

Provisions on the Supervision and Administration of Depository Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges

Article 1 The objectives of this *Provisions* are to regulate the offering, trading, cross-border conversion, information disclosure, and other activities in relation to Depository Receipts Business under the stock connect scheme between domestic and overseas stock exchanges, to protect the legitimate rights and interests of investors, and to maintain the order of the securities markets. The *Provisions* is thus formulated in accordance with the *Securities Law of the People's Republic of China* (hereinafter referred to as the "*Securities Law*"), the *Opinions on Launching the Pilot Program of Domestic Offering of Stocks or Depository Receipts by Innovative Enterprises* (hereinafter referred to as the "*Opinions*"), the *Measures for the Administration of Information Disclosure by Listed Companies* (hereinafter referred to as the "*Measures of Disclosure*"), the *Administrative Measures of Offering and Trading of Depository Receipts (Trial)* (hereinafter referred to as the "*Measures of Depository Receipts*"), and other applicable laws, administrative regulations, and departmental rules.

Article 2 The term "*Depository Receipts Business under the stock connect scheme*" as used in this *Provisions* refers to the depository receipts (CDRs) offered in the Chinese domestic markets and listed on the main board of domestic stock exchanges by qualified issuers of underlying overseas securities listed on overseas stock exchanges, and the depository receipts (GDRs) offered in the overseas markets and listed on overseas stock exchanges by qualified companies listed on domestic stock exchanges. The issuers of underlying overseas securities prescribed in the preceding paragraph shall be listed companies on overseas stock exchanges in the scope recognized by China Securities Regulatory Commission (the CSRC), with the exception of red-chip

enterprises prescribed in the *Opinions* applying for issuing stocks and depository receipts in the domestic market shall not be applicable to this *Provisions*.

Article 3 To publicly offer and list CDRs in the domestic market, the issuer of underlying overseas securities shall meet the requirements on public offering of depository receipts as set out in the *Securities Law* and the *Measures of Depository Receipts*, fulfill the due obligations as issuers and listed companies in compliance with laws, and assume corresponding legal liabilities.

Domestic investors shall meet the investor suitability requirements stipulated by domestic stock exchanges in order to subscribe and trade the CDRs prescribed in the preceding paragraph.

Article 4 When publicly offering and listing CDRs in the domestic market, the issuer of underlying overseas securities shall submit the application documents through a domestic stock exchange. The domestic stock exchange shall conduct listing review on the application and assess the issuer's eligibility to list CDRs and meet other requirements, and submit documents to the CSRC. The CSRC shall implement administrative licensing on the application in accordance with applicable laws, which need not be submitted to the CSRC's Public Offering Review Committee for approval.

Article 5 The issuer of underlying overseas securities shall submit the following application documents for publicly offering and listing CDRs:

(1) The prospectus, the written confirmation statement signed by director(s) and senior management, and the written review statement issued by the supervisory board or the body that performs similar duties;

(2) The application report;

(3) Relevant resolutions by the issuer of underlying overseas securities;

(4) Sponsor letter for offering (including concluding opinions regarding the protection of domestic investors' rights and interests shall be generally not lower than

the requirements of domestic laws, administrative regulations and the CSRC), sponsor letter for listing and sponsor's work reports;

(5) Financial reports and audit reports for the latest three years and financial reports for the latest accounting period (including information on the difference adjustment made according to the Chinese Accounting Standards for Business Enterprises, if applicable);

(6) The assurance report on internal control;

(7) Legal opinions and legal work reports given by domestic legal counsel;

(8) Issuer's incorporation documents and articles of association;

(9) Depository Agreement and Custodian Agreement;

(10) Sponsorship Agreement;

(11) Other documents required by the CSRC.

The documents prescribed in the preceding paragraph shall conform to relevant requirements stipulated by the CSRC and the domestic stock exchange. The contents and formats of the prospectus shall comply with the provisions in the *No. 23 Rules on the Preparation of Disclosure Documents by Companies Offering Securities to the Public: Guidelines on the Content and Format of Prospectus of Pilot Red-Chip Enterprises Publicly Offering Depository Receipts*. Should the aforesaid requirements for application documents be deemed not applicable or in need of adjustments, the issuer of underlying overseas securities shall make a statement of explanation in the application documents.

The financial statements cited in the prospectus are valid within six months after the deadline of the latest accounting period. Under special circumstances, the issuer may apply for an appropriate extension up to three months.

The validity period of the prospectus is six months, starting from the date of the last signing of the prospectus before the CSRC approves the offering application.

Article 6 After the domestic stock exchange accepted the application documents, the issuer of underlying overseas securities shall make disclosure of the documents in

advance, including the prospectus, sponsor letter for offering, sponsor letter for listing, audit reports and legal opinions, on the website of the domestic stock exchange in accordance with regulations.

When the domestic stock exchange completes the listing review and submits the application documents of the issuer of underlying overseas securities to the CSRC, the prospectus, sponsor letter for offering, sponsor letter for listing, audit report and legal opinions shall be made public on the website of the domestic stock exchange and the website of the CSRC simultaneously.

Article 7 Issuers of underlying overseas securities shall prominently state the accounting standards used for their financial reports in the prospectus and periodic reports. If the disclosed financial reports are not prepared with the Chinese Accounting Standards or accounting standards that have been determined by the Ministry of Finance of the PRC to be equivalent to the Chinese Accounting Standards in accordance with the principle of reciprocity (hereinafter referred to as equivalent accounting standards), the following additional information shall be disclosed at the same time:

(1) Significant differences between the accounting standards used and the Chinese Accounting Standards;

(2) Reconciliation of difference adjustment information in accordance with Chinese Accounting Standards, indicating the amount of financial impact of accounting standard differences on all significant items in the financial statements of the issuer of underlying overseas securities.

If the issuer of underlying overseas securities adopts equivalent accounting standards for financial reporting, it may use the financial data prepared in accordance with equivalent accounting standards in calculating relevant financial indicators. The above-mentioned financial indicators include the financial indicators covered by the relevant departmental regulations and normative documents of the CSRC and the

relevant business rules of the domestic stock exchanges.

Article 8 The domestic and overseas accounting firms engaged in the depository receipt business under stock connect schemes shall audit and issue audit reports on the financial reports of the issuer of the underlying overseas securities in accordance with the auditing standards for CPAs of China or the auditing standards that the Ministry of Finance of the PRC has determined to be equivalent to Chinese standards on auditing in accordance with the principle of reciprocity, and at the same time conduct and issue an assurance report on the internal control of the issuer of the underlying overseas securities in accordance with the internal control standards of the place where the underlying overseas securities are listed (the “overseas listing place”).

The reconciliation of differences provided by the issuer of underlying overseas securities in accordance with Chinese Accounting Standards should be authenticated by a domestic accounting firm in China.

The domestic and overseas accounting firms prescribed in the preceding two paragraphs shall perform the filing procedures for providing securities services in accordance with the regulations. If an overseas accounting firm needs to conduct business within the territory of the PRC in order to provide auditing services for issuers of underlying overseas securities, the overseas accounting firm shall apply to the public finance departments for approval in accordance with *Law of the PRC on Certified Public Accountants and Interim Provisions on the Temporary Performance of Auditing Services in the Chinese Mainland by Overseas Accounting Firms*.

Article 9 After publicly offering and listing CDRs on the main board of domestic market for the first time, issuers of underlying overseas securities that issue depository receipts based on newly issued shares as underlying securities and proceed with rights issue shall meet the requirements on the issuance of stocks by listed

companies as set out in the “*Measures for the Administration of Securities Issuance by Listed Companies*” as well as other relevant provisions of the CSRC on depository receipts, including the *Administrative Measures of Depository Receipts*, and apply in accordance with the procedures set out in Article 4 of this *Provisions*. Aforesaid requirements and approval procedure shall not apply where the rights are to be sold by the means of prescribed terms as set out in depository agreement beforehand.

When an issuer of underlying overseas securities proceeds with rights issue, the relevant arrangements should ensure that the actual rights and interests of the holders of depository receipts are equivalent to those of the holders of the underlying overseas shares.

Article 10 Unless otherwise stipulated by the CSRC, the sponsor and its sponsor representatives shall perform the following sponsorship duties:

(1) The sponsor and its sponsor representatives shall perform the sponsorship duties in accordance with *the Administrative Measures for the Sponsorship Business of the Offering and Listing of Securities*, examining, assessing and disclosing key issues such as risk factors, compliance of information disclosure of the issuer of underlying overseas securities, legal differences in the domestic and overseas markets, investor protection for CDR holders, arrangements for cross-border conversion in respect of the offering and listing of CDRs, and custodian arrangements for underlying securities and etc.

(2) A due diligence shall be performed in accordance with the provisions in *the Sponsor Due Diligence Code of Conduct* and by reference to the relevant provisions applicable to the overseas-listed red-chip enterprises in *the Implementation Provisions on Due Diligence for Sponsoring Domestic Offering of Stocks or Depository Receipts of Innovative Enterprises*.

The issuer of underlying overseas securities and the sponsor shall make a filing with the local CSRC office in the domicile of the issuer’s domestic office for securities

affairs regarding the sponsorship arrangements and accept closure inspections carried out by the local CSRC office. The pre-listing tutoring shall be performed in accordance with the *Provisions on the Supervision and Administration of IPO and Pre-listing Tutoring*.

Article 11 The issuance of depository receipts in domestic markets by issuers of underlying overseas securities based on newly issued shares as underlying securities, and the underwriting thereof, shall comply with the *Administrative Measures on Securities Issuance and Underwriting*, except as otherwise provided in this *Provisions*.

Article 12 During an initial public offering of CDRs, the offering price shall be determined through a price inquiry process with professional institutional investors including securities companies, fund management companies, trust companies, finance companies, insurance companies, qualified foreign institutional investors and private fund managers (hereinafter referred to as “investors under the placing tranche”). Investors under the placing tranche shall register with the Securities Association of China (SAC), and be subject to the self-regulation of the SAC.

The issuer of underlying overseas securities and its lead underwriter may determine the offering price through the preliminary price inquiry process, or through the book building process after an offering price range is determined through the preliminary price inquiry process. The lead underwriter shall provide an investment value research report to investors under the placing tranche, and abide by relevant SAC rules on investment value research reports.

Article 13 During an initial public offering of CDRs, an investor under the placing tranche participating in an issuer’s price inquiry process may submit a bid for each placee account under its management. All bids submitted by a single investor under

the placing tranche shall include no more than 3 different proposed subscription prices. Among these prices, the highest shall not exceed 120% of the lowest. After the investors submit their bids, the issuer of underlying overseas securities and its lead underwriter shall determine the offering price or price range after excluding the highest bids and the ratio of excluded bids shall be applicable to the relevant provisions of the main board. If the lowest price among the to-be-excluded portion is the same as the offering price (or the upper limit of the price range), bids at this price may not be excluded.

Article 14 During an initial public offering of CDRs where the offering price is determined by the issuer of underlying overseas securities and its lead underwriter after the completion of the preliminary price inquiry process, if any of the following situations occurs, the issuer and its lead underwriter shall publish a special announcement on investment risks before the commencement of the subscription to explain the rationality of the pricing and alert investors of potential investment risks:

- (1) If the price earnings ratio corresponding to the offering price determined is higher than the average price earnings ratio of comparable listed companies of the same industry in the secondary market;
- (2) If the offering price exceeds the lowest of the median and the weighted average of valid bids from investors under the placing tranche which exclude the highest bids, the median and the weighted average of bids from publicly offered funds, National Social Security Fund, basic pension funds, enterprise annuity funds and insurance funds.
- (3) If the offering price is higher than the price of the underlying securities on overseas markets.

Article 15 During an initial public offering of CDRs, the initial size of the placing tranche shall account for not less than 80% of the CDRs to be offered. If the CDRs are placed to strategic investors, the respective proportion of the subscription tranche and

the placing tranche shall be determined after the deduction of the placement to strategic investors.

The issuer of underlying overseas securities and its lead underwriter shall first place no less than 70% of the CDRs to be offered under the placing tranche to publicly offered funds, National Social Security Fund, basic pension funds, enterprise annuity funds and insurance funds, and shall set a lock-up period on a pro-rata basis, with 10% of the CDRs offered to investors under the placing tranche having a lock-up period of no less than six months.

Article 16 During an initial public offering of CDRs, If the number of CDRs validly subscribed for by investors under the subscription tranche is more than 50 times but no more than 100 times the initial size of the subscription tranche in the issuer's offering, the issuer shall transfer 10% of the CDRs to be offered in the issuance from the placing tranche to the subscription tranche; if the number of CDRs validly subscribed for by investors under the subscription tranche is more than 100 times the initial size of the subscription tranche, the issuer shall transfer 20% of the CDRs to be offered in the issuance from the placing tranche to the subscription tranche. In principle, after the transfer, the CDRs to be offered under the placing tranche without a lock-up period shall be no more than 70% of the CDRs to be offered in the issuance. The number of CDRs to be offered in the issuance as mentioned in the preceding paragraph shall exclude those with a lock-up period, except for the CDRs with a lock-up period stipulated in the second paragraph of Article 15.

Article 17 Issuers of underlying overseas securities that make initial public offering of CDRs based on newly issued shares as underlying securities may place CDRs to its strategic investor(s). In principle, the number of strategic investors shall not exceed 35 and the amount of placement to strategic investors shall not exceed 30 percent of the total offering. In the event that the amount of placement to strategic investors exceeds

30 percent of the total offering, sufficient reasons must be provided in the offering plan.

Strategic investors shall undertake that they will hold the CDRs placed to them for at least 12 months from the date of the listing of CDRs. Strategic investors mainly include:

- (1) Large enterprises that have on-going strategic cooperation or a vision for long-term cooperation with the issuer of overseas underlying securities, or any affiliated firms of such enterprises;
- (2) Large insurance companies and large national investment funds that intend to make long-term investments, or any affiliated firms of such insurance companies and investment funds;
- (3) Publicly offered closed-end securities investment funds whose main investment strategies include investment in strategic placement securities; and
- (4) Other strategic investors as prescribed by laws, regulations and business rules.

Article 18 During an initial public offering of CDRs, the issuer of overseas underlying securities and its lead underwriter may adopt an over-allotment option in the offering plan upon prudential assessment. The number of CDRs to be issued under the over-allotment option may not exceed 15 percent of the total number of CDRs available in the initial public offering.

Article 19 An issuer of overseas underlying securities that raises capital through domestic offering of CDRs shall manage and use the proceeds in accordance with the plans and arrangements disclosed in the offering documents. In principle, the proceeds shall be used for its principal business. The proceeds may be remitted out of the Chinese Mainland in RMB or purchased foreign exchange, or retained for use within the Chinese Mainland.

Article 20 The number of outstanding CDRs shall not exceed the amount cap approved by the CSRC. The amount cap shall be adjusted accordingly if the number of CDRs changes as a result of bonus share distribution, stock split, reverse stock split, change of CDR conversion ratio, etc., by the issuer of overseas underlying securities.

Article 21 The CDR depository shall conform to the relevant requirements set out in the *Measures of Depository Receipts* and assume corresponding legal obligations. Where a commercial bank serves as CDR depository, it must obtain depository qualification in accordance with the *Provisions on Matters Concerning Commercial Banks Serving as the Depository in the Pilot Program on Depository Receipts*.

Article 22 After the issuer of underlying overseas securities has been approved by the CSRC to publicly offer CDRs representing existing shares, qualified domestic securities companies may, in accordance with the rules stipulated by the domestic stock exchange, acquire underlying shares by purchasing with proprietary fund, purchasing upon instructions by non-specific investors who meet relevant investor suitability requirements, or through other lawful means, and deliver such shares to the depository. The depository shall issue corresponding CDRs to the aforesaid domestic securities companies or investors in accordance with applicable rules and the deposit agreement.

When the amount of outstanding CDRs meets the main board listing requirements stipulated by the domestic stock exchange, the issuer of underlying overseas securities may apply to the domestic stock exchange to list its CDRs for trading.

Article 23 After the listing of CDRs, qualified domestic securities companies may, in accordance with relevant rules, apply to the depository for conversion of the underlying overseas securities into CDRs or for conversion of CDRs into corresponding underlying overseas securities.

Where domestic securities companies apply to convert CDRs into corresponding underlying overseas securities, the depository shall cancel the CDRs in accordance with relevant rules and the terms in the depository agreement, and deliver the corresponding underlying shares to the domestic securities companies.

Domestic securities companies may accept the instruction of qualified domestic investors to carry out cross-border conversion in accordance with the rules of the domestic stock exchange.

Article 24 Domestic securities companies as referred to in Articles 22 and 23 shall have the licenses for conducting securities brokerage and proprietary trading businesses, possess adequate experience in international business, have sound and effective internal control in place, and have made a filing in accordance with the rules of the domestic stock exchange.

The domestic securities companies prescribed in the preceding paragraph shall appoint a bank with custodian qualifications for securities investment funds to act as a custodian. The custodian shall provide custodian services in accordance with the *Trial Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors (QDII)*, and appoint an overseas custodian to provide overseas custodian services.

Article 25 Domestic securities companies engaging in cross-border conversion business may trade the corresponding underlying shares of CDRs and the following investment instruments in accordance with the regulations of competent authorities for the purposes of cross-border conversion and risk hedging. The outstanding assets held in the overseas market shall not exceed the limit stipulated by the CSRC.

(1) Money management tools;

(2) Financial products or instruments for hedging market risks associated with the

underlying shares and foreign exchange risks; and

(3) Other investments instruments as recognized by the CSRC.

Domestic securities companies conducting the aforesaid cross-border trading and the domestic depository participating in corporate actions such as dividend payout in accordance with the depository agreement shall comply with applicable Chinese regulations on cross-border capital management and shall report overseas investments and cross-border capital flows to the CSRC and the domestic stock exchange in a timely manner.

Article 26 This *Provisions* shall remain applicable for ongoing supervision after the listing of CDRs. For matters not prescribed for in this *Provisions*, the relevant provisions regarding overseas-listed red-chip enterprises in the *Implementing Measures for Ongoing Supervision after Listing of Domestically Offered Stocks or Depository Receipts by Innovative Enterprises (Trial)* (hereinafter referred to as the “*Ongoing Supervision Measures*”), other relevant regulations of the CSRC, and the relevant rules of the domestic stock exchange shall apply.

Article 27 The issuer of underlying overseas securities shall disclose periodic reports, including annual and semiannual reports.

Where the issuer of underlying overseas securities discloses its quarterly reports either voluntarily or as required by the overseas listing regulations, such quarterly reports shall be disclosed in the domestic market simultaneously.

Article 28 The annual and semiannual reports of the underlying overseas securities issuer shall include the contents required by *the Securities Law*, Articles 14 and 15 of *Measures of Disclosure, Measures of Depository Receipts* and this *Provisions*.

Where the issuer of underlying overseas securities prepares the annual reports in

accordance with overseas listing regulations, it shall, at the time when it applies for an initial public offering of CDRs in the domestic market and at each release of its annual reports in the domestic market, compare the said annual reports against the *Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.2—Format and Content of the Annual Report* (hereinafter the No.2 Standards), state the main differences, and explain whether such differences exert a material impact on investors' value judgment and investment decisions, and shall engage a domestic lawyer to issue legal opinions on the main differences. The issuer of underlying overseas securities shall state such differences at a prominent place in its annual report.

Where the issuer of underlying overseas securities has already disclosed its annual report or semiannual report in the format required by overseas listing rules, it may continue to prepare its periodic reports in the original overseas format, provided that the contents required to be disclosed under the preceding two paragraphs of this Article are included, and that the completeness of information disclosure is not prejudiced. The issuer of underlying overseas securities shall state the differences between domestic and overseas formats at a prominent place in its periodic report.

Article 29 The directors and senior executives of the underlying overseas securities issuer shall sign written confirmation on the securities offering documents and periodic reports, stating whether the preparation and deliberation procedures of the board of directors for the securities offering documents and periodic reports conform to the requirements of laws and regulations of the place of overseas domicile and place of overseas listing, and whether the documents and reports present a true, accurate and complete view of the status of the listed company.

The board of supervisors or the organ with similar responsibilities shall review the securities offering documents and periodic reports prepared by the board of directors

and issue its written opinions. Supervisors or members of the organ with similar responsibilities shall sign the written opinions. Such opinions shall state whether the preparation and deliberation procedures of the board of directors conform to the requirements of laws and regulations of the place of overseas domicile and place of overseas listing, and whether the documents and reports present a true, accurate and complete view of the state of the listed company.

If the issuer of underlying overseas securities does not have a supervisor, supervisory board or personnel or agencies performing similar duties, the requirements for supervisors, supervisory board or personnel or agencies performing similar duties stipulated in this *Provisions* are not applicable, but a written explanation shall be submitted.

Article 30 The shareholder and *de facto* controller of the underlying overseas securities issuer shall fulfill its obligation to inform and cooperate in accordance with the provisions of the *Securities Law* and the *Measures of Disclosure*, unless the shareholder and *de facto* controller have fulfilled their information disclosure obligations in accordance with the rules of overseas listing place.

Article 31 In the case of material asset restructuring, with exceptions of an asset acquisition financed by CDR offering in the domestic market and an acquisition of domestic assets by cash that constitutes a material asset restructuring, the issuer of the underlying overseas securities and entities under the issuers' holding or control may proceed in accordance with the laws and regulations of its overseas listing place. In such cases, the provisions of Chapter V of the *Ongoing Supervision Measures* are not applicable.

Article 32 Where a domestic securities company with the license for market-making for CDRs as approved by the CSRC holds underlying overseas shares or CDRs as a

result of fulfilling market-making obligations, the provisions in Section 2 of Chapter 4 of *the Ongoing Supervision Measures* regarding changes of CDRs holdings are not applicable.

Article 33 Investors of the underlying overseas securities issuer and the parties acting in concert that hold CDRs shall comply with the *Administrative Measures for the Takeover of Listed Companies* and other regulations of the CSRC concerning changes in shareholding. Where the investors and the parties acting in concert do not hold any CDRs, the information disclosed in the overseas market shall be disclosed in the domestic market simultaneously.

Article 34 Repurchase of overseas offered shares or GDRs by the underlying overseas securities issuer shall be governed by the laws and regulations of the place of its domicile and the place of its listing. The announcement on repurchases of overseas offered shares or GDRs shall be released in the domestic market simultaneously.

Article 35 Domestic listed companies offering GDRs based on newly issued shares as underlying securities or listing GDRs based on existing shares shall meet the requirements set out in *the Securities Law*, relevant laws and regulations concerning overseas offering and listing of securities by domestic enterprises, and relevant provisions of the CSRC. Domestic listed companies offering GDRs based on newly issued shares as underlying securities shall meet the requirements of the provisions on listed companies to issue shares.

Domestic listed companies are prohibited from offering GDRs if any of the following apply:

(1) The application documents for the current offering contain any misrepresentations, misleading statements or major omissions;

(2) The rights and interests of the listed company are severely impaired by its

controlling shareholder or *de facto* controller, and such impairment still exists;

(3)The listed company or any of its affiliated companies has illegally provided external guarantees, and such guarantee has not been removed;

(4)Any incumbent board director or senior executive of the listed company has been subject to administrative penalties of the CSRC in the latest 36 months or has been censured publicly by the domestic stock exchange in the latest 12 months;

(5)The listed company or any of its incumbent board directors or senior executives is under ongoing investigations by judicial authorities for suspected criminal offenses, or under ongoing investigations by the CSRC for suspected violations of laws or regulations;

(6)The auditor issues a qualified opinion, adverse opinion, or disclaimer of opinion on the listed company's financial reports for the latest year and the latest accounting period, unless the major impact of the matters addressed in the aforesaid opinions has ceased to exist or unless the current offering involves material asset restructuring; or

(7)Other circumstances where investors' legitimate rights and interests or public interests are severely impaired.

Article 36 Where domestic listed companies offer GDRs based on newly issued shares as underlying securities, the offering price of GDRs after pro-rata conversion, in principle, shall not be lower than 90 percent of the average price of the underlying shares over 20 trading days prior to the base date of pricing.

The base date of pricing as mentioned in the preceding paragraph is the first day of the offering period of GDRs.

Article 37 Domestic listed companies offering GDRs shall complete the procedures of listing, registration and depository of the newly issued shares underlying the GDRs in accordance with the rules of the domestic stock exchange and the securities

registration and clearing institution.

Article 38 GDRs offered by domestic listed companies may be converted to the underlying domestic shares on a cross-border basis in accordance with relevant rules and regulations.

The GDRs offered publicly by domestic listed companies shall not be converted into underlying domestic shares within 120 days as of the listing date. The GDRs subscribed to and held by the listed company's controlling shareholder, *de facto* controller and enterprises under its control shall not be transferred within 36 months as of the listing date.

The number of underlying shares of outstanding GDRs shall not exceed the amount cap approved by the CSRC. The amount cap shall be adjusted if the number of GDRs changes as a result of bonus share distribution, stock split, reverse stock split, change of GDR conversion ratio, etc., by the domestic listed company.

Article 39 The overseas depository of GDRs and the overseas securities institutions conducting cross-border conversion business shall appoint domestic securities companies to trade the underlying shares of the GDRs and make a filing with the domestic stock exchange. Domestic securities companies appointed by overseas securities institutions shall prudently verify the qualification, business scale, and experience of the overseas securities institution and enter into a service agreement with the overseas securities institution. Domestic securities companies shall provide effective supervision and restraint to ensure the compliance of cross-border conversion conducted by the overseas securities institutions with applicable laws and regulations.

Article 40 The overseas depository of GDRs and the overseas securities institutions

conducting cross-border conversion business shall appoint custodians of qualified foreign institutional investors or qualified custodians of securities investment funds for custody of assets.

The custodian as mentioned in the preceding paragraph shall fulfill custodian obligations by adhering to *the Administrative Measures for Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII)*.

Article 41 Overseas securities institutions may trade the corresponding underlying domestic shares of CDRs and the following investment instruments in accordance with the regulations of competent authorities for the purpose of cross-border conversion and risk hedging. The outstanding assets held in the domestic market shall not exceed the limit stipulated by the CSRC.

- (1) Money management tools;
- (2) Treasury bonds; and
- (3) Other investment instruments as recognized by the CSRC.

Overseas securities institutions conducting the aforesaid cross-border trading and the overseas depository participating in corporate actions such as dividend payout in accordance with the deposit agreement shall comply with applicable Chinese regulations on cross-border capital management.

Article 42 Domestic listed companies that acquire assets by offering GDRs based on newly issued shares as underlying securities shall meet the requirements stipulated in *the Administrative Measures for Material Asset Restructuring of Listed Companies* and other regulations.

Article 43 Equity of domestic listed companies acquired by an investor and parties

acting in concert through GDR holdings or other means shall be calculated on a consolidated basis. The investor and the parties acting in concert shall comply with relevant provisions on securities regulation and foreign capital management, and fulfill relevant legal obligations.

Equity held by a single overseas investor in a single domestic listed company shall not exceed 10% of the total amount of shares of the listed company; the aggregate A-share holdings by all overseas investors in a single domestic listed company shall not exceed 30% of the total amount of shares of the listed company, with the exception of overseas investors' lawful strategic investments in listed companies.

Relevant regulations governing shareholders' changes in shareholding in domestic listed companies are not applicable to an overseas depository's holding of underlying shares as a result of fulfillment of depository obligations.

Article 44 Market participants violating this *Provisions* shall be subject to regulatory and administrative measures imposed by the CSRC in accordance with law and regulations including *the Securities Law, Measures of Disclosure, Measures of Depository Receipts*, and other relevant regulations of the CSRC.

Article 45 The CSRC may conduct on-site inspections on domestic securities companies or enter the premises of domestic securities companies for investigation of offence or for evidence collection purposes in accordance with Article 45 of *Measures of Depository Receipts*. The CSRC may impose regulatory measures on domestic securities companies or overseas securities institutions in accordance with Article 46 of the *Measures of Depository Receipts* if they violate this *Provisions*.

Any domestic securities company failing to report its overseas investment positions or cross-border fund flows to the CSRC in a timely manner will be subject to penalties in

accordance with Article 211 of the *Securities Law*. Any domestic securities company conducting cross-border conversion in violation of this *Provisions* or other relevant regulations shall be subject to regulatory measures or penalties in accordance with Article 70 of the *Regulation on the Supervision and Administration of Securities Companies*.

Article 46 Where a domestic depository or a custodian of underlying overseas shares fails to provide depository services in accordance with the *Measures of Depository Receipts* or other relevant regulations or violates this *Provisions* in other ways, the CSRC may impose regulatory measures and penalties in accordance with Article 53 of the *Measures of Depository Receipts*.

Article 47 This *Provisions* shall take effect as of the date of release. The *Provisions on the Supervision and Administration of Depository Receipts under the Stock Connect Scheme between Shanghai Stock Exchange and London Stock Exchange (for trial implementation)* (CSRC Announcement [2018] No.30) is simultaneously repealed.