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CHINA

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I INTRODUCTION

There are three primary stock exchanges in China: the Shanghai Stock Exchange (SSE), the Shenzhen Stock Exchange (SZSE) and the Beijing Stock Exchange (BSE). The SSE consists of the Main Board and the Sci-Tech Innovation Board (the STAR Board), whereas the SZSE consists of the Main Board, which merged the Small and Medium Enterprises Board (the SME Board) on 6 April 2021, and ChiNext (a board consisting mainly of high-tech companies). The BSE officially opened in November 2021, which is the third stock exchange, and targets small and medium-sized innovative enterprises.

There were two major developments of China's capital market in 2022. First, the BSE officially opened in November 2021, and 2022 is the first year for BSE running. During 2022, the basic institutional arrangements of BSE had preliminarily withstood the market examination; the agglomeration effect of small and medium-sized innovative enterprises had gradually appeared; the role of BSE in driving the innovation layer and the foundation layer of the National Equities Exchange and Quotations (NEEQ) had been continuously enhanced; and a market pattern of progressive development layer by layer had been further formed. Second, to further improve the work quality of intermediaries under the registration-based system, the CSRC issued the Standards for Sponsor Due Diligence Work (2022 Revision), Guidelines for the Working Papers for the Sponsorship Business for the Offering and Listing of Securities (2022 Revision) and Opinions on Strengthening the Regulation of Professional Integrity of Intermediaries under the Registration-Based System, and publicly solicited opinions on Measures for the Administration of the Provision of Securities Legal Services by Law Firms (Draft for Soliciting Comments).

The aforementioned developments in 2022 are all in preparation for the full implementation of the registration-based initial public offering (IPO) system (Full Registration-based System). On 17 February 2023, the CSRC issued 57 institutional rules related to the Full Registration-based System, and 108 supporting institutional rules were issued simultaneously by various exchanges and relevant departments. This marks a new era in which China's capital market has moved into the extension of the registration-based system to the entire market and all types of security issuance practices.

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II GOVERNING RULES

i Main stock exchanges

As discussed in Section I, the SSE consists of the Main Board and the STAR Board, whereas the SZSE consists of the Main Board and ChiNext, and BSE serves small and medium-sized innovative enterprises (thus having no specific trading board yet).

STAR

On 1 March 2019, the CSRC and the SSE issued the Rules of the STAR, which took effect on the same day. These rules introduced a registration-based system and eased listing standards to accommodate qualified technology companies. On 22 July 2019, the STAR officially opened for trading. As of the end of 2022, over 500 companies have listed on the STAR.

The STAR may be considered a breakthrough in China's capital market for the following reasons:

- a* removal of profit requirement: pre-profit technology industries such as information technology, high-tech manufacturing, new materials, new energy and environmental protection, along with pre-revenue biotech companies, may list on the STAR. In practice, pre-profit companies such as Suzhou Zelgen Biopharmaceuticals Co, Ltd, have successfully passed the SSE's examination and have completed registration procedures with the CSRC, allowing them to list on the STAR;
- b* unweighted voting rights: the STAR permits, for the first time in the mainland capital markets, technology companies with unweighted rights to list. In practice, UCloud Technology Co, Ltd, which had an unweighted voting rights structure, successfully passed the SSE's examination and completed the registration procedure with the CSRC, allowing it to list on the STAR;
- c* red-chip companies may list: red-chip companies (those whose parent entity is incorporated outside mainland China and whose primary business activities are in China, including variable interest entity (VIE)-structure companies), may apply for a public offering of its stock in mainland China or through the issuance of Chinese depository receipts (CDRs), though listing standards are higher (see below). In practice, Semiconductor Manufacturing International Corporation successfully passed the SSE's examination and completed the registration procedure with the CSRC, allowing it to list on the STAR; and
- d* spun-off companies may list: the STAR permits, for the first time in mainland capital markets, spun-off technology companies to list.

ChiNext

ChiNext was established on 30 October 2009 to support small and medium-sized enterprises, especially in the high-tech sector. With the reform of the registration-based system of ChiNext, ChiNext adapted to the general trend of relying more on innovation, creation and creativity, mainly serving growth-oriented innovation and entrepreneurship enterprises, and supporting the deep integration of traditional industries with new technologies, new industries, new formats and new models.

The reform of the registration-based system of ChiNext fully draws on the experience and practice of the pilot of the registration-based system of STAR, and basically uses the same rules as STAR in the main aspects of legal rules, issuance conditions, registration procedures, supervision and management.

BSE

The BSE was established on 3 September 2021, which is China's first corporate-based stock exchange approved by the State Council. The BSE mainly serves small and medium-sized innovative enterprises, focusing on supporting enterprises in advanced manufacturing and modern service industries, promoting the transformation and upgrading of traditional industries, and promoting high-quality economic development.

As a part of the reform of the registration-based system, the BSE has adopted a registration-based system, and the institutional arrangements of the BSE are generally consistent with the STAR and ChiNext.

Main Board (SSE and SZSE)

The Full Registration-based System generally extends and applies to the Main Board, including the review philosophy, procedures, methods, information disclosure requirements and other provisions of the pilot registration-based system similar to the STAR and the ChiNext. Multiple sets of financial indicators are available for domestic enterprises, red-chip companies and companies with an unweighted voting rights structure.

However, the reform of Full Registration-based System also clarifies the positioning requirements of the Main Board, which form a multi-tiered capital market pattern with coordinated development and complementary functions with the STAR, the ChiNext and the BSE. The Main Board highlights the characteristics of 'large-cap blue chips', focusing on supporting quality enterprises with mature business models, stable business performance, relatively large scale and industry representativeness.

ii Overview of listing requirements

At present, under Full Registration-based System, all listing applications are submitted to the stock exchanges. If approved, the applications are then submitted to the CSRC to complete the registration procedure.

Table 1 sets forth the main requirements for the Main Board, ChiNext, the STAR and the BSE. Tables 2a and 2b set forth the main requirements for red-chip companies. These companies must be qualified enterprises, whether they are listing stocks or CDRs, in addition to satisfying the requirements under the rules of the specific board. Table 3 sets forth the main requirements for companies with an unweighted voting rights structure.

Table 1: Issuers incorporated in China

IPO requirements	Main Board	ChiNext	STAR	BSE
Issuer qualifications	A company limited by shares that is duly incorporated and validly exists in China.			A company limited by shares listed on the innovation layer that has been continuously listed on the NEEQ for at least 12 months.

IPO requirements	Main Board	ChiNext	STAR	BSE
Business records	At least three years of continuous operations (where a limited liability company is converted into a company limited by shares through the conversion of the entire original book value of its net assets, the term 'continuous operation' may start from the date when the limited liability company was established).			<ul style="list-style-type: none"> At least three years of continuous operations (where a limited liability company is converted into a company limited by shares through the conversion of the entire original book value of its net assets, the term 'continuous operation' may start from the date the limited liability company was established). Continuously listing on the NEEQ for at least 12 months.
Profitability	The net profit during the past year or each of the previous three years is positive (varies according to the different financial indicators).	N/A after 12 June 2021 (only applicable to innovative and entrepreneurial enterprises in advanced manufacturing, internet, big data, cloud computing, artificial intelligence, biomedicine and other high-tech industries and strategic emerging industries).	N/A	
Financial indicators for Main Board only	<p>One of the following three thresholds where expected market value:</p> <ul style="list-style-type: none"> has no specific requirement, the net profit in each of the three previous years is positive, the total net profit in the past three years is not less than 150 million yuan, and the net profit in the latest year is not less than 60 million yuan; and the net cash flow generated from business activities in the past three years is not less than 100 million yuan or the total operating income is not less than 1 billion yuan. is not less than 5 billion, the net profit in the past year is positive, the operating income in the past year is not less than 600 million yuan; and the net cash flow generated from business activities in the past three years is not less than 150 million yuan. is not less than 8 billion yuan, the net profit in the past year is positive; and the operating income in the past year is not less than 800 million yuan. <p>Expected market value means total equity following the IPO multiplied by the offering price.</p>			
Financial indicators for STAR only	<p>One of the following five thresholds (four of which do not have profitability requirements) where expected market value:</p> <ul style="list-style-type: none"> is not less than 1 billion yuan, net profit in the past two years is positive and the aggregate net profit is not less than 50 million yuan; or expected market value is not less than 1 billion yuan, net profit in the past year is positive and operating income is not less than 100 million yuan (net profit is calculated based on the lower net profit before and after deduction of non-regular profits or losses); is not less than 1.5 billion yuan; operating income in the past year is not less than 200 million yuan; and total R&D investment in the past three years accounts for not less than 15 per cent of operating income in the past three years; is not less than 2 billion yuan; operating income in the past year is not less than 300 million yuan; and net cash flow generated from business activities in the past three years is not less than 100 million yuan; is not less than 3 billion yuan; operating income in the past year is not less than 300 million yuan; and is not less than 4 billion yuan; significant business or products need to be approved by relevant government departments; and significant market space and phased results. For pharmaceutical applicants, at least one core product needs to be approved to carry out Phase II clinical trials for new drugs. Other applicants are required to possess 'obvious technological advantages' and meet corresponding conditions. <p>Expected market value means total equity following the IPO multiplied by the offering price.</p>			

IPO requirements	Main Board	ChiNext	STAR	BSE
Financial indicators for ChiNext only	<p>One of the following three thresholds (one of which does not have profitability requirements) where expected market value:</p> <ul style="list-style-type: none"> has no specific requirement, the net profit in the past two years is positive, and the aggregate net profit is not less than 50 million yuan; is not less than 1 billion yuan, operating income in the past year is not less than 100 million yuan; and the net profit in the past year is positive; and is not less than 5 billion yuan, the operating income in the past year is not less than 300 million yuan (only applicable to innovative and entrepreneurial enterprises in advanced manufacturing, internet, big data, cloud computing, artificial intelligence, biomedicine and other high-tech industries and strategic emerging industries). <p>Expected market value means total equity following the IPO multiplied by the offering price.</p>			
Financial indicators for the BSE only	<p>One of the following four thresholds (three of which do not have profitability requirements) where expected market value:</p> <ul style="list-style-type: none"> is not less than 200 million yuan, the net profit in each of the past two years is not less than 15 million yuan or net profit in the past year is not less than 25 million yuan; and the weighted average return on net assets is not less than 8 per cent; is not less than 400 million yuan, the average operating income in the past two years is not less than 100 million yuan; growth rate of operating income in the past year is not less than 30 per cent; and net cash flow generated from business activities in the past year is positive; is not less than 800 million yuan, the operating income in the past year is not less than 200 million yuan; total R&D investment in the past two years accounts for not less than 8 per cent of the total operating income in the past two years; and is not less than 1.5 billion yuan, the total R&D investment in the past two years is not less than 50 million yuan. <p>Expected market value means total equity following the IPO multiplied by the offering price.</p>			
Assets	N/A			Net assets \geq 50 million yuan at the end of the most recent accounting period.
Capital	Post-listing capitalisation of \geq 50 million yuan.	Post-listing capitalisation of \geq 30 million yuan.		
Minimum public shareholding	<p>When the post-listing capitalisation is \leq400 million yuan, the public shareholding ratio shall not be less than 25 per cent.</p> <p>When the post-listing capitalisation is $>$400 million yuan, the public shareholding ratio shall not be less than 10 per cent.</p>			<p>Shares that are offered publicly of \geq1 million; the number of the public offering objects of \geq100; and the number of the post-listing shareholders of \geq200.</p> <p>When the post-listing capitalisation is \leq400 million yuan, the public shareholding ratio shall not be less than 25 per cent; when the post-listing capitalisation is $>$400 million yuan, the public shareholding ratio shall not be less than 10 per cent.</p>
Major business	No adverse significant changes in the past three years.	No adverse significant changes in the past two years.		No significant changes in the past 24 months.
Directors and senior management	No adverse significant changes in the past three years.	No adverse significant changes in the past two years.		No adverse significant changes in the past 24 months.
Actual controller	No change in the past three years (the definition of 'actual controller' is based on several legally prescribed factors that are applied to each individual case based on the facts and circumstances of such case).	No change in the past two years.		No change in the past 24 months.

IPO requirements	Main Board	ChiNext	STAR	BSE
Clarity of ownership	The issuer's equity structure is to be well defined, without any significant dispute over the shares of the issuer held by the controlling shareholders, or held by shareholders that are controlled by the controlling shareholders or the actual controllers.			The shares held by the controlling shareholders or held by shareholders that are controlled by the controlling shareholders or the actual controllers are clear. Furthermore, there are no significant ownership disputes leading to a possible change of control.
Internal control	<ul style="list-style-type: none"> The basic accounting work of an issuer is to be standardised. The preparation and disclosure of financial statements by the issuer should comply with the accounting standards for business enterprises and the relevant information disclosure rules, and they should fairly reflect the financial status, business results and cash flow of the issuer in all material respects. A certified public accountant is to issue an audit report with unqualified opinion for the past three years. The issuer should have a sound internal control system, which is effectively implemented and capable of reasonably ensuring the operational efficiency, legality and compliance of the company and reliability of financial reports, and an internal control verification report with unqualified opinion is to be issued by a certified public accountant. 			There is no false record in the financial accounting report of the past three years, and an audit report with unqualified opinion has been issued.
Corporate governance	The issuer must have complete organisations of good standing and the relevant institutions.			
Finance	An audit report for the past three years issued by a certified accountant with unqualified advice.			
Competition	The business of the issuer's controlling shareholders, actual controllers or other enterprises controlled by such controlling shareholders or actual controllers must not compete with the issuer's business in a manner that may have a significant adverse impact on the issuer.			
Related-party transactions	Related-party transactions must not significantly influence the issuer's independence or be unreasonable.			
Debt	No need to significantly rectify ownership of major assets, core technologies, trademarks, etc.; no major credit risk; not a party to any major contingent liability such as a guarantee, litigation or arbitration that may adversely affect the issuer's continuous operation.			There are no disputes over land use rights, house ownership, production equipment, patents, trademarks and copyrights that have a significant impact on the issuer's main business, which have a significant adverse impact on the issuer's ability to continue operation.
Use of proceeds	An issuer should disclose the investment and use management system for the proceeds and the contribution made by such proceeds to the development of its main business and the impact on its future operating strategies. Regarding the IPO and listing on the STAR, the issuer should also disclose the specific arrangements for the proceeds to be invested in the field of scientific and technological innovation. Regarding the IPO and listing on ChiNext, the issuer should also disclose the support role of the proceeds on the innovation, creation and creativity of the issuer's business.			IPO proceeds shall be used for the major business and related business areas.

IPO requirements	Main Board	ChiNext	STAR	BSE
Legal compliance	<ul style="list-style-type: none"> the issuer's operations comply with laws and administrative regulations and national industrial policy; in the past three years, the issuer, its controlling shareholders and its actual controllers have not committed the criminal offences of embezzlement, bribery, embezzlement of property, misappropriation of property or destruction of the order of the socialist market economy, nor have they committed, inter alia, fraudulent issuance, illegal disclosure of major information and any other major offences involving national security, public security, environmental security, production security and public health security; and in the past three years, the directors, supervisors and senior management have not been subject to administrative penalties by the CSRC, and they are neither being investigated by the judicial authorities for suspected crimes nor are being investigated by the CSRC for suspected violations of law, and no clear conclusion has been reached. 			<ul style="list-style-type: none"> the issuer's operations comply with laws and administrative regulations; in the past 36 months, the issuer, its controlling shareholders or its actual controllers have not committed the criminal offences of embezzlement, bribery, embezzlement of property, misappropriation of property or destruction of the order of the socialist market economy, nor have they committed fraudulent issuance, illegal disclosure of major information and any other major offences involving national security, public security, environmental security, production security, public health security, etc.; in the past 12 months, the issuer and its controlling shareholders, actual controllers, directors, supervisors and senior management have not been subject to administrative penalties by the CSRC and its dispatching agencies, or publicly reprimanded by the NEEQ, the stock exchange and other self-regulatory bodies for illegal acts in the securities market; the issuer and its controlling shareholders, actual controllers, directors, supervisors and senior management are neither being investigated by the judicial authorities for suspected crimes nor are being investigated by the CSRC and its dispatching agencies for suspected violations of law, and no clear conclusion has been reached; and no other material non-compliance in the past 36 months.
Business capacity	Sustainable operational capability.			

Table 2a: Red-chip issuers: qualifying enterprises

Issuer qualifications	Large red-chip companies already listed overseas	Large unlisted red-chip companies
Expected market value/operating income/valuation	Expected market value is not less than 200 billion yuan.	Operating income is not less than 3 billion yuan in the past year; and valuation is not less than 20 billion yuan.
Alternatives	Independent R&D capability, leading international technology and advantageous market position, with an expected market value not less than 20 billion yuan.	Accelerated operating income, independent R&D capability, leading international technology and advantageous market position, with an expected market value not less than 10 billion yuan or an expected market value not less than 5 billion yuan and operating income not less than 500 million yuan in the past year.
Status	Issuer conforms to standards relating to national strategy, achieving core technology and market acceptance.	
Industry	Innovative enterprises that have achieved considered scale such as the internet, big data, cloud computing, artificial intelligence, software and integrated circuits, high-tech manufacturing, biotech and other high-tech industries, and strategic emerging industries.	

Table 2b: SSE and SZSE rules for red-chip issuers

Requirements	Issuance of stock	Issuance of CDRs
Listing requirements	Be a qualifying enterprise (see Table 2a).	
	Satisfy the other threshold listing requirements of ChiNext or STAR.	<ul style="list-style-type: none"> • basic listing requirements in Article 12 of the Securities Law of China (2019 amendment); • it shall be a company legally incorporated and have been operating for at least three consecutive years with no major ownership dispute over its main assets; • in the past three years, the actual controller remained unchanged and there was no major ownership dispute over the shares in the overseas underlying securities issuer held by the controlling shareholder and the shareholders controlled by the controlling shareholder and the actual controller; • in the past three years, the overseas underlying securities issuer and its controlling shareholder and actual controller have not committed any major illegal activity that jeopardises the legitimate rights and interests of investors or public interests; • complete basic accounting rules and sound internal control system; • its directors, supervisors and senior executives should have a good reputation, meet the appointment requirements prescribed by the laws and regulations of the place where it is registered, and have no record of major law violations and dishonesty; and • other requirements of the CSRC.
Jurisdiction	The company law of the issuer, but higher standards will be applied for the purposes of investor protection.	
Disclosure	Full disclosure of any VIE structure, unweighted voting rights or other similar arrangement.	

Table 3: Issuers with an unweighted voting rights structure

Requirements	Main Board	ChiNext	STAR
Special requirements	One of the following two thresholds: <ul style="list-style-type: none"> • the expected market value is not less than 20 billion yuan, and the net profit in the latest year is positive; and • the expected market value is not less than 10 billion yuan, the net profit in the latest year is positive, and the operating income in the latest year is not less than 1 billion yuan. 	One of the following two thresholds: <ul style="list-style-type: none"> • the expected market value is not less than 10 billion yuan; and • the expected market value is not less than 5 billion yuan, and the operating income in the past year is not less than 500 million yuan. 	
Other requirements	Satisfy the other threshold listing requirements of ChiNext or STAR or Main Board.		

Compared with the NYSE, Nasdaq and the Hong Kong Stock Exchange, Chinese stock exchanges are currently unique in the following respects (however, as stated above, the reform of Full Registration-based System has already taken effect, and the 2019 Securities Law has substantially altered China's IPO landscape):

- a* applicant eligibility: unlike the NYSE, Nasdaq and the Hong Kong Stock Exchange, A-share applicants have to be companies limited by shares that are incorporated in China. Therefore, foreign issuers (such as Hong Kong, the United States or Cayman parent companies) cannot be listed on Chinese stock exchanges. However, a joint

- venture incorporated in China operating in a non-restricted industry where foreign investment is permitted may list on Chinese stock exchanges. Furthermore, eligible red-chip companies may apply to list on the Main Boards, ChiNext and the STAR;
- b* financial criteria: unlike the NYSE, Nasdaq and the Hong Kong Stock Exchange, each financial listing threshold of the Main Board requires the issuer's net profits to be positive. However, pre-profit companies are permitted to apply to list on ChiNext, the STAR and the BSE;
 - c* board of supervisors' requirement: A-share listed companies are required to have a board of supervisors consisting of at least three members. Employee representative supervisors may not be less than one-third of the board of supervisors. Directors and senior management may not concurrently be supervisors. The purpose of the supervisor is to oversee the activities of the board of directors and the senior management;
 - d* competition: the exchanges devote special attention to analysing potential competition that may have a significant adverse impact on the relationship between the issuer and its controlling shareholders, actual controllers or the enterprises controlled by the controlling shareholders or actual controllers on the other. The absence of competition is a listing requirement;
 - e* foreign investment restrictions: if the issuer conducts business in an industry where foreign investment is restricted or prohibited (according to law or in practice), the issuer may not list in China. The CSRC will not accept indirect control arrangements such as VIE structures, unlike the NYSE, Nasdaq and Hong Kong Stock Exchange. However, red-chip enterprises (including those with VIE structures) can now apply to list on the Main Board, ChiNext and the STAR. To date, Segway-Ninebot Limited, a company with a VIE structure, has successfully listed on the STAR through the issuance of CDRs; and
 - f* lock-up periods: except the companies that listed on the BSE, the listing rules for Chinese IPOs specifically state that the controlling shareholders or actual controllers are subject to a three-year lock-up period, and all other shareholders are generally subject to a one-year lock-up period. The controlling shareholders, actual controllers and entities holding more than 10 per cent of the shares directly or indirectly of companies listed on the BSE are subject to a 12-month lock-up period. This differs from other jurisdictions, where lock-up periods are primarily determined by the underwriters and not by the listing rules. The length of the lock-up period is also longer than in Hong Kong, where controlling shareholders are only subject to a six-month lock-up period.

iii Overview of law and regulations

The issuance requirements for the Main Board (SSE and SZSE), ChiNext and the STAR are set forth in the Administrative Measures for the Registration of Initial Public Offerings of Stocks.

The listing requirements for the Main Board (SSE) are set forth in the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. The listing requirements for the Main Board (SZSE) are set forth in the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange. The listing requirements for ChiNext are set forth in the Rules Governing the Listing of Stocks on the ChiNext Market of Shenzhen Stock Exchange (2023 Revision). The listing requirements for the STAR are set forth in the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange (2020 Revision). The listing requirements for the BSE are set forth in the Measures for the Administration of Registration

of Public Offerings of Stocks to Unspecific Qualified Investors on Beijing Stock Exchange (for Trial Implementation) and the Rules Governing the Listing of Stocks on the Beijing Stock Exchange. All listings must comply with the requirements set forth by the Company Law, the Securities Law and other specific rules and requirements of the applicable exchange.

Regarding the CSRC's application and exchanges' application of these rules, there have been the following general trends.

Accelerated review

The CSRC's review schedule accelerated, starting in the middle of November 2016. In 2017, the CSRC's issuance examination committee reviewed 488 IPO applications – a much faster pace than in previous periods. In 2018, 2019, 2020, 2021 and 2022 the CSRC or the exchanges maintained this accelerated pace. For ChiNext and the STAR, the review period in practice has been much shorter in recent years, with an average time of approximately nine to 12 months, in line with or even shorter (in some cases) than international standards. For the BSE, the entire review period in practice is even shorter than ChiNext and the STAR.

Increased success rate of applications

Although the CSRC has accelerated its review of prospective applications, its practice of only selecting high-quality applicants who meet its listing standards reduced the overall success rate of applications in 2019. In 2016, the CSRC's issuance examination committee reviewed 266 applications, of whom 241 were successful, resulting in a pass rate of 90.6 per cent. However, in 2017, the CSRC's issuance examination committee reviewed 488 applications (83 per cent more than the previous year), of whom 380 were successful, resulting in a pass rate of 77.87 per cent. In particular, from 17 October 2017 (the date when the new issuance examination committee took office) to 28 December 2017, the pass rate for IPO applications was at just 57.78 per cent, significantly lower than before.² In 2018, the CSRC's issuance examination committee reviewed 185 applications (a much lower number than previous years), of whom 111 were successful, resulting in a pass rate of about 60 per cent,³ which is the lowest in the past five years.

In 2019, the pass rate for STAR IPOs was 95 per cent, with the same pass rate of 2020.⁴ In 2021, the pass rate for STAR IPOs decreased to 92 per cent, and the pass rate for ChiNext IPOs was 95 per cent. In 2022, the pass rate for STAR IPOs increased to 97 per cent, the pass rate for ChiNext IPOs decreased to 92 per cent, and the pass rate for BSE IPOs was 96 per cent.⁵ Owing to the roll-out of the STAR in 2019 and of ChiNext with registration-based system in 2020 and of the BSE with registration-based system in 2021, the CSRC's approach to applicants proposing to list on other stock exchanges also changed, with a bias towards approval.

2 Prior to 17 October 2017, the issuance examination committee consisted of two different committees, one for the Main Board and the SME Board, and one for ChiNext. From 17 October 2017 onwards, these two committees were combined into one committee.

3 Based on public data of the CSRC.

4 Based on public data of the SSE.

5 Based on public data of the SSE, SZSE and BSE.

III THE OFFERING PROCESS

i General overview of the IPO process

Listing in China involves steps that are common in other jurisdictions (due diligence and document preparation, including the prospectus), as well as steps that are unique to China (pre-listing review, conversion from a limited liability company to a company limited by shares). Below is a brief overview of the IPO process in China. For SSE and SZSE, the time frames set out in Table 3a reflect common practice after the reform of Full Registration-based System. The time frames in Table 3b reflect common practice for applicants proposing to list on the BSE. Specific time frames for individual applicants may vary from those set out in Table 3a and Table 3b.

Table 3a: The IPO process for SSE and SZSE

Step	Particulars	Timetable
Due diligence	The sponsor, auditors, legal advisers and other stakeholders conduct due diligence of the issuer, set IPO terms (such as the target amount to be raised), advise the issuer on the IPO process and assist the issuer in complying with IPO requirements.	T-150 days
Restructuring	The issuer is restructured into a company limited by shares (as required under law); stakeholders prepare a restructuring plan, audit and appraise the issuer's assets, and prepare sponsor agreements and the issuer's articles of association; the issuer executes the restructuring plan and establishes relevant internal departments in accordance with listing rules.	T-60 days
Pre-filing review	The local counterpart of the CSRC conducts pre-listing guidance work.	T-45 days
Filing	The sponsor files the IPO application documents with the CSRC; once the CSRC states the application documents are complete, the CSRC decides whether to accept the filing within five business days.	T*
SSE/SZSE procedures	<ul style="list-style-type: none"> • acceptance of the application from the SSE or SZSE; • pre-disclosure; • first round of inquiries; • communicate with the examination department (if necessary, any time after the first round of inquiries and after the listing committee giving opinion); • feedback; • multiple rounds of further inquiries; • reply to the SSE's or SZSE's inquiries; • consult with technology innovation advisory committee or industrial advisory expert pool by the examination department (if necessary); • issuance of the audit report by the examination department of the SSE or SZSE; • pre-disclosure; • attendance of the listing committee meeting; • hearing; • release of the listing committee's opinion; and • SSE or SZSE issues opinion. 	T+220 days
CSRC procedures	<ul style="list-style-type: none"> • report to the CSRC and obtain its official registration; • pre-disclosure updates; and • disclosure of the prospectus. 	T+300 days
* T refers to the date when the CSRC accepts the IPO application. Days are calendar days.		

Table 3b: The IPO process for BSE

Step	Particulars	Timetable
Due diligence for listing on the NEEQ	The sponsor, auditors, legal advisers and other stakeholders conduct due diligence of the issuer, advise the issuer on the process for listing on the NEEQ and assist the issuer in complying with requirements for listing on the NEEQ.	T-550 days
Restructuring	The issuer is restructured into a company limited by shares (as required under law); stakeholders prepare a restructuring plan, audit and appraise the issuer's assets, and prepare sponsor agreements and the issuer's articles of association; and the issuer executes the restructuring plan and establishes relevant internal departments in accordance with listing rules.	T-505 days
Filing for listing on the NEEQ	The sponsor files the application documents with the NEEQ; once the NEEQ states the application documents are complete, it has two business days to decide whether to accept the filing.	T-460 days

Step	Particulars	Timetable
NEEQ procedures	<ul style="list-style-type: none"> • acceptance of the application from the NEEQ; • first round of inquiries; • feedback; • multiple rounds of further inquiries; • reply to the NEEQ's inquiries; and • NEEQ issues a letter of approval for listing. 	T-400 days
Listing on the NEEQ, and quoting at the innovation layer	The issuer lists on the NEEQ and enters into the innovation layer at the same time or after then.	T-365 days
Due diligence for listing on the BSE	The sponsor, auditors, legal advisers and other stakeholders conduct due diligence of the issuer, set IPO terms (such as the target amount to be raised), advise the issuer on the IPO process and assist the issuer in complying with IPO requirements.	T-300 days
Pre-filing review	Communicate potential issues with the BSE electronically or in person.	T-15 days
Filing for listing on the BSE	The sponsor files the IPO application documents with the SSE or SZSE; once the SSE or SZSE states the application documents are complete, it has five business days to decide whether to accept the filing.	T*
BSE procedures	<ul style="list-style-type: none"> • acceptance of the application from the BSE; • pre-disclosure; • first round of inquiries; • communicate with the examination department (if necessary, any time after the first round of inquiries); • feedback; • multiple rounds of further inquiries; • reply to the BSE's inquiries; • issuance of the audit report by the examination department of the BSE; • pre-disclosure; • attendance of the listing committee meeting; • hearing; • release of the listing committee's opinion; and • BSE issues opinion. 	T+150 days
CSRC procedures	<ul style="list-style-type: none"> • report to the CSRC and obtain its official approval; • pre-disclosure updates; and • disclosure of the prospectus. 	T+220 days
* T refers to the date when the BSE accepts the IPO application. Days are calendar days.		

ii Pitfalls and considerations

Under the registration-based system, the following issues arose most frequently for the unsuccessful applicants:

- a* disclosure issues;
- b* compliance issues;
- c* mismatch of industry with the target board;
- d* excessive concentration of customers;
- e* use of proceeds-related issues;
- f* corporate governance issues;
- g* authenticity of finance and accounting;
- h* unreasonable transfer of benefit or profit; and
- i* defective reports issued by advisers.

This is not an exhaustive list of reasons, and one factor may not necessarily be decisive in an application's denial. However, they serve as a useful guide for prospective issuers.

iii Considerations for foreign issuers

As stated above, prior to the launch of ChiNext with a registration-based system and the STAR, an issuer must be a company limited by shares incorporated in China. Accordingly, non-Chinese corporate bodies may not list on Chinese stock exchanges. However, these

restrictions do not prevent joint ventures with foreign ownership that do not operate in a restricted or prohibited industry from listing in China. Established offshore incorporated eligible red-chip companies may list on the Main Board, ChiNext and the STAR.

IV POST-IPO REQUIREMENTS

Listed companies in China are subject to continuous disclosure requirements, including regular and ad hoc reporting. Generally, regular reporting includes the annual report, biannual report and quarterly reports. Ad hoc reporting is required when listed companies encounter significant events or shareholding changes (e.g., over 5 per cent shareholding, change in shareholding of directors or senior management). Tender offer rules also apply for shareholders who acquire more than 30 per cent of the issuer's shareholding after listing.

V OUTLOOK AND CONCLUSIONS

The most significant change in China's domestic IPO market in 2022 and early 2023 was the reform of the Full Registration-based System.

The accelerated review periods and high success rates of applicants, including pre-profit companies and those with unweighted voting rights structures, suggests that A share market will be a viable and attractive option for new industries and high-tech, even early staged and small (for the BSE) Chinese companies going forward.

The Chinese capital market has undergone a number of significant reforms in recent years since 2018. The implementation of the Full Registration-based System is in line with market expectations, and we are sure that it will create a more favourable environment for domestic and eligible foreign companies to raise capital more effectively in the domestic capital market.