Securities Law of the PRC

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Chapter I — General Provisions

Article 1 — This Law is enacted for the purposes of regulating the issuance and trading of securities, protecting the lawful rights and interests of investors, maintaining the social and economic order and the public interest, and promoting the development of the socialist market economy.

Article 2 — This Law shall apply to the issuance and trading of stocks, corporate bonds, depositary receipts, and other securities lawfully recognized by the State Council within the territory of the People's Republic of China. Where this Law does not provide, the Company Law of the PRC and other laws and administrative regulations shall apply. The issuance and trading of government bonds and shares of securities investment funds shall be governed by this Law; where other laws or administrative regulations provide otherwise, those provisions shall prevail. The measures for the administration of securities derivatives issued and traded shall be prescribed by the State Council in accordance with the principles of this Law.

Article 3 — The issuance and trading of securities shall adhere to the principles of openness, fairness, and impartiality.

Article 4 — The parties involved in the issuance and trading of securities shall have equal legal status and shall abide by the principles of voluntariness, compensation, and good faith.

Article 5 — The issuance and trading of securities shall comply with the provisions of laws and administrative regulations. Fraud, insider trading, and market manipulation are prohibited.

Article 6 — The securities, futures, banking, insurance, and trust businesses shall be operated separately and managed separately, unless otherwise provided by the State. Securities companies, banks, trust companies, and insurance companies shall be established separately.

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Article 7 — The securities regulatory authority under the State Council shall lawfully exercise centralized and unified supervision and administration over the national securities market. The securities regulatory authority under the State Council may, as needed, establish dispatched offices to perform its supervisory and administrative functions as authorized.

Article 8 — The State shall implement a system of national audit and supervision over securities exchanges, securities companies, securities registration and clearing institutions, and securities regulatory authorities that are funded by State finance or have State-owned assets.

Article 9 — The securities industry association established by law shall exercise self-regulation. The Audit Committee set up by securities exchanges shall exercise the function of examination and review.

Article 10 — The State shall encourage innovation in securities and the securities market and shall protect the lawful rights and interests of innovators in accordance with the law.

Article 11 — Securities regulatory authorities, self-regulatory organizations, and their staff shall protect the information of issuers, listed companies, securities companies, and other relevant entities that comes to their knowledge in the course of performing their duties in accordance with the law, and shall not divulge such information.

Article 12 — No organization or individual may obstruct, refuse, or impede the lawful performance of duties by securities regulatory authorities, self-regulatory organizations, or their staff.

Chapter II — Issuance of Securities

Article 13 — A public offering of securities shall meet the conditions stipulated by laws and administrative regulations and shall be reported to the securities regulatory authority under the State Council or a department authorized by the State Council for registration in accordance with the law. No organization or individual may make a public offering of securities without lawful registration. The specific scope and implementation procedures for registration-based public offerings of securities shall be prescribed by the State Council.

Article 14 — For a public offering of stocks or the listing of stocks on a stock exchange, the issuer shall engage a securities company as its sponsor. The sponsor shall comply with business rules and industry standards, be honest and trustworthy, and exercise due diligence in verifying the authenticity, accuracy, and completeness of the issuer’s application documents and information disclosure materials. Where a sponsor is at fault with respect to false, misleading, or materially omitted statements in the issuer’s application documents or information disclosure materials, it shall bear joint and several liability for compensation together with the issuer.

Article 15 — For the initial public offering of stocks, the issuer shall have a sound and well-functioning organizational structure; have the capacity for sustained operations; have its financial and accounting reports prepared in accordance with the law and issued with unqualified audit opinions by a certified public accountant; the issuer and its controlling shareholder and actual controller have not committed any crime of embezzlement, bribery, misappropriation of property, or undermining the socialist market economic order, or any other serious illegal acts, during the most recent three fiscal years; and shall satisfy other conditions prescribed by the securities regulatory authority under the State Council as approved by the State Council.

Article 16 — A public offering of corporate bonds shall meet the following conditions: the issuer has a sound and well-functioning organizational structure; the average distributable profits over the most recent three fiscal years are sufficient to pay one year’s interest on the corporate bonds; the funds raised are invested in accordance with the prescribed purposes; the bond interest rate does not exceed the level prescribed by the State Council; and other conditions stipulated by the State Council. The funds raised from a public offering of corporate bonds shall be used for the purposes approved and shall not be used to cover losses or for

non-productive expenditures. Where a listed company issues convertible corporate bonds, it shall satisfy both the conditions for the public offering of stocks and the public offering of corporate bonds, and shall report to the securities regulatory authority under the State Council for registration.

Article 17 — An issuer applying for a public offering of stocks or corporate bonds shall submit application documents in accordance with regulations. The application documents shall be truthful, accurate, and complete. Securities service institutions and their staff that issue audit reports, asset appraisal reports, legal opinions, or other documents for securities issuance shall perform their duties with due diligence and ensure the truthfulness, accuracy, and completeness of the documents issued.

Article 18 — The securities regulatory authority under the State Council or the department authorized by the State Council shall, within three months of accepting an application for the issuance of securities, make a decision on registration or non-registration in accordance with statutory conditions and procedures. Where registration is denied, the reasons shall be stated. The issuer shall not apply again for the issuance of the same securities within six months after the registration application is denied.

Article 19 — The securities regulatory authority under the State Council or the department authorized by the State Council, in examining and verifying an application for registration of a securities offering, shall not make any substantive judgment on the investment value of the securities or the income status of the issuer. The contents of any public announcement of a stock offering or corporate bond offering shall contain relevant information on the registered offering documents and the risks shall be clearly stated.

Article 20 — An issuer that has made an application for registration of a securities offering shall, prior to making a public offering, publicly disclose the offering documents in accordance with the law. No new advertising or promotional activities shall be conducted in relation to the issuance after the public disclosure of the offering documents. If the securities regulatory authority or the department authorized by the State Council discovers that the issuer's application documents do not comply with legal requirements, it shall revoke the registration decision. If the securities have not yet been issued, issuance shall be suspended; if issuance has already taken place, the issuer shall return the funds raised plus bank deposit interest for the same period to the securities holders. The controlling shareholder and actual controller of the issuer, as well as the sponsor, shall bear joint and several liability for compensation.

Article 21 — Securities underwriting shall be conducted by securities companies. Securities underwriting business shall be conducted by means of best-efforts underwriting or firm-commitment underwriting. The underwriting period for securities shall not exceed 90 days. The selling price of securities in a public offering may be determined through negotiation with the issuer or through book-building, but the issue price shall comply with relevant regulations. A securities company shall verify the truthfulness, accuracy, and completeness of the public offering and listing documents. If it discovers any false, misleading, or materially omitted statements, it shall not proceed with the sales activities; if sales have already commenced, the sales activities shall be immediately suspended and corresponding measures shall be taken.

Article 22 — The issuer and the securities company that is the lead underwriter shall announce the actual offering and underwriting situation within a prescribed period of time. If the securities are publicly offered at a premium, the issue price may be determined through negotiation between the issuer and the underwriting securities company.

Article 23 — The State Council shall prescribe the measures for the administration of the issuance and underwriting of securities. The securities regulatory authority under the State Council shall formulate specific rules for the administration of the issuance and underwriting of securities in accordance with the law.

Chapter III — Trading of Securities

Section 1 — General Provisions

Article 24 — Securities traded on the market shall be securities that have been lawfully issued and delivered. Securities that have not been lawfully issued may not be traded. The trading of securities shall be conducted in accordance with the law at lawfully established securities exchanges, on the national equities exchange and quotation system, or at other over-the-counter trading venues approved by the State Council.

Article 25 — Securities trading shall be conducted in the form of spot transactions and other methods prescribed by the State Council.

Article 26 — Securities companies, securities registration and clearing institutions, securities service institutions, and their staff shall not disclose any non-public information of issuers or listed companies that comes to their knowledge in the course of their securities trading activities. Where the law provides otherwise, those provisions shall prevail.

Article 27 — Listed shares, corporate bonds, and other securities and their derivative products shall be listed and traded on stock exchanges or on other trading venues approved by the State Council. The listing and trading of securities on a stock exchange shall be conducted through open centralized trading or other methods approved by the securities regulatory authority under the State Council. Securities may be traded through over-the-counter methods or other methods approved by the securities regulatory authority under the State Council.

Article 28 — When an investor applies to open an account, they shall present proof of their lawful identity. Securities companies, securities registration and clearing institutions, and other institutions providing securities trading services shall verify in accordance with the law the authenticity of the identity certification materials provided by the investor. No institution may open an account for an investor whose identity is unclear or refuse the investor's lawful request to open an account on unreasonable grounds.

Article 29 — Securities companies shall not lend securities trading accounts of their clients to others for use. Investors shall use their own accounts to trade securities and shall not lend their own securities accounts to others or borrow others' securities accounts for trading.

Article 30 — Securities trading fees shall be reasonable; the items, fee standards, and management methods shall be made public. The fees, taxes, and charges collected in the course of securities trading shall be in compliance with the law and administrative regulations. No person may collect fees, taxes, or charges without authorization.

Article 31 — Where shares of a company are held by its directors, supervisors, or senior management personnel, they shall declare their holdings to the company. During their term of office, the total number of shares transferred each year shall not exceed 25% of the total shares they hold in the company. The shares they hold shall not be transferred within one year from the date of listing of the company's stocks. The above personnel shall not transfer their shares in the company within six months after leaving office. Where the articles of association of a company impose more restrictive provisions on the transfer of shares held by directors, supervisors, or senior management personnel, such provisions shall prevail.

Article 32 — No securities company may accept a client's unrestricted authorization to decide on securities trading, choose the types of securities, or decide on the quantity or price of securities to be bought or sold. No securities company may make a commitment, in any form, to a client regarding the proceeds of securities trading or compensation for losses arising from securities trading. Securities companies and their employees shall not privately accept a client's entrustment to buy or sell securities in violation of regulations.

Article 33 — Securities companies shall not provide any form of convenience for clients to purchase securities using funds obtained through illegal financing or other unlawful channels.

Article 34 — Securities regulatory authorities shall manage and supervise the securities trading activities of securities companies, securities registration and clearing institutions, and other trading venues in accordance with the law.

Section 2 — Securities Listing

Article 35 — An application for the listing and trading of securities shall be filed with a stock exchange, which shall examine and decide whether to approve the listing in accordance with the law. Where the exchange approves the listing application, the issuer and the stock exchange shall sign a listing agreement. If a stock exchange denies the listing application, it may not accept another listing application for the same securities within six months.

Article 36 — Where laws and administrative regulations or the provisions of the securities regulatory authority under the State Council impose a restriction period on the transfer of shares before their listing, during the restriction period, the holders shall not transfer them, nor shall they extend the restriction period through disguised transfers, equity pledges, or other means.

Article 37 — Where a listed company has undergone a material asset restructuring or change in control, or where there is a material change in the company's business model or profit model that renders its stocks unsuitable for continued listing, the stock exchange may delist the company's stocks in accordance with its business rules.

Article 38 — Where a listed company commits any act that seriously violates laws and regulations or the listing rules of the stock exchange, the stock exchange may, in accordance with its business rules, decide to suspend or terminate the listing of its stocks.

Article 39 — The stock exchange shall establish a delisting appeal mechanism, and where a listed company or the relevant parties disagree with the delisting decision, they may file an appeal in accordance with the prescribed procedures.

Section 3 — Prohibited Trading Activities

Article 40 — Directors, supervisors, senior management personnel, and shareholders holding more than 5% of the shares of a listed company or a company whose stocks are traded on other national securities trading venues approved by the State Council, who sell stocks of the company within six months of purchase or purchase stocks within six months of sale, shall have the proceeds from such transactions surrendered to the company. The board of directors of the company shall recover such proceeds. However, where a securities company holds more than 5% of the shares due to undertaking the remaining shares after underwriting by firm commitment, the above restrictions shall not apply to the sale of such shares. Where the board of directors fails to implement recovery as provided in the preceding paragraph, the shareholders may demand that the board of directors implement it within 30 days. If the board of directors still fails to implement it within the time limit, the shareholders may bring a lawsuit directly to the people's court in their own name for the benefit of the company. Where the board of directors fails to implement recovery as provided in the first paragraph of this Article, the directors who bear responsibility shall bear joint and several liability in accordance with the law.

Article 41 — Any individual who holds or, jointly with others through an agreement or other arrangement, holds 5% of the issued shares of a listed company shall, within three days of the date on which such shareholding reaches 5%, report in writing to the securities regulatory authority under the State Council and the stock exchange, notify the listed company, and make a public announcement. During the above period, the shares of the listed company shall not be further purchased. Where any individual who holds or, jointly with others through an agreement or other arrangement, holds 5% of the issued shares of a listed company and thereafter increases or decreases their shareholding by 5% of the issued shares of the listed company, they shall make a report and public announcement in accordance with the provisions of the preceding paragraph. During the period from the date three days after the report and announcement are made, the shares of the listed company shall not be further purchased. Where the securities regulatory authority under the State Council finds that any violation of the provisions of the preceding two paragraphs involves a

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takeover or material interest in a listed company, the securities regulatory authority under the State Council shall investigate and deal with it in accordance with the law.

Article 42 — In the report and public announcement made in accordance with the preceding Article, the following information shall be included: the name and domicile of the shareholder; the name and quantity of the stocks held; and the date on which the shareholding reaches the statutory ratio or the date on which the change in shareholding reaches the statutory ratio.

Article 43 — Stock exchanges, securities companies, securities registration and clearing institutions, securities service institutions, and their staff shall keep confidential the trade secrets of their clients that come to their knowledge in the course of securities trading.

Article 44 — Securities service institutions and their staff that issue documents such as audit reports, asset appraisal reports, or legal opinions for securities issuance, listing, trading, and other securities business activities shall, in accordance with the relevant provisions and business rules, perform their duties and carry out verification and validation, and the documents issued by them shall be truthful, accurate, and complete. Where false, misleading, or materially omitted statements in the documents cause losses to others, the issuer and the listed company shall bear liability for compensation. The securities service institutions shall bear joint and several liability unless they can prove that they were not at fault.

Article 45 — Institutions that produce audit reports, asset appraisal reports, or legal opinions, or other documents for securities issuance, and personnel involved in the work, shall not trade the relevant securities of the issuer during the underwriting period of such securities and within six months after its expiration. In addition to complying with the provisions of the preceding paragraph, institutions that produce audit reports, asset appraisal reports, or legal opinions, or other documents for a listed company, and personnel involved in the work, shall not trade the relevant securities of the listed company from the date of accepting the listed company's entrustment to the date five days after the above documents are made public.

Article 46 — No insider with knowledge of inside information in securities trading or any person who has illegally obtained inside information shall use the inside information to engage in securities trading activities before the information is made public. The term "inside information" means information that, before it is made public, relates to the business or financial affairs of a company, or may have a material effect on the market price of the securities. The following information constitutes inside information: major events specified in the second paragraph of Article 80 of this Law; plans of a company concerning the distribution of dividends or increase of capital; material changes in the company's shareholding structure; material changes in the company's debt guarantees; changes in the value of the company's principal business assets where the mortgaged, pledged, sold, or scrapped assets exceed 30% of such assets in a single transaction; the company's directors, supervisors, or senior management personnel may be held legally liable for material damages; relevant plans of a listed company concerning acquisition; and other information determined by the securities regulatory authority under the State Council to have a material effect on the trading price of securities.

Article 47 — Where securities trading insiders or those who have illegally obtained inside information trade securities, disclose inside information, or advise others to trade securities in violation of the provisions of this Law before the inside information affecting the issuance and trading of securities or other information that has a material effect on the price of securities is made public, they shall be ordered to dispose of the securities illegally held in accordance with the law, the illegal gains shall be confiscated, and a fine of not less than one time but not more than 10 times the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than 500,000 yuan, a fine of not less than 500,000 yuan but not more than 5,000,000 yuan shall be imposed. Where an entity engages in insider trading, the persons directly in charge and other persons directly responsible shall be given a warning and fined not less than 200,000 yuan but not more than 2,000,000 yuan. Where any securities regulatory authority staff member engages in insider trading, they shall be given a heavier sanction.

Article 48 — No person shall manipulate the securities market by the following means, thereby affecting or intending to affect the trading price or volume of securities: carrying out combined or successive trading by centralizing capital advantages, shareholding advantages, or information advantages; colluding with others to trade securities with each other at a predetermined time, price, and method; trading securities between accounts actually controlled by the same person; trading securities with a frequency or volume that is not based on true trading intent; using false or uncertain material information to induce investors to conduct securities trading; making public evaluations, predictions, or investment recommendations on securities or issuers while conducting reverse securities trading; using information technology or other means to manipulate the securities market; and other means of market manipulation determined by the securities regulatory authority under the State Council. Whoever manipulates the securities market and causes losses to investors shall bear liability for compensation in accordance with the law.

Article 49 — The media shall not disseminate false or misleading information about the securities market. Securities trading information disseminated shall be truthful and objective. No organization or individual shall fabricate or disseminate false or misleading information that disrupts the securities market. The dissemination of false or misleading information by securities companies, securities registration and clearing institutions, securities service institutions, and their staff, as well as securities industry associations, securities regulatory authorities, and their staff, is prohibited, and securities market information shall not be fabricated or disseminated by falsely using the names of regulatory authorities or self-regulatory organizations.

Article 50 — Securities companies, securities registration and clearing institutions, and securities service institutions shall properly preserve information such as clients' account opening information, entrusted trading records, trading counterparty information, and other materials relating to securities transactions. No person may conceal, forge, alter, or destroy the above information. The retention period of the above information shall be not less than 20 years.

Article 51 — Where any organization or individual suspects that there is insider trading or market manipulation in securities trading, they shall have the right to report to the securities regulatory authority. The securities regulatory authority shall keep the identity of the whistleblower confidential. Where verification of the report is true, the securities regulatory authority shall give the whistleblower a reward in accordance with relevant provisions. Whistleblowers shall not be subjected to retaliation by their employer or any other organization or individual.

Article 52 — Where the securities regulatory authority under the State Council investigates and deals with illegal acts in the securities market in accordance with the law, it may take the following measures: conduct an on-site inspection; investigate and collect evidence; question the parties and persons related to the matter under investigation, and require them to explain the matters related to the matter under investigation; examine and copy the securities trading records, registration and transfer records, financial and accounting materials, and other relevant documents and materials of the parties and entities or individuals related to the matter under investigation; seal up documents and materials that may be transferred, concealed, or destroyed; investigate the accounts of the parties and entities or individuals related to the matter under investigation; and where there is evidence showing that property involved in the case, such as funds or securities already transferred or concealed, may be further transferred or concealed, or where important evidence may be concealed, destroyed, or fabricated, freeze or seal up the property in question.

Article 53 — Where the securities regulatory authority under the State Council investigates and deals with illegal acts in the securities market in accordance with the law and discovers suspected criminal offenses, it shall transfer the case to the judicial authorities for handling in accordance with the law. Investigators of the securities regulatory authority under the State Council shall present their investigation credentials and investigation notices when conducting investigations and inspections and shall keep confidential any trade secrets that come to their knowledge.

Article 54 — Securities regulatory authorities and their staff shall maintain the strict confidentiality of the circumstances of any investigation or inspection and shall not disclose any information about the investigation or inspection that may affect the normal conduct of investigations, inspections, or trading in the securities market.

Chapter IV — Acquisition of Listed Companies

Article 55 — An acquisition of a listed company may be conducted by means of a takeover offer, an agreement, or other lawful means.

Article 56 — Where an investor, through trading on a stock exchange, holds or jointly with others through an agreement or other arrangement holds 5% of the issued shares of a listed company, they shall, in accordance with the provisions of Article 41 of this Law, perform the obligation of reporting and public announcement. After performing the reporting and public announcement obligations, if the investor increases or decreases their shareholding by 5%, they shall perform the reporting and public announcement obligations in accordance with the provisions of this Law.

Article 57 — Where an investor, through trading on a stock exchange, holds or jointly with others through an agreement or other arrangement holds 30% of the issued shares of a listed company and continues to acquire shares, they shall issue a takeover offer to all shareholders of the listed company according to the law. The acquirer shall issue a takeover offer to acquire all the shares or part of the shares of the listed company. Where a takeover offer issued by an acquirer stipulates the acquisition of only part of the shares of the listed company, the shareholders of the acquired company shall have the right to sell all their shares to the acquirer.

Article 58 — When issuing a takeover offer in accordance with the provisions of the preceding Article, the acquirer shall, in accordance with the provisions of the securities regulatory authority under the State Council, submit a report on the acquisition of the listed company. The above report shall contain the following information: the name and domicile of the acquirer; the decision of the acquirer concerning the acquisition; the name of the listed company to be acquired; the purpose of the acquisition; the detailed description of the shares to be acquired, the number of shares to be acquired, and the price offered; the time period and funds required for the acquisition; the number of shares of the listed company held by the acquirer and the proportion of such shares to the total shares issued by the company; and other information required by the securities regulatory authority under the State Council.

Article 59 — Within 15 days of submitting the listed company acquisition report, the acquirer shall announce its takeover offer. Within the above time limit, if the securities regulatory authority under the State Council finds that the listed company acquisition report does not comply with the provisions of laws or administrative regulations, it shall promptly notify the acquirer, and the acquirer shall not announce its takeover offer. The term of a takeover offer shall be not less than 30 days and not more than 60 days.

Article 60 — During the term of a takeover offer, the acquirer shall not withdraw its takeover offer. Where the acquirer needs to change the takeover offer, it shall announce the change in a timely manner and state the reasons for the change, but the changed terms shall not be less favorable than the original terms. Where the term of a takeover offer is less than 15 days after the announcement of the change, the acquirer shall extend the term of the offer; the extended term shall not be less than 15 days after the announcement of the change.

Article 61 — Where a takeover offer specifies the acquisition of only part of the issued shares of a listed company, and the total number of shares intended to be sold by the shareholders of the acquired company exceeds the number of shares intended to be acquired, the acquirer shall acquire such shares on a pro rata basis.

Article 62 — During the term of a takeover offer, the acquirer shall not buy or sell the shares of the acquired company in a manner other than that provided in the takeover offer, nor shall it trade the shares of the acquired company outside the manner provided in the takeover offer.

Article 63 — An acquisition of a listed company by agreement may be conducted through the transfer of shares by agreement between the acquirer and the shareholders of the acquired company. After an agreement on the acquisition of a listed company is reached, the acquirer shall, within three days, report the acquisition agreement to the securities regulatory authority under the State Council and the stock exchange, make a public announcement, and submit the agreement for the record. The acquisition agreement shall not be performed before the public announcement is made.

Article 64 — Where the acquisition by agreement leads to the acquisition of 30% or more of the issued shares of a listed company, if the acquisition is to continue, a takeover offer shall be issued to all shareholders of the listed company in accordance with the law. However, the securities regulatory authority under the State Council may grant an exemption from issuing a takeover offer. Where the acquisition by agreement is exempted by the securities regulatory authority under the State Council from issuing a takeover offer, the acquisition shall be carried out in accordance with the provisions on agreement-based acquisition.

Article 65 — After the expiration of the term of a takeover offer, if the shareholding structure of the acquired company does not meet the conditions for listing, the listing of the stocks of the listed company shall be terminated by the stock exchange in accordance with the law. The remaining shareholders shall have the right to sell their shares to the acquirer on the same terms as the takeover offer, and the acquirer shall acquire such shares.

Article 66 — During the acquisition of a listed company, the acquirer shall not transfer the shares of the listed company it holds within 18 months after the completion of the acquisition.

Article 67 — Within six months before announcing a listed company acquisition, the persons with knowledge of inside information related to the acquisition of a listed company, and the securities companies, securities service institutions, and their personnel commissioned by the acquirer shall not buy or sell the stocks of the acquired listed company. Where the acquisition of a listed company involves the shares of the listed company held by the State, it shall be approved by the relevant competent authority in accordance with the provisions of the State Council.

Article 68 — The securities regulatory authority under the State Council shall, in accordance with the provisions of this Law, formulate specific measures for the acquisition of listed companies.

Chapter V — Information Disclosure

Article 69 — An issuer shall, in accordance with the provisions of the securities regulatory authority under the State Council, prepare offering documents such as a prospectus or corporate bond offering document in accordance with the law. Where an application for a public offering of stocks is filed with the securities regulatory authority under the State Council in accordance with the law, the issuer shall announce the public offering and listing documents in advance.

Article 70 — The information disclosed by an issuer and a listed company in accordance with the law shall be truthful, accurate, and complete, shall be concise and clear, and shall be easy to understand. There shall be no false, misleading, or materially omitted statements. An issuer and a listed company shall make information disclosure through media designated by the securities regulatory authority under the State Council and shall simultaneously publish the disclosed information on the company's website and other media in accordance with the law. Information disclosed by an issuer and a listed company on their official websites or other media shall not be published earlier than the time of disclosure on the designated media. Where information is disclosed through press conferences, media briefings, or other means, the principles of fairness shall be observed and unfair treatment of investors shall not be caused. Where an issuer or a listed

company, or any of its controlling shareholders, actual controllers, directors, supervisors, and senior management personnel make public commitments, they shall disclose such commitments in a timely manner. If the commitments cannot be fulfilled or changes occur, the reasons shall be disclosed in a timely manner and alternative measures or commitments shall be proposed.

Article 71 — Where an issuer's stocks are listed and traded for the first time on a stock exchange, it shall, in accordance with the provisions of the securities regulatory authority under the State Council, publish a listing report document, and shall place the above document at the designated location for public inspection.

Article 72 — A listed company and a company whose corporate bonds are listed and traded shall, within two months after the end of the first half of each fiscal year, submit to the securities regulatory authority under the State Council and the stock exchange an interim report on the following information and announce it: the company's financial and accounting report and the state of its operations; major litigation involving the company; changes in the shares or corporate bonds already issued; major matters submitted to the shareholders' meeting for deliberation; and other matters specified by the securities regulatory authority under the State Council.

Article 73 — A listed company and a company whose corporate bonds are listed and traded shall, within four months after the end of each fiscal year, submit to the securities regulatory authority under the State Council and the stock exchange an annual report on the following information and announce it: a summary of the company's situation; the company's financial and accounting report and the state of its operations; a list of the company's directors, supervisors, and senior management personnel, information on their shareholdings, and their remuneration; the total number of the company's issued shares and bonds, a list of the top 10 shareholders of the company, and the number of shares held by them; the actual controller of the company; and other matters specified by the securities regulatory authority under the State Council.

Article 74 — Where an event occurs that may have a material effect on the trading price of the stocks of a listed company or the trading price of listed corporate bonds, or bonds of a company whose corporate bonds are traded on other trading venues approved by the State Council, and the investors have no knowledge of the event, the company shall immediately submit an ad hoc report on the event to the securities regulatory authority under the State Council and the stock exchange, announce it, and explain the cause, current status, and possible consequences of the event. The events referred to in the preceding paragraph include: a material change in the company's business policy or business scope; a decision of the company on material investment, the purchase or sale of material assets, or the provision of a material guarantee; conclusion of a material contract by the company that may have a material effect on the company's assets, liabilities, rights, interests, or operating results; the company's incurrence of material debts or failure to pay material debts when due and payable; the company's incurrence of material losses or material damage; material changes in the external conditions for the company's production and operations; changes in the company's directors, or in not less than one-third of its supervisors or senior management personnel; a relatively material change in the shareholding of shareholders holding 5% or more of the company's shares or in the shareholding of the company's actual controller; a decision of the company on capital reduction, merger, division, dissolution, or filing for bankruptcy, or a petition for bankruptcy filed in accordance with the law; major litigation involving the company, or the resolution of the shareholders' meeting or the board of directors being revoked or declared invalid in accordance with the law; the company being investigated for suspected illegal acts and being subject to compulsory measures by the judicial authorities; and other matters specified by the securities regulatory authority under the State Council.

Article 75 — Where the controlling shareholder or actual controller of a listed company has a material impact on a major event or the progress thereof, it shall inform the listed company in writing of the relevant circumstances in a timely manner and cooperate with the listed company in performing its information disclosure obligations.

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Article 76 — Where the directors and senior management personnel of an issuer or a listed company express an opinion on the periodic reports such as annual reports and interim reports, they shall sign a written confirmation opinion. Directors, supervisors, and senior management personnel of the issuer or listed company shall ensure that the information disclosed by the issuer or listed company is truthful, accurate, and complete. Where the board of directors and the board of supervisors of an issuer or a listed company review and vote on the periodic reports such as annual reports and interim reports, the relevant meeting minutes shall be prepared and preserved. Where any director or supervisor is unable to ensure the truthfulness, accuracy, or completeness of the content of the securities offering documents and periodic reports, or has objections, they shall state their opinions and reasons in writing and vote. Directors, supervisors, and senior management personnel who issue written confirmation opinions shall bear liability for compensation for the content; if they issue a written statement expressing a different opinion, they may be exempted from liability.

Article 77 — The securities regulatory authority under the State Council shall supervise and administer the information disclosure obligations of issuers, listed companies, companies whose corporate bonds are listed and traded, and other information disclosure obligors. The stock exchange shall supervise and administer the information disclosure activities of issuers, listed companies, and related information disclosure obligors, and shall urge them to disclose information in a timely and lawful manner.

Chapter VI — Investor Protection

Article 78 — Investors in the securities market shall be treated equally. Securities regulatory authorities and self-regulatory organizations shall protect the lawful rights and interests of investors in accordance with the law.

Article 79 — Securities companies shall strictly comply with laws, administrative regulations, and the provisions of the securities regulatory authority under the State Council, assess the appropriateness of investors by examining their basic information, financial status, securities investment experience, trading purposes, risk preferences, and other information, and sell or provide services and products matching the investors' circumstances. Where a securities company violates the above provisions and causes losses to investors, it shall bear corresponding liability for compensation. Ordinary investors and securities companies shall resolve disputes in accordance with the provisions of the preceding paragraph. Where securities companies cannot prove that there is no causal relationship between their acts and the losses suffered by investors, they shall bear the corresponding liability for compensation.

Article 80 — Where a listed company causes losses to investors due to false, misleading, or materially omitted statements in the information disclosure, the listed company shall bear liability for compensation. The controlling shareholder, actual controller, directors, supervisors, senior management personnel, and other persons directly responsible shall bear joint and several liability unless they can prove that they were not at fault. The sponsor and the lead underwriter of the securities company, as well as their directly responsible directors, supervisors, and senior management personnel, shall bear joint and several liability for the losses suffered by investors within their respective scopes of responsibility.

Article 81 — A securities dispute mediation institution may be established in accordance with the law to mediate securities disputes. An investor protection institution may, upon application by investors, mediate securities disputes free of charge. Where it is necessary to determine facts through methods such as expert appraisal, testing, or evaluation in the course of mediation, the relevant fees shall be borne by the parties unless otherwise agreed by the parties.

Article 82 — Where an investor files a lawsuit against a listed company for false statements or other illegal acts, if there are a large number of investors filing lawsuits for the same facts and legal grounds, a representative action may be initiated in accordance with the law. An investor protection institution may, as a representative, participate in the litigation on behalf of the investors in accordance with the law. Where an investor protection institution initiates a representative action for the benefit of investors, the people's court

shall register the lawsuit as a case. Unless the investors expressly express their unwillingness to participate in the litigation, a judgment or ruling rendered by the people's court shall be binding on the investors participating in the registration.

Article 83 — An investor protection institution may hold the shares of a listed company in accordance with the law, exercise shareholders' rights on behalf of investors, protect the lawful rights and interests of investors, and participate in major decisions of the listed company. When a director, supervisor, or senior management personnel of a listed company violates the provisions of laws or administrative regulations or the articles of association of the company in performing their duties and causes losses to the company, an investor protection institution holding the shares of the company may request the board of directors or the board of supervisors of the company to file a lawsuit in accordance with the law; if the board of directors or the board of supervisors fails to file a lawsuit, the investor protection institution may file a lawsuit directly with the people's court in its own name.

Article 84 — Where the controlling shareholder or actual controller of a listed company abuses their controlling position or takes advantage of their affiliated relationship, thereby causing losses to the listed company or its investors, they shall bear liability for compensation in accordance with the law. Where the controlling shareholder or actual controller of a listed company uses the listed company to cause losses to investors, the listed company shall bear liability for compensation; the controlling shareholder or actual controller shall bear joint and several liability.

Article 85 — The State shall establish a securities investor protection fund, the composition, raising, management, and use of which shall be prescribed by the State Council. Investor protection institutions shall, in accordance with the provisions of the State, raise, manage, and use the securities investor protection fund in accordance with the law.

Article 86 — Securities companies, securities registration and clearing institutions, securities service institutions, and their staff shall treat investors fairly and shall not harm the lawful rights and interests of investors. Where the above institutions or their staff, in the course of securities trading, violate the provisions of laws, administrative regulations, or the rules of self-regulatory organizations and cause losses to investors, they shall bear the corresponding liability for compensation.

Chapter VII — Securities Exchanges

Article 87 — A stock exchange is a legal person that provides premises and facilities for centralized securities trading, organizes and supervises securities trading, and exercises self-regulation. The establishment and dissolution of a stock exchange shall be subject to the decision of the State Council. The organizational form of a stock exchange shall be a membership system or a company system. Stock exchanges established in the form of a membership system shall have their assets accumulated from membership fees, trading fees, and other income belonging to the members, and their rights and interests shall be jointly enjoyed by the members. During the existence of a stock exchange, no assets may be distributed to the members.

Article 88 — A stock exchange shall have articles of association. The formulation and amendment of the articles of association of a stock exchange shall be subject to the approval of the securities regulatory authority under the State Council.

Article 89 — The words "Stock Exchange" shall be included in the name of a stock exchange. No other organization or individual may use the name "Stock Exchange" or a similar name.

Article 90 — A stock exchange may charge various fees based on its own revenue and expenditure, including but not limited to listing fees, trading fees, membership fees, and facility usage fees. The fee items and rates of a stock exchange shall be subject to the approval of the securities regulatory authority under the State Council. The fee items and rates shall be made public.

Article 91 — A stock exchange shall establish a general meeting, a board of directors, a board of supervisors, and managerial officers in accordance with the provisions of this Law and its articles of association.

Article 92 — The general meeting of a stock exchange shall be the highest authority. The board of directors shall be the executive body and the permanent decision-making body, responsible to the general meeting. The board of supervisors shall be the supervisory body. The general manager shall be the person in charge of the daily management, appointed by the board of directors and subject to the approval of the securities regulatory authority under the State Council. No person who falls under any of the circumstances specified in Article 116 of the Company Law of the PRC or falls under any of the following circumstances may hold the position of responsible person of a stock exchange: a person who has been subject to administrative penalties for illegal acts in the securities or futures industry for less than five years from the date of completion of the penalty period; or a person who has been removed from a position as a responsible person of a stock exchange, securities registration and clearing institution, or securities company for illegal acts for less than five years from the date of removal. Where any person is removed from a position or qualification for violation of laws or regulations and is barred from entering the securities market, they may not hold the position of responsible person of a stock exchange within the statutory time limit.

Article 93 — A stock exchange shall, in accordance with the provisions of laws and administrative regulations, formulate listing rules, trading rules, membership management rules, and other relevant business rules, and report them to the securities regulatory authority under the State Council for approval. In accordance with the provisions of the securities regulatory authority under the State Council, a stock exchange may, in the listing rules, specify the conditions for the listing of securities that are higher than those stipulated by law and shall report them to the securities regulatory authority under the State Council for approval. A stock exchange shall publicly disclose its listing rules, trading rules, membership management rules, and other business rules.

Article 94 — A stock exchange shall have the authority to take the following measures in accordance with the law against violations of trading rules by persons involved in securities trading: disciplinary action against members in accordance with the provisions of the business rules; suspension of trading of securities; temporary suspension of trading or restriction of trading of relevant securities accounts; and other measures provided by the business rules of the stock exchange. A stock exchange shall promptly report any material abnormal trading situation to the securities regulatory authority under the State Council.

Article 95 — The responsible person and other staff of a stock exchange shall not hold any position concurrently in any other institution that has an interest in the stock exchange or its members. Where a stock exchange is established in the form of a membership system, its responsible person and other staff shall avoid any conflict of interest with the stock exchange or its members.

Article 96 — A stock exchange shall, in real time, disclose the market information on securities trading and prepare and announce a securities market table on each trading day. Without the permission of the stock exchange, no organization or individual may publish real-time market information on securities trading. The stock exchange shall ensure that market information is truthful, accurate, and complete, and shall ensure that investors have equal access to market information.

Article 97 — Where a stock exchange suspends, resumes, or terminates securities listing and trading in accordance with the law, it shall make a public announcement in a timely manner and report to the securities regulatory authority under the State Council for the record.

Chapter VIII — Securities Companies

Article 98 — The establishment of a securities company shall be subject to the approval of the securities regulatory authority under the State Council. Without the approval of the securities regulatory authority under

the State Council, no organization or individual may engage in securities business. A securities company shall add the words “Securities Limited Liability Company” or “Securities Joint Stock Limited Company” to its name.

Article 99 — To establish a securities company, the following conditions shall be met: the articles of association shall comply with the provisions of laws and administrative regulations; the major shareholders shall have the capacity for sustained profitability, enjoy a good reputation, have no record of major illegal or irregular acts, and have net assets of not less than 200 million yuan; the registered capital shall comply with the provisions of this Law; the directors, supervisors, and senior management personnel shall have the qualifications for their positions, and the employees shall have the qualifications for engaging in securities business; there shall be a sound risk management and internal control system; the business premises and business facilities shall comply with the requirements; and other conditions stipulated by laws, administrative regulations, and the securities regulatory authority under the State Council as approved by the State Council shall be satisfied.

Article 100 — The securities regulatory authority under the State Council shall, within six months from the date of accepting an application for the establishment of a securities company, examine and decide whether to approve or not approve the application on the basis of the statutory conditions and procedures, and shall notify the applicant of the decision. Where the application is not approved, the reasons shall be stated. After a securities company is established, if it applies to establish, acquire, or take a stake in a branch or subsidiary, or to change its business scope, registered capital, or the shareholders holding 5% or more of its shares, or its actual controller, it shall apply to the securities regulatory authority under the State Council for approval.

Article 101 — The business scope of a securities company includes: securities brokerage; securities investment consulting; financial advisory services relating to securities trading and securities investment activities; securities underwriting and sponsorship; securities proprietary trading; securities asset management; margin trading; securities market making; and other securities business. A securities company shall clearly state in its business license and in its securities business license the scope of its approved securities business. No securities company may engage in securities business beyond the scope of its approved business.

Article 102 — A securities company engaged in the business prescribed in items (1) through (3) of the preceding Article shall have a minimum registered capital of 50 million yuan. A securities company engaged in any of the business prescribed in items (4) through (8) shall have a minimum registered capital of 100 million yuan. A securities company engaged in two or more of the business prescribed in items (4) through (8) shall have a minimum registered capital of 500 million yuan. The registered capital of a securities company shall be fully paid-in capital. The securities regulatory authority under the State Council may, based on the principle of prudential supervision, adjust the minimum registered capital requirement for securities companies; however, it shall not be lower than the limits stipulated in the preceding paragraphs.

Article 103 — A securities company shall, in accordance with the provisions of the securities regulatory authority under the State Council, set aside a securities investor protection fund. The securities investor protection fund shall be composed of funds paid by securities companies and other funds raised in accordance with the law, and its raising, management, and use shall be prescribed by the State Council.

Article 104 — A securities company shall submit its business and financial reports to the securities regulatory authority under the State Council and the stock exchange in accordance with the provisions. Where a securities company submits business and financial information to the securities regulatory authority under the State Council and the stock exchange, it shall ensure the truthfulness, accuracy, and completeness of the documents and materials submitted, and shall not submit false, misleading, or materially omitted documents and materials.

Article 105 — The net capital and other risk control indicators of a securities company shall comply with the provisions of the securities regulatory authority under the State Council. Where the net capital or other risk control indicators of a securities company fail to meet the prescribed standards, the securities regulatory authority under the State Council shall order it to make corrections within a specified time limit; if it fails to make corrections within the time limit, the securities regulatory authority under the State Council may restrict its business activities, order it to suspend part of its business, or take other regulatory measures.

Article 106 — A securities company shall not provide financing or guarantees to its shareholders or their related parties. A securities company shall not use the funds and property of its clients for purposes other than those entrusted by the clients, and shall ensure the integrity and independent management of its clients' funds and property.

Article 107 — Where a securities company engages in discretionary management of clients' assets, it shall manage separately the assets entrusted by different clients. It shall not use the assets of one client for the benefit of another client, nor shall it use the funds of clients for proprietary trading or other purposes. The funds and securities of clients shall be deposited in commercial banks and securities registration and clearing institutions that meet the conditions prescribed by the securities regulatory authority under the State Council, and shall be managed in a separate account in the name of each client.

Article 108 — A securities company shall not commingle its proprietary trading accounts with its clients' asset management accounts and shall not use its clients' accounts to conduct proprietary trading. Where the proprietary trading business of a securities company uses its own name and its own account, it shall not falsely use the name of another person or use the name of an individual to conduct proprietary trading, nor shall it commingle proprietary trading with brokerage business.

Article 109 — The board of directors, the board of supervisors, and the senior management personnel of a securities company shall be loyal and diligent and shall not harm the interests of the securities company or its shareholders and clients. The senior management personnel and other staff of a securities company shall not conceal, forge, alter, or destroy transaction records. No person shall conceal, transfer, or dispose of the assets of a securities company before the settlement of claims and liabilities.

Article 110 — Where a securities company is ordered to close down due to illegal operations, operational difficulties, or other reasons, the securities regulatory authority under the State Council may directly revoke its securities business license and appoint a custodian to take custody of it. After a securities company is taken into custody or closed down in accordance with the law, if it is found that the securities company has failed to meet the requirements for continued operations, or there is a serious risk of insolvency and the interests of clients cannot be protected, the securities regulatory authority under the State Council may apply to the people's court for its bankruptcy liquidation or apply for administrative liquidation in accordance with the provisions of the State Council.

Chapter IX — Securities Registration and Clearing Institutions

Article 111 — A securities registration and clearing institution is a non-profit legal person that provides centralized registration, custody, and clearing services for securities trading and is established with the approval of the securities regulatory authority under the State Council. The establishment of a securities registration and clearing institution shall meet the conditions prescribed by the securities regulatory authority under the State Council. The words "Securities Registration and Clearing" shall be included in the name of a securities registration and clearing institution.

Article 112 — A securities registration and clearing institution shall perform the following functions: the establishment and management of securities accounts and clearing accounts; the custody and transfer of securities; the registration of securities holders; the clearing and settlement of securities and funds; the distribution of securities rights and interests; and other businesses related to securities registration and

clearing as approved by the securities regulatory authority under the State Council.

Article 113 — A securities registration and clearing institution shall have articles of association and business rules established in accordance with the law. The formulation and amendment of the articles of association and business rules of a securities registration and clearing institution shall be subject to the approval of the securities regulatory authority under the State Council.

Article 114 — A securities registration and clearing institution shall set up a securities clearing risk fund, which shall be used to advance or make up for losses caused to the securities registration and clearing institution by technical failures, operational errors, or force majeure. The securities clearing risk fund shall be specially withdrawn from the business revenue of the securities registration and clearing institution and may also be paid by clearing participants in accordance with the provisions.

Article 115 — A securities registration and clearing institution shall properly preserve the original vouchers, relevant documents, and materials relating to registration, custody, and clearing. The retention period shall be not less than 20 years. No person may conceal, forge, alter, or destroy the above vouchers and materials.

Article 116 — A securities registration and clearing institution shall not engage in the following acts: misappropriating clients' securities; pledging clients' securities to others or providing guarantees with clients' securities; or lending clients' securities to others. Where a securities registration and clearing institution needs to use the clearing property for temporary use due to the needs of business activities, it shall comply with the provisions of the securities regulatory authority under the State Council and shall not harm the lawful rights and interests of clients.

Article 117 — The responsible person and other staff of a securities registration and clearing institution shall not hold any position concurrently in any other institution that has an interest in the securities registration and clearing institution.

Chapter X — Securities Service Institutions

Article 118 — Accounting firms, law firms, and other securities service institutions engaged in securities service businesses shall file with the securities regulatory authority under the State Council and the relevant competent authority under the State Council in accordance with the provisions of the State Council. The securities regulatory authority under the State Council shall, together with the relevant competent authority under the State Council, formulate the specific measures for the filing of securities service institutions.

Article 119 — Accounting firms, law firms, and institutions engaged in securities investment consulting, asset appraisal, credit rating, financial advisory services, information technology system services, and other securities service businesses shall be diligent and responsible, and shall carry out verification and validation in accordance with relevant business rules. The documents issued by them shall be truthful, accurate, and complete. Where any securities service institution, in issuing any document, makes false, misleading, or materially omitted statements, causing losses to others, it shall bear liability for compensation together with the client, unless it can prove that it was not at fault.

Article 120 — Institutions engaged in securities investment consulting business shall have the professional staff and business qualifications prescribed by the securities regulatory authority under the State Council. Institutions and their staff engaged in securities investment consulting business shall not engage in the following acts: acting as an agent for clients in securities investment; agreeing with clients to share the proceeds of securities investment or bear the losses of securities investment; buying or selling the securities of a listed company for which they have provided consultancy services during the period of providing such consultancy services; or providing securities investment consulting services through the media or by other means by using false information or misleading market investors.

Article 121 — Credit rating institutions engaged in securities credit rating business shall file with the securities regulatory authority under the State Council in accordance with the provisions. A credit rating institution shall establish a sound internal management system and a rating committee system, independently, objectively, and impartially carry out the rating work in accordance with the principles of consistent rating standards and procedures, and promptly and accurately disclose rating results.

Article 122 — Securities service institutions shall not transfer or lend their business licenses, qualification certificates, or business seals. They shall not allow others to engage in securities service business in their name.

Article 123 — Where any securities service institution submits or issues documents and materials to the securities regulatory authority under the State Council or the stock exchange, it shall ensure the truthfulness, accuracy, and completeness of the documents and materials submitted or issued, and shall not submit or issue false, misleading, or materially omitted documents and materials.

Chapter XI — Securities Industry Associations

Article 124 — The Securities Industry Association is a self-regulatory organization for the securities industry and is a social organization legal person. Securities companies shall join the Securities Industry Association. Other institutions in the securities industry may join the Securities Industry Association. The authority of the Securities Industry Association shall be the general meeting composed of all its members. The articles of association of the Securities Industry Association shall be formulated by the general meeting and reported to the securities regulatory authority under the State Council for the record.

Article 125 — The Securities Industry Association shall perform the following functions: educating and organizing members to comply with securities laws and administrative regulations; safeguarding the lawful rights and interests of members in accordance with the law, and reporting the suggestions and requests of members to the securities regulatory authority; collecting and organizing securities industry information and providing services to members; formulating self-regulatory rules for members, supervising and inspecting the acts of members, and taking disciplinary action, as provided in the association's articles of association, against members who violate the association's rules; mediating securities business disputes among members and between members and their clients; organizing professional training for employees of members and conducting professional ethics education for employees; and other functions provided by laws, administrative regulations, or the association's articles of association.

Chapter XII — Securities Regulatory Authorities

Article 126 — The securities regulatory authority under the State Council shall supervise and administer the securities market in accordance with the law, maintain the openness, fairness, and impartiality of the securities market, protect the lawful rights and interests of investors, and promote the lawful and orderly development of the securities market. The staff of the securities regulatory authority under the State Council shall be loyal to their duties, act in accordance with the law, be impartial and honest, and shall not use their positions to seek illegitimate benefits. The securities regulatory authority under the State Council and its staff shall not concurrently hold positions in organizations such as securities companies and shall not conduct securities trading.

Article 127 — The securities regulatory authority under the State Council shall, in performing its supervisory and administrative functions, have the authority to take the following measures: conduct on-site inspections of securities issuers, listed companies, securities companies, securities investment fund management companies, securities service institutions, stock exchanges, and securities registration and clearing institutions; enter the premises where a suspected illegal act has occurred to conduct an investigation and collect evidence; question the parties, entities, and individuals related to the matter under investigation, and require them to explain matters related to the matter under investigation; examine and copy the securities

trading records, registration and transfer records, financial and accounting materials, and other relevant documents and materials of the parties and entities or individuals related to the matter under investigation, and examine and copy the documents and materials of entities and individuals that may have been transferred, concealed, or destroyed; seal up documents and materials that may be transferred, concealed, or destroyed; investigate the capital accounts, securities accounts, and bank accounts of the parties and entities or individuals related to the matter under investigation; and where there is evidence demonstrating that property involved in the case, such as funds or securities that have been or may be transferred or concealed, or where important evidence may be concealed, destroyed, or fabricated, freeze or seal up the property in question with the approval of the responsible person of the securities regulatory authority under the State Council.

Article 128 — The securities regulatory authority under the State Council shall, in accordance with the provisions of laws and administrative regulations, formulate rules and normative documents relating to the supervision and administration of the securities market. Where the securities regulatory authority under the State Council formulates rules and normative documents, it shall comply with the procedures and provisions of laws and administrative regulations and shall publicly solicit opinions. The rules and normative documents of the securities regulatory authority under the State Council shall be published to the public.

Article 129 — The securities regulatory authority under the State Council shall cooperate with the securities regulatory authorities of other countries or regions in the supervision and administration of cross-border securities activities and shall implement cross-border supervision and administration in accordance with the provisions of the State Council. Where overseas securities regulatory authorities are not allowed to directly conduct investigations, collect evidence, or take other activities within the territory of the PRC, no organization or individual may provide documents or materials to them without authorization.

Article 130 — Where the securities regulatory authority under the State Council discovers securities illegal acts suspected of constituting a crime in the course of performing its supervisory and administrative functions in accordance with the law, it shall transfer the case to the judicial authorities for handling in accordance with the law. Where the securities regulatory authority under the State Council performs its supervisory and administrative functions in accordance with the law, the relevant organizations and individuals shall cooperate and shall not refuse or obstruct the lawful performance of duties.

Article 131 — The securities regulatory authority under the State Council or the department authorized by the State Council shall publicly disclose the following information: administrative licensing matters such as the approval or registration of securities issuance; administrative penalties imposed for illegal acts in the securities market; and the status of regulatory measures taken. The securities regulatory authority under the State Council shall, jointly with other financial regulatory authorities under the State Council, establish mechanisms for the sharing and coordination of supervisory information.

Chapter XIII — Legal Liability

Article 132 — Where a public offering of securities is made without registration or by fraudulent means, the issuer shall be ordered to return the funds raised plus bank deposit interest for the same period, and a fine of not less than 5% but not more than 50% of the funds raised shall be imposed. Where a public offering of securities is made by altering the purpose of the offering without authorization, the issuer shall be ordered to make corrections and shall be fined not less than 500,000 yuan but not more than 5,000,000 yuan. The persons directly in charge and other persons directly responsible shall be fined not less than 100,000 yuan but not more than 1,000,000 yuan.

Article 133 — Where any securities company or securities service institution fails to perform its duties with due diligence, or the documents issued or produced by it contain false, misleading, or materially omitted statements, it shall be ordered to make corrections, its business revenue shall be confiscated, and it shall be fined not less than one time but not more than 10 times the business revenue; where there is no business

revenue or the business revenue is less than 500,000 yuan, it shall be fined not less than 500,000 yuan but not more than 5,000,000 yuan. If the circumstances are serious, its securities service business shall be suspended or its securities service business license shall be revoked. The persons directly in charge and other persons directly responsible shall be fined not less than 200,000 yuan but not more than 2,000,000 yuan.

Article 134 — Where the controlling shareholder or actual controller of an issuer or a listed company organizes or instigates the engagement in false, misleading, or materially omitted statements, or conceals relevant matters causing the occurrence of the above circumstances, it shall be fined not less than 1,000,000 yuan but not more than 10,000,000 yuan. The persons directly in charge and other persons directly responsible shall be fined not less than 500,000 yuan but not more than 5,000,000 yuan.

Article 135 — Where a securities company trades securities in violation of the provisions of this Law, it shall be ordered to make corrections and shall be fined not less than 100,000 yuan but not more than 1,000,000 yuan. The persons directly in charge and other persons directly responsible shall be fined not less than 50,000 yuan but not more than 500,000 yuan.

Article 136 — Where a stock exchange, securities registration and clearing institution, or securities industry association violates the provisions of this Law or its own business rules, it shall be ordered to make corrections and shall be fined not less than 100,000 yuan but not more than 1,000,000 yuan. The persons directly in charge and other persons directly responsible shall be fined not less than 50,000 yuan but not more than 500,000 yuan.

Article 137 — Whoever engages in insider trading in securities shall be ordered to dispose of the illegally held securities in accordance with the law, the illegal gains shall be confiscated, and a fine of not less than one time but not more than 10 times the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than 500,000 yuan, a fine of not less than 500,000 yuan but not more than 5,000,000 yuan shall be imposed. Where an entity engages in insider trading, the persons directly in charge and other persons directly responsible shall be given a warning and fined not less than 200,000 yuan but not more than 2,000,000 yuan. Where any staff member of the securities regulatory authority under the State Council engages in insider trading, the penalty shall be heavier.

Article 138 — Whoever manipulates the securities market shall be ordered to dispose of the illegally held securities in accordance with the law, the illegal gains shall be confiscated, and a fine of not less than one time but not more than 10 times the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than 500,000 yuan, a fine of not less than 500,000 yuan but not more than 5,000,000 yuan shall be imposed. Where an entity manipulates the securities market, the persons directly in charge and other persons directly responsible shall be fined not less than 500,000 yuan but not more than 5,000,000 yuan.

Article 139 — Where a securities company, in violation of the provisions of this Law, lends its client's securities trading account to another person, or accepts a client's unrestricted trading authorization or makes a commitment to a client regarding the proceeds of securities trading or compensation for losses, it shall be ordered to make corrections and shall be fined not less than 100,000 yuan but not more than 1,000,000 yuan. The persons directly in charge and other persons directly responsible shall be fined not less than 50,000 yuan but not more than 500,000 yuan.

Article 140 — Where a listed company fails to disclose information in accordance with the relevant provisions, or the information disclosed contains false, misleading, or materially omitted statements, it shall be ordered to make corrections and shall be fined not less than 500,000 yuan but not more than 5,000,000 yuan. The persons directly in charge and other persons directly responsible shall be fined not less than 200,000 yuan but not more than 2,000,000 yuan. Where the controlling shareholder or actual controller of a listed company organizes or instigates the engagement in the above illegal acts, or conceals relevant

matters causing the occurrence of the above circumstances, it shall be fined not less than 1,000,000 yuan but not more than 10,000,000 yuan.

Article 141 — Where a securities company, securities registration and clearing institution, securities service institution, or other institution, in violation of the provisions of this Law, submits or issues false, misleading, or materially omitted documents and materials, it shall be ordered to make corrections and shall be fined not less than 100,000 yuan but not more than 1,000,000 yuan; the persons directly in charge and other persons directly responsible shall be fined not less than 50,000 yuan but not more than 500,000 yuan.

Article 142 — Where an entity or individual, in violation of the provisions of this Law, establishes a securities company or engages in securities business without authorization, it shall be banned, the illegal gains shall be confiscated, and a fine of not less than one time but not more than 10 times the illegal gains shall be imposed. Where there are no illegal gains or the illegal gains are less than 500,000 yuan, a fine of not less than 500,000 yuan but not more than 5,000,000 yuan shall be imposed. The persons directly in charge and other persons directly responsible shall be fined not less than 200,000 yuan but not more than 2,000,000 yuan.

Article 143 — Where the parties, entities, and individuals related to a matter under investigation by the securities regulatory authority under the State Council refuse to cooperate with or obstruct the investigation or inspection, they shall be ordered to make corrections and fined not less than 100,000 yuan but not more than 1,000,000 yuan; where it is a directly responsible person, they shall be fined not less than 50,000 yuan but not more than 500,000 yuan. Where an administrative penalty decision made by the securities regulatory authority under the State Council is not complied with, an additional fine shall be imposed on a daily basis in accordance with the relevant provisions.

Article 144 — Where any violation of the provisions of this Law constitutes a crime, criminal liability shall be pursued in accordance with the law. Where any securities regulatory authority, self-regulatory organization, or any of their staff fails to perform their statutory duties, abuses their powers, neglects their duties, or engages in malpractice for personal gain, sanctions shall be imposed in accordance with the law. Where a crime is constituted, criminal liability shall be pursued in accordance with the law.

Article 145 — Where the parties are dissatisfied with an administrative penalty decision made by the securities regulatory authority under the State Council, they may apply for administrative reconsideration or file an administrative lawsuit with the people’s court in accordance with the law. Where the parties fail to apply for reconsideration, file a lawsuit, or comply with the administrative penalty decision within the statutory time limit, the securities regulatory authority under the State Council may apply to the people’s court for compulsory enforcement.

Chapter XIV — Supplementary Provisions

Article 146 — This Law shall apply to applications for registration of the issuance and trading of securities by enterprises within the territory of the PRC that are authorized to issue securities overseas or to list and trade securities overseas. Specific measures shall be formulated by the State Council.

Article 147 — Where enterprises outside the territory of the PRC issue and trade securities within the territory of the PRC, the relevant provisions of this Law shall apply, unless otherwise provided by the State Council.

Article 148 — The securities regulatory authority under the State Council and departments authorized by the State Council shall, in accordance with the provisions of this Law, strengthen the supervision and administration of the securities market and investigate and deal with illegal acts in the securities market. Local people’s governments shall, in accordance with the relevant provisions, effectively prevent and resolve regional financial risks and maintain regional financial stability and social stability.

Source: https://www.danyoungcpa.com/securities-law-prc-2019/

Article 149 — This Law shall come into force on March 1, 2020.

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