4.1;
- (2) the company discloses its relevant semi-annual report or audited annual report within 2 months following issuance of the delisting risk warning due to the circumstance under Subparagraph (2) of Subsection 9.4.1, and is not involved in a circumstance in which half or more of its directors are unable to guarantee the truthfulness, accuracy, and completeness of such report;
- (3) more than half of its directors guarantee that the semi-annual or annual report disclosed by the company is true, accurate, and complete within 2 months following issuance of the delisting risk warning due to the circumstance under Subparagraph (3) of Subsection 9.4.1;
- (4) the company completes the corrections as required, has in place a sound governance structure, maintains compliant operation, keep its information disclosure and internal control system free from material defects within 2 months following issuance of the delisting risk warning due to the circumstance under Subparagraph (4) of Subsection 9.4.1;
- (5) the company solves its total capital stock or equity structure issue and thus requalifies for listing within 6 months following issuance of the delisting risk warning due to the circumstance under Subparagraph (5) of Subsection 9.4.1; or
- (6) the circumstance in which the company may be legally subject to compulsory dissolution has been eliminated following issuance of the delisting risk warning due to the circumstance under Subparagraph (6) of Subsection 9.4.1.

If the circumstance under the foregoing Subparagraph (4) occurs to the company, the Exchange may submit the circumstance to the Listing Review Committee for deliberation and make a decision based on the deliberation opinion of the Listing Review Committee.

The period for the Exchange to make relevant decision excludes the deliberation period of the Listing Review Committee.

9.4.9 A listed company may, after a delisting risk warning is issued to its stocks due to the circumstance under Subparagraph (7) of Subsection 9.4.1, apply to the Exchange for lifting such delisting risk warning if:

- (1) the company has completed the reorganization plan;
- (2) the company has performed the settlement agreement;
- (3) a court has, after accepting the bankruptcy petition of a petitioner and before declaring the company bankrupt, delivered a ruling on dismissal of the bankruptcy petition in accordance the *Enterprise Bankruptcy Law of the People's Republic of China* (hereinafter, the *Enterprise Bankruptcy Law*), and the petitioner fails to appeal against the ruling within the statutory period; 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 debts due or a third party has provided guarantee to the company covering the debts or repaid all debts due for the company.

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

9.4.10 If a listed company meets the conditions under Subsection 9.4.8 or 9.4.9, it shall make timely disclosure upon occurrence of the relevant circumstance. The company may, within 5 trading days of the date of disclosure, apply to the Exchange for lifting the delisting risk warning from its stocks.

If a listed company applies to the Exchange for lifting a delisting risk warning pursuant to Subparagraph (1) or Subparagraphs (3) to (5) of Paragraph 1 of Subsection 9.4.8, the Exchange may require the company to submit the special verification opinion of its intermediary along with the application.

A listed company shall concurrently disclose an announcement when it applies to the Exchange for lifting the delisting risk warning from its stocks.

The Exchange will, within 10 trading days upon receipt of the company's application, make a decision on whether to lift the delisting risk warning in view of the specific situation.

9.4.11 If the Exchange decides to lift a delisting risk warning from the stocks of a listed company, the company shall, as required by the Exchange, disclose an announcement thereon

on the trading day immediately preceding the lifting of the delisting risk warning. Trading in its stocks and derivatives thereon shall be suspended for 1 day on the date of disclosure. The Exchange will lift the delisting risk warning from the date of trading resumption.

9.4.12 If the Exchange decides not to lift a delisting risk warning from the stocks of a listed company, the company shall, on the trading day immediately following receipt of the Exchange's relevant written notice, disclose a risk warning announcement that its stocks are likely to be terminated from listing. If the company fails to do so as required, the Exchange may disclose an announcement thereon to the market.

9.4.13 The Exchange will make a decision to terminate the listing of the stocks of a listed company if:

- (1) the company fails to disclose its corrected financial report within 2 months following issuance of the delisting risk warning due to the circumstance under Subparagraph (1) of Subsection 9.4.1;
- (2) the company fails to disclose compliant annual report or semi-annual report within 2 months following issuance of the delisting risk warning due to the circumstance under Subparagraph (2) of Subsection 9.4.1;
- (3) half or more of the company's directors are unable to guarantee the truthfulness, accuracy, and completeness of the semi-annual or annual report disclosed by the company within 2 months following issuance of the delisting risk warning due to the circumstance under Subparagraph (3) of Subsection 9.4.1;
- (4) the company fails to complete corrections as required within 2 months following issuance of the delisting risk warning due to the circumstance under Subparagraph (4) of Subsection 9.4.1;
- (5) the company fails to solve its total capital stock or equity structure issue within 6 months following issuance of the delisting risk warning due to the circumstance under Subparagraph (5) of Subsection 9.4.1;
- (6) the company satisfies the conditions for compulsory dissolution such as having its business license legally revoked, being ordered to close down, or being deregistered, or it receives a court's ruling declaring its bankruptcy, after a delisting risk warning is issued to its stocks due to any of the circumstances under Subparagraph (6) and (7) of Subsection 9.4.1;
- (7) the company fails to apply to the Exchange for lifting the delisting risk warning within the specified time limit; or
- (8) the company's application for lifting the delisting risk warning is rejected by the Exchange.

9.4.14 Upon occurrence of any of the circumstances under Subparagraphs (1) to (5) of

Subsection 9.4.13 to a listed company, the company shall timely disclose a risk warning announcement that its stocks are likely to be terminated from listing. The Exchange will, from the trading day immediately following expiration of applicable period, suspend trading in the company's stocks and derivatives thereon.

Upon occurrence of the circumstance under Subparagraph (6) of Subsection 9.4.13 to a listed company, the company shall disclose relevant matters and a risk warning announcement that its stocks are likely to be terminated from listing 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. Trading in its stocks shall be suspended from the date of disclosure.

Upon occurrence of the circumstance under Subparagraph (7) of Subsection 9.4.13 to a listed company, the company shall, upon expiration of the specified period for application for lifting a delisting risk warning, timely disclose a risk warning announcement that its stocks are likely to be terminated from listing. The Exchange will, from the trading day immediately following expiration of the said period, suspend trading in the company's stocks and derivatives thereon.

Upon occurrence of the circumstance under Subparagraph (8) of Subsection 9.4.13 to a listed company, the company shall, on the trading day immediately following receipt of the Exchange's relevant notice, disclose a risk warning announcement that its stocks are likely to be terminated from listing. The Exchange will, from the date of disclosure, suspend trading in the company's stocks and derivatives thereon.

9.4.15 Upon occurrence of any of the circumstances under Subparagraphs (1) to (7) of Subsection 9.4.13 to a listed company, the Exchange will, within 5 trading days upon the occurrence, issue a prior notice of its intention on termination of listing of the company's stocks to the company, which shall timely make disclosure thereof upon receipt of such notice.

If the Exchange decides not to lift the delisting risk warning and send a prior notice of its intention on termination of listing of the company's stocks to the company, the company shall make timely disclosure thereof.

9.4.16 Upon occurrence of any of the circumstances under Subsection 9.4.13 to a listed company, the Exchange will, within 15 trading days upon the occurrence and based on the deliberation opinion of the Listing Review Committee, make a decision on whether to terminate the company's stocks from listing.

If the company applies to the Exchange for hearing, the above 15-trading day period shall exclude the period from the Exchange's receipt of the application to the end of the hearing procedures.

9.4.17 If the Exchange decides not to terminate the stocks of a listed company from listing, the company shall, upon receipt of such decision, timely make disclosure thereof and apply for resuming trading in its stocks and derivatives thereon. The Exchange will lift such

delisting risk warning from the date of trading resumption if the company's stocks are not under any other circumstance requiring a delisting risk warning.

Section 5 Compulsory Delisting for Material Violations

9.5.1 For the purpose of these Rules, the stocks of a listed company are subject to compulsory delisting for material violations if:

- (1) its stocks are required to be terminated from listing due to its fraudulent offering, material information 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.

9.5.2 The Exchange will make a decision to terminate the stocks of a listed company from listing if the company commits any of the material violations under Subparagraph (1) of Subsection 9.5.1 where:

- (1) the company receives an administrative penalty decision of the CSRC in accordance with Article 181 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 penalty decision of the CSRC in accordance with Article 181 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 listing after restructuring;
- (3) based on the findings of facts in an administrative penalty decision of the CSRC, the company's financial indicators in any consecutive financial years from 2015 to 2020 have actually fallen into any of the circumstances requiring termination of listing in a corresponding year, or its financial indicators in any consecutive financial years from 2020 to subsequent years have actually fallen into any of the circumstances requiring termination of listing under Section 3 of this Chapter, due to any misrepresentations, misleading statements or material omissions contained in its disclosed annual report;
- (4) based on the findings of facts in an administrative penalty decision of the CSRC, in its information disclosure, the company has misrepresented its operating revenue for 2 consecutive years, involving a misrepresented value totaling RMB 500 million or more and exceeding 50 percent of the total of the disclosed annual operating revenues of the 2 years; or the company has misrepresented its net profit for 2 consecutive

years, involving a misrepresented value totaling RMB 500 million or more and exceeding 50 percent of the total of the disclosed annual net profit of the 2 years; or the company has misrepresented its total profit for 2 consecutive years, involving a misrepresented value totaling RMB 500 million or more and exceeding 50 percent of the total of the disclosed annual total profit of the 2 years; or the company has misrepresented its balance sheets for 2 consecutive years, involving a misrepresented value totaling RMB 500 million or more and exceeding 50 percent of the total of the disclosed annual ending net assets of the 2 years (if related financial figures are negative, their absolute values will be used for the above aggregation; 2020 shall be taken as the first year for calculation); or

- (5) 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.

The circumstances described in the foregoing Subparagraphs (1) and (2) of the preceding Paragraph are collectively referred to as compulsory delisting for fraudulent offering; those described in foregoing Subparagraphs (3) to (5) of the preceding Paragraph are collectively referred to as compulsory delisting for material information disclosure violations.

9.5.3 “[F]inancial indicators in any consecutive financial years from 2015 to 2020 have actually fallen into any of the circumstances requiring termination of listing in a corresponding year,” within the meaning of Subparagraph (3), Paragraph 1 of Subsection 9.5.2, refers to any of the following circumstances:

- (1) its audited net profit has been negative for 3 consecutive financial years, and in the 4th financial year, the lower of its net profit before or after non-recurring gain or loss is negative, or its ending net assets are negative, or its operating revenue is lower than RMB 10 million, or it receives an audit report issued with a qualified opinion, a disclaimer of opinion or an adverse opinion from a CPA firm;
- (2) its audited ending net assets have been negative for 2 consecutive financial years, and in the 3rd financial year, the lower of its net profit before or after non-recurring gain or loss is negative, or its ending net assets are negative, or its operating revenue is lower than RMB 10 million, or it receives an audit report issued with a qualified opinion, a disclaimer of opinion or an adverse opinion from a CPA firm;
- (3) its audited operating revenue has been lower than RMB 10 million for 2 consecutive financial years, and in the 3rd financial year, the lower of its net profit before or after non-recurring gain or loss is negative, or its ending net assets are negative, or its operating revenue is lower than RMB 10 million, or it receives an audit report issued with a qualified opinion, a disclaimer of opinion or an adverse opinion from a CPA firm;
- (4) the audit report on its financial reports has been issued with a disclaimer of opinion or an adverse opinion by a CPA firm for 2 consecutive financial years, and in the 3rd financial year, the lower of its net profit before or after non-recurring gain or loss is

negative, or its ending net assets are negative, or its operating revenue is lower than RMB 10 million, or it receives an audit report issued with a qualified opinion, a disclaimer of opinion or an adverse opinion from a CPA firm; or

- (5) any other circumstance requiring termination of listing in a corresponding year related to financial indicators as stipulated in the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*.

9.5.4 The Exchange will make a decision to terminate the stocks of a listed company from listing if the company commits any of the material violations under Subparagraph (2) of Subsection 9.5.1 where:

- (1) the company or any of its main subsidiaries is legally revoked of its business license, ordered to close down, or deregistered;
- (2) the company or any of its main subsidiaries is legally revoked of its production and operation license for main business, or otherwise becomes legally disqualified from continuing production and operation; or
- (3) the Exchange believes that the company's stocks shall be terminated from listing, based on the severity of the harm to national interests and public interest caused by the company's material violations and considering the type of legal liability assumed by the company, the impact of such violations on the production and operation and listing status of the company, and other factors.

9.5.5 If a listed company is likely to be involved in a circumstance requiring compulsory delisting for material violations, the company shall, on the day it knows the prior notice of the administrative penalty of a competent administrative authority or the judicial judgment of a competent people's court, disclose relevant matters timely and a special risk warning that its stocks are likely to be subject to compulsory delisting for material violations. Trading in the company's stocks and derivatives thereon shall be suspended for 1 day on the date of disclosure. If the disclosure is made on a non-trading day, the trading shall be suspended for 1 day on the following trading day. The Exchange will, from the date of trading resumption, issue a delisting risk warning to the company's stocks.

During the period when a delisting risk warning is issued to the company's stocks due to any of the circumstances under the preceding Paragraph, the company shall disclose the progress of relevant matters every 5 trading days, and publish a special risk warning that its stocks are likely to be subject to compulsory delisting for material violations.

9.5.6 If, during the period when a delisting risk warning is issued to the stocks of a listed company, the company receives the administrative penalty decision of a competent administrative authority or the effective judgment of a competent people's court that does not trigger any of the circumstances requiring compulsory delisting for material violations under this Section, and is not involved in other circumstances requiring a delisting risk warning, it shall timely disclose relevant matters. Trading in the company's stocks and derivatives thereon shall be suspended for 1 day on the date of disclosure. If the disclosure is made on a

non-trading day, the trading shall be suspended for 1 day on the following trading day. The Exchange will, from the date of trading resumption, lift the delisting risk warning.

9.5.7 If, during the period when a delisting risk warning is issued to the stocks of a listed company, the company receives the administrative penalty decision of a competent administrative authority or the effective judgment of a competent people's court which may trigger any of the circumstances requiring compulsory delisting for material violations under this Section, it shall apply to the Exchange for suspending trading in its stocks and derivatives thereon, timely disclose relevant matters, and publish a special risk warning that its stocks are likely to be subject to compulsory delisting for material violations. Trading in the company's stocks and derivatives thereon shall be suspended from the date of disclosure, or if the disclosure is made on a non-trading day, from the following trading day.

The Exchange will, within 5 trading days after the company discloses or the Exchange announces to the market the said administrative penalty decision or effective judgment, send a prior notice of its intention to terminate the company's stocks from listing to the company, which shall make timely disclosure thereof upon receipt of such notice.

9.5.8 If a listed company is likely to be involved in a circumstance requiring compulsory delisting for material violations under this Section, the Exchange will, within 15 trading days after the company discloses or the Exchange announces to the market the administrative penalty decision of a competent administrative authority or the effective judgment of a competent people's court, make a decision on whether to terminate the company's stocks from listing.

If the company applies to the Exchange for hearing, the aforesaid 15-trading day period shall exclude the period from the Exchange's receipt of the application to the end of the hearing procedures.

9.5.9 The Exchange's Listing Review Committee will deliberate on whether the stocks of a listed company are involved in circumstances requiring compulsory delisting for material violations and on whether to terminate its stocks from listing, make independent and professional judgment thereon, and issue a deliberation opinion thereon.

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

9.5.10 If the Exchange makes a decision not to subject the stocks of a listed company to compulsory delisting for material violations, the company shall, upon receipt of such decision, timely make disclosure thereof and apply for resuming trading in its stocks and derivatives thereon. If the company is not involved in other circumstances requiring a delisting risk warning, the Exchange will, from the date of trading resumption, lift the delisting risk warning already issued to its stocks.

9.5.11 If a listed company may trigger a compulsory delisting for material violations under this Section, its controlling shareholder, *de facto* controller, directors, supervisors, and senior officers, as well as their respective parties acting in concert shall not reduce their

shareholdings in the company during the period from the issuance date of a relevant administrative penalty decision or judicial judgment to the occurrence of any of the following circumstances:

- (1) the company's stocks are terminated from listing and delisted; or
- (2) the relevant administrative penalty decision received from a competent administrative authority or the valid judicial judgment received from a people's court shows that the company has not triggered a compulsory delisting for material violations.

If the company has no controlling shareholder or *de facto* controller according to its disclosure, its largest shareholder and the *de facto* controller of its largest shareholder shall comply with the preceding Paragraph.

Section 6 Delisting Arrangement Period

9.6.1 If the Exchange makes a decision to subject the stocks of a listed company to compulsory termination of listing, the stocks will resume trading and enter delisting arrangement period on the trading day immediately after the 5th trading day upon the date of announcement of such decision, and have a "delisting" indication put before their short name.

Stocks of companies that are subject to compulsory delisting for trading reasons or that voluntarily delist their stocks will not enter the delisting arrangement period.

9.6.2 The delisting arrangement period shall continue for 15 trading days. If a listed company's stocks and derivatives thereon are suspended from trading for a full trading day during the delisting arrangement period, the trading suspension period is excluded from 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 expiration of the total trading suspension period, the Exchange will resume trading of its stocks on the trading day immediately following the expiration.

9.6.3 The lock-up periods for any lock-up stocks of a listed company will continue to run during the delisting arrangement period. Such stocks may not be transferred during the delisting arrangement period until their lock-up periods expire.

9.6.4 If the stocks of a listed company enter the delisting arrangement period, the company and relevant persons with disclosure obligations shall continue to comply with laws, administrative regulations, ministry-level rules, other normative documents, these Rules, and other rules of the Exchange, and perform relevant obligations.

9.6.5 A listed company shall, upon receipt of the Exchange's decision to terminate listing of its stocks, timely disclose an announcement thereon and relevant matters regarding trading of its stock during the delisting arrangement period. Such announcement shall at least contain

the following information:

- (1) class, short name, and code of the stocks to be terminated from listing;
- (2) main contents of the decision on listing termination;
- (3) matters relating to registration, transfer, and management of the company's stocks after listing termination;
- (4) contact person, correspondence address, telephone number, and other contact information of the company after listing termination;
- (5) code, short name, price limit of the company's stocks during the delisting arrangement period;
- (6) the trading days and the expected last trading day for the company's stocks during the delisting arrangement period;
- (7) statement that the company will not plan or implement a major asset restructuring during the delisting arrangement period; and
- (8) other information required by the Exchange.

9.6.6 A listed company shall, on the first trading day of delisting arrangement period, publish a risk warning announcement on the Exchange's decision to terminate 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 10 trading days of the delisting arrangement period and on each trading day during the last 5 trading days thereof, publish a risk warning announcement that its stock will be terminated from listing.

9.6.7 If a listed company's stocks under delisting arrangement significantly deviate from the price limit of a comparable index over the same period, and the company does not publish any material matter announcement during the period, the Exchange may require the company to suspend trading of its stocks for verification. The company shall verify its information disclosures, relevant media reports, rumors, etc., and timely make an announcement thereon.

9.6.8 A listed company shall, on the date of expiration of the delisting arrangement period for its stocks, release again the announcement on termination of listing of its stocks, stating the specific matters regarding the switch of its stocks to NEEQ or any other trading venues, including the name of the trading venue to be switched to, date of switch, and the post-termination arrangements such as reconfirmation of title, registration, custody of its stocks.

9.6.9 When making an announcement during the delisting arrangement period, a listed company shall specify in the "important reminder" section thereof that: "The stocks of the company are tradable for the 15 trading days of the delisting arrangement period. As of the date of this announcement, the stocks have been traded for XX trading days. In YY trading

days remaining, the trading period will expire and the stocks will be terminated from listing. Investment involves risk and investors should be prudent when making investing decisions.”

9.6.10 Within 5 trading days after expiration of the delisting arrangement period for the stocks of a listed company, the Exchange will delist the stocks, in which case the stocks are terminated from listing.

9.6.11 If the stocks of a listed company enter the delisting arrangement period, the company shall not plan or implement any major asset restructuring during this period.

9.6.12 If the stocks of a listed company are likely to be subject to compulsory delisting and its board of directors has approved and announced its plan for major asset restructuring, the board shall timely convene a shareholders’ general meeting to decide whether the stocks will enter the delisting arrangement period after listing termination.

9.6.13 If the board of directors of a listed company convenes a shareholders’ general meeting pursuant to Subsection 9.6.12, it shall elect and submit one of the following proposals to the general meeting for deliberation:

- (1) the company’s stocks enter the delisting arrangement period and the company terminates its major asset restructuring, after the Exchange has decided to terminate listing of its stocks; or
- (2) the company’s stocks do not enter the delisting arrangement period and the company proceeds with its major asset restructuring, after the Exchange has decided to terminate listing of its stocks.

The aforesaid proposals require two-thirds or more of the votes held by the shareholders attending the meeting. Votes of shareholders who individually or collectively hold fewer than 5 percent of stocks in the company shall be separately counted and disclosed.

The company shall, in the notice of shareholders’ general meeting, fully disclose the consequences, associated risks, and subsequent arrangements for approval or non-approval of the aforesaid proposals.

If the board of directors elects proposal in Subparagraph (1) of Paragraph 1 of this Subsection, it shall specify in the notice of shareholders’ general meeting that, if the meeting approves this proposal, the company’s stocks will enter the delisting arrangement period on the trading day immediately after the 5th trading day upon the date of the Exchange’ decision on listing termination; if the meeting disapproves the proposal, the company’s stocks will be directly terminated from listing from the trading day immediately after the 5th trading day upon the date of the Exchange’ decision on listing termination, without entering delisting arrangement period.

If the board of directors elects the proposal in Subparagraph (2) of Paragraph 1 of this Subsection, it shall specify in the notice of shareholders’ general meeting that, if the meeting approves this proposal, the company’s stocks will be directly terminated from listing from the

trading day immediately after the 5th trading day upon the date of the Exchange' decision on listing termination, without entering the delisting arrangement period; if the meeting disapproves the proposal, the company's stocks will enter the delisting arrangement period on the trading day immediately after the 5th trading day upon the date of the Exchange' decision on listing termination.

9.6.14 The stocks of a listed company may be exempted from trading in the delisting arrangement period if the company is conducting bankruptcy reorganization and the court or administrator holds that trading of the stocks in the period would conflict with the bankruptcy proceedings or the performance of the reorganization plan approved by the court.

Section 7 Voluntary Delisting

9.7.1 A listed company may apply to the Exchange for voluntary termination of listing upon the occurrence of any of the following circumstances:

- (1) the shareholders' general meeting of the company decides to voluntarily withdraw its stocks from the Exchange and not to trade on it any longer;
- (2) the shareholders' general meeting of the company decides to voluntarily withdraw its stocks from the Exchange and apply to some other stock exchange for trading or transferring its stocks;
- (3) the changes in the total capital stock and the equity structure of the company caused by an offer issued by the company to all shareholders to buy back all or part of their stocks render the company unsuitable for listing;
- (4) the changes in the total capital stock and the equity structure of the company caused by an offer issued by the company's investors to all other shareholders to buy back all or part of their stocks render the company unsuitable for listing;
- (5) the changes in the total capital stock and the equity structure of the company caused by an offer issued by the acquirers other than the company's investors to all shareholders to buy back all or part of their stocks render the company unsuitable for listing;
- (6) the company is no longer an independent entity and is canceled as a result of its merger or consolidation with another company;
- (7) the shareholders' general meeting of the company decides that the company is dissolved; or
- (8) other circumstances as recognized by the CSRC and the Exchange.

Those listed companies having issued A-share and B-share stocks on the Exchange and applied for voluntary termination of listing as specified in the preceding Paragraph shall apply for terminating the listing of both A-share and B-share stocks except for existence of special

circumstances.

9.7.2 The decisions made by the shareholders' general meeting as described in Subparagraphs (1) and (2) of Paragraph 1 of Subsection 9.7.1 hereof shall require two-thirds or more of the valid votes held by all shareholders present at the meeting, and two-thirds or more of the valid votes held by the shareholders present at the meeting excluding the following ones:

- (1) the directors, supervisors, and senior officers of the listed company; and
- (2) the shareholders individually or collectively holding 5 percent or more of the stocks in the listed company.

9.7.3 A listed company shall fully disclose its plan for voluntary termination of listing, the reasons for its delisting, and its post-delisting development strategies, including merger & reorganization plan, business development plan, relisting plan and special notes on protecting dissent shareholders, before the issuance of the notice on convoking such shareholders' general meetings as mentioned in Subparagraphs (1) and (2) of Paragraph 1 of Subsection 9.7.1 hereof.

Independent directors shall give independent opinions on whether the above matter is beneficial to the long-term development of the company and the interest of all shareholders after adequately consulting with minority shareholders about the same. Such independent opinions shall be announced together with the notice on convoking shareholders' general meeting.

The company shall engage financial advisors and lawyers to provide professional services for the voluntary termination of listing and issue professional opinions that will be announced together with the notice on convoking shareholders' general meeting.

After the shareholders' general meeting deliberates the voluntary termination of listing, the company shall publish an announcement about the meeting decisions in a timely manner, disclosing the particulars of proposal deliberation and adoption.

9.7.4 If the voluntary termination of listing of a listed company is induced by any of the circumstances enumerated in Subparagraphs (3) to (7) of Paragraph 1 of Subsection 9.7.1 hereof, the company shall abide by the relevant provisions specified in the *Company Law*, the *Securities Law*, the *Administrative Rules on Acquisition of Listed Company* and the *Measures for the Administration of the Material Asset Restructurings of Listed Companies* as well as relevant business rules of the Exchange, strictly perform its obligations in terms of decision making, implementation procedures and information disclosure, and timely apply to the Exchange for suspension or resumption of the company's stocks and derivatives thereon.

If the company applies for voluntary termination of listing by voluntary dissolution, the company shall abide by Subsections 9.7.2 and 9.7.3 hereof in addition to the laws and regulations and other relevant rules.

9.7.5 If a listed company applies for voluntary termination of listing according to any of the circumstances specified in Subparagraphs (1) and (2) of Paragraph 1 of Subsection 9.7.1 hereof, the company shall apply to the Exchange for suspending the trading of its stocks and derivatives thereon since the trading day following the date of record determined by 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 the listing termination decision.

If the voluntary termination of listing of the company is induced by any of the circumstances enumerated in Subparagraphs (3) to (7) of Paragraph 1 of Subsection 9.7.1 hereof, the company shall timely submit an application for voluntary termination of listing to the Exchange according to relevant provisions.

The company shall timely make relevant announcement after submitting the application.

9.7.6 A listed company that applies to the Exchange for voluntary termination of listing shall submit the following documents at least:

- (1) application for voluntary termination of listing;
- (2) decision adopted by the board of directors and opinions issued by independent directors (if applicable);
- (3) decisions adopted by the shareholders' general meeting (if applicable);
- (4) plan for voluntary termination of listing;
- (5) plan for future development after voluntary termination of listing
- (6) special notes on protecting dissent shareholders;
- (7) special opinions issued by financial advisors on the company's voluntary termination of listing;
- (8) legal opinions issued by lawyers on the company's voluntary termination of listing; and
- (9) other documents required by the Exchange.

9.7.7 If the voluntary termination of listing of a listed company is not adopted by its shareholders' general meeting, the company shall timely apply to the Exchange for resuming the trading of its stocks and derivatives thereon since the announcement date of the decisions adopted by the meeting.

9.7.8 The Exchange will, within 5 trading days after receiving the application for voluntary termination of listing submitted by a listed company, make a decision whether or not to accept such application and notify the company of this decision. The company shall,

upon receiving the Exchange's decision on whether or not to accept its application, make timely disclosure of particulars of the decision along with a risk warning announcement that its stocks are likely to be terminated from listing.

9.7.9 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 grant approval. If, during the said fifteen trading days, the Exchange requires the listed company to provide supplementary materials, the listed company shall submit the relevant materials accordingly within the time limit specified by the Exchange. The period for the company to provide such supplementary materials shall not be counted in the time limit for the Exchange to make relevant decision, however, the total of both time limits shall not exceed 30 trading days.

9.7.10 The Exchange's Listing Review Committee will deliberate the voluntary termination of listing a listed company's stocks and issue its deliberation opinion based on independent and professional judgment after reviewing the compliance of the company's decision-making procedures, especially from the perspective of protecting the legitimate rights and interests of investors, in particular, minority investors.

The Exchange will make a decision whether or not to terminate listing the company's stocks according to the deliberation opinion of the Listing Review Committee.

9.7.11 The stocks of a listed company that are voluntarily terminated from listing will not be traded during the delisting arrangement period; the Exchange will, within 5 trading days following the date when announcing its decision of terminating the listing of the company's stocks, delist such stocks to terminate their listing.

9.7.12 If the Exchange terminates the listing of a listed company's stocks as a result of the occurrence of any of the circumstances specified in Subsection 9.7.1, the company and its affiliates shall make a proper arrangement for the matters such as transfer or trading of the delisted stocks and measures for protecting dissent shareholders in order to protect the legal rights and interests of investors, particularly, minority investors.

Section 8 Non-Delisting Risk Warning

9.8.1 The Exchange will issue a non-delisting risk warning to the stocks of a listed company if:

- (1) the balance of the company's funds misappropriated by its controlling shareholder (or the largest shareholder if there is no controlling shareholder) and the related parties thereof for non-operating purpose is 5 percent or more of the absolute value of its latest audited net assets or exceeds RMB 10 million, and corresponding repayment or rectification is not made within 1 month; or the balance of the external guarantees (excluding those provided to the company's consolidated subsidiaries) provided by the company in violation of the prescribed decision-making process is 5 percent or more of the absolute value of the latest audited net assets or exceeds RMB 10 million, and corresponding repayment or rectification is not made within 1 month;

- (2) the company's board of directors or shareholders' general meeting cannot hold a meeting and adopt a resolution;
- (3) the company's internal controls for the most recent financial year are issued an adverse opinion or a disclaimer of opinion, or the company fails to disclose the audit report on internal controls as required;
- (4) the company's production and operations are seriously affected and are not expected to return to normal within 3 months;
- (5) the principal bank account of the company is frozen;
- (6) the lower of the net profit before or after non-recurring gain or loss in each of the most recent 3 consecutive financial years is negative, and the audit report on the company's financial report for the most recent financial year indicates uncertainty in its ability to continue as a going concern; or
- (7) the company is involved in other circumstances where investors are unable to judge its prospects because of its major dishonest acts or the apparent uncertainty in its ability to continue as a going concern, which may impair investors' interests.

9.8.2 Upon occurrence of any of the circumstances under Subparagraphs (1) to (6) of Subsection 9.8.1 to a listed company, the company shall, on the date of occurrence, timely report the same to and submit its board of directors' written opinion thereon to the Exchange. Meanwhile, it shall make an announcement thereon and apply for suspending trading in its stocks and derivatives thereon from the trading day immediately following the date of occurrence. The Exchange will, within 5 trading days of receipt of the report and in view of specific conditions, issue a non-delisting risk warning to the company's stocks.

9.8.3 Where a non-delisting risk warning is issued to the stocks of a listed company due to the circumstance under Subparagraph (1) of Subsection 9.8.1, the company shall, during the non-delisting risk warning period, disclose an indicative announcement at least once every month disclosing the progress of its rectification of funds misappropriation or non-compliant guarantees.

9.8.4 Where a non-delisting risk warning is issued to the stocks of a listed company due to any of the circumstances under Subparagraphs (2) to (5) of Subsection 9.8.1, the company shall, during the non-delisting risk warning period, publish an indicative announcement at least once every month disclosing in stages the progress of the solutions to matters concerned.

9.8.5 If a non-delisting risk warning has been issued to the stocks of a listed company due to the circumstance under Subparagraph (1) of Subsection 9.8.1 and the circumstance is eliminated, the company shall timely publish an announcement thereon and apply to the Exchange for lifting such non-delisting risk warning.

Where the company has corrected the misappropriation of funds by the related parties and applies to the Exchange for lifting the non-delisting risk warning from its stocks, the company

shall submit the special review report of its CPA firm, the special opinion of its independent directors, and other related documents.

Where the company has corrected the non-compliant guarantees and applies to the Exchange for lifting the non-delisting risk warning from its stocks, the company shall submit the legal opinion of its law firm, the special opinion of its independent directors, and other related documents.

9.8.6 Where a non-delisting risk warning has been issued to the stocks of a listed company due to any of the circumstances under Subparagraphs (2) to (7) of Subsection 9.8.1 and the circumstance is eliminated, the company shall timely publish an announcement thereon and may apply to the Exchange for lifting such non-delisting risk warning.

If, after a non-delisting risk warning is issued to the stocks of a listed company due to the circumstance under Subparagraph (3) of Subsection 9.8.1, the company has corrected the defects in its internal controls and has in place well-functioning internal controls, and applies to the Exchange for lifting such non-delisting risk warning, it shall submit the standard unqualified audit report on its internal controls for the most recent year of its CPA firm, the special opinion of its independent directors, and other related documents.

If, after a non-delisting risk warning is issued to the stocks of a listed company due to the circumstance under Subparagraph (6) of Subsection 9.8.1, the company's audited financial report for the latest year reveals that the lower of its net profit before or after non-recurring gain or loss is positive or the uncertainty in its ability to continue as a going concern has been eliminated, and the company applies to the Exchange for lifting the non-delisting risk warning, the company shall submit the audit report for the most recent year of its CPA firm, the special opinion of its independent directors, and other related documents.

9.8.7 If, during the period when a non-delisting risk warning is issued to the stocks of a listed company due to any of the circumstances under Subsection 9.8.1, the company engages in major asset restructuring in accordance with the CSRC's relevant regulations and meets the following conditions, it may apply to the Exchange for lifting such non-delisting risk warning:

- (1) the company has completed sale of all its operating assets and liabilities as well as acquisition of other assets in accordance with the CSRC's regulations on listed companies' major asset restructuring;
- (2) the assets acquired are an entire operating entity which has been in operation for 3 consecutive years or more under the same management before being acquired by the company;
- (3) according to the special statement of its CPA firm, the financial report for the year in which the company is expected to complete the major asset restructuring will meet the conditions for lifting a non-delisting risk warning under this Section;
- (4) the company has disclosed the latest periodic report after completion of the major asset restructuring; and

(5) other conditions required by the Exchange.

9.8.8 If a listed company applies to the Exchange for lifting the non-delisting risk warning from its stocks, it shall publish an announcement thereon at the same time.

The Exchange will, within 10 trading days of receipt of the application and in view of the specific situations, make a decision on whether to lift the non-delisting risk warning.

9.8.9 If the Exchange decides to lift the non-delisting risk warning from the stocks of a listed company, the company shall, as required by the Exchange, disclose an announcement thereon on the trading day immediately preceding the lifting date.

Trading in the company's stocks and derivatives thereon will be suspended for 1 day on the date of disclosure. Upon the trading resumption, the Exchange will lift the non-delisting risk warning.

9.8.10 If the Exchange decides not to lift a non-delisting risk warning from the stocks of a listed company, the company shall publish an announcement thereon on the trading day immediately following receipt of the Exchange's relevant written notice. If the company fails to do so, the Exchange will publish an announcement thereon to the market.

Chapter X Relisting

Section 1 General Rules

10.1.1 A delisted company that applies to the Exchange for relisting its stocks shall meet the relisting conditions specified in this Chapter. The Exchange will consider and decide whether or not to approve the relisting application according to the procedures specified in this Chapter.

10.1.2 A delisted company that applies to the Exchange for relisting its stocks shall disclose or report information in a timely and fair manner, and ensure the information so disclosed or reported is true, accurate and complete and free from misrepresentations, misleading statements, or material omissions.

The directors, supervisors, and senior officers of the company shall act with diligence and care; ensure that the company discloses or reports information in a timely, fair, true, accurate, and complete manner; and represent that they will assume corresponding legal liability for the disclosure or reporting.

10.1.3 The sponsor of a delisted company and its sponsor representatives shall act with diligence, care and good faith to duly perform their prudent verification and guidance obligations and shall represent that they will be legally liable for the truthfulness, accuracy, and completeness of any documents issued by them.

Any other intermediaries and personnel who provide documents or services for the relisting of stocks of the delisted company shall strictly perform their duties and represent that they will be legally liable for the truthfulness, accuracy, and completeness of any documents issued by them.

10.1.4 The Exchange's approval of a delisted company's application for relisting of its stocks shall not be construed as a substantial judgment or guarantee as to the investment value or return of the stocks. Investors shall independently bear risks associated with their investment.

Section 2 Relisting Applications

10.2.1 A delisted company may apply to the Exchange for relisting its stocks if the circumstances requiring the termination of listing of its stocks (other than those requiring termination of listing for trading reasons) cease to exist and the company meets all of the following conditions:

- (1) the company meets the offering requirements prescribed by the *Securities Law* and the CSRC;
- (2) the company's total capital stock is no less than RMB 50 million;
- (3) the company's public stocks make up 25 percent or more of its total stocks, or 10

percent or more if its total capital stock exceeds RMB 400 million;

- (4) the company's market capitalization and financial indicators satisfy the criteria under Section 1 of Chapter III of these Rules;
- (5) the directors, supervisors and senior officers of the company are qualified for their office as required by the laws and regulations, relevant rules of the Exchange, the articles of association of the company and are not involved in any circumstances which affect their appointment; and
- (6) the company meets any other conditions required by the Exchange.

In Subparagraph (5) of the preceding Paragraph, "circumstances which adversely affect the appointment" include but are not limited to:

- (1) a market ban imposed by the CSRC which has not been lifted;
- (2) any administrative penalty imposed by the CSRC during the most recent 36 months, or any public censure given by any securities trading venue during the most recent 12 months;
- (3) any investigation conducted by a judicial authority for any suspected crime or by the CSRC for any suspected violations of laws and regulations but no definitive conclusion from which has been reached; and
- (4) any other circumstance stipulated by the Exchange.

10.2.2 A voluntarily delisted company may at any time file a relisting application to the Exchange.

To apply for relisting its stock on the Exchange, a compulsorily delisted company shall meet any of the following requirements:

- (1) in the case of compulsory delisting for trading reasons, there has been 3 months from the date when the company's stocks were admitted to be transferred on NEEQ or any other securities trading venue; or
- (2) in the case of compulsory delisting for material violations due to fraudulent offering, the company shall not file a relisting application to the Exchange after the termination of listing of its stocks;
- (3) in the case of compulsory delisting for material violations due to reasons other than fraudulent offering, there have been 5 financial years from the date when the company's stocks were admitted to be transferred on NEEQ or any other securities trading venue, unless under the circumstances specified in Subsection 10.3.8; or
- (4) in the case of compulsory delisting other than that specified in Subparagraph (1), (2)

or (3), there have been 12 months from the date when the company's stocks were admitted to be transferred on NEEQ or any other securities trading venue.

10.2.3 The Exchange will not accept any relisting application from a compulsorily delisted company within 36 months from the date when its stocks were admitted to be transferred on NEEQ or any other securities trading venue if:

- (1) after the company's board of directors have approved and announced its plan for major asset restructuring despite the possible compulsory delisting of its stocks, the board of directors fails to timely convene a shareholders' general meeting as required to decide whether the stocks will enter the delisting arrangement period after the termination of their listing;
- (2) the company fails to perform disclosure or any other related obligations as required by the Exchange during the delisting arrangement period;
- (3) the company fails to arrange for the admission of its stocks to NEEQ or any other securities trading venue for trading as required by the Exchange; or
- (4) the company otherwise refuses to perform any obligations as required by the Exchange or cooperate with the Exchange in the delisting of its stocks.

10.2.4 The Exchange will not accept any relisting application from a company compulsorily delisted for material violations due to reasons other than fraudulent offering, unless the company meets all of the following conditions:

- (1) the company has fully corrected its material violations and meets the following requirements:
 1. the company has made a supplementary or correction announcement on the matters involved in the material disclosure violations;
 2. the company has completed pursuit of liabilities for material violations;
 3. the company has additionally performed relevant decision-making procedures for the matters involved in the material violations;
 4. the responsible parties of the company such as controlling shareholders and *de facto* controllers have compensated the company for any losses caused by the material violations; and
 5. the risk factors relevant to the company possibly produced by the material violations have been removed.
- (2) the company has replaced the following responsible personnel involved in the material violations:

1. the personnel who have been found guilty by a people's court;
 2. the personnel who have received any administrative penalty from the competent administrative authority;
 3. the personnel who have been legally transferred by the competent administrative authority to a public security authority for a formal investigation; and
 4. other responsible personnel who have been found by the CSRC and the Exchange to be related to the material violations.
- (3) the company has made a proper arrangement for payment of relevant civil compensation and meets the following requirements:
1. if a people's court has delivered a judgement on relevant compensation matters, the judgement has been enforced;
 2. if no judgement on relevant compensation matters has been delivered by a people's court but a settlement agreement has been reached, the settlement agreement has been fulfilled;
 3. if neither a judgement on relevant compensation matters has been delivered by a people's court, nor a settlement agreement has been reached, the company and relevant responsible parties have set aside an estimated maximum claim amount as a compensation fund, and transferred the amount in full into a dedicated account, and the controlling shareholders and the *de facto* controllers of the company have undertaken to make up for any deficiency if such compensation fund is insufficient to cover the losses.
- (4) there is no circumstance requiring the termination of listing of the company's stocks as set out in these Rules; and
- (5) the sponsor and lawyer engaged by the company for the relisting of its stocks have verified the matters described in the preceding 4 Subparagraphs and issued their special verification opinions that clearly confirm the company's compliance with the preceding 4 Subparagraphs.

10.2.5 A delisted company that intends to file a relisting application shall convene a board of directors meeting and shareholders' general meeting to adopt a resolution regarding the relisting application. The resolution of the shareholders' general meeting shall be approved by shareholders representing two-thirds or more of the voting rights of the shareholders in presence.

10.2.6 To submit a relisting application, a delisted company shall provide the financial reports for the most recent 3 years prepared in accordance with the *Accounting Standards for Business Enterprises* and audited by a CPA firm.

The audit reports on the said financial reports shall be valid within 6 months after the end date of the last audit period. If the 6-month period expires, the company shall additionally provide the latest audited financial report.

10.2.7 A delisted company that intends to apply for relisting of its stocks shall be sponsored by a sponsor and submit relisting documents and a relisting application to the Exchange. The formats and contents of the relisting documents and application shall be separately prescribed by the Exchange.

If necessary for review of the application, the Exchange may require the company to provide additional materials within a specified time limit.

10.2.8 A sponsor engaged by a delisted company for its relisting application shall conduct a due diligence investigation with respect to the relisting of its stocks and prepare the working papers of the due diligence investigation. The format and content of the working papers shall be separately prescribed by the Exchange.

The sponsor shall issue a relisting sponsorship letter and sponsorship work report based on the due diligence investigation. The formats and contents of the relisting sponsorship letter and sponsorship work report shall be separately prescribed by the Exchange.

10.2.9 A delisted company that intends to apply for relisting of its stocks shall engage lawyers to conduct a due diligence investigation on the legality and compliance of its relisting application and the truthfulness, accuracy, and completeness of its related application documents.

The lawyers shall issue a legal opinion and legal work report based on the due diligence investigation. The formats and contents of the legal opinion and legal work report shall be separately prescribed by the Exchange.

10.2.10 The Exchange will decide whether or not to accept its relisting application within 5 trading days after receiving relisting application documents from a delisted company.

The time limit during which the company provides additional materials as required by the Exchange shall not be included in the above period, provided that the time limit shall not exceed 15 trading days in total.

10.2.11 The Exchange will not accept a relisting application from a delisted company if:

- (1) the company's relisting application documents such as relisting report, relisting sponsorship letter, and legal opinion are incomplete and fail to be supplemented as required;
- (2) the company and its controlling shareholder, *de facto* controller, directors, supervisors, senior officers, sponsor, intermediaries, and their principal personnel have been and are currently still subject to such measures as identification as unsuitable for their positions, restriction on their business activities or securities

market ban, imposed by the CSRC, or rejection of relevant documents from them within a certain period or public declaration as unsuitable to serve as a director, supervisor, or senior officer of a listed company, imposed by stock exchanges or other national securities trading venues approved by the State Council, or identification as unsuitable for relevant business, imposed by the Securities Association of China, due to violations of securities-related laws and regulations; or

- (3) other circumstances stipulated by laws, administrative regulations and the CSRC.

10.2.12 If a relisting application from a delisted company is not approved by the Exchange, the company may submit a new relisting application within 6 months from the date when the Exchanged decided not to approve the former relisting application.

Section 3 Review of Relisting Applications

10.3.1 If a voluntarily delisted company files a relisting application, the Exchange will decide whether or not to approve the listing application within 30 trading days from the date of accepting the relisting application.

If a compulsorily delisted company files a relisting application, the Exchange will decide whether or not to approve the relisting application within 60 trading days from the date of accepting the relisting application.

The time limit during which the company provides additional materials as required by the Exchange and that during which the company implements the opinions of the Listing Review Committee shall not be included in the above period, provided that each of the said time limits shall not exceed 30 trading days in total.

If the company fails to provide additional materials within the said time limit as required by the Exchange, the Exchange will resume the review of its relisting application after the expiration of the time limit and decide whether or not to approve the relisting application in accordance with these Rules.

Before deciding whether or not to approve the relisting application of the company, the Exchange may by itself or engage a third-party institution to investigate and verify matters related to the relisting application and submit the findings to the Listing Review Committee for consideration. The investigation and verification period shall not be included in the period, as set out in this Subsection 10.3.1, for the Exchange to make a decision.

If any circumstances which require the suspension of review, postponement of deliberation, and handling of post-Listing Review Committee meeting matters arise during the review of the relisting application, the corresponding periods shall not be included in the period, as set out in this Subsection 10.3.1, for the Exchange to make a decision.

10.3.2 Upon the occurrence of any of the following circumstances during the review of its relisting application, a delisted company and its sponsor and other intermediaries shall promptly inform the Exchange of such occurrence, and the Exchange will suspend the review

and notify the company and its sponsor of such suspension:

- (1) the company or its controlling shareholder or *de facto* controller is under currently ongoing investigation or judicial investigation for any suspected corruption, bribery, embezzlement, misappropriation of property, or any other crime that disrupts the socialist market economy, or any suspected fraudulent offering, material disclosure violation, or other material violation involving national security, public security, ecological security, production safety, public health or otherwise;
- (2) the company's sponsor and other intermediaries have been and are currently still subject to the measures legally imposed by the CSRC, such as restricting their business activities, requiring suspension of their business activities for rectification, and designating other institution as their trustee or receiver;
- (3) the sponsor representatives and other intermediaries' principal personnel have been and are currently still subject to such regulatory measures legally imposed by the CSRC as identifying them as unsuitable for their positions and imposing a securities market ban on them, or the disciplinary actions imposed by the Securities Association of China of identifying them as unsuitable for relevant business;
- (4) the sponsor and its sponsor representatives and other intermediaries and their principal personnel have been and are currently still subject to the disciplinary action of not accepting relevant documents from them within a certain period imposed by stock exchanges or other national securities trading venues approved by the State Council;
- (5) the financial materials contained in the relisting application documents of the company have expired, and additional materials are required;
- (6) the company and the sponsor voluntarily request suspension of the review based on justifiable reasons, and the Exchange approves such request; or
- (7) any other circumstance where the Exchange deems that the review shall be suspended.

If, upon the occurrence of any of the circumstances under Subparagraphs (1) to (5) of the Paragraph 1 of this Subsection 10.3.2, the company, the sponsor or any other intermediary fails to promptly inform the Exchange of such occurrence, the Exchange will directly suspend the review after verifying that the circumstance requires suspension of the review.

If the review is suspended due to any of the circumstances set out in Subparagraphs (2) to (4) of Paragraph 1 of this Subsection 10.3.2, and the company is required to replace its sponsor and other intermediaries, the replacing sponsor and intermediaries shall, within 3 months from the date of the suspension, complete a due diligence investigation, issue new relevant documents, reexamine the documents issued by the former sponsor and intermediaries, and issue a reexamination opinion to explain any identified difference. If the company is not required to replace its sponsor and other intermediaries, the sponsor and other intermediaries

shall promptly issue a reexamination report to the Exchange.

If the review is suspended due to any of the circumstances set out in Subparagraphs (2) to (4) of Paragraph 1 of this Subsection 10.3.2, and the company replaces the sponsor representatives or any other intermediary's principal personnel, the replacement sponsor representatives or any other intermediary's replacement principal personnel shall, within 1 month from the date of the suspension, reexamine the documents issued by the former sponsor representatives or any other intermediary's former principal personnel, and issue a reexamination opinion to explain any identified difference.

If the review is suspended due to any of the circumstances set out in Subparagraphs (5) to (6) of Paragraph 1 of this Subsection 10.3.2, the company shall, within 3 months from the suspension of the review, additionally provide valid documents or eliminate the circumstances requiring voluntary request for suspension of the review.

If the circumstances requiring suspension of the review as set out in Paragraph 1 of this Subsection 10.3.2 cease to exist, or the company completes relevant matters within the time limits specified in Paragraphs 3 to 5 of this Subsection 10.3.2, the Exchange will, upon review and verification, resume the review of the company's relisting application and notify the company and its sponsor of the resumption.

10.3.3 Upon the occurrence of any of the following circumstances during the review of a delisted company's relisting application, the Exchange will terminate the review and notify the company and its sponsor of the termination:

- (1) the relisting application documents have material defects which seriously affect investors' understanding and the Exchange's review of such documents;
- (2) the company withdraws its relisting application or the sponsor cancels the sponsorship;
- (3) the relisting application documents are found to contain any misrepresentations, misleading statements, or material omissions;
- (4) the company obstructs or refuses any inspection legally conducted by the CSRC or the Exchange;
- (5) the company and its related parties improperly and significantly interfere with the review of the relisting application;
- (6) the company is disqualified as a legal person;
- (7) the circumstances requiring suspension of the review under Paragraph 1 of Subsection 10.3.2 do not cease to exist within 3 months, or the company fails to complete relevant matters within the time limits specified in Paragraphs 3 to 5 of Subsection 10.3.2;

- (8) any other circumstance where the Exchange deems that the review shall be suspended.

10.3.4 The Listing Review Committee will consider the relisting application of a delisted company to make an independent professional judgment and issue a deliberation opinion.

10.3.5 The Exchange will decide whether or not to approve the relisting application based on the deliberation opinion of the Listing Review Committee on the relisting application of a delisted company.

10.3.6 After making a decision as to whether or not approve the relisting application of a delisted company, the Exchange will notify the company of the decision and file the decision with the CSRC within 2 trading days.

10.3.7 If, after the Exchange's official decision approving the relisting application of a delisted company and before the relisting of the company's stocks, any matter occurs which makes the company not meet the relisting conditions, triggers any circumstance requiring suspension or termination of the review of the relisting application, or otherwise has a possible material impact on the investment value of the stocks or the investment decision making of investors, the company and its sponsor shall timely report the matter to the Exchange and as required update the relisting application documents. The company's sponsor and other intermediaries shall continue to perform their due diligence investigation duty and submit their special verification opinions to the Exchange.

If the company is likely to fail to meet the relisting conditions due to the matter in the preceding Paragraph, the Exchange may resubmit the relisting application of the company to the Listing Review Committee for deliberation and decide whether or not to uphold the approval of the listing application based on the opinion of the Listing Review Committee.

10.3.8 If, after the stocks of a listed company are terminated from listing due to compulsory delisting for material violations, the administrative penalty decision or judicial judgment on which the compulsory delisting for material violations is based is legally revoked, confirmed as invalid, or legally altered, the company may, within 10 trading days after becoming aware of the corresponding decision of the competent administrative authority or the effective ruling of the competent people's court to that effect, apply to the Exchange for revoking its decision on listing termination. The Exchange will, within 15 trading days after receiving such application, decide whether or not to revoke its decision on listing termination based on the corresponding decision of the competent administrative authority or the effective ruling of the competent people's court. The company may, within 20 trading days from the date when the Exchange decides to revoke the delisting decision, file a relisting application to the Exchange.

If, in addition to circumstances that require compulsory delisting for material violations, the company is concurrently involved in other circumstances that require risk warning or listing termination, the Exchange will issue a risk warning on or terminate the listing of its stocks accordingly.

10.3.9 Any company that is involved in the circumstance under Subsection 10.3.8 may disapply the conditions in Subsection 10.2.1 and file a relisting application to the Exchange to restore its status as a listed company.

When filing the relisting application, the company shall perform relevant decision-making procedures in accordance with Subsection 10.2.5.

10.3.10 If a company delisted for material violations submits a relisting application in accordance with Subsection 10.3.9, the company may apply to the Exchange for exemption from the provisions of Subsection 10.2.6 regarding audited financial statements and the provisions of the Subsection 10.2.7 regarding sponsorship, provided that the company shall provide relevant application documents.

10.3.11 If a company delisted for material violations submits a relisting application in accordance with Subsection 10.3.9, the Exchange will decide whether or not to accept the listing application within 5 trading days upon receipt thereof and decide whether or not to approve the listing application within 15 trading days after acceptance thereof.

10.3.12 If a relisting application filed in accordance with Subsection 10.3.9 by a company delisted for material violations is approved by the Exchange, the company may apply for exemption from the provisions of this Chapter regarding lock-up of stocks and continuous supervision.

10.3.13 If a company delisted for material violations submits a relisting application in accordance with Subsection 10.3.9, any matters not covered in this Section shall be governed by other provisions of this Chapter.

10.3.14 If, after the stocks of a listed company are terminated from listing for compulsory delisting for financial reasons due to any fact found in an administrative penalty decision, the administrative penalty decision is legally revoked, confirmed as invalid, or due to a material change in the findings of the nature or facts of the violation concerned, legally altered, the company may apply to the Exchange for revoking its decision on the compulsory delisting of the company's stocks for financial reasons and submit a relisting application by reference to the procedures set out in Subsection 10.3.8 and Subsection 10.3.9.

Section 4 Relisting Arrangements

10.4.1 A delisted company shall complete the procedures for the reconfirmation of ownership, registration, and custody of its stocks within 3 months after its relisting application is approved by the Exchange. After the company completes these procedures, the Exchange will arrange for listing its stocks for trading.

If the company fails to complete the relevant relisting procedures within the said period, it shall submit to the Exchange an application for relisting postponement and release an announcement thereon, and the Exchange may decide whether or not to approve the postponement based on the particular conditions.

If the company fails to complete the relevant relisting procedures within the said period and to obtain a postponement approval from the Exchange, the decision of the Exchange approving the relisting application of the company shall become invalid upon expiration of the said period, and the company may submit a new relisting application within 6 months from the date of invalidation.

10.4.2 After its relisting application is approved by the Exchange, a delisted company shall enter into a relisting agreement with the Exchange before the relisting of its stocks to specify their rights and obligations and other related matters, and shall, as required by the Exchange, pay applicable fees before the relisting.

10.4.3 A delisted company shall provide the following documents to the Exchange before the relisting of its stocks:

- (1) the *Declaration and Undertaking of Directors (Supervisors or Senior Officers)* signed by the directors, supervisors and senior officers of the company;
- (2) document evidencing the custody of all its stocks with the CSDC;
- (3) an explanation on the industry classification of the company; and
- (4) other documents required by the Exchange.

10.4.4 The reference opening price of a listed company's stocks on the first relisting day shall in principle be the closing price of such stocks on NEEQ or any other securities trading venue on the last transfer or trading day.

If the company believes the above reference opening price requires adjustment, the relisting sponsor shall issue a special verification opinion to fully explain and disclose the reasons for adjustment.

If the stocks of a voluntarily delisted company are not switched to NEEQ or any other securities trading venue for trading or transfer, the relisting sponsor shall issue and disclose a verification opinion on the method and basis for determining the reference opening price.

10.4.5 The controlling shareholder and *de facto* controller of a delisted company shall undertake that, within 36 months from the relisting date of the company's stocks, they will not transfer or authorize others to manage the stocks of the company directly and indirectly held by them or have the company repurchase their stocks.

If the company has no controlling shareholder or *de facto* controller, the company's largest shareholder and ultimate controller shall apply, *mutatis mutandis*, the preceding Paragraph.

The directors, supervisors, and senior officers of the company shall undertake that, within 12 months from the relisting date of the company's stocks, they will not transfer the stocks of the company directly and indirectly held by them or have the company repurchase their stocks.

10.4.6 In addition to applying Subsection 10.4.5, new stocks offered by a delisted company during its delisting period shall not be transferred within 12 months from the relisting date unless they are publicly transferred through auction trading or otherwise.

10.4.7 If, after the relisting of a delisted company's stocks, its pre-delisting tradeable stocks subject to lock-up restrictions are not publicly transferred through auction trading or otherwise during its delisting period, the lock-up period for such tradable stocks shall continue to run on and after the relisting date.

10.4.8 The lock-up periods for the new stocks offered by a delisted company through rights issue, conversion of capital reserve into capital stock, or bonus issue during its delisting period shall be same with those for the corresponding existing stocks.

10.4.9 If a delisted company does not undertake a non-tradable share reform before the termination of listing of its stocks, the non-tradable stocks of the company shall be tradable only after the relevant shareholders make an arrangement for the listing and trading of these stocks through shareholders' meeting or other means.

10.4.10 A delisted company shall, within 5 trading days before the relisting of its stocks, disclose a relisting announcement, a relisting report (the format and content of which shall be separately prescribed by the Exchange), and the updated relisting sponsorship letter and legal opinion.

The relisting announcement shall include:

- (1) the relisting date;
- (2) the type, short name, code and price limits of the stocks to be relisted;
- (3) the Exchange's decision approving the relisting of the stocks;
- (4) the equity structure, the quantity of tradable stocks after the relisting, and (if applicable) the quantity of stocks subject to lock-up restrictions after the relisting; and
- (5) other information required by the Exchange.

10.4.11 After the relisting of a delisted company's stocks, the sponsor of the company shall perform its continuous supervision and guidance duty during the year of the relisting and the subsequent 2 full financial years and submit to the Exchange a summary report on continuous supervision and guidance and make an announcement thereon within 10 trading days after the disclosure of each annual report.

Chapter XI Red Chip Enterprises and Coordination between Domestic and Overseas Matters

Section 1 Special Provisions for Red Chip Enterprises

11.1.1 Where a red chip enterprise applies for issuance of stocks or depositary receipts and listing thereof on the Exchange, the rules of the CSRC and the Exchange regarding the review and registration procedures for offering and listing of stocks or depositary receipts shall apply.

11.1.2 Where a red chip enterprise applies for listing of its domestic IPO stocks or depositary receipts, it shall obtain the review opinion of the Exchange agreeing to the public offering and listing of such stocks or depositary receipts and the decision of the CSRC approving the registration of such stocks or depositary receipts, in accordance with the *Rules Governing the Review of Offering and Listing of Stocks on Shanghai Stock Exchange*.

11.1.3 Where a red chip enterprise applies for listing of its domestic IPO stocks, it shall submit listing application documents in accordance with the relevant rules of the Exchange, documents that demonstrate the domestic IPO stocks issued have been put under the custody of the CSDC, and the relevant information of the domestic office for securities affairs it has established and the domestic representative for information disclosure it has engaged.

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 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, 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.

11.1.4 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 Exchange are governed by the company law and other laws and regulations of its overseas 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.

11.1.5 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 obligations shall, in accordance with the rules of the CSRC and the Exchange, disclose the listing and ongoing disclosure documents in the media that meet the prescribed conditions.

11.1.6 Where a red chip enterprise has in place a variable interest entity (hereinafter, VIE) structure or similar special 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.

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, the red chip enterprise and relevant persons with disclosure obligations shall make timely disclosure thereof.

11.1.7 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 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.

11.1.8 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 or constitutional document, unless otherwise provided for by laws and regulations.

Where the red chip enterprise 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.

11.1.9 Where the company law and other laws and regulations, or the standards generally accepted in practice of the place of incorporation of a red chip enterprise 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.

11.1.10 Where a red chip enterprise lists its depositary receipts on the Exchange, it shall, in its annual report and semi-annual report, disclose the implementation of and changes to the depositary and custodian arrangements during the reporting periods, and a 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 Paragraph 1 of this Subsection 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.

11.1.11 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.

11.1.12 A red chip enterprise and relevant persons with disclosure obligations 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 or the standards generally accepted in practice in the market of its place of incorporation or overseas listing, 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 law, they shall continue to be bound by the relevant provisions of these Rules.

11.1.13 The *Implementing Measures of the Shanghai Stock Exchange for the Listing and Trading of Pilot Innovative Enterprises' Stocks or Depositary Receipts* and other applicable rules shall apply, *mutatis mutandis*, to the ongoing disclosure of an overseas listed red chip enterprise.

Section 2 Coordination between Domestic and Overseas Matters

11.2.1 Where the stocks of a listed company and derivatives thereon are also listed on overseas stock exchanges, the company and relevant persons with disclosure obligations shall ensure that any information such overseas exchanges require to disclose will simultaneously be disclosed domestically via qualified media in accordance with the relevant rules of the Exchange.

Where the company and relevant persons with disclosure obligations disclose any information on an overseas market at a time that is not the disclosure hours prescribed by the Exchange, the domestic disclosure shall be made in the next disclosure period.

11.2.2 The reports and announcements submitted to overseas stock exchanges by a listed company and relevant persons with disclosure obligations shall be consistent with those filed with the Exchange in respect of the same matters. In case of any material discrepancy, the company and relevant persons with disclosure obligations shall provide a special explanation to the Exchange and publish a restatement and supplementary announcement.

11.2.3 Where the stocks of a listed company and derivatives thereon will be suspended from trading on any overseas stock exchange as required by the exchange or as applied for by the company, the company shall report the trading suspension as well as the reasons therefor to the Exchange in a timely manner together with a written statement on whether or not it will apply to the Exchange for trading suspension, and shall disclose relevant information.

11.2.4 Any matters not covered in this Chapter shall be governed by the laws and regulations, the relevant rules of the Exchange, and the MoUs on regulatory cooperation signed by the Exchange with other stock exchanges.

Chapter XII Intermediaries

Section 1 General Rules

12.1.1 Intermediaries that a listed company and relevant persons with disclosure obligations engage to provide securities services, including sponsors, CPA firms, law firms, asset appraisal agencies, financial advisory agencies, and credit rating agencies, shall meet the requirements set out in the *Securities Law*.

An intermediary shall conduct businesses that suit its size, professional competence, and risk-taking capability.

12.1.2 An intermediary and its relevant personnel shall provide securities services to listed companies and relevant persons with disclosure obligations in good faith and with due care and diligence in accordance with applicable business rules, good industry practices, and code of professional ethics.

12.1.3 An intermediary shall develop and maintain effective quality control system, independence management, and investor protection mechanism, strictly implement its internal control system, check and verify relevant business matters, and issue professional opinions in a prudent manner.

12.1.4 Where an intermediary prepares and issues any documents for the securities business of a listed company and relevant person with disclosure obligations, including a letter of listing sponsorship, tracking report for continuous supervision and guidance, audit report, assurance report, asset appraisal report, valuation report, legal opinion, financial advisory report, and credit rating report, the intermediary shall check and verify the truthfulness, accuracy, and completeness of all materials such documents have relied upon, and shall obtain adequate and proper evidence therefor; documents so prepared and issued shall be free from any misrepresentation, misleading statement, or material omission, with a reasonable and definite conclusion.

12.1.5 A listed company and relevant persons with disclosure obligations shall cooperate with each engaged intermediary and its relevant personnel by providing all materials relevant to their performance of duties and ensuring the truthfulness, accuracy, and completeness of such materials, and shall not refuse to provide, conceal, or falsify any material.

Where the intermediary, in preparing a special document for the company and relevant persons with disclosure obligations, identifies any misrepresentation, misleading statement, material omission, or other serious illegal act in any materials provided by the company and persons, the intermediary shall require them to supplement or correct the materials. If they fail to do so, the intermediary shall timely report to the Exchange.

12.1.6 An intermediary shall develop a sound working paper system, creating and properly keeping separate working papers for each project. Working papers shall contain complete information, clear records, and definite conclusions to truthfully, accurately, and completely reflect the entire process and all important matters of providing securities services.

The Exchange may access and check any working papers, records of securities trading activities, and related information as necessary for regulation.

12.1.7 An intermediary shall cooperate with the information disclosure requirements of the Exchange. It shall, at the Exchange's request and within the specified time limit, provide and submit relevant materials and information and truthfully respond to all inquiries of the Exchange regarding relevant matters, and shall not refuse to give a reply on the excuse of any uncertainty in the matters. The intermediary shall ensure that the materials and information it provides, submits, or replies are true, accurate and complete, free from any misrepresentation, misleading statement, or material omission, and with a reasonable and definite conclusion.

12.1.8 An intermediary and its relevant personnel shall not commit any insider trading for the benefit of themselves or others based on any undisclosed information of a listed company that they accessed through their positions.

Section 2 Sponsors

12.2.1 The Exchange adopts a listing sponsorship system for the listing of stocks and derivatives thereon. An issuer or a listed company that applies to the Exchange for the listing of its stocks and derivatives thereon, or a listed company that applies to the Exchange for relisting its stocks that have been terminated from listing, shall have a sponsor for that purpose, unless otherwise specified by the CSRC and the Exchange.

A sponsor shall be a securities company that is qualified to offer sponsor services and has full membership of the Exchange.

12.2.2 A sponsor shall enter into a sponsorship agreement with the issuer or the listed company and specify therein their respective rights and obligations during the listing application period, the relisting application period, and the continuous supervision and guidance period, respectively.

The continuous supervision and guidance period refers to, in the case of IPO, the remaining of the IPO year and the subsequent 2 full financial years; in the case of issuing new stocks or convertible bonds after IPO, the remaining of the issuance year and the subsequent 1 full financial year; in the case of relisting, the remaining of the relisting year and the subsequent 2 full financial years. This period commences from the listing date of relevant stocks or convertible bonds. Where the CSRC and the Exchange have other provisions on the continuous supervision and guidance of other derivatives, such provisions shall prevail.

If upon the expiration of the continuous supervision and guidance period, the listed company and relevant persons with disclosure obligations still have any uncompleted matters that require supervision and guidance, the sponsor shall continue to perform its obligations for supervision and guidance on such matters before they are completed.

12.2.3 When entering into a sponsorship agreement, a sponsor shall designate 2 sponsor representatives to be responsible for the sponsorship tasks and serve as the designated point of contact between the sponsor and the Exchange.

12.2.4 A sponsor that sponsors the listing of stocks or derivatives thereon shall submit to the Exchange the letter of listing sponsorship, the sponsorship agreement, the documentary proof of the sponsor and sponsor representatives, the specific power of attorney issued to the sponsor representatives, and other documents related to listing sponsorship.

The documents to be submitted by a sponsor that sponsors the relisting of stocks and the contents thereof are prescribed in the relevant rules of the Exchange on relisting.

12.2.5 A sponsor shall urge the issuer or listed company to establish and effectively implement sound systems for corporate governance, internal control, and information disclosure as part of compliant operation.

12.2.6 A sponsor shall urge the listed company and relevant persons with disclosure obligations to perform their information disclosure obligations, other relevant obligations, and their undertakings in accordance with these Rules.

12.2.7 A sponsor shall check the listed company's use of proceeds and release of lock-up stocks and derivatives thereon, and issue special opinions thereon.

During the continuous supervision and guidance period, the sponsor shall, in accordance with the relevant rules of the Exchange, check and issue special opinions on the matters disclosed by the issuer or listed company.

12.2.8 Upon the occurrence of any of the following events to the controlling shareholder or *de facto* controller of a listed company or their parties acting in concert, the company's sponsor and sponsor representatives shall issue and disclose an opinion on the impact of such event on the stable control and day-to-day operations of the company, the existence of any harm to the interests of the company, and any other undisclosed material risks:

- (1) the stocks of the company held by them are frozen by a judicial authority;
- (2) more than 80 percent of the company's stocks held by them are pledged or they are subject to forced liquidation; or
- (3) other event on which the Exchange or sponsor deems necessary to issue an opinion.

12.2.9 During the continuous supervision and guidance period, a sponsor shall conduct regular on-site inspections on relevant matters of the listed company in accordance with the relevant rules of the Exchange.

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

- (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 its sponsor representatives thereof;
- (3) according to the supervision and guidance opinions issued by the sponsor and its sponsor representatives, timely performing its disclosure obligation or taking appropriate rectification measures;
- (4) assisting the sponsor and its sponsor representatives in disclosing their continuous supervision and guidance opinions; and
- (5) providing other conditions and conveniences necessary for the sponsor and its sponsor representatives to perform their continuous supervision and guidance duties.

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

12.2.10 During the continuous supervision and guidance period, a sponsor and its sponsor representatives shall focus on whether any of the following events occurs to the listed company:

- (1) it is suspected to have committed a material financial fraud;
- (2) its controlling shareholder, *de facto* controller, and their related parties are suspected to have misappropriated its funds;
- (3) it may have provided a material non-compliant guarantee;
- (4) its controlling shareholder, *de facto* controller, and their related parties, its director, supervisor, or senior officer is suspected to have encroached upon its interests;
- (5) there is a material abnormality in its funds movement or cash flows; or
- (6) other events on which the Exchange or sponsor deems necessary to conduct an on-site inspection.

Upon the occurrence of any of the aforesaid events, the sponsor and sponsor representatives shall urge the listed company to verify and disclose the event and shall conduct a special on-site inspection on such event as per applicable rules within 15 days from the date when they become aware of or should have been aware of such event. If the company fails to make timely disclosure, the sponsor shall timely report to the Exchange.

12.2.11 A sponsor shall, prior to the issuer or listed company's submission of disclosure documents or other documents to the Exchange or within 5 trading days after corporate disclosure, complete its review of the relevant documents, urge the issuer to correct in a timely manner any problems found in its review or provide supplementary information, and

report the same to the Exchange.

The opinion issued by a sponsor in performing its sponsorship duties shall be notified to the issuer and listed company in a timely manner and recorded in the sponsorship working papers.

12.2.12 Where a sponsor, in the performance of its sponsorship duties, has sufficient reason to believe that the issuer or listed company may have violated relevant rules of the Exchange, it shall urge the issuer or listed company to make a statement on the case and, within a specified time limit, make a rectification. In severe cases, the sponsor shall report to the Exchange.

Where the sponsor makes a public statement on the issuer or listed company's violations of laws and regulations pursuant to relevant rules, it shall report to the Exchange in advance.

12.2.13 Where a sponsor has sufficient reason to believe that a professional opinion issued by another intermediary and its signatories pursuant to relevant rules may violate laws or regulations, such as containing misrepresentation, misleading statement, or material omission, or be otherwise improper, it shall issue an opinion in a timely manner. In severe cases, it shall report to the Exchange.

12.2.14 Where its sponsor is disqualified, an issuer or 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.

When an issuer or listed company terminates the sponsorship agreement with its sponsor or appoints another sponsor, it shall make an announcement in a timely manner. The new sponsor shall submit to the Exchange the documents enumerated in Subsection 12.2.4 hereof in a timely manner.

Where a sponsor changes its sponsor representative, it shall notify the issuer or listed company of such change in a timely manner.

12.2.15 After completing the continuous supervision and guidance, a sponsor shall issue a sponsorship final report within 10 trading days of the date when the listed company announces its annual report, and shall notify the listed company to timely disclose the same.

Section 3 CPA Firm

12.3.1 The engagement or dismissal of a CPA firm by a listed company must be decided by the shareholders' general meeting of the company and the board of directors shall not appoint any CPA firm before the decision is made by the shareholders' general meeting.

Where the company decides to dismiss or not to renew the engagement of a CPA firm, it shall notify the CPA firm after the board of directors makes a resolution thereon. When the shareholders' general meeting of the company is voting on the dismissal of the CPA firm or the CPA firm resigns, the CPA firm may have an opportunity to be heard.

12.3.2 A listed company shall make a reasonable schedule for the engagement or renewed engagement of a CPA firm, and any failure to timely engage a CPA firm shall not delay the disclosure of its periodic reports within the specified time limit.

Directors, supervisors, senior officers, controlling shareholder, and *de facto* controller of the company shall provide the CPAs with necessary working conditions, including granting them the access to all information related to the preparation of financial statements, providing them with other information required for auditing, and granting them unlimited access to the company's internal personnel and other relevant persons whom the CPAs deem necessary in acquiring any auditing evidence, so as to ensure the disclosure of period reports within the specified time limit.

The CPA firm and its relevant personnel shall issue appropriate audit opinions in strict accordance with the CPA practice standards and relevant rules, and shall not delay the audit without a justifiable reason and hence affect the company's disclosure of any periodic report within the specified time limit.

12.3.3 The CPA firm and its relevant personnel shall adhere to the concept of risk-based auditing, strictly follow the CPA practice standards, professional ethics, and relevant rules, maintain professional skepticism, improve assurance procedures, adopt proper assurance methods and techniques, understand the entity to be assured and its environment in a comprehensive way, prudently focus on the risk of gross misrepresentation, acquire adequate and appropriate evidence, and issue well-grounded assurance conclusion.

12.3.4 Where a listed company engages a CPA firm for annual auditing, it shall require the CPA firm to also audit the effectiveness of its internal control for financial reports and issue an audit report thereon, unless otherwise provided by the laws and regulations.

Section 4 Other Intermediaries

12.4.1 A listed company shall engage an independent financial advisor to issue an opinion on its major asset restructuring or purchase of assets by issuance of stocks (hereinafter, major asset restructuring).

In providing services to the company, the independent financial advisor shall focus on analyzing the necessity of restructuring, the reasonableness of pricing, the compliance, reasonableness, and viability of relevant undertakings and performance compensations (if any), the synergy between subject assets, and the company's capability to control and integrate the subject assets, and on this basis issue a definite and appropriate opinion.

12.4.2 A listed company and its independent financial advisor shall rationally determine the period for continuous supervision and guidance based on the time limit of performance undertakings of major asset restructuring, lock-up period of the stocks concerned, and corresponding plan for the use of proceeds. If upon the expiration of the continuous supervision and guidance period, the listed company and relevant persons with disclosure obligations still have any uncompleted matters that require supervision and guidance, the independent financial advisor shall continue to perform its obligations for supervision and

guidance on such matters in accordance with the laws and regulations until they are completed.

During the continuous supervision and guidance period, the independent financial advisor shall urge the company to effectively control and integrate the subject assets and urge all parties to the major asset restructuring to fulfill relevant undertakings and safeguarding measures. Upon identifying any misrepresentation and material risk in the financial reports of the subject matter that may harm the company's interests, the independent financial advisor shall urge all parties concerned to provide solutions; in severe cases, it shall timely report to the Exchange.

12.4.3 An independent financial advisor shall check the use of proceeds and release of lock-up stocks and derivatives thereon that are involved in a major asset restructuring, and issue special opinions thereon.

The independent financial advisor shall urge all parties to the major asset restructuring to implement the follow-up plans and fulfill their undertakings, and shall check their progress.

During the continuous supervision and guidance period, the independent financial advisor shall check and issue special opinions on the relevant matters occurred to the listed company in accordance with the relevant rules of the Exchange.

12.4.4 During the continuous supervision and guidance period of a major asset restructuring, the independent financial advisor shall conduct on-site inspections on the listed company in accordance with the relevant rules of the Exchange.

12.4.5 Where a listed company changes its independent financial advisor during a major asset restructuring or the continuous supervision and guidance period, it shall timely disclose the change, the reasons therefor, and the impact on the transaction.

12.4.6 The financial advisor engaged by an acquirer shall refuse to provide the acquirer with financial advisory services if it believes that the acquirer uses the acquisition of a listed company to harm the legitimate rights and interests of the target company and its shareholders.

The independent financial advisor engaged by the company shall examine the acquirer's eligibility, credit standing, and intent of acquisition, analyze the conditions of the offer, advise on whether the shareholders should accept the offer, and issue a professional opinion on the fairness and lawfulness of the acquisition.

The company and its financial advisor shall rationally determine the period for continuous supervision and guidance based on the lock-up period of the stocks purchased by the acquirer and other factors. During the acquisition and the continuous supervision and guidance period, the independent financial advisor and the financial advisor shall check whether the company harms its interests by, for example, granting guarantee or providing loans to the acquirer or the acquirer's related party, and if identifying any violation of laws or other misconduct, shall timely urge the company to correct and shall report to the Exchange.

If upon the expiration of the continuous supervision and guidance period, the company and relevant persons with disclosure obligations still have any uncompleted matters that require supervision and guidance, the financial advisor shall continue to perform its obligations for supervision and guidance on such matters in accordance with the laws and regulations until they are completed.

12.4.7 An asset appraisal agency and its relevant personnel shall strictly implement the appraisal standards or other appraisal practices, select proper appraisal methods, make appraisal assumptions appropriate to the realities, acquire sufficient evidence on the lawfulness of the appraised company's transactions, revenue, expenditures, investment, and other activities as well as on the reliability of future predictions, consider the probability of all future possibilities and their impacts, and ultimately reach a reasonable appraisal conclusion.

During an appraisal, the asset appraisal agency and its relevant personnel shall prudently verify the authenticity and authority of the materials that they rely on and rationally determine the appraisal parameters; they shall not use any pre-set value as the appraisal value or cooperate with the client in intentionally bringing the appraisal value up or down.

12.4.8 A law firm and its designated lawyers shall use a proper verification method to gain a full picture of the client's operations, risks, and problems, inspect the relevant matters of the client, ensure access to and comprehensive analysis of sufficient and valid evidence, and on this basis make an independent judgment and issue a definite legal opinion.

In issuing a legal opinion, if the lawyers have no access to any direct evidence on the matters to be verified due to objective limitations and have no alternative verification method, they shall clarify the same in the legal opinion and disclose the impact on relevant matters and any risks involved.

12.4.9 A credit rating agency, when conducting credit rating business, shall properly collect and utilize the rating information, determine the lawfulness and compliance of the sources of basic materials, make analysis based on the external business environment, internal operation, and financial position of the rated company as well as the risk factors (if any) enumerated in the previous rating report, stay abreast of all information in relation to the company, and give adequate risk warning in the rating report.

Upon the occurrence of any material matter that adversely affects the conclusion of the previous rating report, the credit rating agency shall timely conduct follow-up ratings from time to time according to professional requirements.

Chapter XIII Day-to-day Supervision and Handling of Breaches of These Rules

Section 1 Day-to-day Supervision

13.1.1 The Exchange may take one or more of the following day-to-day supervisory measures against the supervised parties specified in Subsection 1.4 hereof:

- (1) requiring them to make explanations and clarifications on relevant issues;
- (2) requiring them to provide relevant documents or materials;
- (3) requiring relevant intermediaries to make verification and issue opinions;
- (4) issuing notices and letters;
- (5) interviewing with relevant persons;
- (6) accessing or consulting their working papers, records of securities business activities, and relevant materials;
- (7) requiring them to make public corrections, clarifications, or explanations;
- (8) requiring them to hold investor briefings within the prescribed period;
- (9) requiring the board of directors of a listed company to recover losses;
- (10) reporting relevant matters to the CSRC;
- (11) notifying relevant authorities of relevant matters;
- (12) clarifying relevant matters in the market; and
- (13) other measures.

13.1.2 The Exchange may conduct on-site inspection of listed companies and the relevant parties in accordance the relevant rules of the CSRC and the Exchange and in light of supervisory needs, and they shall actively cooperate with the inspection.

In the preceding Paragraph, the on-site inspection refers to the process where the Exchange supervises and inspects the information disclosure, corporate governance, and other aspects of listed companies and the relevant parties, by such means as accessing or copying documents and materials, checking physical objects, having a conversation, or making an inquiry at their production, operating, management or other relevant sites.

13.1.3 If necessary, the Exchange may reveal the day-to-day supervisory measures it imposed on a supervised party, and the listed company concerned shall timely disclose

relevant matters as required by the Exchange.

13.1.4 The supervised parties under Subsection 1.4 hereof shall actively cooperate with the Exchange's day-to-day supervision, submit as required the reply, explanation and other relevant documents within the prescribed period, or disclose relevant announcements as required, and shall not refrain from performing their obligations of making reporting or announcement or responding to the Exchange's inquiries by reason of uncertainty in the outcome of relevant matters.

Section 2 Handling of Breaches of These Rules

13.2.1 Where a supervised party under Subsection 1.4 hereof breaches relevant rules of the Exchange or his/its undertakings, the Exchange may, depending on the severity of the breach, take one or more of supervisory measures or disciplinary actions against it.

13.2.2 The Exchange may take the following supervisory measures against a supervised party in accordance with these Rules and other rules of Exchange:

- (1) giving an oral warning;
- (2) giving a written warning;
- (3) requiring attendance of a supervisory interview;
- (4) requiring him/it to make rectifications within a specified time limit;
- (5) requiring him/it to make a public apology;
- (6) requiring him/it to engage intermediaries to make verification and issue opinions;
- (7) recommending him/it to replace relevant employees;
- (8) suspending trading by investors' accounts;
- (9) issuing a letter of recommendation on supervision to the relevant competent authority;
and
- (10) other supervisory measures.

13.2.3 The Exchange may take the following disciplinary actions against a supervised party in accordance with these Rules and other rules of Exchange:

- (1) circulating a notice of criticism;
- (2) giving a public censure;

- (3) publicly identifying him as unsuitable to serve as a director, supervisor, or senior officer of a listed company or as a domestic disclosure representative of an oversea issuer within a certain period;
- (4) recommending the court to replace the administrator of a listed company or a member of the administrator;
- (5) temporarily refusing to accept offering and listing application documents;
- (6) temporarily refusing to accept relevant business documents issued by an intermediary or its employees;
- (7) restricting trading by investors' accounts;
- (8) assessing punitive liquidated damages; and
- (9) other disciplinary actions.

If the Exchange imposes the disciplinary action stated in Subparagraph (6) of the preceding Paragraph, it shall at the same time notify the employer (if applicable) of the supervised party and the SSE-listed company engaging it or other supervised parties. During the period the Exchange refuses to accept relevant documents from a supervised party, it may decide whether or not to suspend the review of the documents issued by the supervised party and accepted by it.

13.2.4 The Exchange has a Disciplinary Action Committee, which reviews disciplinary actions to be imposed for breaches of these Rules and issues its opinion based on independent and professional judgment.

The Exchange will decide whether or not to impose disciplinary actions based on the opinion of the Disciplinary Action Committee.

13.2.5 Before the Exchange decides whether or not to impose disciplinary actions, the parties concerned may apply for hearing according to the scope of hearing and procedure under the relevant business rules of the Exchange.

13.2.6 A supervised party subject to supervisory measures or disciplinary actions imposed by the Exchange shall actively cooperate with the Exchange in timely implementing the measures or actions. If self-inspection and -rectification is required by the Exchange, the supervised party shall timely submit and disclose, as required, a report on the self-inspection and -rectification.

Chapter XIV Application for Review

14.1 After the earlier of receipt of the Exchange's relevant decision or the Exchange's announcement of the decision, an issuer, listed company, company applying for relisting of its stocks, or any other supervised party (hereinafter collectively applicant) dissatisfied with the decision may, within the period prescribed by relevant rules, apply in writing to the Exchange for review, provided the relevant matters involved in the decision are within the scope of review under relevant business rules of the Exchange.

14.2 To apply for a review, an applicant shall have clear claims, factual basis, and reasons for objection.

The applicant and the related institutions and persons shall ensure that the review application documents and related materials provided by them are free from misrepresentations, misleading statements or material omissions.

14.3 During the review, the execution of the Exchange's decision shall continue, unless the Exchange provides otherwise or deems it necessary to discontinue.

14.4 Within 5 trading days of receiving an applicant's review application documents, the Exchange will decide whether or not to accept the application and notify the applicant of the decision.

The Exchange will not accept review application documents that do not meet the requirements of this Chapter and other rules of the Exchange or fail to be submitted as required.

14.5 The Exchange has a Review Committee, which deliberates the review application of an applicant and issues its opinion based on independent and professional judgment.

14.6 Within 30 trading days of accepting a review application, the Exchange will make a review decision based on the opinion of the Review Committee. In special circumstances, the review period may be extended by not more than 30 trading days upon approval of the Review Committee. The decision is final.

If, during the 30 trading days, the Exchange requires the applicant to provide supplementary materials, the applicant shall do so as required. The period for providing the supplementary materials is excluded from the period for the Exchange to make relevant decision.

The period for providing the supplementary materials shall not exceed 30 trading days cumulatively. If the applicant fails to provide the supplementary materials within the period, the Exchange may continue to review its application upon expiration of the period and will make a review decision based on these Rules.

The Exchange may, on its own or through a relevant institution, investigate and verify relevant matters of the company, and submit the findings to the Review Committee for deliberation. The period for investigation and verification is excluded from the period for the

Exchange to make relevant decision.

14.7 An applicant that applies for a review of the Exchange's decision of listing denial, listing termination, or disapproval of voluntary listing termination shall disclose the contents of the decision on the trading day following the date of filing the review application with the Exchange.

After receiving the Exchange's decision on whether or not to accept its review application or the Exchange's review decision, the applicant shall timely disclose the relevant details of the decision and warn against associated risks.

14.8 If the Exchange has made separate rules on matters concerning review application, those rules prevail.

Chapter XV Interpretations

15.1 For the purpose of these Rules, the following terms and expressions have the following meanings:

- (1) **Disclosure or Announcement:** the process whereby a listed company or relevant persons with disclosure obligations release information on the website of the Exchange or in the media meeting the conditions specified by the CSRC in accordance with laws, administrative regulations, ministry-level rules, normative documents, these Rules, and other rules of the Exchange.
- (2) **Timely Disclosure:** within 2 trading days from the commencement date or after the time point for disclosure as prescribed in these Rules is reached.
- (3) **Material Matter:** a matter that may significantly affect the prices of a listed company's stocks and derivatives thereon.
- (4) **Senior Officer:** the general manager, vice general manager, board secretary, or person in charge of finance of a company or any other person as stipulated in the articles of association of the company.
- (5) **Controlling Shareholder:** the shareholder who holds 50 percent or more of the total capital stock of a company, or the shareholder who, though holding less than 50 percent of the total capital stock of a company, by virtue of the voting rights represented by the stocks it holds, is in a position to have a material impact on the resolutions of the shareholders' general meeting.
- (6) **De Facto Controller:** the natural person, legal person, or other organization who has actual control over corporate actions through investment relationship, agreements or other arrangements.
- (7) **Subsidiary of a Listed Company:** a company half or more of whose stocks are held by a listed company, or half or more of the directorships on whose board of directors can be decided by a listed company, or over which a listed company has *de facto* control by agreement or other arrangements.
- (8) **Close Family Member:** including spouse, parents, adult children and their spouses, siblings and their spouses, spouse's parents and siblings, and children's parents-in-law;
- (9) **The Equity Structure Does Not Meet the Listing Requirement:** the stocks held by public shareholders fall below 25 percent of the total capital stock of a company, or below 10 percent if the company's total capital stock exceeds RMB 400 million.

The aforesaid public shareholders include all the shareholders of a listed company, except the following:

1. any shareholder holding 10 percent or more of the stocks of a listed company and his/its/ parties acting in concert; and
 2. directors, supervisors, and senior officers of a listed company and their related parties.
- (10) Operating Revenue: the operating revenue presented in a listed company's income statement, or if consolidated financial statements are prepared, the total operating revenue in the consolidated income statement. Where there are other provisions on the operating revenue in Chapter IX of these Rules, such provisions prevail.
- (11) Total Profit: the total profit presented in a listed company's income statement, or if consolidated financial statements are prepared, the total profit in the consolidated income statement.
- (12) Net Profit: the net profit presented in a listed company's income statement, or if consolidated financial statements are prepared, the net profit attributable to the owners of the parent company in the consolidated income statement, excluding minority interest.
- (13) Net Assets: the net assets presented in a listed company's balance sheet, or if consolidated financial statements are prepared, the net assets attributable to the owners of the parent company in the consolidated balance sheet, excluding minority interest.
- (14) Earnings per Stock: the basic earnings per stock as calculated pursuant to the relevant regulations of the CSRC.
- (15) Return on Equity: return on equity as calculated pursuant to the relevant regulations of the CSRC.
- (16) Bankruptcy Proceedings: the reorganization, settlement or bankruptcy liquidation proceedings regulated by the *Enterprise Bankruptcy Law*.
- (17) Administrator Management Model: the operation model whereby the administrator is responsible for managing the properties and operations of a listed company, as ruled by the court.
- (18) Administrator Supervision Model: the operation model whereby a listed company manages its own properties and operations under the supervision of the administrator, as ruled by the court.
- (19) Intermediary: any sponsor, CPA firm, law firm, asset evaluation agency, financial advisory agency, or credit rating agency that prepares and issues listing sponsorship letter, continuous supervision report, audit report, authentication report, asset evaluation report, credit rating report, legal opinion, and financial advisory report for a listed company and the relevant persons with disclosure obligations.

- (20) Retrospective Restatement: an error correction made by a listed company to its previously disclosed annual 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.
- (21) Day of Trading Suspension: any trading day throughout which the Exchange suspends trading in a listed company's stocks.
- (22) Daily Closing Price of a B-Share Stock Lower than RMB 1: the daily closing price converted into CNY of a B-share Stock is lower than RMB 1 (converted at the central parity rate of CNY against USD as adopted by the SHCOMP and rounded up to the tick size).
- (23) Total Daily Closing Market Value of the Stocks of a Listed Company at the Exchange: the daily closing price of the stocks of a listed company at the Exchange multiplied by the number of the stocks. The stocks include tradable stocks and non-tradable stocks (including those that have been repurchased and not deregistered).
- (24) Unqualified Opinion: an audit opinion issued by a CPA firm that the financial statements are, in all material respects, in compliance with the applicable basis of preparation of financial reports and fairly presented.
- (25) Modified Opinion: a non-unqualified opinion or an unqualified opinion with explanatory notes issued by a CPA firm on financial statements. The non-unqualified opinion refers to a qualified opinion, an adverse opinion, or a disclaimer of opinion issued by a CPA on financial statements. The unqualified opinion with explanatory notes refers to an unqualified opinion issued on financial statements which includes emphasis of matter paragraph or materiality uncertainty related to going concern paragraph, or the other information paragraph of which includes a statement that describes the uncorrected material misstatement of the other information.
- (26) Cash Option: the right of a shareholder of a listed company to sell its/his stocks in the company to a relevant party providing cash option (or a third party designated by the party) at the agreed price within the prescribed period when the company intends to conduct a merger, division, acquisition, voluntary delisting, or other major matter.
- (27) DVR Arrangement: a mechanism whereby an issuer makes an offering of stocks with special voting rights in accordance with 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.
- (28) VIE Structure: an investment structure whereby a red chip enterprise exercises *de facto* control over a domestic operating entity through agreements.

15.2 The terms and expressions not defined in these Rules shall have the meanings ascribed to them in applicable laws, administrative regulations, ministry-level rules,

normative documents, and relevant rules of the Exchange.

15.3 In these Rules, the terms “or more” include the given figure, whereas the terms “exceed,” “less than,” “lower than” and “below” do not include the given figure.

15.4 In these Rules, “Yuan” refers to Chinese Yuan or RMB except as indicated specifically.

Chapter XVI Supplementary Provisions

16.1 These Rules and any amendment hereto shall come into force after being adopted by the Board of Governors of the Exchange and upon the approval of the CSRC.

16.2 The power to interpret these Rules shall rest with the Exchange.

16.3 These Rules shall be implemented as of the date of release.