Cross-Border Listings Guide - Shanghai, Shenzhen and Beijing Stock Exchanges

Principal listing and maintenance requirements and procedures

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# Principal listing and maintenance requirements and procedures

[Last updated: 1 January 2024, unless otherwise noted]

A listing applicant must meet the requirements and procedures to qualify for a listing on the Main Board. However, meeting these requirements and procedures does not guarantee a listing on the Main Board. The main requirements and procedures are described below.

*Jurisdiction.* There are no restrictive provisions preventing foreign companies from listing their securities on the SSE or the SZSE, but in practice, no foreign companies have yet been listed on the Main Board of the SSE or the SZSE because of the difficulty in legal convergence of the different jurisdictions.

*Financial criteria.* A listing applicant must meet at least one of the following financial requirements to qualify to list its securities on the Main Board:

[Link to Table](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2024-update-10th-edition/shanghai-shenzen---principal-listing-and-maintenance-requirements-and-procedure.pdf?sc_lang=en)

However, the profitability threshold mentioned above may not be applied to the listing applicant where it is identified as a pilot enterprise in accordance with the *Several Opinions of the China Securities Regulatory Commission on Launching the Pilot Program of Innovative Enterprises Domestically Issuing Shares or Depository Receipts*.

After the initial listing, the listed company is not required to meet similar ongoing financial requirements to maintain its listing.

*Operating history.* A listing applicant must have been continuously operating for three years or more after the incorporation of a joint stock company. If a limited liability company is wholly transformed into a joint stock company by means of converting the original book value of its net assets into shares, the duration of its continuous operation may be calculated from the date of incorporation of the limited liability company.

A listing applicant's primary business, directors and senior executives must not have experienced any significant adverse changes and an issuer's actual controller may not have changed in the most recent three years.

*Ownership.* At the time of listing, there must be a minimum of 2 shareholders and a maximum of 200 shareholders in general. There are no ownership requirements with respect to holders of a particular nationality.

*Minimum public float.* A listing applicant's publicly-offered shares must amount to at least 25% of the total shares of the company, or at least 10%, where the total share capital of the company exceeds RMB400 million (approximately US$56.52 million).

*Corporate governance.* The *Guiding Principles on Governing Listed Companies and Listing of Shares* have made detailed provisions on corporate governance, which are dedicated to connected party and notifiable transactions, board composition and other corporate governance issues. See Section 5 below for further information.

*Sponsor and interviews.* Each listing applicant must appoint at least one independent sponsor to assist with its listing application. It is not compulsory for the company seeking listing to conduct interviews with the exchange or the CSRC. However, the company may conduct unofficial interviews with the exchange and the CSRC if necessary or required.

*Minimum trading price.* The issue price of a share may be at or above the par value but must not be below the par value. Except for the preceding provision, there is no requirement for listed companies to have or maintain a minimum trading price for their securities.

*Lock-up requirements.* Shareholder(s) shall meet the following lock-up requirements:

Any controlling shareholder(s) must not in any way dispose of any of its interest in the issuer until 36 months after the date of listing.

Other shareholders, directors, supervisors, and senior executives of the company must not in any way dispose of any of their interests in the issuer, until 12 months after the date of listing.

The directors, supervisors, and senior executives who have left the company, must not in any way dispose of any of their interests in the issuer, until six months after the date when they leave the company.

The newly added shares held by the issuer's new shareholders within the 12 months prior to application must not be transferred within 36 months from the date of acquisition of such shares.

*Currency*. The currency denomination of securities traded on the PRC Main Board is RMB (¥). The ordinary shares (A-shares) of companies must be subscribed and traded in RMB (¥) at present. The foreign-invested shares (B-shares) of companies may be subscribed and traded in foreign currencies.

*Clearing of trades*. Registration and clearance of securities is done in a centralized and unified manner nationwide. At present, the securities must be settled within the China Securities Depository and Clearing Corporation Limited (CSDC).

*Compliance adviser*. Instead of obtaining a compliance adviser, the sponsor institution must continuously guide and supervise an issuer in the performance of its obligations, such as standardizing operations, abiding by assurances given and complying with information disclosure requirements subsequent to the listing of securities. In the event of initial public offering and listing of shares on the Main Board, the continuous supervision period shall comprise the remaining time of the year in which the securities are listed and the two subsequent fiscal years.

*Compliance.* A listing applicant must meet the following fundamental compliance requirements:

In the past three years, the issuer, its controlling shareholders, and actual controllers must not have committed any criminal acts of corruption, bribery, misappropriation of property, misappropriation of property, or disruption of the socialist market economy order. There must have been no fraudulent issuance, major information disclosure violations, or other major illegal activities related to national security, public safety, ecological safety, production safety, public health and safety.

Directors, supervisors, and senior management personnel have not been subject to administrative penalties by the CSRC in the past three years, nor are they currently being investigated by judicial authorities for suspected crimes, or they are being investigated by the CSRC for suspected violations of laws and regulations but there is no clear conclusion or opinion yet.

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