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Legal Commentary



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Capital Market Law

The Reach of Shareholder Look-through

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The PRC Law on Securities (“**Securities Law**”) and relevant laws and regulations strictly prohibit the unauthorized issuance of shares to the public (the issuance of shares either to non-specified persons or to specified persons which results in the issuer having more than 200 shareholders). In practice, the China Securities Regulatory Commission (“**CSRC**”) is intently focused on whether the number of shareholders exceeds 200 upon applying certain shareholder “look-through” rules. In general, “look-through” means to examine the upstream shareholding structure of companies or the subscription structure of private equity (“**PE**”) funds or asset management plans to determine the ultimate natural person, listed company or State-owned Assets Supervision and Administration Commission (“**SASAC**”) investors. The scope of the look-through rules is an important factor that affects the 200 shareholder threshold determination, although this concept continues to be ambiguous. By analyzing the relevant laws, regulations and cases, this article discusses the scope of look-through in determining the number of shareholders in different types of capital market transactions, including IPOs, backdoor listings, asset purchases through share issuances (not constituting a backdoor listing), cash subscriptions for private share placements of A-share listed companies, public issuances of A-share listed companies (share allotments, additional share issuances), NEEQ listings and the private placements of NEEQ listed companies.

Part I Brief Introduction

No.	Applicable cases	Look-through scope
1.	IPOs	<ul style="list-style-type: none"> ● <u>General look-through principle</u>: look-through applies to institutional shareholders to the extent of natural persons, listed companies, and SASAC. <ul style="list-style-type: none"> ➤ <u>Non-special funds</u>: a filed fund or registered fund manager which was not established for the sole purpose of investing in the pre-IPO company is regarded as a single shareholder; ➤ <u>Special funds</u>: look-through generally applies to special funds that were established for the sole purpose of investing in a pre-IPO company when calculating the number of shareholders of that company (excluding a few exceptional cases, such as Qin'An M&E PLC (603758)); ➤ <u>Limited companies</u>: look-through generally applies (in some exceptional cases, such look-through rules did not apply to limited companies that were not established for the sole purpose of investing in the pre-IPO company, such as Giga Device (603986)); ➤ <u>Offshore entities</u>: look-through generally does not apply, except for offshore entities that were established for the sole purpose of investing in the pre-IPO company, such as Giga Device (603986); ➤ <u>Employee shareholding platforms</u> are subject to look-through to the ultimate natural person shareholders. ● <u>Shareholders that may not be subject to look-through have the following characteristics</u>: <ul style="list-style-type: none"> ➤ Not established for the sole purpose of investing in the pre-IPO company; ➤ Be a filed fund or a registered fund manager; ➤ The entity was established much earlier than when it invests in the pre-IPO company; ➤ Other reasonable purposes which thereby prove that the shareholder is not acting with the intent to circumvent the 200 shareholder limitation.
2.	Backdoor listings	<p>When an A-share listed company purchases assets by issuing shares in the case of a backdoor listing, the transaction counterparties will be subject to look-through according to the following principles:</p> <ul style="list-style-type: none"> ● <u>Limit on the number of subscribers</u>: cannot exceed 200 upon the application of look-through. ● <u>General principles for applying look-through to transaction counterparties</u>: look-through to the ultimate natural person, legal person or SASAC.

		<ul style="list-style-type: none"> ➤ <u>Limited company:</u> <ul style="list-style-type: none"> ✧ A limited company which was not established for the sole purpose of investing in the target company is not subject to look-through; ✧ A limited company which was established for the sole purpose of investing in the target company is subject to look-through; ➤ <u>Funds:</u> <ul style="list-style-type: none"> ✧ Filed PE funds and registered PE fund managers which are not established for the sole purpose of investing in the target company are not subject to look-through; ✧ Filed PE funds and registered fund managers which are established for the sole purpose of investing in the target company are subject to look-through (in some individual cases, the look-through rule did not apply, such as INSIGMA (600797)); ● <u>Abrupt buy-ins:</u> this term refers to purchasing target assets by making contributions in cash to the target company or the transaction counterparties within six months prior to the issuer’s suspension or during such suspension period. In this case, the acquirer is subject to look-through to the natural persons, legal persons or SASAC (including filed funds and limited companies which are not established for the sole purpose of investing in the target company) to identify the ultimate shareholders; ➤ In general, it is not necessary to apply the look-through rules to determine the number of shareholders in the case of the transfer of shares of the target company between the existing shareholders within six months prior to the suspension or during such suspension period (in special circumstances, look-through also applied, such as Xinhai Technology (002120)).
3.	Asset purchases through share issuances (not constituting a backdoor listing)	Transaction counterparties are basically subject to the same look-through rules as backdoor listings.

4.	Cash subscriptions of the private share placements of A-share listed companies	<ul style="list-style-type: none"> ● <u>Limit on the number of subscribers:</u> The number of subscribers for non-pubic issuances undertaken by Main Board or SME board-listed companies cannot exceed 10, and the number of subscribers for non-public issuances undertaken by GEM-listed companies cannot exceed 5. The total number of investors after looking through the above subscribers cannot exceed 200 (except for the issuances based on price inquiries). ● <u>General look-through principles:</u> look-through to the level of natural persons, SASAC or joint-stock companies. <ul style="list-style-type: none"> ➢ <u>Asset-management plans, financial products:</u> look-through is required; ➢ <u>Limited companies:</u> generally subject to look-through (in very few cases, look-through did not apply to limited companies, such as Tus-sound (000826)); ➢ <u>Joint-stock companies (including unlisted joint stock companies):</u> look-through is generally not required (in some individual cases, joint-stock companies were also looked through, such as Rising Nonferrous Metals (600259)). ● Based upon the minutes of sponsor representative training sessions and relevant cases, <u>employee shareholding plans that subscribe to non-public issuances will be counted as a single investor.</u> ● <u>Issuances based on price inquiries:</u> asset management plans or financial products managed by the subscribers are only subject to the required filing and are not subject to look-through.
5.	Public offerings by A-share listed companies (allotments of shares, additional issuances of shares)	There are no rules restricting the number of subscribers.
6.	NEEQ listings	<ul style="list-style-type: none"> ● Subject to the same look-through rules as IPOs. In reviewing listing applications, NEEQ pays special attention to whether the setting up of “shareholding platforms” will result in the total number of shareholders exceeding 200.

		<ul style="list-style-type: none"> ➤ <u>Shareholding platforms</u>: generally, look-through applies to employee shareholding platforms, partnerships that are not filed as PE funds and companies and partnerships established for the sole purpose of investing in the pre-listing companies. ➤ <u>Filed contractual funds and asset-management plans</u>: not subject to look-through, to be identified as a single shareholder. ➤ <u>Trust plans</u>: generally subject to look-through all the way up to the ultimate natural person contributor since they are not under CSRC supervision (such as Aojite (836758)).
7.	Private Placements by NEEQ-listed companies	<ul style="list-style-type: none"> ● <u>Limit on the number of subscribers</u>: not to exceed 35 (excluding existing shareholders). After the private placement, the number of direct shareholders cannot exceed 200, otherwise the issuance is subject to CSRC examination and approval. ● A pure shareholding platform is not allowed to participate in NEEQ subscriptions. ● Look-through is not required in determining the number of shareholders, only the first-level shareholders need to be counted.

Part II Detailed Explanation

■ Principal laws and regulations

a. IPO-related regulations

- i. *Law of the People's Republic of China on Securities* (Presidential Decree No. 14, effective on August 31, 2014)

Article 10 Any public issuance of securities shall satisfy the requirements of the relevant laws and administrative regulations and shall be submitted legally to the securities regulatory authority under the State Council or any department authorized by the State Council for examination and approval; Without legal examination and approval, no entity or individual may issue securities to the public. It shall be deemed as a public issuance if :...(2) securities are issued to a total of more than 200 specific objects;

- ii. *Administrative Measures for Initial Public Offerings and Share Listings* (Order of the CSRC No. 122, effective on January 1, 2016)

Article 18 An issuer shall not be involved in any of the following circumstances: 1) having publicly issued securities or publicly issued securities in a disguised form in the most recent 36 months without the approval of the regulatory authority; or such illegal acts remain ongoing although committed prior to the most recent 36 months;

- iii. *Administrative Measures for Initial Public Offerings and Listings on the Growth Enterprise Market* (Order of the CSRC No. 123, effective on January 1, 2016)

Article 20 ...The issuer and its controlling shareholders and actual controllers have not publicly issued securities without permission from the statutory authorities or in a disguised form in the most recent three years, or such unlawful act remains ongoing although committed prior to the most recent three years.

- iv. *Notice of the State Council General Office on Relevant Matters Concerning the Severe Crackdown on the Illegal Share Issuance and Illegal Operation of Securities Businesses* (Guo Ban Fa [2006] No. 99, promulgated on December 12, 2006)

III. Defining policy limits and conducting oversight in accordance with law

(1) Strictly prohibiting the issuance of shares to the public without authorization. Public issuances, that is, the act of issuing shares to unspecified persons or to specified persons resulting in the number of shareholders exceeding 200, are required to be reported to the CSRC for advance examination and approval. It is unlawful to publicly issue shares without CSRC approval.

(2) Strictly prohibiting public share issuances in disguised form. Issuances of shares to specified persons which do not result in the number of shareholders exceeding 200 following the issuance are considered to be non-public. Non-public issuances and share transfers cannot be solicited publicly or in disguised form, such as through the use of advertising, public notices, broadcasts, telephone, fax, mail, promotional seminars, informational meetings, the Internet, text messages, open or public inducements. It is strictly prohibited for any corporate shareholder to transfer shares openly to the public, either by themselves or by entrusting other persons. For the transfer of shares to specified persons, the aggregate number of the shareholders following the transfer cannot exceed 200, unless the transfer is submitted for CSRC examination and approval.

- v. *Guidelines for the Supervision over Unlisted Public Companies No. 4 - Guidelines for Examination of Issues Concerning Application for Administrative Licensing by Unlisted Joint Stock Companies with over 200 Shareholders* (Announcement of the CSRC [2013] No. 54, effective on December 26, 2013, hereafter referred to as “Guidelines No. 4”)

Article 10 of the [Securities Law](#) expressly stipulates that a share issuance will be considered a public issuance where “securities are issued to a total of more than 200 specific investors,” and such public issuances are required to be reported to the CSRC for approval in accordance with the law. Any unlisted joint stock company with more than 200 shareholders (hereinafter “**200-shareholder company**”) that meets the provisions of Guidelines No. 4 may apply for an administrative license to publicly issue shares and list on a stock exchange or to list on the National Equities Exchange and Quotations (“**NEEQ**”) to transfer its shares to the public. Upon applying, the compliance of the 200-shareholder company will be reviewed together during administrative licensing process and will no longer be conducted separately. The regulatory requirements for matters such as examination standards, application documents, nominal shareholding and indirect shareholding of such 200-shareholder companies are detailed as follows:

I. Examination Standards

(2) Clear equity

Clear equity means that the equity of a 200-shareholder company shall be formed in a true and valid manner, and both the equity ownership and equity structure are clear. Specific requirements include:

1. Circumstances such as nominal shareholding via trade unions or employee shareholding committees, entrusted and trust shareholding as well as indirect

shareholding via a “shareholding platform,” etc., if any, shall be regulated according to relevant provisions of the Guidelines No. 4.

“Shareholding platforms” refer to partnerships, companies and other shareholding bodies established for the sole purpose of shareholding.

III. Handling of Nominal Shareholding and Indirect Shareholding

(1) General provisions

If any nominal shareholding exists in the equity structure of a joint stock company, such as nominal shareholding via a trade union, nominal shareholding via an employee shareholding committee, entrusted shareholding and trust shareholding, or indirect shareholding via a “shareholding platform” that results in the number of actual shareholders exceeding 200, the nominally held shares must be transferred back to the actual shareholders, the indirect shareholding must be changed to direct shareholding, and the corresponding legal procedures are to be performed in accordance with the law when applying for administrative licensing in accordance with the Guidelines No. 4.

(2) Special provisions

If shares are held through PE funds, asset management plans or other financial plans which have been established and operated in accordance with relevant laws and regulations and have been supervised by the securities regulatory institution, the return of shares to the actual shareholders or the conversion to direct shareholding is not required.

Brief Summary: In the review of IPOs, the CSRC takes a stringent attitude in applying look-through. In its feedback opinions, the CSRC may demand the professional institutions verify the “number of shareholders after the final natural persons or state-owned entity shareholders are traced from the issuer” and will require the intermediaries to state their opinions as to whether the issuer has deliberately circumvented the 200 shareholder restriction. Therefore, in practice, the professional institutions will strictly inspect and verify whether the 200 shareholder restriction has been satisfied, and will seek to prove that the relevant institutional shareholders were not established for the purpose of intentionally circumventing the 200 shareholder restriction from the perspective of the time of establishment, company investment, principal business and whether these findings are consistent with typical investment arrangements, etc.

b. Provisions related to the purchase of assets through the issuance of shares (including backdoor listings)

- i. *Revised Summary of Frequently Asked Questions regarding Listed Company-related Regulatory Laws and Regulations* (Promulgated on September 18, 2015)

Q: During mergers and acquisitions involving listed companies, should the number of specified persons to whom shares are offered to purchase assets not exceed 10 or 200?

A: In principle, the number of specified persons to whom shares are offered for the purchase of assets during mergers and acquisitions involving listed companies should not exceed 200.

- ii. *Guidelines No.4*, see above

Brief Summary: The number of persons to whom shares are to be offered in the purchase of assets through the issuance of shares is calculated on a look-through basis and may not exceed 200. Generally, the CSRC will require the shareholding partnership or companies **established** for purpose of holding the target assets to look-through to the ultimate legal person, natural person or SASAC shareholders in order to prevent any circumvention of the 200 shareholder restriction. In addition, the CSRC may also require look-through to be conducted where a shareholder is abruptly brought into the target company within six months prior to the suspension of the issuer and such shareholders generally cannot be counted as a single shareholder according to provisions under the Guidelines No. 4.

c. Provisions related to the non-public offerings of listed companies

- i. *Administrative Measures for the Issuance of Securities by Listed Companies* (Order of the CSRC No. 30, effective on May 8, 2006, hereafter referred as “Issuance Measures”)

Article 37 Specified persons in private share offerings must satisfy the following provisions: ... (2) The number of specified persons may not exceed 10.

- ii. *Interim Administrative Measures for the Issuance of Securities of Listed Companies on the Growth Enterprise Market* (Order of the CSRC No. 100, effective on May 14, 2014, hereafter referred to as the “GEM Interim Measures”)

Article 15 The specified persons in a private share offering must satisfy the following provisions:... (2) the number of specified persons may not exceed 5.

- iii. *Implementing Rules for Private Share Placements by Listed Companies* (Announcement of the CSRC [2017] No. 5, effective on February 15, 2017)

Article 8 The term "no more than 10 subscribers" as mentioned in the Issuance Measures, means that no more than 10 **legal persons, natural persons or other**

legal investment organizations may subscribe for and obtain shares in a private placement. If a securities investment fund management company subscribes via two or more funds under its management, it shall be deemed to be a single subscriber. Where trust companies subscribe to private placement shares, they may only subscribe with their own funds.

iv. Sponsor representative training held in October 2015

A sponsor representative training held on October 28, 2015 in Beijing emphasized the guiding opinion of the CSRC related to private placements that, in order to identify the number of investors at the board meeting stage, if the investors consist of asset-management plans, financial products, etc., those products should be traced back to the ultimate contributors and the total number of contributors may not exceed 200 (not applicable to employee shareholding plans that participate in the subscription). That is, a private placement cannot turn into a public issuance of shares in disguised form nor can it involve a tiered (structured) arrangement.

Brief Summary: In private placements, the satisfaction of the limit on subscribers and the determination of ultimate investors upon applying look-through rules are intended for different purposes and are carried out separately. The number of the subscribers must conform to the Issuance Measures, the GEM Interim Measures and the Implementing Rules for the Private Placement of Shares by Listed Companies. That is, the number of subscribers for the private placement of Main Board and SME board-listed companies may not exceed 10 and the number of subscribers for the private placement of GEM board-listed companies may not exceed 5. Where several funds that are managed by one securities investment fund management company participate in the same private placement, those multiple funds may be considered as a single subscriber. However, looking through those subscribers to determine the ultimate contributors is intended to prevent any circumvention of the 200 shareholder restriction, and thus to prove that the private placement is not a de facto public issuance in disguised form. According to relevant cases, subscribers are usually subject to look-through to the ultimate natural person, SASAC and stock company shareholder level. Employee shareholding plans that participate in subscriptions are counted as a single shareholder.

d. Provisions related to the public issuance of shares by listed companies

i. *Issuance Measures*

Articles 12 and 13 of Chapter II, “Conditions for Public Securities Issuances,” stipulate that listed companies must conform to the corresponding conditions for allocating shares to the original shareholders (i.e., “share allotments”) and for

publicly issuing shares to unspecified persons (i.e., “additional share issuances”). The Issuance Measures do not limit the number of subscribers.

ii. *Interim Administrative Measures for GEM Issuances*

Articles 12 and 13 of Section II, “Public Share Issuances” also provide that GEM-listed companies must satisfy the corresponding conditions in order to conduct the allocation of shares or additional issuance of shares, but do not limit the number of subscribers.

e. Provisions related to NEEQ listings

i. *Guidelines No.4*, see above

ii. *Administrative Measures for the Supervision of Unlisted Public Companies* (Order of the CSRC No.96, effective on January 1, 2013, hereafter referred to as the “Order No. 96”)

Article 34 A company with over 200 shareholders that applies for the open transfer of its shares to the general public must prepare application documents for the open transfer in accordance with the relevant CSRC provisions, including but not limited to public transfer statements, written legal opinions issued by a law firm, audit reports issued by an accounting firm qualified to engage in securities and futures-related business and sponsor documents issued by a securities company. The company shall apply to the CSRC for approval based upon the strength of these application documents.

Article 36 A company with no more than 200 shareholders that applies for the open transfer of its shares to the general public is exempted from the approval of CSRC and is instead subject to examination by the NEEQ.

f. Provisions related to NEEQ-listed company placements

i. *Order No. 96*

Articles 39 and 45 of Order No. 39 provide that if the number of shareholders of a NEEQ-listed company is no more than 200 following the issuance of its shares to specified subscribers, the company may be exempted from CSRC examination and approval, provided that the subscribers are the company’s existing shareholders, the directors, supervisors or senior officers of the company or qualified investors, and the number of subscribers does not exceed 35.

ii. *Guidelines for Share Issuance Business on the National Equities Exchange and Quotations* (Promulgated on April 25, 2013)

The Guidelines further explain the provision that the “total number of shareholders following the placement shall in aggregate be no more than 200,” by stating that the provision means the “number of new shareholders (or the upper limit on the number of new shareholders) that is determined or anticipated by the stock issuance plan plus the number of existing shareholders recorded in the shareholder registry as of the record date for the shareholders meeting at which the share issuance is reviewed shall not in aggregate exceed 200 persons.” According to such provisions of the Guidelines, the number of shareholders is not required to be calculated on a look-through basis.

iii. *Q & A Regarding Regulations on Unlisted Public Companies – Private Placements (2)* (Issued on November 24, 2015)

This Q&A clearly explains that “companies, partnerships and other shareholding platforms established for the sole purpose of subscribing to shares and which do not have actual business and do not satisfy the qualified investor requirements shall not participate in the share issuances of non-listed public companies.” The ban on shareholding platform subscriptions in NEEQ private placements prevents the circumvention of the 200 person requirement by setting up shareholding platforms, and may prevent regulatory arbitrage in such issuances which do not subject the subscribers to look-through examinations.

■ **Cases studies**

a. IPOs

Abbr.	Date of Approval	Shareholder information	Look-through treatment
Getein Biotech (603387)	June 13, 2017	A total of 16 shareholders, including an employee shareholding platform, 4 funds, 2 fund managers, 1 partnership, 8 natural person shareholders	<p>a) The four funds were filed and not established for the sole purpose of investing in the company, they were thus identified as four shareholders and were not subject to look-through. However, the equity structure of the funds was disclosed up to the natural person and state-owned entity shareholders.</p> <p>b) All the remaining persons (including two fund managers in the form of limited liability companies) were subject to look-through to the ultimate natural person shareholders, and the company was considered to have 79 total shareholders.</p> <p><i>Han Kun Note: In this case, the registered PE fund managers were also subject to look-through for determining the number of shareholders. This may have been because the number of shareholders upon look-through was relatively small and thus the calculation result, regardless of applying look-through, would not have affected the outcome. Thus, the lawyers may have adopted a more stringent standard when calculating the number of shareholders.</i></p>
Qin'an M&E (603758)	March 3, 2017	A total of 104 shareholders, including an employee shareholding platform, 5 funds and 98 natural person shareholders	<p>According to the supplemental legal opinions, the lawyer believed that although there were funds established by the same fund manager solely for the purpose of investing in the pre-IPO company, the establishment of the funds should be regarded as a normal investment activity and each fund should be counted as a single shareholder because the funds were not established to intentionally circumvent the 200 shareholder restriction.</p> <p><i>Han Kun Note: In this case, the 5 funds have 63, 7, 162, 10, and 32 ultimate investors, respectively. If determined on a look-through basis, the total number of shareholders would have exceeded 200 persons. CRSC's grant of approval reflects that, when deciding whether the total number of shareholders exceeds 200 persons, CRSC will</i></p>

			<i>consider whether the relevant equity structure is formed in order to circumvent the 200 shareholder restriction. If no such intent is proven based upon reasonable evidence, even if the fund is set up solely to invest in the issuer, there is a possibility for the fund to be identified as a single shareholder.</i>
Inven- tronics (300582)	October 28, 2016	A total of 9 shareholders, including a natural person shareholder, 2 employee shareholding platforms, 6 institutional shareholders	<p>a) 2 employee shareholding platforms were looked through up to the ultimate natural person shareholders.</p> <p>b) Among the 6 institutional shareholders, 3 were filed funds and each was identified as a single shareholder. The other 3 were partnerships solely established for investing in the issuer and all of them were subject to look-through to identify the ultimate shareholders.</p> <p><i>Han Kun Note: In this case, the lawyers did not specify the filing status of three funds that were established solely to invest in the pre-IPO company. Through our research, we found that two of the three funds had been filed as of the date of the lawyers' issued legal opinion.</i></p>
Buchang Pharma (603858)	July 13, 2016	A total of 49 shareholders, including 4 employee shareholding platforms, 15 filed PE funds, 1 fund manager, 8 limited companies, 6 partnerships, 15 offshore shareholders	<p>a) 4 employee shareholding platforms were looked through up to the ultimate natural person shareholders and were considered as 6 shareholders total</p> <p>b) Whether look-through applies to the other institutional shareholders depends upon whether the shareholder was established solely for the purpose of investing in the pre-IPO company. If so, the shareholder will be looked through up to the natural person shareholders and entities not established solely for the purpose of investing in the pre-IPO company. Otherwise the shareholder is considered to be a single shareholder and is not subject to look-through.</p> <p><i>Han Kun Note: According to the above principles, no offshore shareholders nor any limited companies were subject to look-through. 3 filed special funds were looked through and 2 unregistered partnerships were looked through.</i></p>

<p>Giga Device (603986)</p>	<p>March 20, 2016</p>	<p>1 natural person shareholder, 3 employee shareholding platforms, 16 institutional shareholders (10 registered / filed fund managers / funds, 2 domestic limited companies, 4 offshore shareholders)</p>	<p>a) 3 employee shareholding platforms were subject to look-through up to ultimate natural person shareholders.</p> <p>b) The remaining 16 institutional shareholders were divided into two categories by the lawyers: shareholders that had participated in portfolio investments other than the investment in the pre-IPO company and shareholders that had not. The former group was not subject to look-through while the latter group was.</p> <p>This company was considered to have 106 shareholders in total based upon the look-through calculation.</p> <p><i>Han Kun Note: The institutional shareholders involved in this case were special because there were 2 limited companies (Tong Fang Hua Qing and TusStar Incubator) and 4 overseas limited companies in addition to the filed PE funds or registered fund managers. The lawyers did not decide whether the shareholders were investment institutions based upon whether they were filed funds or registered fund managers. Instead, the lawyers inspected the principal business of the shareholders and determined whether they had participated in other investment portfolios other than the investment in this company. In the end, a domestic limited company and an offshore limited company, both of which had not participated in other portfolio investments, were subject to look-through.</i></p>
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b. Purchase of assets through share issuances (constituting a backdoor listing)

Abbreviated company name	Transaction description	CSRC approval date	Existence of abrupt buy-in	Look-through treatment
Dingtai New Materials (002352)	Shunfeng Express achieved its A-share listing through the shell company, Dingtai New Materials (Major asset swap and purchase of assets through the issuance of shares)	October 11, 2016	No	<p>a) Look-through up to the natural persons, SASAC and limited companies that were not solely established for the purpose of investing in the target company. There were determined to be a total of 115 transaction counterparties based upon the look-through calculation;</p> <p>b) Investors which increased the capital of the target company or transaction counterparties with cash within six months prior to the issuer's suspension or during the suspension period were subject to look-through to the ultimate natural person, legal person or SASAC shareholders.</p> <p><i>Han Kun Note: No abrupt buy-ins by cash increments existed in this case, therefore look-through was not applied.</i></p>

Xinhai (002120)	Yunda achieved its A share listing through the shell company Xinhai (Major asset swap and purchase of assets through the issuance of shares)	November 8, 2016	No	<p>Look-through to natural person, legal person or SASAC shareholders. There were determined to be a total of 176 transaction counterparties based upon the look-through calculation.</p> <p><i>Han Kun Note: Filed non-special PE funds that increased the capital in target company or transaction counterparties prior to 6 months before the issuer's suspension and filed PE funds that acquired existing shares of the target company or transaction counterparties within 6 months before the issuer's suspension are generally not subject to look-through. In this case, <u>more stringent standards were adopted</u> so that all of the funds were looked through to determine the total number of ultimate transaction counterparties.</i></p>
ST Tianyi (000710)	Berry Genom achieved its A share listing through the shell company ST Tianyi	April 26, 2017	Yes	<p>a) Look-through up to the natural persons, SASAC, limited companies that were not established solely for the purpose of investment into the target company and filed PE funds that were not established solely for the purpose of investing in the target company;</p> <p>b) Investors increasing capital in the target company or transaction counterparties with cash within six months before the issuer's suspension or during the suspension period are subject to look-through to the ultimate natural person, legal person or SASAC shareholders.</p> <p>There were determined to be 145 transaction counterparties based upon the look-through calculation.</p> <p><i>Han Kun Note: In this case, the filed PE funds that were not established solely for the purpose of investing in the target company but engaged in an abrupt buy-in were also subject to look-through when determining the number of ultimate transaction counterparties.</i></p>

c. Purchase of assets through share issuances (not constituting a backdoor listing)

Abbreviated company name	Transaction description	CSRC Approval date	Existence of abrupt buy-in	Look-through treatment
Tianyuan Dic (300047)	Purchase 94.8428% stake in Vive & Best through the issuance of shares and cash payment	April 27, 2017	Yes	<p>a) Look-through to the natural person, SASAC, limited companies that were not established solely for the purpose of investing in the target company and filed PE funds that were not established solely for the purpose of investment into the target company;</p> <p>b) Investors increasing the capital of the target company with cash within six months before the issuer's suspension are subject to look-through to the ultimate natural person, legal person or SASAC shareholders.</p> <p>There were determined to be 102 transaction counterparties based upon the look-through calculation.</p> <p><i>Han Kun Note: In this case, the filed PE funds that were not established solely for the purpose of investing in the target company but were engaged in an abrupt buy-in were subject to look-through when determining the number of ultimate transaction counterparties.</i></p>
INSIGMA (600797)	Purchase 80% stake in Watone Cloud Data through the issuance of shares and cash payment	June 14, 2017	No	<p>a) Look-through to the natural person, SASAC, limited companies that were not established solely for the purpose of investing in the target company and filed PE funds;</p> <p>b) Investors increasing the capital of the target company with cash within six months before the issuer's suspension or during the suspension period are subject to look-through to the ultimate natural person, legal person or SASAC shareholders.</p>

				<p>There were determined to be 49 transaction counterparties based upon the look-through calculation.</p> <p>Han Kun Note: As the share transfer in this case that occurred during the suspension period was conducted among the existing partners of a transaction counterparty, this partnership was not subject to look-through treatment.</p>
Zhongji Equipment (300308)	Purchase 100% stake in Innolight through the issuance of shares	March 8, 2017	Yes	<p>a) Look-through to the natural person, SASAC, limited companies that were not established solely for the purpose of investing in the target company and filed PE funds that were not established solely for the purpose of investment into the target company;</p> <p>b) Investors acquiring the target assets within six months before the issuer's suspension or during the suspension period are subject to look-through to the ultimate natural person, legal person or SASAC shareholders.</p> <p>There were determined to be 152 transaction counterparties based on the look-through calculation.</p> <p>Han Kun Note: In this case, the filed PE funds that were not established solely for the purpose of investing in the target company but were engaged in an abrupt buy-in were subject to look-through when determining the number of ultimate transaction counterparties.</p>
CHT (002602)	Purchase the 100% stake in Jingyao International, Huacong International, Huayu International and	December 22, 2016	No	<p>Look-through to the natural person, legal person, SASAC and filed PE fund. Upon calculating on a look-through basis, there were determined to be 3 transaction counterparties.</p> <p>Han Kun Note: In this case, as the acquirers obtained the assets of the transaction counterparties (limited partnership) through acquiring the</p>

	Diandian Beijing through the issuance of shares; Purchase the 40% stake in Diandian Cayman through cash payment			<i>existing shares of the transaction counterparties within 6 months before suspension, the acquirers were not subject to look-through.</i>
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d. Cash subscriptions of the non-public offerings of A share listed companies

Abbreviated company name	Transaction description	CSRC approval date	Look-through treatment
Luolai Group (002293)	Shares were issued to five specific subscribers, including Shanghai Weifa Investment Holdings Limited, Suzhou Shaoyuan Jiuding Investment Center (Limited Partnership), Suzhou Qi Li Jiuding Investment Center (Limited Partnership), Suzhou Hongtai Jiuding Venture Capital Center (Limited Partnership) and Jiutai Fund Management Co., Ltd. All consideration for subscription was paid with cash. The pricing benchmark date was the board resolution announcement date. The shares were issued at fixed price.	March 6, 2017	<p>a) Limited companies were looked through up to natural person and public offered fund product;</p> <p>b) Limited partners were looked through up to SASAC, listed company, joint-stock company and natural person.</p> <p>There were determined to be 42 investors based on the look-through calculation.</p>

<p>TUS-Sound (000826)</p>	<p>Shares were issued to nine specific subscribers, including Zhuhai Tus Investment Management Co., Ltd, Zhuhai Tus Lvyuan Capital Management Limited, Tibet Qingqkong Asset Management Co., Ltd, Nantong Jinxin Haohai Investment Center (Limited Partnership), Tibet Sound Investment Holdings Co., Ltd., Harvest Fund Management Co., Ltd., China Universal Asset Management Co., Ltd., Bangxin Asset Management Co., Ltd. and TUS Sound ESOP (I). All consideration for subscription was paid with cash. The pricing benchmark date was the board resolution announcement date. The shares were issued at a fixed price.</p>	<p>December 28, 2016</p>	<p>a) Limited companies at first tier were looked through to their shareholders (also limited companies); b) Limited partnerships were looked through up to limited companies and natural persons; c) Capital management plans and financial products were looked through up to natural persons, joint-stock limited companies, securities companies, non-profit organizations, national social security funds and annuity plans; d) ESOP was identified as a single subscriber.</p> <p>There were determined to be 53 investors based on the look-through calculation.</p> <p><i>Han Kun Note: In this case, the equity structure of limited companies at first tier was relatively complicated. Generally speaking, the limited companies should be looked through up to the ultimate contributors, but they were not fully looked through in this case.</i></p>
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<p>Huazi Industry (600191)</p>	<p>The shares were issued to six specific subscribers, including Baotou Prairie Sugar (Group) Co., Ltd. , the collective asset management plan “JZ Additional Issuance Phase (II)” established by JZ Securities, the special asset management plan “CITIC-CP-Huashi Financial Investment No. 1” established by CITIC-CP, the collective asset management plan “New Times Huazi Industry Private Placement No.1” established by New Times Securities, the special asset management plan “Qianhai Golden Eagle Yue Tong No. 36 ” established by Qianhai Golden Eagle Assets Management Company and Beijing Yu Jin Xiang Equity Investment Center (Limited Partnership). All consideration for subscription was paid with cash. The pricing benchmark date was the board resolution announcement date. The shares were issued at a fixed price.</p>	<p>July 23, 2016</p>	<p>a) Asset management plans and limited partnerships were looked through up to natural persons; b) The controlling shareholder of the issuer, Baotou Prairie Sugar (Group) Co., Ltd. (a limited company) was not looked through.</p> <p>There were determined to be 62 investors based on the look-through calculation.</p> <p><i>Han Kun Note: In this case, one of the subscribers-the controlling shareholder, Baotou Prairie Sugar (Group) Co., Ltd., which is a limited company, was not looked through.</i></p>
<p>Rising Nonferrous Metals (600259)</p>	<p>The shares were issued to five specific subscribers, including the controlling shareholder of the issuer, Guangdong Rising Assets Management Co., Ltd., Directional Asset Management Plan (ESOP) managed by GF Securities Asset Management (Guangdong) Co., Ltd, Guohua Life Insurance Company Limited, J.Royal Strategic Resources Fund No.1 managed by Shanghai J.Royal Investment Management Co., Ltd and Liu Yiqian. All consideration for subscription was paid with cash. The pricing benchmark date was the board resolution</p>	<p>July 6, 2016</p>	<p>a) Limited companies at first tier were looked through up to SASAC; b) Joint-stock companies at first tier were looked through up to natural person and the actual controller of a listed company; c) Fund products were looked through up to natural persons;</p>

	announcement date. The shares were issued at a fixed price.		<p>d) It was disclosed that there were 267 employees in the ESOP, but the ESOP was counted as a single investor.</p> <p>There were determined to be 29 investors based on the look-through calculation.</p> <p><i>Han Kun Note: In this case, Guohua Life Insurance Company Limited, which is a joint-stock company, was also looked through, possibly because its shareholding structure was relatively simple.</i></p>
Minfa Aluminium (002578)	The shares were issued to 3 specific subscribers, including Huang Wenle, Huang Wenxi and Shanghai Richen Venture Capital Management Center (Limited Partnership). All consideration for subscription was paid with cash. The pricing benchmark date was the board resolution announcement date. The shares were issued at a fixed price.	March 18, 2016	<p>The limited partnership was looked through up to natural person and joint-stock company.</p> <p>There were determined to be 38 investors based on the look-through calculation.</p>
Jingsheng Mechanical & Electrical (300316)	<p>Shares were to be issued to no more than five specific subscribers. All consideration for subscription was paid with cash. The pricing benchmark date was the board resolution announcement date. The stocks were issued <u>at inquiry-based prices.</u></p> <p>The finalized list of subscribers included NORINCO, Shaoxing Wanlin Equity Investment Fund Partnership (Limited Partnership), HuaAn Funds Management Co., Ltd. and Guangzhou Finance Holdings.</p>	April 29, 2016	<p>The PE products or asset management plans have been registered or filed with Asset Management Association of China.</p> <p>In this case, since the shares were issued at inquiry-based price, the fund products and capital management plans were looked through.</p>

e. NEEQ Listing

Abbreviated company name	Listing date	Shareholder information	Look-through treatment
Idea International (870830)	January 23, 2017	6 natural persons, 1 employee shareholding platform, 1 contractual fund and 1 partnership fund	<p>a) The employee shareholding platform was looked through, and was considered to be 31 shareholders;</p> <p>b) Since the contractual fund and partnership fund had been filed with AMAC, neither were looked through.</p>
WinSun Pharm (839729)	October 27, 2016	158 natural person shareholders, 5 legal person shareholders	<p>a) The top three shareholders, i.e., Xiandai Agriculture Group, Nongke Group and Institute of Animal Health were not looked through since they were independent corporate entities or institutional legal persons rather than financial institutions or PE funds, nor were they shareholding platforms established solely to invest in the company.</p> <p>b) Zhongke Scientific & Technical Co., Ltd. and CKE Technology were not looked through since they were filed PE funds.</p>
Aojit (836758)	March 11, 2016	12 legal person shareholders, 9 natural person shareholders, inclusive of 1 trust plan shareholder	<p>The feedback opinions of NEEQ required the lawyer to inspect the nominee shareholding status related to the trust plan.</p> <p>The trust settlors included nine natural persons and one limited company. The limited companies were looked through up to the ultimate natural person, and the lawyer reasoned that the total number of shareholders of the company did not exceed 200.</p> <p><i>Han Kun Note: As trust plans are not under the supervision of CSRC and are not financial plans that may be exempted from ownership structure disclosure as provided under the Guidelines No.4, it is reasonable for trust plans to be subject to look-through.</i></p>

f. Private placement by NEEQ-listed companies

Abbreviated Company Name	Transaction description	Issuance Date	Look-through treatment
Ningyuan Technology (834750)	Shares were issued to 2 subscribers, Shenzhen Yingxindecheng No.1 Investment Management Enterprise (Limited Partnership) and SZ CAPITAL.	April 20, 2017	Only the first-tier shareholders were counted. Neither the subscribers nor the existing shareholders were looked through. No shareholding platform was involved in the subscribers.
Fractalist (870104)	Shares were issued to one subscriber, which was the existing shareholder, Shanghai Demu Investment Center (Limited Partnership).	March 16, 2017	Only the first-tier shareholders were counted. Neither the subscriber nor the existing shareholders were looked through. No shareholding platform was involved in the subscriber.

Note: Some clauses translations are quoted from Lexiscn and Westlaw China.

● **Important Announcement**

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