

## **Detailed Implementation Rules on the Offering and Underwriting of Securities in Initial Public Offerings on the Shanghai Stock Exchange**

### Disclaimer Statement

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## Chapter I      General Provisions

**Article 1**      These *Detailed Implementation Rules* are made in accordance with the *Measures for the Administration of the Offering and Underwriting of Securities* (“**Underwriting Measures**”), *Measures for the Administration of the Registration of Initial Public Offering of Stocks*, and other relevant rules to regulate the offering and underwriting of securities in initial public offerings (“**IPO**”) on the Shanghai Stock Exchange (the “**Exchange**”), maintain an orderly market, and protect the legitimate rights and interests of investors.

**Article 2**      These *Detailed Implementation Rules* apply to the offering and underwriting of stocks and depository receipts (collectively, “**securities**”) in IPOs on the Exchange following registration with the China Securities Regulatory Commission (the “**CSRC**”). Any matters not covered by these *Detailed Implementation Rules* are governed by the *Implementation Rules for the Offering of IPO Stocks under the Subscription Tranche on the Shanghai Market*, the *Implementation Rules for the Offering of IPO Stocks under the Placing Tranche on the Shanghai Market* (“**Placing Tranche Rules**”), and other relevant rules of the Exchange.

**Article 3**      A securities company that underwrites the securities in an IPO shall, in accordance with these *Detailed Implementation Rules* and the rules of the CSRC on risk management and internal control, establish rigorous risk management protocols and internal controls, strengthen the oversight of the pricing and allotment process, fulfill its underwriting responsibilities, and prevent conflict of interest.

Securities companies, investors, and other relevant persons shall act with honesty and in good faith; strictly abide by laws, administrative regulations, ministry-level rules, normative documents (collectively, “**Laws and Regulations**”), the rules of the Exchange, and relevant industry standards, and shall not engage in unlawful transfer of benefits or seek improper gains.

**Article 4**      The issuer and the lead underwriter shall prepare and disclose in a timely and fair manner the disclosure documents on the offering and underwriting in accordance with relevant rules, and ensure that the information they disclose is true, accurate, and complete, free of misrepresentations, misleading statements, and material omissions.

Securities service providers and personnel shall, in accordance with the service and ethical standards generally recognized in the industry, strictly fulfill their statutory duties and be liable for the truthfulness, accuracy, and completeness of the documents they issue.

**Article 5**      A lead underwriter shall be sufficiently staffed, establish detailed operational procedures, complete processes in a timely manner in accordance with the rules and business guidelines of the Exchange, and ensure that the securities offering data it submits are true, accurate, and complete.

**Article 6**      Any institutional investor that participates in the price inquiry process shall establish an investment decision-making mechanism, improve its internal controls and operational procedures, and strengthen the management of bidding activities.

**Article 7**      Any investor that participates in the price inquiry process shall submit reasonable bids on an independent, objective, and good faith basis following a full review of the offering documents and in strict accordance with the pricing decision-making procedures. The final bids shall

be fully supported by the bases of pricing.

No investor participating in the price inquiry process shall divulge bidding information or obtain bidding information from other investors before the offering price is determined, negotiate with others regarding their bids or deliberately drive up or down prices, or disrupt the price inquiry process.

No issuer, underwriter, or investor participating in the price inquiry process shall engage in collusive bidding, conduct unlawful transfer of benefits, or seek improper gains during the price inquiry process.

**Article 8** The Exchange shall, in accordance with relevant Laws and Regulations, rules of the Exchange, and these *Detailed Implementation Rules*, exercise market self-regulation over the offering and underwriting of securities in IPOs; the issuers and their controlling shareholders, *de facto* controllers, directors, supervisors, and senior officers; as well as securities companies, securities service providers, investors, and other participants.

## **Chapter II Offering Procedures**

**Article 9** Upon obtaining the approval of the CSRC on securities registration, the issuer and the lead underwriter shall submit to the Exchange its offering and underwriting plan in a timely manner for record-filing. The offering and underwriting plan shall include the offering plan, preliminary price inquiry announcement (if available), investment value research report (if available), strategic placement plan (if available), and implementation plan for the over-allotment option (if any).

**Article 10** If the Exchange raises no objection to an offering and underwriting plan within five working days of the receipt thereof, the issuer and the lead underwriter may publish the preliminary prospectus or the prospectus in accordance with the law to initiate the offering process.

If the offering and underwriting plan does not conform to these *Detailed Implementation Rules* or if any matter disclosed does not meet the relevant disclosure requirements, the issuer and the lead underwriter shall make corrections as required by the Exchange. The time taken for this correction is excluded from the five-working-day period specified in the preceding paragraph.

**Article 11** Where the IPO of securities adopts direct pricing, the offering and underwriting plan filed by the issuer and the lead underwriter with the Exchange shall expressly state that the price-to-earnings ratio given by the offering price shall not exceed the average price-to-earnings ratio of the listed companies in the issuer's industry in the secondary market or, if the securities have been issued or are being concurrently issued in an overseas market, the offering price determined shall not exceed the price of the securities in that overseas market. If the offering price proposed by the issuer and the lead underwriter is higher than either of the above thresholds, or if the issuer has yet to record a profit, the offering price shall be determined by the issuer and the lead underwriter through price inquiry.

**Article 12** Where the IPO of securities adopts price inquiry, the issuer and the lead underwriter shall solicit bids from securities companies, fund management companies, futures companies, trust companies, insurance companies, finance companies, qualified overseas investors, private equity managers, and other professional institutional investors and, in the case of an IPO of securities and listing on the Main Board, other corporations, organizations, and individual investors. The foregoing targets of price inquiry are collectively referred to as "**Placing Tranche Investors**."

A Placing Tranche Investor shall possess ample investment experience and sufficient pricing

capabilities and risk tolerance, register with the Securities Association of China (“SAC”), and accept its self-regulatory measures and comply with its self-regulatory rules.

**Article 13** Where the IPO of securities adopts price inquiry, the issuer and the lead underwriter may, subject to the relevant rules of the CSRC and the relevant self-regulatory rules of the Exchange and the SAC, jointly determine the specific criteria that Placing Tranche Investors must meet to participate in the price inquiry process, and pre-disclose such criteria in the offering announcement.

The issuer and the lead underwriter shall give adequate consideration to the long-term investment philosophies of public funds, social security funds, pension funds, annuity funds, insurance funds, qualified overseas investors, and other allottees, such that it sets appropriate criteria for their participation of the price inquiry process and advise them to participate in a rational, independent, objective, and prudent manner.

**Article 14** An institutional Placing Tranche Investor shall establish internal controls to ensure its bid is in compliance with relevant rules, and properly retain documents and relevant information including the bases of pricing, its decision-making process, and its bidding records for a period of no less than 20 years.

**Article 15** A Placing Tranche Investor that participates in the price inquiry process may submit a bid for each of the allottee accounts it manages, with each bid containing the allottee information, the per-share price, and the number of shares to be subscribed for at that price. Each Placing Tranche Investor may at most submit three different proposed subscription prices among all its bids, and the highest price shall not exceed the lowest price by more than 20 percent.

Investors with valid bids may only participate in the subscription process after the offering price (or price range) of the securities in an IPO is determined.

A “**valid bid**” as referred to in the preceding paragraph means a bid submitted by a Placing Tranche Investor which is no lower than the offering price or the lower limit of the price range determined by the lead underwriter and the issuer, is not excluded as one of the highest bids, and satisfies other conditions previously determined and announced by the lead underwriter and the issuer.

**Article 16** Where the IPO of securities adopts price inquiry, the issuer and the lead underwriter shall, upon completing the preliminary price inquiry process, exclude the highest bids from the total proposed subscription quantity, with the quantity so excluded not be less than 3 percent of the total proposed subscription quantity from all Placing Tranche Investors. Such exclusion process may be terminated at the lowest price among the highest bids to be excluded that equals to the offering price (or the upper limit of the price range) previously determined. The bids so excluded shall not participate in the subscription process under the placing tranche.

The Exchange may adjust the exclusion ratio specified in the preceding paragraph based on market conditions.

**Article 17** Upon the completion of preliminary price inquiry process, the issuer and the lead underwriter shall determine a prudent and reasonable offering price (or the upper limit of the price range) based on the bids submitted by Placing Tranche Investors.

Where a price range is determined, the upper limit shall not exceed the lower limit by more than 20

percent.

The Exchange may adjust the difference ratio specified in the preceding paragraph based on market conditions.

**Article 18** Where the IPO of securities adopts price inquiry, the issuer and the lead underwriter shall, before the public subscription phase, disclose:

- (1) the average price-to-earnings ratio of the listed companies in the issuer's industry in the secondary market;
- (2) the price of the securities in the overseas market, if they have been issued or are concurrently being issued overseas;
- (3) the median and the weighted average price of the remaining bids from all Placing Tranche Investors and from each type of such investors after excluding the highest bids;
- (4) the median and the weighted average price of the remaining bids from public funds, social security funds, pension funds, annuity funds, insurance funds, and qualified overseas investors after excluding the highest bids; and
- (5) details on the bids from Placing Tranche Investors, specifically the names of the investors, allottee information, subscription price and the quantity of securities to be subscribed for at that price, main bases for determining the offering price or the price range, and the oversubscription ratio of Placing Tranche Investors at the offering price or the upper limit of the price range.

**Article 19** Where the IPO of securities adopts price inquiry, the issuer and the lead underwriter shall, prior to the public subscription phase, issue a dedicated investment-risk announcement to explain in detail why the pricing is reasonable and to warn investors about the risks of investing, if:

- (1) the price-to-earnings ratio at the offering price (or the upper limit of the price range) is higher than the average price-to-earnings ratio of the listed companies in the issuer's industry in the secondary market;
- (2) the offering price (or the upper limit of the price range) is higher than the median and the weighted average price of the remaining bids from Placing Tranche Investors after excluding the highest bids and either the median or the weighted average price of the remaining bids from public funds, social security funds, pension funds, annuity funds, insurance funds, and qualified overseas investors after exclusion of the highest bids, whichever is lower;
- (3) the offering price (or the upper limit of the price range) is higher than the price in the overseas market; or
- (4) the issuer has yet to record a profit.

**Article 20** In addition to the circumstances of IPO suspension set out in the *Underwriting Measures*, an issuer shall suspend its IPO if its estimated total post-IPO market capitalization would fall below the market capitalization and financial indicators requirements for listing specified in its prospectus.

The “**estimated total post-IPO market capitalization**” referred to in the preceding paragraph means the total market capitalization determined after the preliminary price inquiry process by multiplying the determined offering price (or the lower limit of the price range) by the total post-IPO capital stock (excluding the securities to be issued from the over-allotment option).

Subject to compliance with the regulatory requirements on post-approval matters, a suspended IPO may be resumed upon filing with the Exchange during the validity period of the CSRC’s registration approval.

**Article 21** After the offering price or price range of securities is determined, the issuer and the lead underwriter shall submit an IPO announcement or suspension announcement to the Exchange within the specified time limit, stating whether the estimated total post-IPO market capitalization would meet the market capitalization and financial indicators requirements for listing specified in the prospectus.

**Article 22** If the proposed subscription prices filled out by the Placing Tranche Investors for their allottee accounts during the preliminary price inquiry stage are valid bids, the Placing Tranche Investors shall, in accordance with the *Placing Tranche Rules*, subscribe for the securities at the offering price, or make their bids and subscriptions within the offering price range through book building.

**Article 23** Any issuer and lead underwriter that determine the offering price through the book building process shall determine a prudent and reasonable oversubscription ratio and offering price based on the subscription prices and quantities filled out by the Placing Tranche Investors for their allottee accounts. The bids submitted by Placing Tranche Investors during subscription and the price inquiry process shall be logically consistent; such acts as placing high bids without making subscriptions are prohibited.

**Article 24** Any issuer and lead underwriter that determine the offering price through the book building process shall submit to the Exchange an announcement on the offering price and the lot-winning rate for the public subscription tranche within the specified time window on the subscription date, failing which the IPO shall be suspended. An IPO so suspended may be resumed if the conditions under Paragraph 3, Article 20 of these *Detailed Implementation Rules* are met.

**Article 25** In an IPO of securities on the Main Board through price inquiry, the initial size of the placing tranche shall account for not less than 60 percent of the securities in the current public offering if the total post-IPO capital stock is 400,000,000 shares (or units) or less, and not less than 70 percent of the securities in the current public offering if the total post-IPO capital stock is more than 400,000,000 shares (or units).

In an IPO of securities on the Science and Technology Innovation Board (the “**STAR Market**”) through price inquiry, the initial size of the placing tranche shall account for not less than 70 percent of the securities in the current public offering if the total post-IPO capital stock is 400,000,000 shares (or units) or less, and not less than 80 percent of the securities in the current public offering if the total post-IPO capital stock is more than 400,000,000 shares (or units) or if the issuer has yet to record a profit.

Where a strategic placement is arranged, the relative proportion of the public subscription tranche and the placing tranche shall be determined after deducting the strategic placement securities.

**Article 26** Where the IPO of securities adopts price inquiry, the issuer and the lead underwriter shall arrange for a preferential placement of not less than 70 percent of the securities issued under the placing tranche to public funds, social security funds, pension funds, annuity funds, insurance funds, and qualified overseas investors.

If the size of valid subscriptions from public funds, social security funds, pension funds, annuity funds, insurance funds, and qualified overseas investors is less than the size allotted, the issuer and the lead underwriter may place the remaining securities to the other qualified Placing Tranche Investors.

**Article 27** Any issuer and lead underwriter that intend to divide Placing Tranche Investors into categories for placement purposes may set up specific, reasonable categories based on the allottees' institutional type, product attributes, and committed holding period. In this case, the issuer and the lead underwriter shall pre-disclose the categories in the offering announcement and ensure that investors in the same category receive the same allotment ratio.

The proportion of securities allotted to public funds, social security funds, pension funds, annuity funds, insurance funds, and qualified overseas investors shall not be lower than that to other investors.

**Article 28** If IPO securities adopt a lock-up period for the securities under the placing tranche, the issuer and the lead underwriter may select the securities for lock-up by lottery or by proportion and the lock-up period shall not be less than six months.

In the case of lottery-based lock-up arrangement, no less than 10 percent of the allottee accounts shall be drawn and the Placing Tranche Investors shall undertake that the securities allotted to the accounts drawn will be subject to the lock-up period. In the case of proportional lock-up arrangement, the Placing Tranche Investors shall undertake that no less than 10 percent of the allotted securities will be subject to the lock-up period. For any IPO of RMB 10,000,000,000 or more, not less than 70 percent of the allottee accounts or allotted securities shall be subject to the corresponding lock-up period.

**Article 29** If the number of IPO securities subscribed for by Placing Tranche Investors is less than the initial size of the placing tranche, the issuer and the lead underwriter shall suspend the offering and may not conduct a clawback from the placing tranche to the public subscription tranche. If the quantity of securities subscribed for by investors of the public subscription tranche (“**Public Subscription Tranche Investors**”) is less than the initial size of the public subscription tranche, securities under the public subscription tranche may be clawed back to the Placing Tranche Investors.

In an IPO of securities on the Main Board through price inquiry, securities shall be clawed back from the placing tranche to the public subscription tranche at 20 percent of the securities in the current public offering if the valid subscriptions from Public Subscription Tranche Investors are between 50 times (exclusive) and 100 times (inclusive) of the initial size of the public subscription tranche, and at 40 percent of the securities in the current public offering if such multiple is more than 100 times of the initial size of the public subscription tranche.

In an IPO of securities on the STAR Market through price inquiry, securities shall be clawed back from the placing tranche to the public subscription tranche at 5 percent of the securities in the current public offering if the valid subscriptions from Public Subscription Tranche Investors are between 50 times (exclusive) and 100 times (inclusive) of the initial size of the public subscription tranche, and at 10 percent of the securities in the current public offering if such multiple is more than 100 times of the initial size of the public subscription tranche. In principle, securities offered without a lock-up period

under the placing tranche following the clawback shall not exceed 80 percent of the securities in the current public offering.

For the purposes of this Article, “securities in the current public offering” shall exclude the strategic placement securities and, in the case of an IPO exceeding RMB 10,000,000,000 on the Main Board, additionally exclude the securities under the placing tranche subject to a lock-up period.

**Article 30** In the case of a major change in the market, an issuer and the lead underwriter may require each Placing Tranche Investor to pay a margin not exceeding 20 percent of the its proposed subscription amount.

Where such margin is required from Placing Tranche Investors, the issuer and the lead underwriter shall, in a fair and transparent manner, specify that margin is required, how margin will be handled when Placing Tranche Investors abandon their right to subscribe, and other relevant arrangements in the offering and underwriting plan, and disclose the same in the offering announcement.

**Article 31** Any Placing Tranche Investors and Public Subscription Tranche Investors that receive an allotment shall pay the subscription amount in full and on time. An IPO may be suspended if the total quantity of securities under the placing tranche and the public subscription tranche that have been subscribed and paid for accounts for less than 70 percent of the securities in the current public offering. An IPO so suspended may be resumed if the conditions under Paragraph 3, Article 20 of these *Detailed Implementation Rules* are met.

Interest on funds frozen from an IPO of securities shall be promptly transferred to the Securities Investor Protection Fund in accordance with relevant rules.

**Article 32** Any Public Subscription Tranche Investor that, after being selected as a lot winner, fails to pay the subscription amount in full for a cumulative of three times during a consecutive 12-month period shall not subscribe for new shares, depository receipts, convertible corporate bonds, or exchangeable corporate bonds under the public subscription tranche for six months from the date immediately following the date its settlement participant last reports that it has abandoned its right to subscribe (for the avoidance of doubt, “six months” herein refers to 180 calendar days including the foregoing immediately following date).

**Article 33** In the case of a major change in the market, if the quantity of securities abandoned by investors during subscription accounts for more than 10 percent of the securities in the current public offering, the issuer and the lead underwriter may make a second placement, of the abandoned securities, to Placing Tranche Investors.

In the case of a second placement, the issuer and the lead underwriter shall specify in the offering and underwriting plan the procedures, investor eligibility criteria, and rules for the placement, and issue a second-placement announcement to disclose the arrangements and payment for the second placement.

**Article 34** Before an issuer goes public, its shareholders may designate the sponsor who provides IPO sponsorship services to the issuer as their agent for the securities accounts used to hold the pre-IPO shares.

The sponsor referred to in the preceding paragraph shall, in accordance with the rules of the Exchange, supervise and oversee the instructions given by the shareholders of the issuer to reduce their holdings



of the pre-IPO shares.

**Article 35** Upon the completion of an IPO, the issuer shall promptly submit the listing application documents to the Exchange. The Exchange will then decide whether to approve the listing based on the contents of the application in accordance with Laws and Regulations and the rules of the Exchange. If the securities are not listed at the time specified in the Exchange's listing approval, the issuer and the lead underwriter shall issue an announcement to explain the reasons for the delay and the subsequent arrangements.

**Article 36** Within ten working days upon the listing of an issuer's securities, its lead underwriter shall submit the capital verification report, dedicated legal opinions, underwriting summary report, and other required documents to the Exchange for filing with the CSRC.

### **Chapter III Strategic Placement**

**Article 37** IPO securities may be partially allotted by strategic placement. An IPO of less than 100,000,000 shares (or units) shall have no more than 10 investors participating in the strategic placement (each a "**strategic investor**") and the strategic placement securities shall account for no more than 20 percent of the securities in the current public offering. An IPO of 100,000,000 shares (or units) or more shall have no more than 35 strategic investors and the strategic placement securities shall account for no more than 30 percent of the securities in the current public offering if the IPO is between 100,000,000 shares (or units) (inclusive) and 400,000,000 shares (or units) (exclusive), and not more than 50 percent of the securities in the current public offering if the IPO is more than 400,000,000 shares (or units).

Any securities investment fund lawfully established for a particular investment purpose which participates in a strategic placement shall do so as a single investor in the name of the fund manager. One fund manager may participate in a strategic placement on behalf of only one securities investment fund under its management.

The issuer and the lead underwriter shall make a reasonable determination on the number of strategic investors and the proportion of securities allotted to them in view of the quantity of IPO securities, the lock-up arrangements for the securities, and the needs of the offering to ensure adequate post-listing liquidity.

**Article 38** The issuer shall enter into placement agreements with the strategic investors in advance. The issuer and the lead underwriter shall disclose in the offering announcement the selection criteria for the strategic investors, the total number of strategic placement securities, its proportion to the size of the current offering, and the holding period.

**Article 39** A strategic investor shall possess sound market reputation and influence, be financially robust, recognize the long-term investment value of the issuer, and subscribe, at the finalized offering price, for such quantity of securities as they have committed to.

The relevant subsidiary of the sponsor and the senior officers and key employees of the issuer shall participate in the asset management plan especially created for the strategic placement, and participate in the strategic placement in accordance with the *Underwriting Measures*, these *Detailed Implementation Rules*, and other relevant rules of the Exchange,.

**Article 40** Strategic investors mainly include:

- (1) large enterprises that have a strategic cooperation relationship or an intent for long-term cooperation with the issuer, or their subordinates;
- (2) large insurance companies and large national investment funds, or their subordinates, that intend to make long-term investment in the issuer;
- (3) publicly offered closed-end securities investment funds whose main strategies include investment in strategic placement securities;
- (4) relevant subsidiary of the issuer's sponsor that co-invests in STAR Market securities;
- (5) senior officers and key employees of the issuer who participate in the asset management plan especially created for the strategic placement; and
- (6) other investors who comply with the Laws and Regulations and the relevant rules.

**Article 41** The following actions are prohibited for any issuer or lead underwriter that carries out strategic placement:

- (1) the issuer and the lead underwriter promising to strategic investors that the share price will rise after listing or that if the share price does not rise, the issuer will repurchase the securities from, or make any form of economic compensation to, the strategic investors;
- (2) the lead underwriter acquiring strategic investors through such incentives as promising to share a portion of the underwriting fees with such strategic investors or introducing them to the strategic placement schemes of other issuers;
- (3) the issuer subscribing for the securities of any securities investment fund managed by a strategic investor after listing;
- (4) the issuer promising to appoint any person affiliated with a strategic investor to serve as its director, supervisor, or senior officer during the lock-up period of the securities placed to the strategic investor, except for the issuer's senior officers and key employees that participate in the strategic placement through an asset management plan they have created for this purpose;
- (5) except as provided in Item (3), Article 40 of these *Detailed Implementation Rules*, a strategic investor subscribing for the issuer's securities with any funds other than its own funds, or participating in the strategic placement through or on behalf of another investor; and
- (6) any other direct or indirect forms of unlawful transfer of benefits.

**Article 42** The lead underwriter shall review the selection criteria for strategic investors, their qualifications for participation, and whether they fall under any of the prohibited circumstances set forth in Article 41 of these *Detailed Implementation Rules*; require the issuer and each of the strategic investors to issue a letter of undertaking on the matters subject to the said review; and engage a law firm to issue a legal opinion. The lead underwriter shall publicly disclose its review documents and the legal opinion.

**Article 43** Where the IPO of securities adopts price inquiry, the issuer and the lead underwriter shall disclose in the preliminary prospectus and the preliminary price inquiry announcement whether a strategic placement will be made and if so, the upper limit of the strategic placement securities and the selection criteria for strategic investors, among other information, and file with the Exchange their strategic placement plan containing the names of the strategic investors, the value or quantity of shares which they have committed to subscribe for, and the lock-up arrangement.

The issuer and the lead underwriter shall disclose, among other information, the names of the strategic investors, the quantity of shares which they have committed to subscribe for, and the lock-up arrangement in the offering announcement.

The issuer and the lead underwriter shall disclose, among other information, the names of the strategic investors to whom the securities are finally placed, the quantity of such securities, and the lock-up arrangement in the announcement on the preliminary placement results for the placing tranche and the subscription results for the public subscription tranche.

**Article 44** Where the senior officers and key employees of an issuer create an asset management plan specifically for the strategic placement, the issuer shall disclose, in the preliminary prospectus and the preliminary price inquiry announcement, the name, time of establishment, size of funds raised, manager, and *de facto* controlling person of the asset management plan, as well as the names, positions, and relative fund holdings of the participants, among other information.

If the *de facto* controlling person of the asset management plan mentioned in the preceding paragraph is a senior officer of the issuer, the shares placed to the asset management plan shall be excluded from the shares held by public shareholders.

**Article 45** Strategic investors shall not participate in the IPO of securities under either the public subscription tranche or the placing tranche, except for any public fund, social security fund, pension fund, and annuity fund that is managed by a securities investment fund manager and does not participate in the strategic placement.

**Article 46** Strategic investors shall pay their subscription amount in full before the commencement of the offering by the issuer and the lead underwriter in any IPO that adopts direct pricing, and before the price inquiry date in any IPO that adopts price inquiry.

#### **Chapter IV Co-Investment in the STAR Market by Sponsor's Subsidiary**

**Article 47** The STAR Market institutes, on a pilot basis, a co-investment scheme with respect to the relevant subsidiaries of sponsors. An issuer's sponsor shall participate in the strategic placement of the IPO through an alternative investment subsidiary lawfully incorporated by the sponsor or an alternative investment subsidiary lawfully incorporated by a securities company that exercises *de facto* control over the sponsor, and set a lock-up period for the securities so placed.

Any sponsor that implements the provisions of the preceding paragraph in another manner recognized by the CSRC and the Exchange shall comply with the provisions and regulatory requirements of these *Detailed Implementation Rules* on co-investment by relevant subsidiaries of sponsors.

**Article 48** In the event of a joint sponsorship, each participating sponsor shall, in accordance with the provisions of these *Detailed Implementation Rules*, cause its relevant subsidiary to co-invest

and disclose the specific arrangements.

**Article 49** The relevant subsidiary of an issuer's sponsor shall co-invest with its own funds, unless otherwise provided by the CSRC.

**Article 50** Any relevant subsidiary of an issuer's sponsor that participates in the strategic placement shall enter into a placement agreement with the issuer in advance to undertake to subscribe, at the offering price, for two to five percent of the IPO securities, which percentage is determined in accordance with the size of the IPO as follows:

- (1) 5 percent in an IPO below RMB 1,000,000,000, subject to a maximum of RMB 40,000,000;
- (2) 4 percent in an IPO between RMB 1,000,000,000 (inclusive) and 2,000,000,000 (exclusive), subject to a maximum of RMB 60,000,000;
- (3) 3 percent in an IPO between RMB 2,000,000,000 (inclusive) and RMB 5,000,000,000 (exclusive), subject to a maximum of RMB 100,000,000; and
- (4) 2 percent in an IPO of RMB 5,000,000,000 or more, subject to a maximum of RMB 1,000,000,000.

**Article 51** Any relevant subsidiary of an issuer's sponsor that participates in the strategic placement shall undertake to hold the placed securities for 24 months upon its IPO and listing.

Any relevant subsidiary that intends to reduce its holding of the placed securities upon the expiry of the lock-up period shall do so in accordance with the rules of the CSRC and the Exchange on shareholding reduction.

**Article 52** If a relevant subsidiary of an issuer's sponsor fails to participate in the strategic placement in accordance with these *Detailed Implementation Rules* and its undertaking, the issuer shall suspend the offering and disclose such suspension in a timely manner. An IPO so suspended may be resumed if the conditions under Paragraph 3, Article 20 of these *Detailed Implementation Rules* are met.

**Article 53** Where the IPO of securities adopts direct pricing, the issuer and the lead underwriter shall disclose the total quantity of securities placed to the relevant subsidiary of the sponsor participating in the strategic placement, the quantity of securities the subsidiary has subscribed for, the ratio of that number to the size of the IPO, the holding period, and other relevant information in the prospectus. Where the IPO adopts price inquiry, the issuer and the lead underwriter shall disclose the foregoing information in the preliminary prospectus and the preliminary price inquiry announcement.

**Article 54** The relevant subsidiary of an issuer's sponsor that participates in the strategic placement shall open a dedicated securities account for holding the securities placed to it; effectively segregate such securities from the securities of its proprietary, asset management, and other businesses; and separately manage and account for the placed securities to prevent them from being commingled with its other business activities.

The dedicated securities account mentioned in the preceding paragraph shall be used only for selling the placed securities upon the expiry of the lock-up period and transferring them to and receiving them from the China Securities Finance Corp., Ltd. in lending transactions in accordance with the rules

of the CSRC and the Exchange, and shall not be used for purchasing any stocks or other securities, unless it is in connection with the issuer's rights issue, placement of shares or convertible corporate bonds to its existing shareholders on a preferential basis, or capitalization of reserves.

**Article 55** A sponsor shall not charge the issuer, the issuer's controlling shareholder, or their affiliates any fees other than those in relation to its performance of sponsorship and underwriting obligations in accordance with the industry standards.

**Article 56** The relevant subsidiary of an issuer's sponsor that participates in the strategic placement shall undertake not to abuse its shareholder status acquired through the placed securities to disrupt the normal course of business of the issuer, or to seek the control of the issuer within the locked-up period of the placed securities.

## **Chapter V Over-allotment Option**

**Article 57** The issuer and the lead underwriter may offer the over-allotment option in the offering plan. An issuer that offers the over-allotment option shall grant its lead underwriter the right to over-allot securities and purchase, with the proceeds raised from the over-allotment securities, the issuer's securities in the secondary market through auction trading. Any issuer that issues its securities through co-lead underwriters shall grant the foregoing right to one of the lead underwriters.

The underwriting agreement between the lead underwriter and the issuer shall contain the issuer's authorization to the lead underwriter to exercise the over-allotment option and the corresponding responsibilities of the authorized lead underwriter.

The authorized lead underwriter shall exercise diligence and care, establish the procedures for independent investment decision-making and the relevant firewall systems, and strictly enforce its internal controls to prevent unlawful transfer of benefits and conflict of interest.

**Article 58** The authorized lead underwriter of an issuer shall apply to the Shanghai Branch of China Securities Depository and Clearing Co., Ltd. ("CSDC") for opening a dedicated account ("**over-allotment account**") for purchasing the issuer's security with proceeds raised from the over-allotment securities, and submit to the Exchange and the CSDC Shanghai Branch the power of attorney for and the valid specimen signature of its authorized representative. Such matters as account opening, clearing, and settlement shall be handled in accordance with the relevant rules of the Exchange and the CSDC.

The authorized lead underwriter shall deposit the proceeds raised from the over-allotment securities into a separate account opened with a commercial bank. The authorized lead underwriter shall not trade the issuer's securities with any funds other than those in the said account, or through others' accounts, within 30 calendar days upon the listing of the issuer's securities.

**Article 59** An issuer and the lead underwriter shall prudently assess the feasibility, intended objectives, and other relevant aspects of the over-allotment option, and explicitly state in the first pre-disclosed prospectus whether the over-allotment option will be offered and if so, the maximum quantity of securities to be issued thereunder. The quantity of securities to be issued under the over-allotment option shall not exceed 15 percent of the IPO securities.

**Article 60** Any issuer that offers the over-allotment option shall, in its preliminary prospectus

and the prospectus, disclose the implementation plan for the over-allotment option, including but not limited to its objectives, implementation strategies, possible scenarios, and intended effect, and shall in the offering announcement disclose the exact quantity of securities that would be issued upon the full exercise of the over-allotment option.

**Article 61** An issuer's lead underwriter that implements the over-allotment option may, when soliciting investors' subscription intents, reach an agreement with the investors in respect of the presale of the securities to be issued through the exercise of the over-allotment option to specify that such investors shall make payment in advance and agree to the deferred delivery of the securities. The lead underwriter shall submit the agreement on the deferred delivery of securities to the Exchange and the CSDC Shanghai Branch for record-filing.

**Article 62** Within 30 calendar days upon the listing of an issuer's securities, its authorized lead underwriter shall be entitled to use the proceeds from the over-allotment securities to purchase the issuer's securities through the auction trading method prescribed in the *Trading Rules of Shanghai Stock Exchange*. Each purchase order shall be made as follows:

- (1) If the order is submitted during the opening call auction, the bid price shall not exceed the offering price of the IPO or the previous closing price as reported by the real-time market data;
- (2) If the market price of the issuer's securities is lower than or equal to the offering price, an order may be submitted during continuous auction with a bid price not exceeding the offering price of the IPO;
- (3) If the order is submitted during the closing auction, the bid price shall not exceed the offering price of the IPO or the last executed price.

Any lead underwriter that purchases the issuer's securities with the proceeds from the over-allotment securities shall additionally comply with the provisions and regulatory requirements of the Laws and Regulations and the rules of the Exchange on trading practices. The securities purchased by the lead underwriter through auction trading pursuant to the provisions of the preceding paragraphs shall not be sold or otherwise disposed of.

**Article 63** If, within 30 calendar days upon the listing of an issuer's securities, the authorized lead underwriter has not purchased the issuer's securities or the securities it has purchased are less in quantity than the securities that would be issued upon the full exercise of the over-allotment option, the authorized lead underwriter may require the issuer to issue additional securities at the offering price.

The sum of the issuer's securities purchased by the lead underwriter through auction trading in accordance with Article 62 of these *Detailed Implementation Rules* and the additional securities it has called upon the issuer to issue shall not exceed the quantity of securities, as disclosed in the offering announcement, that would be issued upon the full exercise of the over-allotment option.

**Article 64** An issuer's securities purchased by its authorized lead underwriter through auction trading shall be deposited into the over-allotment account.

Within five working days after the period for the exercise of the over-allotment option expires or the cumulative quantity of the securities repurchased reaches the limit of the securities to be issued

through the over-allotment option, the authorized lead underwriter shall, in light of the foregoing circumstances, submit an application to the Exchange and the CSDC Shanghai Branch along with the relevant materials, and deliver the securities under the over-allotment account and the additional securities it has called upon the issuer to issue to investors who have agreed to the deferred delivery.

**Article 65** The relevant lead underwriter shall, within five working days after the period for the exercise of the over-allotment option expires or the cumulative quantity of the securities repurchased reaches the limit of the securities to be issued through the over-allotment option, pay the amount due to the issuer (if any). The amount of payable is:

Proceeds raised by the issuer from the exercise of the over-allotment option = Offering price × (cumulative quantity of securities issued through the exercise of the over-allotment option – quantity of the issuer's securities purchased by the lead underwriter in the secondary market) – underwriting cost for issuing securities upon the exercise of the over-allotment option.

**Article 66** Any authorized lead underwriter that purchases securities in the secondary market with the proceeds from the over-allotment securities shall, within five working days after the period for the exercise of the over-allotment option expires or the cumulative quantity of the securities repurchased reaches the limit of the securities to be issued through the over-allotment option, deliver to China Securities Investor Protection Fund Corp., Ltd. any funds remaining after deducting the amount used for the repurchase of the securities and the amount transferred to the issuer for the issuance of the additional securities, as contribution to the Securities Investor Protection Fund.

Expenses incurred in the purchase of the issuer's securities in the secondary market with the proceeds from the over-allotment securities shall be borne by the lead underwriter.

**Article 67** An issuer and the authorized lead underwriter shall, within two working days after the period for the exercise of the over-allotment option expires or the cumulative quantity of the securities repurchased reaches the limit of the securities to be issued through the over-allotment option, disclose:

- (1) the date on which the period for the exercise of the over-allotment option expires or the cumulative quantity of the securities repurchased reaches the limit of the securities to be issued through the over-allotment option;
- (2) whether the implementation of the over-allotment option complies with applicable legal and regulatory requirements, meets the requirements of the implementation plan previously disclosed, and has achieved the intended effect;
- (3) the quantity of securities issued upon the exercise of the over-allotment option or, in the case of non-exercise or partial exercise, the quantity of the issuer's securities purchased, the total amount paid therefor, and the average, highest, and lowest prices of the purchased securities;
- (4) the total amount of proceeds raised by the issuer; and
- (5) other information required to be disclosed by the Exchange.

**Article 68** The authorized lead underwriter shall keep a complete record of the issuer's securities purchased with the proceeds from the over-allotment securities, and preserve it for a period not less than ten years. The following information on the use of the proceeds documented under such record shall be updated on a timely basis:

- (1) the time, price, and size of each buy order for the securities;
- (2) the determination of the price of each buy order for the securities; and
- (3) information on the execution of each buy order, including but not limited to the time, price, and size of the trade.

**Article 69** Within ten working days after the completion of all offering tasks, the authorized lead underwriter shall report to the Exchange, for record-filing purposes, the implementation of the over-allotment option and a complete record of the securities purchased with the proceeds from the over-allotment securities.

**Article 70** The Exchange monitors the process by which an issuer's authorized lead underwriter submits and executes orders to purchase the issuer's securities with the proceeds from the over-allotment securities, and takes self-regulatory actions against securities trading and information disclosure practices that violate the rules of the Exchange.

## **Chapter VI Market Self-Regulation**

**Article 71** The Exchange exercises market self-regulation over the offering and underwriting of IPO securities, and takes supervisory measures and/or disciplinary actions against violations of these *Detailed Implementation Rules*.

In the case of a suspected violation or abnormality in the underwriting process, the Exchange may first require the issuer and the underwriter to halt or suspend the offering, then investigate the matter and report the situation to the CSRC for further actions.

**Article 72** The Exchange may, as part of its day-to-day supervision, take the following actions with respect to an issuer and its controlling shareholder and *de facto* controller; a securities company, securities service provider, and investor; and persons such as a directly responsible supervisor and another directly responsible individuals:

- (1) issuing notices and letters;
- (2) arranging an inquiry meeting;
- (3) accessing and examining working papers;
- (4) requiring an explanation or statement on the relevant matters;
- (5) conducting investigations or inspections;
- (6) reporting the abnormality to the CSRC; and
- (7) taking any additional necessary actions.

If an issuer or its controlling shareholder or *de facto* controller; a securities company, securities service provider, or investor; or a person such as a directly responsible supervisor or another directly responsible individual is suspected to have committed a violation during offering, underwriting, price inquiry, or bidding, the Exchange shall turn the relevant findings to the CSRC for further actions. Any



potential crime will be investigated by judicial authorities for criminal liabilities in accordance with the law.

**Article 73** If an issuer or its controlling shareholder or *de facto* controller; a securities company, securities service provider, or investor; or a person such as a directly responsible supervisor or another directly responsible individual falls under any of the following circumstances, the Exchange may, depending on the severity of the circumstances, take supervisory measures and/or disciplinary actions against it:

- (1) a securities company underwriting securities intended to be publicly offered without approval or in a disguised form;
- (2) engaging in collusive bidding, conducting unlawful transfer of benefits, or seeking improper gains during the price inquiry and allotment process;
- (3) investors participating in the price inquiry for the placing tranche failing to set bids in accordance with the pricing decision process, the documented pricing bases failing to support the bids, or there is an abnormality, such as inadequate grounds for price changes or highly consistent bids with the other investors, that disrupts the normal course of the price inquiry process;
- (4) soliciting bids from or allotting securities to unqualified persons;
- (5) failing to provide investment value research report or release dedicated investment-risk announcement as required;
- (6) strategic investors and the relevant subsidiaries of the sponsor violating their commitment on the lock-up period, shareholding reduction arrangement, and other relevant matters;
- (7) failing to comply with the required decision-making process and disclosure obligations in relation to the creation of an asset management plan by the issuer's senior officers and key employees specifically for the strategic placement;
- (8) failing to file the offering and underwriting plan with the Exchange in a timely manner, or proceeding with the offering in accordance with the original plan despite the Exchange's objections to the plan;
- (9) failing to suspend the offering when such suspension is required under the *Underwriting Measures* or these *Detailed Implementation Rules*;
- (10) violating the provisions of these Detailed Implementation Rules on the offering of the over-allotment option, disrupting the listing and trading of securities;
- (11) failing to prepare disclosure documents and fulfill disclosure obligations as required;
- (12) information disclosure in the offering process failing to be truthful, accurate, complete, and timely as required and contain a misrepresentation, misleading statement, or material omission;
- (13) the sponsor or the lead underwriter improperly charging fees from the issuer or investors which violates the relevant rules; and

(14) other circumstances that violate the provisions of these *Detailed Implementation Rules*.

**Article 74** If an issuer or its controlling shareholder or *de facto* controller; a securities company, securities service provider, or investor; or a person such as a directly responsible supervisor or another directly responsible individual violates these *Detailed Implementation Rules*, the Exchange may take any of the following supervisory measures against it:

- (1) giving an oral warning;
- (2) giving a written warning;
- (3) arranging for a supervisory meeting;
- (4) requiring corrections within a specified time limit;
- (5) requiring a public apology;
- (6) requiring a securities company to engage a third party to audit and issue an opinion;
- (7) requiring training within a specified time limit; and
- (8) taking any other supervisory measures prescribed by the Exchange.

**Article 75** If an issuer or its controlling shareholder or *de facto* controller; a securities company, securities service provider, or investor; or a person such as a directly responsible supervisor or another directly responsible individual commits a serious violation of these *Detailed Implementation Rules*, the Exchange may take any of the following disciplinary actions against it:

- (1) circulating a notice of criticism;
- (2) issuing a public censure;
- (3) announcing that the relevant director, supervisor, or senior officer of the issuer is unsuitable to serve as a director, supervisor, or senior officer of a securities issuer for a period of three years;
- (4) not accepting the offering and listing application documents filed by the issuer for three months to three years;
- (5) not accepting the securities underwriting documents filed by the sponsor, underwriter, or securities service provider for three months to three years;
- (6) not accepting the securities underwriting documents signed by the sponsor's representatives or the other relevant personnel of the sponsor, of the underwriter, or of the securities service provider for three months to three years; and
- (7) taking any other disciplinary actions prescribed by the Exchange.

**Article 76** If an issuer or its controlling shareholder or *de facto* controller; a securities company, securities service provider, or investor; or a person such as a directly responsible supervisor or another directly responsible individual becomes subject to any self-regulatory measure or disciplinary action of another securities exchange such as temporary non-acceptance of its or his documents or

identification as an unfit person, then the Exchange will, in accordance with its rules and for the corresponding period, not accept any documents it or he submits or signs, or identify him as unsuitable to serve as a director, supervisor, or senior officer of a securities issuer.

**Article 77** If an underwriter is found by the Exchange to have committed a violation under the rules of SAC, the Exchange will release a public notice on such violation and recommend the SAC to take such self-regulatory measures as issuing a warning or public censure within the industry.

If a Placing Tranche Investor is found by the Exchange to have committed a violation under the rules of SAC, the Exchange will release a public notice on such violation and recommend the SAC to take such self-regulatory measures as placing the investor onto the lists of restricted Placing Tranche Investors or allottees.

## **Chapter VII Supplementary Provisions**

**Article 78** The Self-Regulatory Committee for Public Offering of Stocks may provide advice on the offering and underwriting of securities on the Exchange.

**Article 79** These *Detailed Implementation Rules*, as well as any amendments thereto, will come into effect upon their adoption by the Board of Governors of the Exchange and the approval of the CSRC.

**Article 80** The Exchange reserves the right to interpret these *Detailed Implementation Rules*.

**Article 81** These *Detailed Implementation Rules* shall be implemented as of the date of issuance. The *Implementation Measures for the Offering and Underwriting of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange (2021 Revision)* (Shangzhengfa [2021] No. 76) and the *Guidelines No. 1 for the Application of the Rules on the Offering and Underwriting of Stocks on the Science and Technology Innovation Board of the Shanghai Stock Exchange – Initial Public Offering of Stocks (2021 Revision)* (Shangzhengfa [2021] No. 77) issued by the Exchange on September 18, 2021 will expire on at the same time.