

Rules of Shanghai Stock Exchange Governing the Review of Material Asset Restructurings of Listed Companies

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Chapter I General Provisions

Article 1 These *Rules* are formulated in accordance with the *Securities Law of the People's Republic of China*, the *Company Law of the People's Republic of China*, the *Measures for the Administration of Material Asset Restructurings of Listed Companies* (the “*Restructuring Measures*”), the *Measures for the Ongoing Supervision of Companies Listed on the Science and Technology Innovation Board of Shanghai Stock Exchange (Trial)*, the *Special Rules Governing the Material Asset Restructurings of Companies Listed on the Science and Technology Innovation Board of Shanghai Stock Exchange*, and other applicable laws, administrative regulations, ministry-level rules, normative documents, as well as the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange* and the *Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange* (collectively the “*Listing Rules*”), and other business rules of the Shanghai Stock Exchange (the “*Exchange*”) to regulate the material asset restructurings of companies listed on the Exchange, protect the legitimate rights and interests of listed companies and investors, and improve the quality of listed companies.

Article 2 These *Rules* are applicable to listed companies conducting material asset restructurings. Any matters not covered in these *Rules* are governed by other applicable business rules of the Exchange.

A material asset restructuring not involving share issue of a listed company does not apply Chapters IV to VI of these *Rules*.

Article 3 The Exchange reviews the securities offering application involved in a listed company's asset acquisition by share issue (the “application for asset acquisition by share issue”).

If upon review, the Exchange believes that the restructuring meets the asset restructuring conditions and information disclosure requirements, it will submit the review opinion, application documents of the listed company, and relevant review materials to the China Securities Regulatory Commission (the “CSRC”) for registration. If the Exchange does not believe so, it will make a decision to terminate the review.

Article 4 Listed companies, counterparties, and relevant parties shall disclose or provide information in a prompt, fair manner, and ensure the information disclosed or provided is truthful, accurate, and complete and is free from misrepresentation, misleading statement, or material omission.

Independent financial advisers, securities service providers, and their relevant personnel shall strictly fulfil their duties and bear corresponding legal liability for the truthfulness, accuracy, and completeness of the documents they prepare or issue.

Article 5 The Exchange exercises self-regulation on the material asset restructurings of listed companies and their relevant entities and the duty performance of independent financial advisers and securities service providers and their personnel in accordance with laws, administrative regulations, ministry-level rules, normative documents, these *Rules*, and other

rules of the Exchange (the “applicable laws and regulations”).

The entities under Article 4 hereof shall cooperate with, rather than affect or interfere with, the Exchange’s review of asset restructuring, abide by rules on clean practice, accept the Exchange’s self-regulation, and bear corresponding legal liability.

Article 6 Listed companies, independent financial advisers, and securities service providers may consult and communicate with the restructuring review department of the Exchange (the “restructuring review department”) with respect to issues or matters relating to the restructuring review after the plan for asset acquisition by share issue is disclosed and before it is submitted or after the first review inquiry is issued.

The specifics of the consultation and communication will be separately prescribed by the Exchange.

Article 7 The Exchange’s review opinion confirming the restructuring’s satisfaction of the restructuring conditions and information disclosure requirements shall constitute neither the Exchange’s guarantee as to the truthfulness, accuracy, or completeness of the application documents and the disclosed information, nor the Exchange’s substantive judgement or guarantee as to the investment value of the stock concerned, investors’ return on the stock, or the restructuring.

Chapter II Criteria and Conditions for Restructuring

Article 8 If a company listed on the Science and Technology Innovation Board of the Exchange (“STAR Market-listed company”) plans to purchase assets during its material asset restructuring, the assets shall fit the positioning of the STAR Market, be in the same industry or the upstream and downstream industries of the listed company, and have synergy with the main business of the listed company.

Article 9 A listed company that conducts asset acquisition by private placement of convertible bonds shall abide by the *Restructuring Measures* and the rules of the CSRC on asset acquisition by private placement of convertible bonds. It may agree with the private placement investors on clauses regarding conversion period, interest rate and terms of interest payment, redemption, repurchase, downward or upward adjustment of conversion price, among others, provided that the commencement date of the conversion period is at least six months later than the end date of the share issue in question.

Article 10 When a listed company performs a listing through restructuring, the operating entity of the subject asset shall be a joint-stock company or limited liability company that meets the applicable offering conditions under the *Measures for the Administration of Registration of Initial Public Offerings of Stocks* (the “*Registration Measures*”) and the positioning of the corresponding board.

When a main board-listed company performs a listing through restructuring, the subject asset shall meet the following conditions: 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.

When a STAR Market-listed company performs a listing through restructuring, the subject asset shall meet one of the following conditions:

- (1) it made a positive net profit during the last 2 years totaling no less than RMB 50 million; or
- (2) it achieved an operating revenue of no less than RMB 300 million during the last year, and total net cash flows from operating activities of no less than RMB 100 million during the last 3 years.

For the purpose of these *Rules*, 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.

For the purpose of these *Rules*, the listing through restructuring refers to the material asset restructuring under Article 13 of the *Restructuring Measures*.

Article 11 If the operating entity of the subject asset of the listing through restructuring of a main board-listed company has in place a differentiated voting right (DVR) arrangement, in addition to meeting applicable offering conditions under the *Registration Measures* and the positioning of the corresponding board, the entity shall ensure its DVR arrangement complies with the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, and meet the following conditions: 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 an operating revenue of no less than RMB 1 billion during the last year.

If the operating entity of the subject asset of the listing through restructuring of a STAR Market-listed company has in place a DVR arrangement, in addition to meeting applicable offering conditions under the *Registration Measures* and the positioning of the corresponding board, the entity shall ensure its DVR arrangement complies with the *Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange*, and meet one of the following conditions:

- (1) it achieved an operating revenue of no less than RMB500 million, and made a positive net profit during the last 2 years totaling no less than RMB50 million; or
- (2) it achieved an operating revenue of no less than RMB500 million, and total net cash flows from operating activities of no less than RMB 100 million during the last 3 years.

Article 12 Shares acquired by a shareholder of a listed company during its asset acquisition by share issue shall be subject to the provisions of the *Restructuring Measures* on stock lock-up period, except for transfer of such shares among parties under the common control of a *de facto* controller if their control relation is clear and easy-to-judge.

If a STAR Market-listed company's asset acquisition by share issue constitutes a listing through restructuring and the operating entity of the subject asset has not yet made a profit, the controlling shareholder and *de facto* controller of the listed company shall not reduce their holdings of shares acquired from the restructuring in question within 3 full financial years of the date of registration of such shares until the listed company makes a profit for the first time after its listing through restructuring; and may in the fourth and fifth full financial years from the registration, each year reduce their holdings of such shares equivalent to no more than 2% of the total shares of the company.

Article 13 If the subject asset of the material asset restructuring of a listed company involves a red chip enterprise, the company shall, in its material asset restructuring report, disclose the financial information of the subject asset in accordance with the *Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 24—Special Provisions on the Financial Report Information on Innovative Pilot Red-Chip Enterprises under the Registration-based IPO System* and the *Guidelines for Application of Securities Offering and Listing Review Rules of Shanghai Stock Exchange No. 4—Information Disclosure in the Financial Reports of Innovative Pilot Red-chip Enterprises*.

Chapter III Requirements for Restructuring Information Disclosure

Article 14 Listed companies, counterparties, and relevant parties shall legally disclose or provide information; independent financial advisers and securities service providers shall legally perform their gatekeeping duties with respect to information disclosure.

Article 15 A listed company shall act in good faith and with honesty, and legally make disclosure of information necessary for investors to make value judgement and investment decisions. It shall at least disclose the following information:

- (1) compliance of the transaction plan, necessity of the transaction, reasonableness of the transaction arrangement, fairness of the transaction price, feasibility of performance commitment and compensation, and whether the transaction will help improve the listed company's ability to continue as a going concern and independence.
- (2) the operation mode, industry characteristics, financial status, titles to equity and assets, operation compliance, asset integrity, and business independence of the subject asset, and
- (3) potential risks associated with the transaction and the subject asset.

Listed companies, counterparties, and relevant parties shall promptly provide their independent financial advisers and securities service providers with truthful, accurate, and complete business operation data, financial and accounting information and other materials, and fully cooperate with relevant institutions in their due diligence and other related work.

Article 16 A STAR Market-listed company shall make full disclosure of whether the asset to be purchased fits the positioning of the STAR Market, is in the same industry or the upstream and downstream industries of the listed company, and has synergy with the main

business of the listed company.

For the purpose of these *Rules*, synergy refers to the excess benefit obtained by the company from the transaction that is higher than the return on a single asset, including one or more of the following circumstances:

- (1) more pricing power;
- (2) lower cost;
- (3) availability of key technologies and R&D personnel required for main business;
- (4) faster product iteration;
- (5) additional market access for products or services;
- (6) preferential tax treatment; and/or
- (7) other positive influence that benefits the main business.

The independent financial adviser of the company shall fully demonstrate that the asset to be purchased fits the positioning of the STAR Market by presenting whether the asset is in the same industry or the upstream and downstream industries of the listed company and has synergy with the main business of the listed company.

Article 17 The controlling shareholders, *de facto* controllers, directors, supervisors, and senior officers of a listed company and its counterparty shall act in good faith and with honesty, ensure the application documents and information disclosed are truthful, accurate and complete, and legally and prudently make and perform relevant undertakings. They shall not, by virtue of their control position or influence, request the listed company to conduct any unconscionable restructuring transaction, or incite or assist the listed company and its counterparty to make misrepresentation, misleading statement, or material omission or otherwise violate laws and regulations, or impair the legitimate rights and interests of the listed company and investors.

Article 18 Independent financial advisers shall act in good faith and with honesty and exercise diligence and care to ensure the truthfulness, accuracy, and completeness of the preliminary plan and report of material asset restructuring, the independent financial adviser report, and other documents issued by them, and duly fulfill their duties in due diligence, reporting and disclosure, and continuous guidance and supervision.

Independent financial advisers shall, in strict accordance with applicable laws and regulations, industry self-regulatory rules, and their own internal control systems, prudently verify the application documents, make professional judgement on whether the transaction meets restructuring conditions and information disclosure requirements, and prudently issue relevant documents.

Article 19 Securities service providers including CPA firms, law firms and asset appraisers shall act in good faith and with honesty and exercise diligence and care to ensure the documents issued by them are truthful, accurate, and complete.

Securities service providers shall strictly abide by applicable laws and regulations, business rules, industry self-regulatory rules, and their own internal control systems. They shall examine and verify professional duty-related matters, perform duty of special care for these matters, and prudently issue professional opinions.

Article 20 The application documents and information disclosures of a listed company shall be truthful, accurate, and complete, and meet the following requirements:

- (1) they disclose information that has a material impact on the decision-making of investors and to the extent necessary for investors to make investing decisions;
- (2) the information they disclose is consistent, reasonable, and inherently logical; and
- (3) they are concise and plain enough for ordinary investors to read and understand.

Article 21 A listed company shall make full disclosure as to whether the transaction is legal and compliant, and at least disclose the following matters:

- (1) whether the transaction meets the conditions under the Restructuring Measures and other applicable rules of the CSRC; and
- (2) whether the transaction complies with these *Rules* and other applicable rules of the Exchange.

Independent financial advisers and securities service providers shall give explicit opinions on whether the transaction is legal and compliant on an item-by-item basis and provide adequate reasons and basis therefor in their independent financial adviser reports and legal opinions.

Article 22 A listed company shall fully disclose the necessity of the transaction, and at least disclose the following matters:

- (1) whether the company has formulated clear and feasible development strategies;
- (2) whether the company manages its market value improperly;
- (3) whether the company's controlling shareholder, *de facto* controller, directors, supervisors, and senior officers reduce their shareholdings or have a substantial shareholding reduction plan before and after the disclosure of the transaction;
- (4) whether the transaction has commercial substance or involves unlawful transfer of benefits; and
- (5) whether the transaction goes against relevant national industry policies.

Article 23 A listed company shall fully disclose the reasonableness of the pricing of asset involved in the transaction, and at least disclose the following matters:

- (1) whether the asset is priced through adequate market competition and whether the transaction price is unconscionable;
- (2) whether the selected assessment or valuation method matches the characteristics of the subject asset, and whether the selected appraisal or valuation parameters are reasonable;
- (3) whether the valuation of the subject asset in the transaction is materially different from its previous valuations, and if yes, whether the difference is reasonable;
- (4) the valuations of the same or similar assets in comparable transactions; and
- (5) whether the goodwill is recognized in accordance with accounting standards for enterprises, and whether identifiable intangible assets are recognized in full amount.

Article 24 A listed company shall fully disclose the performance commitment-related information of the transaction, and at least disclose the following matters:

- (1) whether the performance commitment is reasonable, whether the growth in performance is abnormal, and whether the growth is in line with industry trends and rules of business development;
- (2) whether the counterparty signs a clear and feasible compensation agreement with the listed company as required; and
- (3) whether the counterparty has corresponding ability to perform the agreement, and whether it has any specific measures to secure its performance during the commitment period.

Chapter IV Contents and Method of Restructuring Review

Article 25 The Exchange will conduct the restructuring review in a lawful and compliant, open and transparent, and convenient and efficient manner to increase the transparency of the review and cause the market to have clear expectations for the review.

The Exchange will conduct the restructuring review electronically by processing such matters as submission and acceptance of applications, making of inquiries, and provision of responses via the M&A review system of the Exchange.

Article 26 The restructuring review department reviews the application for asset acquisition by share issue as required, issues a review report stating its preliminary review opinion, and submits the report to the M&A and restructuring review committee of the Exchange (the “M&A and restructuring committee”) for deliberation. The M&A and restructuring committee will issue a deliberation opinion.

The Exchange will, taking into account the deliberation opinion of the M&A and restructuring committee, issue a review opinion confirming the transaction's satisfaction of the restructuring conditions and information disclosure requirements, or make a decision to terminate the review.

Article 27 The Exchange will review whether a listed company's asset acquisition by share issue meets the restructuring conditions and the information disclosure requirements of the CSRC and the Exchange, with focus on whether the restructuring transaction is necessary, whether the asset is reasonably and fairly priced, whether the performance commitment is practical and feasible, and whether there is any circumstance detrimental to the legitimate rights and interests of the listed company and its shareholders.

For a STAR Market-listed company that implements asset acquisition by share issue, the Exchange will also focus on whether the asset to be purchased fits the positioning of the STAR Market, is in the same industry or the upstream and downstream industries of the listed company, and has synergy with the main business of the listed company.

Article 28 The Exchange will, through a range of means including asking questions and requiring responses thereto, urges listed companies and their counterparties, independent financial advisers, and securities service providers to improve information disclosure, make truthful, accurate, and complete disclosure of information in a more targeted, effective, and readable manner, and increase the quality of information disclosure.

When reviewing the application for asset acquisition by share issue, the Exchange may, if appropriate during the review inquiry, require the listed company and its counterparty, independent financial adviser, and securities service providers to:

- (1) state or disclose relevant issues and their reasons;
- (2) make additional verification of relevant matters, give opinions thereon, and disclose the process and results of the verification;
- (3) provide additional supporting documents for information disclosure; and
- (4) amend or update information disclosure.

Chapter V Restructuring Review Procedures

Section 1 Application and Acceptance

Article 29 A listed company that implements asset acquisition by share issue shall engage an independent financial adviser as required and authorize the adviser to submit the following application documents via the Exchange's M&A and restructuring review system within three working days of the resolution approving the material asset restructuring by the shareholders' general meeting:

- (1) material asset restructuring report and related documents;

- (2) independent financial adviser report and related documents;
- (3) documents issued by securities service providers, including legal opinion, audit report, and asset appraisal report or valuation report; and
- (4) other documents required by the CSRC or the Exchange.

The content and format of the application documents shall comply with applicable rules of the CSRC and the Exchange.

Article 30 The Exchange will, within five working days upon receiving the application documents of a listed company, review the application documents, decide on whether to accept the application documents, and notify the listed company and its independent financial adviser of the decision.

The listed company shall corrects the application documents within a period of up to 30 working days if: such documents are not consistent with the list of documents specified by the CSRC and the Exchange; the title of any of the documents is not consistent with its content; the format of any of the documents fails to meet the requirements of the Exchange; the signature and seal on any of the documents are incomplete or illegible; any of the documents cannot be opened; or the documents are otherwise identified by the Exchange as incomplete. If the listed company has difficulties in submitting the corrected application documents within the 30-working day period, it may submit a written application for extending the period and state the reasons therefor. The Exchange may grant an appropriate extension upon approval.

If the listed company has corrected its application documents, the application documents shall be deemed as being received by the Exchange when the company ultimately submits the corrected documents.

The Exchange will, on a first come, first served basis, accept the application documents received from listed companies.

Article 31 The Exchange will refuse to accept a listed company's application documents if:

- (1) the material asset restructuring report, independent financial adviser report, legal opinion, financial report, auditor report, and asset appraisal report or valuation report are incomplete and not corrected as required;
- (2) the listed company, its controlling shareholder, *de facto* controllers, directors, supervisors, senior officers, independent financial adviser, securities service providers, and their relevant personnel have been and remain subject to such measures as identification as unsuitable for their positions, restriction on their business activities, or ban from the securities market imposed by the CSRC, or rejection of relevant documents from them within a certain period of time or public declaration as unsuitable to serve as directors, supervisors, or senior officers 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 (SAC), due to violations of securities laws and regulations;

- (3) the transaction is under a pending investigation by the CSRC or the judicial authority for suspected insider trading, unless otherwise specified by the CSRC; or
- (4) the listed company falls under other circumstances as prescribed by laws, administrative regulations, and the CSRC.

Article 32 Upon submission of the application documents, the listing company, its counterparty and relevant parties, and the independent financial adviser, securities service providers and their relevant personnel providing services for the transaction shall bear corresponding legal liability.

The listed company and its independent financial adviser and securities service providers shall, after the Exchange accepts its application documents and before the CSRC decides to approve the registration of the restructuring, revise or supplement the disclosed material asset restructuring report, independent financial adviser report, legal opinion, financial report, audit report, and asset appraisal report or valuation report.

No application documents shall be revised without the consent of the Exchange.

Article 33 Within 10 working days upon the Exchange's acceptance of a listed company's application documents, its independent financial adviser shall submit working papers in electronic form for regulatory inspection.

Section 2 Review of the Restructuring Review Department

Article 34 The restructuring review department will review the accepted offering and listing application documents on a first come, first served basis.

Article 35 If a listed company's application for asset acquisition by share issue does not constitute a listing through restructuring, the restructuring review department shall, within 10 working days of acceptance of the application documents, issue the first review inquiry to the listed company, its counterparty, independent financial adviser, and securities service providers.

If a listed company's application for asset acquisition by share issue constitutes a listing through restructuring, the restructuring review department will, within 20 working days of acceptance of the application documents, issue the first review inquiry.

Before issuing the first review inquiry, the listed company, its counterparty and relevant parties, independent financial adviser, securities service providers, and their relevant personnel shall not have any contact with the reviewers with respect to the review matters, nor interfere with the review in any way.

Article 36 After the first review inquiry is issued, the listed company, its counterparty,

independent financial adviser, and securities service providers may communicate their doubt about the review inquiry through the Exchange's M&A and restructuring review system; if a face-to-face communication is necessary, they may make a reservation through the system.

Where necessary, the restructuring review department may communicate with the listed company, its counterparty and relevant parties, independent financial adviser, securities service providers, and their relevant personnel on review-related matters.

Article 37 The restructuring review department may proceed with further review inquiry after receiving the response to the first review inquiry, if:

- (1) any new matter requiring inquiry is found;
- (2) the response of the listed company and its counterparty, independent financial adviser, and securities service providers fails to provide a specific answer to the review inquiry, or the Exchange requires further review inquiry about the response;
- (3) the information disclosure of the listed company and its counterparty, independent financial adviser, and securities service providers still fails to meet the requirements of the CSRC and the Exchange; or
- (4) other circumstances exist that, in the Exchange's opinion, require further review inquiry.

Article 38 A listed company and its counterparty, independent financial adviser, and securities service providers shall make necessary additional investigation and verification pursuant to the review inquiry requirements of the restructuring review department, timely provide an item-by-item response to the review inquiry of the restructuring review department, and if appropriate, supplement or amend the application documents and disclose the supplemented or amended versions. The independent financial adviser shall, within 10 working days of deliberation of the M&A and restructuring committee, aggregate, supplement, and submit any working papers relating to the response to the review inquiry.

The response to the review inquiry of the restructuring review department from the listed company and its counterparty, independent financial adviser, and securities service providers constitutes a part of the application documents, and they shall ensure the response is truthful, accurate, and complete.

Article 39 The restructuring review department may, where necessary, consult the Exchange's STAR Market advisory committee (the "advisory committee") with respect to whether the asset to be purchased under a STAR Market-listed company's application fits the positioning of the STAR Market and has synergy with the main business of the company; and any advice provided by the advisory committee may be referenced by the Exchange in its review inquiry.

Article 40 If the restructuring review department, after receiving a response to the review inquiry of the Exchange from a listed company and its counterparty, independent financial

adviser, and securities service providers, believes that no further review inquiry is required, it will issue a review report, submit such report to the M&A and restructuring committee for deliberation, and notify the listed company and its independent financial adviser of the report.

Article 41 If a listed company's application for asset acquisition by share issue does not constitute a listing through restructuring, the Exchange will, within two months of acceptance of the application documents, issue a review opinion confirming the transaction's satisfaction of the restructuring conditions and information disclosure requirements, or make a decision to terminate the review. The period of time used for the review by the Exchange and the registration by the CSRC shall not exceed three months in total. If the application for asset acquisition by share issue constitutes a listing through restructuring, the Exchange will, within the prescribed period starting from the date of accepting the application documents, issue a review opinion confirming the transaction's satisfaction of the restructuring conditions and information disclosure requirements, or make a decision to terminate the review. The period of time used for the review by the Exchange and the registration by the CSRC shall not exceed three months in total.

If a listed company's application for asset acquisition by share issue does not constitute a listing through restructuring, the time used for response to the Exchange's review inquiry shall not be more than one month in total. If the application for asset acquisition by share issue constitutes a listing through restructuring, the time used for response to the review inquiry shall not be more than three months in total. If the listed company fails to give the response within the prescribed period, it shall disclose the progress of the transaction and the reasons for its failure to give prompt response on the day immediately following the expiry of the prescribed period. If it is impossible to give the response within the period prescribed in this Paragraph, the listed company may apply to the Exchange for an extension of up to one month.

Article 42 The time periods under Articles 30, 35, 41, and 47 of these *Rules* exclude the time used for suspending the review; consulting the advisory committee; asking the competent authorities for their opinions on necessary matters; conducting on-site inspection or on-site supervision; implementing the M&A and restructuring committee's opinions; suspending the deliberation; handling post-meeting matters; requesting performance of special verification; requiring the listed company to supplement or modify the applications documents; and other circumstances under these *Rules*.

Article 43 For an application for asset acquisition by share issue that meets the following conditions, the restructuring review department may reduce the number of review inquiries and questions to achieve better and more efficient review:

- (1) the information disclosure and compliant operation of the listed company was rated A by the Exchange and the CSRC regional office having jurisdiction over the listed company; the service quality of the independent financial adviser was rated A by the SAC;
- (2) the transaction is in line with national industry policies; and

- (3) the transaction constitutes a horizontal or vertical M&A, not a listing through restructuring.

To invoke the preceding Paragraph, the listed company shall submit application documents according to Article 29 of these *Rules* and the independent financial adviser's special opinion that the transaction meets the preceding Items (2) and (3) of the preceding Paragraph.

Article 44 For a main board-listed company that performs an asset acquisition by share issue, the Exchange will, after accepting its application documents, perform review procedures dispensing with review inquiry and issue a review report and submit the report to the M&A and restructuring committee for deliberation, if:

- (1) its cumulative trading value over the last 12 months is not more than RMB500 million; or
- (2) the cumulative shares offered over the last 12 months accounted for no more than 5% of its total pre-transaction shares, and its cumulative trading value over the last 12 months is not more than RMB1 billion.

For a STAR Market-listed company that performs an asset acquisition by share issue, the review procedures under the preceding Paragraph apply if the company is involved in any of the circumstances under the preceding Paragraph and its transaction is not an asset transaction within the meaning of Articles 12 and 13 of the *Restructuring Measures*.

To invoke the preceding two Paragraphs, the listed company shall submit application documents according to Article 29 of these *Rules* and the independent financial adviser's special opinion that the asset acquisition by share issue satisfies the provisions of the preceding two Paragraphs and does not fall in the circumstances under Article 45 of these *Rules*.

For the purpose of the first Paragraph, the "cumulative trading value" refers to the trading value of asset acquisition by share issue; the "cumulative shares offered" refer to the shares offered for asset acquisition. An asset acquisition by share issue not subject to the review under Paragraphs (1) and (2) will not be counted in the cumulative calculation.

Article 45 A listed company's asset acquisition by share issue does not apply Article 44 of these *Rules*, if:

- (1) the listed company or its controlling shareholder or *de facto* controller has received an administrative penalty of the CSRC or public censure of stock exchanges and other national securities trading venues approved by the State Council, or got involved in other material breach of trust over the last 12 months; or
- (2) the independent financial adviser, securities service providers, or their relevant personnel have received administrative penalties of the CSRC or disciplinary actions of stock exchanges and other national securities trading venues approved by the State Council over the last 12 months.

Article 44 of these *Rules* does not apply to a STAR Market-listed company that performs an asset acquisition by share issue and raises supporting funds to pay the cash consideration for the acquisition or raises supporting funds of more than RMB50 million.

Section 3 Deliberation of the M&A and Restructuring Committee

Article 46 The M&A and restructuring committee will hold deliberation meetings to deliberate review reports issued by the restructuring review department as well as the listed company's application for asset acquisition by share issue, and form a deliberation opinion on whether the transaction satisfies the restructuring conditions and information disclosure requirements.

Article 47 During the deliberation, if the M&A and restructuring committee believes it necessary to carry out an on-site inquiry of such persons as the listed company, its counterparty, independent financial adviser and securities service providers, the restructuring review department will notify relevant persons, and the representatives of relevant persons shall appear before the M&A and restructuring committee and answer the members' questions.

If the M&A and restructuring committee fails to form a deliberation opinion as during the deliberation, it has found the listed company has any material matter relating to the restructuring conditions or information disclosure requirements that requires further verification, it may, after panel discussion, suspend deliberating the listed company's application for asset acquisition by share issue. The suspension period shall not exceed two months. The deliberation may be suspended only once for the same application of the listed company.

Article 48 The Exchange will, in light of the deliberation opinion of the M&A and restructuring committee, issue a review opinion confirming the transaction's satisfaction of the restructuring conditions and information disclosure requirements, or make a decision to terminate the review.

If the M&A and restructuring committee believes that the transaction satisfies the restructuring conditions and information disclosure requirements, but requires supplementary disclosure of related information, the restructuring review department will notify the independent financial adviser to do so; the restructuring review department will verify the performance of such supplementary disclosure by the listed company and its independent financial adviser and securities service providers, and notify the attending members of such performance. The Exchange will, after the listed company's supplementary disclosure of relevant matters, issue a review opinion confirming the transaction's satisfaction of the restructuring conditions and information disclosure requirements.

The listed company shall update and disclose its application documents based on the deliberation opinion of the M&A and restructuring committee.

Section 4 Submission of Review Opinions to the CSRC

Article 49 If the Exchange issues a review opinion that the transaction satisfies the restructuring conditions and information disclosure requirements, it will submit the review opinion, related review materials, and the listed company's application documents to the CSRC.

Article 50 During the registration procedures, if the CSRC identifies any additional matter that may affect the restructuring conditions and requires the Exchange to make any further inquiry, the Exchange will ask the listed company, its counterparty, independent financial adviser and securities service providers follow-on questions, and based on answers thereto, form a review opinion on the additional matter and report it to the CSRC.

If the CSRC believes that the basis for the Exchange's review opinion on the additional matter is manifestly inadequate and returns the matter to the Exchange for supplementary review, the Exchange will review again the returned matter. If the Exchange's review opinion confirms the transaction's satisfaction of the restructuring conditions and information disclosure requirements, the Exchange will submit a review opinion and related materials to the CSRC again; if the Exchange's review opinion holds that the transaction fails to satisfy the restructuring conditions and information disclosure requirements, the Exchange will make a decision to terminate the review.

The time spent on the further inquiry or supplementary review under the preceding two Paragraphs is excluded from the time period stated in Article 41 of these *Rules*.

The listed company shall timely disclose relevant questions raised in inquiry and registration results and update and disclose the application documents where necessary.

Section 5 Suspension and Termination of Review

Article 51 Upon the occurrence of any of the following circumstances, a listed company and its counterparty, independent financial adviser and securities service providers shall timely inform the Exchange thereof, and the Exchange will suspend the review:

- (1) the transaction is under pending investigation by the CSRC or judicial authorities for suspected insider trading;
- (2) the listed company is under pending investigation by administrative authorities or judicial authorities for suspected violations, which has significant impact on the transaction;
- (3) the independent financial adviser and securities service providers have been and remain subject to regulatory measures legally taken by the CSRC, such as restricting their business activities, ordering them to shut down for rectifications, or appointing a trustee or receiver for them, or to the disciplinary action of rejecting documents from them within a certain period of time imposed by stock exchanges or other national securities trading venues approved by the State Council;
- (4) relevant signatories of the independent financial adviser and securities service

providers have been and remain subject to measures legally taken by the CSRC, such as securities market ban prohibiting them from securities business or securities-related services and identification as unsuitable for their positions, to the disciplinary action of rejecting documents from them within a certain period imposed by stock exchanges or other national securities trading venues approved by the State Council, or to the disciplinary action of identifying them as unsuitable for relevant businesses imposed by the SAC;

- (5) financial data included in the application documents has expired and is required to be supplemented;
- (6) the CSRC orders the suspension of restructuring in accordance with the *Restructuring Measures* and other applicable provisions or orders relevant persons to make public explanations or disclose professional opinions; or
- (7) the listed company and its independent financial adviser file a justifiable request for suspension of the review which is approved by the Exchange.

If the listed company and its counterparty, independent financial adviser and securities service providers fail to timely inform the Exchange of any circumstances identified in Items (1) through (6) of the preceding Paragraph, the Exchange will, after verifying that it is necessary to suspend the review, directly do so.

The listed company and its counterparty, independent financial adviser and securities service providers shall, after eliminating any circumstances identified in the first Paragraph hereof, timely inform the Exchange of such elimination. Upon the verification and confirmation of such elimination, the Exchange will resume the review of the application for asset acquisition by share issue. The review period shall continue to be calculated from the review resumption date, provided that the review period shall be recalculated from the review resumption date if the adjusted financial reporting periods cover one or more financial years. The circumstance identified in Item (1) of the first Paragraph shall be deemed as eliminated if relevant requirements of the CSRC have been satisfied.

Article 52 The Exchange will terminate the review if:

- (1) the CSRC orders the listed company to terminate the restructuring in accordance with the *Restructuring Measures* and other relevant provisions;
- (2) the listed company replaces its independent financial adviser or makes major adjustments to the transaction plan, or the listed company or its independent financial adviser withdraws the application documents;
- (3) the listed company fails to respond to the Exchange's review inquiry within the prescribed time limit or to explain, supplement or amend its application documents;
- (4) the application documents have material defects which seriously affect the Exchange's review of such documents or the investors' value judgement or investment decisions;

- (5) the application documents are found to contain any misrepresentation, misleading statement, or material omission;
- (6) the listed company, its counterparty and relevant parties as well as such persons as the independent financial adviser, securities service providers and their relevant personnel obstruct or refuse to accept any inspections or supervisions legally conducted by the CSRC or the Exchange;
- (7) the listed company, its counterparty and relevant parties as well as such persons as the independent financial adviser, securities service providers and their relevant personnel improperly and significantly interfere with the Exchange's review;
- (8) the listed company fails to eliminate any circumstances requiring the suspension of the review as set forth in Items (3) to (7) of the first Paragraph of Article 51 hereof within two months;
- (9) the Exchange believes that, upon review, the transaction fails to satisfy the restructuring conditions or information disclosure requirements.

Article 53 If the Exchange refuses to accept a listed company's application for asset acquisition by share issue or terminates the review, the listed company may, within five working days after receiving relevant documents from the Exchange, apply to the Exchange for a reconsideration, provided that the listed company may not apply for a reconsideration if the review is terminated due to the circumstance identified in Item (2) of Article 52 hereof. Relevant matters of reconsideration shall be subject to the *Rules Governing the Review of Offering and Listing of Stocks on Shanghai Stock Exchange* and other applicable provisions on reconsideration.

If the Exchange finds upon reconsideration that the listed company's application is justifiable, the Exchange will review again the application for asset acquisition by share issue, in which case the review period shall count from the date of such second review; otherwise, the Exchange will affirm the original decision.

Section 6 Post-Meeting Matters

Article 54 If a material event occurs to a listed company after the M&A and restructuring committee has formed its deliberation opinion and before the CSRC makes a decision on whether to approve the registration, which has a significant impact on the compliance of the listed company's transaction with the restructuring conditions or information disclosure requirements, the restructuring review department will, upon reviewing the application documents again, decide whether to re-submit the application documents to the M&A and restructuring committee for deliberation.

Article 55 If a material event occurs to a listed company after the CSRC's decision approving the registration and before the completion of the transaction, which may result in the failure of the listed company's transaction to satisfy the restructuring conditions or information disclosure requirements, the listed company shall suspend the transaction. If the

Exchange finds that the listed company is involved in the said circumstance, the Exchange has the right to require the listed company to suspend the transaction.

The listed company, its counterparty and independent financial adviser shall timely report the said circumstance to the Exchange and release an announcement to state the details of such material matter and the listed company's plan to suspend the transaction.

If the Exchange, upon review, believes that the said material event has caused the listed company not to satisfy the restructuring conditions or information disclosure requirements, the Exchange will issue an explicit opinion, and report the opinion to the CSRC.

Chapter VI Review-Related Matters

Article 56 The Exchange will publicly disclose the following information on restructuring review to the market for supervision by the public:

- (1) a list of listed companies under review, basic information on those listed companies, and progress of the review;
- (2) the Exchange's review inquiries to and the responses thereto from listed companies and their counterparties, independent financial advisors, and securities service providers, unless state secrets or the listed companies' trade secrets are involved;
- (3) the date of the M&A and restructuring committee's meeting, a list of listed companies under deliberation, a list of attending members, deliberation results, and questions asked on the spot;
- (4) the CSRC's decision approving the registration of restructuring;
- (5) any supervisory measures or disciplinary actions that the Exchange has taken against listed companies, counterparties and relevant parties, as well as independent financial advisors, securities service providers and their relevant personnel; and
- (6) other information as the Exchange considers necessary.

Article 57 If a material event occurs to a listed company after the Exchange's acceptance of its application documents and before the conclusion of the transaction, the listed company, its counterparty, and its independent financial advisor shall timely report the event to the Exchange, and perform their information disclosure obligations and update the application documents as required. The listed company's independent financial advisor and securities service providers shall continue to perform their due diligence duties, and provide a special verification opinion to the Exchange.

Article 58 After the Exchange's acceptance of its application documents and before the conclusion of the transaction, a listed company and its independent financial advisor shall closely follow material public media coverages and market rumors regarding the transaction.

If there is any material inconsistency between relevant coverages and rumors and the information disclosed by the listed company, and the matters involved may have a material effect on the transaction, the listed company, and its counterparty, independent financial advisor, and securities service providers shall provide an explanation to the Exchange, and perform their information disclosure obligations as required; and its independent financial advisor and securities service providers shall conduct necessary verification of the matters, and report the verification results to the Exchange.

Article 59 After the Exchange's acceptance of a listed company's application documents and before the conclusion of the transaction, if the Exchange receives any complaint or whistle-blowing report with respect to the transaction, the Exchange may inquire the listed company, and its counterparty, independent financial advisor, and securities service providers about the matters involved in such complaint or report; require them to provide an explanation to the Exchange and to perform their information disclosure obligations as required; and require the independent financial advisor and securities service providers to conduct necessary verification of the matters and to report the verification results to the Exchange.

Article 60 During the review, if the Exchange finds a material question exists over the application documents of a listed company, for which the listed company, and its counterparty, independent financial advisor, and securities service providers fail to provide a reasonable explanation in their response, or the transaction involves a listing through restructuring, the Exchange may request for an on-site inspection of the listed company, counterparty, subject asset, independent financial advisor, and securities service providers; or request for an on-site supervision of the independent financial advisor and securities service providers.

Article 61 During the review, the Exchange will timely ask the CSRC for instructions on the specific criteria for review of satisfaction of the restructuring conditions, and any other material questions or material unprecedented cases related to the understanding and application of the ministry-level rules and normative documents of the CSRC, and any other matters required to be decided by the CSRC.

Article 62 If a listed company receives the Exchange's decision to terminate the review of its restructuring after the M&A and restructuring committee issues a deliberation opinion that the company fails to meet the restructuring conditions or information disclosure requirements, or the CSRC's decision not to register its restructuring, the listed company shall make an announcement on the trading day following receipt thereof.

The board of directors of the listed company shall, within the authority granted by the shareholders' general meeting, resolve on whether to amend or to terminate the restructuring plan and announce its resolution within ten days after receiving the Exchange's decision to terminate the review of the restructuring or the CSRC's decision not to register the restructuring. If the board of directors decides to terminate the restructuring plan, it shall clearly explain the decision to investors in its announcement and submit the decision to the shareholders' general meeting for consideration according to the company's articles of association, unless the board of directors has been authorized to terminate the transaction through resolution by the shareholders' general meeting when it resolves to approve the

material asset restructuring. If the board of directors decides to re-submit the restructuring plan, it shall clearly explain the reasons and plans therefor in its announcement.

If the Exchange refuses to accept a listed company's application for asset acquisition by share issue or terminates the review of the application, the listed company may apply to the Exchange again after the relevant circumstances are eliminated or the relevant issues are resolved.

Chapter VII Continuous Supervision and Guidance

Article 63 An independent financial advisor providing services for the material asset restructuring of a listed company shall, in accordance with applicable provisions of the CSRC and the Exchange, perform its duties of continuous supervision and guidance.

The independent financial advisor shall designate a person in charge of the continuous supervision and guidance and disclose the person-in-charge in the report on the implementation of asset restructuring. If the person-in-charge is unable to perform his duties, the independent financial advisor shall designate another person with equivalent ability to perform the duties and disclose the person.

The listed company, the subject asset and its relevant personnel shall cooperate with the independent financial advisor in performing its duties of continuous supervision and guidance, timely provide necessary information, facilitate the conditions required for the performance of duties, and assist the disclosure of continuous supervision and guidance opinions.

Article 64 The period of continuous supervision and guidance for a listed company implementing a material asset restructuring shall be the remainder of the year in which the transaction is completed and one full financial year thereafter.

Upon expiration of the period specified in the preceding Paragraph, the independent financial advisor shall continue to complete the unfinished matters under supervision and guidance, and issue a verification opinion on the progress of these matters within 15 days upon disclosure of the annual report for each year.

Article 65 An independent financial advisor shall exercise diligence and care, and perform the following duties of continuous supervision and guidance through such means as day-to-day communication and regular inquiries and in view of the information disclosed by a listed company:

- (1) fulfilling relevant information disclosure obligations with respect to urging the listed company to implement the restructuring plan as required and to timely complete procedures for asset delivery or transfer;
- (2) guiding and urging the major shareholders, key management personnel, and core technical personnel of the subject asset to understand and comply with requirements for information disclosure and compliant operation of listed companies;

- (3) monitoring and urging the listed company to effectively control, integrate, and operate the subject asset;
- (4) monitoring and urging the listed company to disclose risks or negative events that may adversely impact the ability to continue as a going concern and core competitiveness of the subject asset;
- (5) monitoring and urging relevant parties to fulfill their commitments;
- (6) monitoring and urging the listed companies to recognize and measure goodwill in accordance with the accounting standards for enterprises; and
- (7) performing other duties of continuous supervision and guidance as specified in the *Restructuring Measures* and the *Measures for the Administration of the Financial Advisory Services for the Merger, Acquisition and Restructuring of Listed Companies*.

If any matter covered in the preceding Paragraph has a significant impact on the listed company or the subject asset, or is significantly different from the disclosure or forecast in the material asset restructuring report or other relevant documents, the independent financial advisor shall urge the listed company to make timely disclosure thereof and, when releasing an announcement thereon, issue and disclose an opinion on whether the disclosed information is truthful, accurate, and complete, and whether there exists any other undisclosed major risk.

Article 66 An independent financial advisor shall conduct on-site verification of the listed company or the subject asset, and issue and disclose a verification report, if:

- (1) the subject asset is suspected to commit a material financial fraud;
- (2) the listed company might not have effective control over the subject asset;
- (3) the subject asset might have undisclosed guarantee;
- (4) the subject asset might be involved in misappropriation of non-operating capital; or
- (5) the subject asset might have material undisclosed pledge over its equity.

If the independent financial advisor conducts an on-site verification, it shall issue an on-site verification report with respect to the details of the verification, issues brought to the attention of the listed company and investors, and the conclusion of the verification, and disclose the report within 5 working days after completing the on-site verification.

Article 67 If a listed company implements a material asset restructuring, and its counterparty makes a performance commitment and signs a compensation agreement with the listed company, the independent financial advisor of the listed company shall, during the performance compensation period, constantly monitor the counterparty's funds, pledges of shares held in the listed company, and other matters relating to its performance capacity, and urge it to timely and fully fulfill its performance compensation commitment.

If the counterparty loses the capacity of or has significant uncertainty in fulfilling its performance compensation commitment, the independent financial advisor shall urge the listed company to timely disclose the associated risks, and issue and disclose an opinion on whether the disclosed information is truthful, accurate, and complete, and whether there exists any other undisclosed significant risk.

If the counterparty fails to fulfill its performance compensation commitment in whole or in part, the independent financial advisor shall, within 10 working days of the occurrence of the event, urge the listed company to formulate and disclose a recovery plan, and issue and disclose an opinion on the feasibility of the recovery plan and its subsequent implementation.

Article 68 If a listed company implements a restructuring and listing, the independent financial advisor shall, as from the date of completion of the transaction, comply with the provisions of the *Listing Rules* on continuous supervision and guidance for IPO and listing of stocks, and perform its duties of continuous supervision and guidance under the *Restructuring Measures* and the *Measures for the Administration of the Financial Advisory Services for the Merger, Acquisition and Restructuring of Listed Companies*.

Chapter VIII Self-Regulation

Article 69 During the review of a listed company's asset acquisition by share issue, the Exchange may, in accordance with these *Rules* and other applicable rules of the Exchange, take one or more of the following day-to-day measures against any person involved in the review:

- (1) requesting explanation or clarification on relevant issues;
- (2) issuing a supervisory work letter;
- (3) interviewing with relevant personnel;
- (4) requesting provision of relevant documents or materials for inspection;
- (5) reporting relevant matters to the CSRC; and/or
- (6) other day-to-day measures as prescribed by the Exchange.

Article 70 If a listed company or its counterparty fails to implement a material asset restructuring in accordance with applicable laws and regulations, or damages the listed company or investors' legitimate rights and interests due to unconscionable pricing, breach of performance commitments, or unlawful transfer of benefits, the Exchange may require it to make rectifications within a specified time limit and take supervisory measures and disciplinary actions under the *Listing Rules* and other applicable rules. If the circumstance is severe, the Exchange may require the listed company or its counterparty to terminate the transaction and take disciplinary actions under the *Listing Rules* and other applicable rules.

Article 71 If a listed company or its counterparty is involved in any of the following

circumstances, the Exchange may require it to make rectifications within a specified time limit and take one or more of supervisory measures and disciplinary actions against it under the *Listing Rules* and other applicable rules:

- (1) the listed company or its counterparty fails to submit application documents and relevant reports or disclose information on the material asset restructuring in accordance with applicable laws and regulations;
- (2) the application documents, submitted reports, or disclosed information contains any misrepresentation, misleading statement, or material omission;
- (3) the listed company or its counterparty refuses to accept, obstructs, and evades on-site inspection or on-site supervision, or misstates, conceals, or destroys relevant evidence materials;
- (4) the listed company or its counterparty improperly and significantly interfere with the Exchange's review; and/or
- (5) the listed company or its counterparty otherwise violates applicable laws and regulations.

Article 72 If a listed company's directors, supervisors, or senior officers fail to act in good faith and with honesty and exercise diligence and care or its controlling shareholder, *de facto* controller, and their respective responsible persons fail to fulfil their obligations in accordance with these *Rules*, causing the material asset restructuring to damage the listed company's interests, or if any of the above persons arranges, instigates, or commits any of the violations under Article 71 hereof, the Exchange may, depending on the severity of the circumstances, take one or more of supervisory measures and disciplinary actions under the *Listing Rules* and other applicable rules.

Article 73 If independent financial advisors, securities service providers, and their relevant personnel who provide services for material asset restructurings fail to act in good faith and with honesty and exercise diligence and care, violate industry rules or business rules, or fail to legally perform their obligations of due diligence, reporting, disclosure or continuous supervision and guidance, the Exchange may, depending on the severity of the circumstances, take one or more of the following supervisory measures or disciplinary actions against them:

- (1) giving a verbal warning;
- (2) giving a written warning;
- (3) conducting an interview for supervision purpose;
- (4) circulating a notice of criticism;
- (5) giving a public censure;

- (6) refusing to accept any application documents or information disclosure documents submitted by the independent financial advisors or securities service providers within 3 months to 3 years;
- (7) refusing to accept any application documents or information disclosure documents signed by relevant personnel of the independent financial advisors or securities service providers within 1 to 3 years; and/or
- (8) taking other supervisory measures or disciplinary actions.

Article 74 If the shareholders of a listed company reduce the shares acquired from asset acquisition by share issue in violation of these *Rules*, the Exchange may, depending on the severity of the circumstances, take appropriate supervisory measures or disciplinary actions in accordance with the *Listing Rules* and other applicable rules.

Article 75 If during its review, the Exchange identifies any suspected violation of securities law by a listed company, its counterparty and other relevant parties, or its independent financial advisor or securities service providers and their respective relevant personnel, the Exchange will legally report the suspected violation to the CSRC.

If any of the above supervised persons in the preceding Paragraph has been imposed such supervisory measures and disciplinary actions as temporary rejection of documents from the person and identification as unsuitable for the person's position by other stock exchanges and other national securities trading venues approved by the State Council, the Exchange will, according to its business rules, refuse to accept relevant documents submitted or signed by the person within the corresponding period or identify the person as unsuitable to serve as a director, supervisor, or senior officer of a listed company, and suspend the review of other accepted documents submitted or signed by the person or require the listed company to dismiss the person.

Chapter IX Supplementary Provisions

Article 76 The provisions of these *Rules* on information disclosure and review procedures apply, *mutatis mutandis*, to a listed company's asset acquisition by issue of depositary receipts, preferred shares, convertible bonds or warrants, or raising of supporting funds, or merger or division involving share issue.

Supporting funds raised by STAR Market-listed companies shall be invested mainly in areas related to science and technology innovation.

Article 77 For the purposes of these *Rules*, "relevant parties" refer to a listed company's controlling shareholder, *de facto* controller, directors, supervisors, senior officers, and other related parties.

Article 78 These *Rules* and any amendment hereto shall come into force after being deliberated and adopted by the Board of Governors of the Exchange and approved by the CSRC.

Article 79 The Exchange reserves the right to interpret these *Rules*.

Article 80 These *Rules* shall be implemented as of the date of issuance. The *Rules Governing the Review of Material Asset Restructurings of Companies Listed on the Science and Technology Innovation Board of Shanghai Stock Exchange (2021 Revision)* (Shangzhengfa [2021] No. 46) and the *Guidelines for the Application of the Rules Governing the Review of Offering and Listing of Securities on the Science and Technology Innovation Board of Shanghai Stock Exchange No. 2- Standards for the Review of Material Asset Restructurings of Listed Companies and Relevant Matters* (Shangzhengfa [2021] No. 48) released by the Exchange on June 22, 2021 shall expire on that same day.