

Annex 3-1:

The Guidelines for Cross-Border Conversion of Depositary Receipts under the Stock Connect Scheme between Shenzhen Stock Exchange and Overseas Stock Exchanges (Draft Proposal for Public Consultation)

Chapter I General Provisions

Article 1 These *Guidelines* are formulated in accordance with the *Provisions on the Supervision and Administration of Depositary Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges* (“**Provisions**”) and the *Interim Measures for the Listing and Trading of Depositary Receipts under the Stock Connect Scheme between Shenzhen Stock Exchange and Overseas Stock Exchanges* (“**Interim Measures**”) for the purposes of regulating the cross-border conversion of depositary receipts under the stock connect scheme between Shenzhen Stock Exchange (the “**SZSE**”) and the overseas stock exchanges and specifying the related registration requirements and business processes.

Article 2 These Guidelines are applicable to the cross-border conversion of depositary receipts which are listed on the Exchange or the depositary receipts whose underlying shares are listed on the Exchange as well as to the administration of registration of cross-border conversion institutions and depositaries. Any matter not covered herein shall be governed by other relevant rules of the Exchange.

Article 3 For the purpose of these Guidelines, the term “cross-border conversion of depositary receipts” includes the cross-border conversion of Chinese depositary receipts (“**CDRs**”) and the cross-border conversion of global depositary receipts (“**GDRs**”).

The cross-border conversion of CDRs refers to the process by which a domestic securities company engaged in cross-border conversion of CDRs (“**Chinese cross-border conversion institution**”) purchases or acquires otherwise lawfully the underlying shares of any CDR in the overseas market and delivers the same to a depositary which, in turn, issues the CDR pursuant to the notice of the custodian and the instruction of the Chinese cross-border conversion institution; or a depositary cancels the CDR pursuant to the instruction of the Chinese cross-border conversion institution, and the custodian delivers the underlying shares of the CDR to the Chinese cross-border conversion institution pursuant to the notice of the depositary.

The cross-border conversion of GDRs refers to the process by which an overseas securities company engaged in cross-border conversion of GDRs (“**overseas cross-border conversion institution**”) purchases or acquires otherwise lawfully the underlying shares of any GDR on the Exchange and delivers the same to a depositary which, in turn, issues the GDR pursuant to the notice of the custodian and the instruction of the overseas cross-border conversion institution; or a depositary cancels the GDR pursuant to the instruction of the overseas cross-border conversion institution, and the custodian delivers the underlying shares of the GDR to the overseas cross-border conversion institution according to the notice of the depositary.

For the purpose of these Guidelines, the term “cross-border conversion” refers to either the conversion of underlying shares into depositary receipts (“**creation**”) or the conversion of depositary receipts into underlying shares (“**redemption**”).

Article 4 The Exchange will, in accordance with the *Provisions*, the *Interim Measures*, these Guidelines and other rules of the Exchange, register Chinese cross-border conversion institutions, overseas cross-border conversion institutions, and depositaries involved in the cross-border conversion of

depository receipts, and exercise self-regulation over the cross-border conversion, securities trading on the Exchange and other activities conducted thereby.

Chapter II Cross-Border Conversion of CDRs

Section 1 Registration of Chinese Cross-Border Conversion Institutions

Article 5 In order to conduct cross-border conversion of CDRs on the Exchange, a member shall first register with the Exchange as a Chinese cross-border conversion institution.

Unless otherwise prescribed by the Exchange, a member seeking registration with the Exchange as a Chinese cross-border conversion institution shall have obtained the status as a market maker for CDRs.

Article 6 A member applying to the Exchange to become a Chinese cross-border conversion institution shall meet the following requirements:

- (1) Having been licensed to engage in brokerage and proprietary trading of securities;
- (2) Having been classified as a BBB-level securities company or above in the most recent two years;
- (3) Having three or more years of experience in international securities business;
- (4) Having not been subject to any administrative penalty over its brokerage and proprietary business in the most recent one year; and
- (5) Other requirements as prescribed by the Exchange.

Article 7 A member seeking to become a Chinese cross-border conversion institution shall submit the following documents to the Exchange:

- (1) Application form for cross-border conversion of CDRs;
- (2) Photocopy of the duplicate of its business license, and certificate of its qualification for brokerage and proprietary trading of securities;
- (3) Implementation plan and management system for the cross-border conversion;
- (4) Documentary proof of its three or more years of experience in international securities business;
- (5) Description of its departments, positions, and personnel responsible for cross-border conversion;
- (6) Statement on the readiness of its IT systems for the cross-border conversion business;
- (7) Declaration that it has not been subject to any administrative penalty over the brokerage and proprietary business in the most recent one year; and
- (8) Other documents as prescribed by the Exchange.

The member shall ensure that its registration application documents are true, accurate and complete.

Article 8 The Exchange will accept a member's application if all the required documents are complete and will reject a member's application if the member evidently does not meet the registration requirements or submits incomplete application documents.

The Exchange will review the registration application documents of members. If the members meet the registration requirements, the Exchange will complete their registration within 10 trading days following

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acceptance of the application and announce the list of registered Chinese cross-border conversion institutions to the market.

Article 9 A Chinese cross-border conversion institution shall apply to the Exchange for cross-border conversion of a specific CDR. Upon confirmation, the Exchange will make an announcement to the market.

A Chinese cross-border conversion institution shall carry out cross-border conversion of at least one CDR.

Unless otherwise prescribed by the Exchange, any Chinese cross-border conversion institution that applies for cross-border conversion of a specific CDR shall have already been announced by the Exchange as a market maker for such CDR.

Article 10 Any Chinese cross-border conversion institution seeking to terminate its status as a cross-border conversion institution or its cross-border conversion of a specific CDR shall notify the Exchange in writing 15 trading days in advance, and upon confirmation, the Exchange will make an announcement to the market.

Article 11 The Exchange may terminate the registration of a Chinese cross-border conversion institution and announce the same to the market if:

- (1) The Chinese cross-border conversion institution no longer conducts cross-border conversion of any CDR;
- (2) The Chinese cross-border conversion institution no longer meets the registration requirements set forth in (1) to (3) of Article 6 of these Guidelines;
- (3) The Chinese cross-border conversion institution has been subject to any self-regulatory measure, disciplinary action, administrative regulatory measure, or administrative penalty in the most recent one year for its cross-border conversion business;
- (4) The Exchange terminates the Chinese cross-border conversion institution's registration in accordance with the *Interim Measures* and other applicable rules; or
- (5) The Chinese cross-border conversion institution is in any other circumstance where termination of its registration is deemed necessary by the Exchange.

Any Chinese cross-border conversion institution whose registration is terminated under (3) of the preceding paragraph may not re-apply for registration within one year.

Section 2 Ongoing Administration of Chinese Cross-border Conversion Institutions

Article 12 A Chinese cross-border conversion institution may, before the listing of a CDR, initially create the CDR with its proprietary funds or as instructed by investors who meet suitability management requirements (“**qualified investors**”) in accordance with the provisions of the *Interim Measures*, these *Guidelines*, and other rules of the Exchange as well as the arrangements contemplated in the prospectus, the depositary agreement, and the initial creation announcement.

Where, before the listing of the CDR, the Chinese cross-border conversion institution has reached an agreement with qualified investors to transfer the CDR as block trades after listing of the CDR, the transfer amount and price shall conform to the provisions of the *Interim Measures* governing CDR block trades and the Chinese cross-border conversion institution shall submit the block trade execution order to the Exchange on the first day of listing of the CDR, unless otherwise prescribed by the Exchange.

Particulars concerning Chinese cross-border conversion institutions' acceptance of cross-border conversion instructions from non-specific qualified investors and the depositary's issuance of the corresponding CDRs to such investors, or the transfer of initially created CDRs to qualified investors before the listing of such CDRs, shall be governed by rules separately prescribed by the Exchange.

Article 13 A Chinese cross-border conversion institution shall appoint an institution with the qualification to trade on an overseas stock exchange (an overseas stock exchange as mentioned in these Guidelines refers to the stock exchange on which the overseas underlying shares are listed) to trade the overseas underlying shares and conduct related investment activities on its behalf.

A Chinese cross-border conversion institution shall appoint a bank licensed to operate as a custodian for securities investment funds as its domestic custodian. The custodian shall be responsible for the custody of the Chinese cross-border conversion institution's assets by reference to the *Trial Administrative Measures for Overseas Securities Investment by Qualified Domestic Institutional Investors*, and appoint an overseas asset custodian to be responsible for the custody of the Chinese cross-border conversion institution's overseas assets.

Article 14 A Chinese cross-border conversion institution shall file the following information with the Exchange before conducting cross-border conversion:

- (1) Its dedicated securities account for market making and cross-border conversion (“**dedicated account**”);
- (2) The names of its domestic and overseas custodians and the custodian agreement entered into with its domestic custodian;
- (3) The name of its appointed institution in the overseas market with the qualification to trade on the overseas stock exchange, and the information on the account(s) opened with the institution; and
- (4) Other information as required by the Exchange.

Any Chinese cross-border conversion institution intending to change its dedicated account shall file such change with the Exchange 15 trading days in advance and effect such change only upon the Exchange's confirmation. Any change to the other registration information specified in the preceding paragraph shall be filed with the Exchange within two trading days.

Article 15 A Chinese cross-border conversion institution shall, on a weekly basis, report to the Exchange the name, trading record and positions of each product in which the Chinese cross-border conversion institution invests in the overseas market, and asset balance as well as other information required by the Exchange.

Article 16 The domestic custodian appointed by the Chinese cross-border conversion institution shall, at the end of each trading day, report to the Exchange the information on the cross-border flow of funds on that day in connection with the cross-border conversion of the Chinese cross-border conversion institution, and on a weekly basis, report to the Exchange the name, trading record and positions of each product in which the Chinese cross-border conversion institution invests in the overseas market, and asset balance as well as other information required by the Exchange.

Section 3 Creation and Redemption of CDRs

Article 17 After delivering the underlying shares lawfully acquired in the overseas market to the depositary, a Chinese cross-border conversion institution shall, in a timely manner, send to the

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depository an application for creation of CDR in accordance with the relevant agreement, which contains:

- (1) The name of the Chinese cross-border conversion institution;
- (2) The dedicated account of the Chinese cross-border conversion institution;
- (3) The code of the CDR;
- (4) The quantity of the CDR to be created; and
- (5) Other information as stipulated in the relevant agreement.

Article 18 A Chinese cross-border conversion institution shall, within the prescribed time window of each trading day, submit to the Exchange the information on the CDR creation application that it has sent to the depository within the latest reporting period.

The Chinese cross-border conversion institution shall ensure that such information is true, accurate, complete, and completely consistent with the creation application sent to the depository.

Article 19 Upon receiving the underlying shares, the depository for a CDR shall check the creation application submitted by the Chinese cross-border conversion institution. If information on the application is correct, the depository shall submit to the Exchange the following CDR issuance information within the time window prescribed by the Exchange:

- (1) The name of the Chinese cross-border conversion institution;
- (2) The dedicated account of the Chinese cross-border conversion institution;
- (3) The code of the CDR;
- (4) The quantity of the CDR to be created; and
- (5) Other information as stipulated in the relevant agreement or as required by the Exchange.

The depository for the CDR shall submit the issuance information in such format and manner and at such time as specified by the Exchange, and ensure such information is true, accurate, and complete.

Unless otherwise prescribed by the Exchange, the depository for CDR may issue the corresponding quantity of the CDR only after the Chinese cross-border conversion institution delivers the underlying shares in full; the issuance of any CDR without receiving the underlying shares in full is prohibited.

Article 20 The Exchange will compare the CDR issuance information submitted by the depository with the CDR creation application information submitted by the Chinese cross-border conversion institution. If the information is consistent, the Exchange will, according to the current day's CDR issuance information submitted by the depository, increase the balance of such CDR available for sale by the Chinese cross-border conversion institution on the current day accordingly.

The Exchange will refuse to process the current day's issuance information if the depository or the Chinese cross-border conversion institution fails to submit relevant information to the Exchange within the time window prescribed by the Exchange or if any inconsistency is found between the information submitted.

Article 21 A Chinese cross-border conversion institution shall, before the market opens each day, check the quantity of a CDR created on the current day against the actual quantity of corresponding underlying shares delivered to the custodian. If any inconsistency is found between the two, the Chinese cross-border conversion institution shall report to the depository and the Exchange immediately and shall not sell the excess CDR.

Article 22 A depositary for a CDR shall prepare a detailed record of the delivery of the underlying shares for the Chinese cross-border conversion institution each day.

During the prescribed time window of each trading day, a depositary for a CDR shall provide the Exchange with the information on the outstanding quantity of the CDR on that day, the information on the custody of the underlying shares on that day as provided by the custodian, and the detailed data on the underlying shares delivered by each Chinese cross-border conversion institution for the CDR created on that day.

A depositary for a CDR shall establish a CDR quantity verification mechanism with the China Securities Depository and Clearing Corporation Limited (“**CSDC**”) to verify the information related to the quantity of the CDR.

Article 23 The redemption of a CDR shall be conducted by a Chinese cross-border conversion institution and the depositary in accordance with the applicable rules of the CSDC and the depositary agreement.

Article 24 Any error in CDR creation or redemption data arising from *force majeure*, unforeseen incident, technical failure, or human error may be corrected upon verification by relevant entities including the Exchange, the CSDC, the depositary, custodian, and the Chinese cross-border conversion institution concerned.

Relevant entities shall actively cooperate with each other in data verification, and correct the error in accordance with the rules of the Exchange and the CSDC and the provisions of the relevant agreements in a timely manner.

Article 25 If the quantity of the underlying shares corresponding to a CDR issued by a depositary exceeds the actual quantity of the underlying shares under the custody of the custodian, the depositary and the relevant Chinese cross-border conversion institution shall cancel the excess CDR within one trading day.

If the quantity of the CDR held by the relevant Chinese cross-border conversion institution is less than the quantity to be canceled, the Chinese cross-border conversion institution shall timely purchase a sufficient quantity of the CDR and cancel the same; if the Chinese cross-border conversion institution fails to timely purchase the necessary quantity, it shall make up the shortfall in the underlying shares on the following trading day, or purchase a sufficient quantity of the CDR and cancel the same.

If the depositary and the relevant Chinese cross-border conversion institution fail to timely cancel the excess CDR or replenish the underlying shares as set forth in the first and second paragraphs of this Article, the Exchange may request the CSDC to cancel the excess CDR of the relevant Chinese cross-border conversion institution based on the custody data on the underlying shares as provided by the custodian, or take other measures and report to the China Securities Regulatory Commission (“**CSRC**”).

Chapter III Cross-Border Conversion of GDRs

Section 1 Registration of Cross-Border Conversion Institutions

Article 26 In order to conduct cross-border conversion of GDRs involving the underlying shares listed on the Exchange, an overseas securities institution **so** intending shall first register with the Exchange as an overseas cross-border conversion institution.

Article 27 An overseas securities institution applying to the Exchange to become an overseas cross-border conversion institution shall meet the following requirements:

- (1) It is qualified for trading on the stock exchange on which GDRs are listed;
- (2) It is a qualified foreign institutional investor (“**QFII**”) or RMB qualified foreign institutional investor (“**RQFII**”) itself, or it controls, is controlled by, or is under common control with any entity which is a QFII or RQFII, except as otherwise prescribed by the Exchange;
- (3) It is financially robust and has a good credit standing and a significant asset size;
- (4) It has in place a sound governance structure and internal control system, conducts business in accordance with relevant regulations, and has not received any major penalties from a regulatory authority in the most recent three years;
- (5) It is willing and able to comply with the regulatory requirements and relevant rules of the Exchange;
- (6) It has the corresponding capability to both exchange RMB into foreign currencies and exchange foreign currencies into RMB; and
- (7) Other requirements deemed necessary by the Exchange.

Article 28 An overseas securities institution applying to become an overseas cross-border conversion institution shall appoint a member of the Exchange to submit the following documents to the Exchange on its behalf:

- (1) Application form for cross-border conversion of GDRs;
- (2) Certificate of the QFII or RQFII status of the applicant or the entity that has control relationship with the applicant or is under common control with the applicant;
- (3) Photocopy of its business license issued by the country or region of its domicile;
- (4) Certificate of the financial license issued by the financial regulatory authority in the country or region of its domicile;
- (5) Documentary proof of the applicant’s qualification for trading on the stock exchange on which GDRs are listed;
- (6) Financial documents proving its net capital or the audited balance sheet for the most recent one year;
- (7) A written undertaking to abide by Chinese laws, regulations, rules of competent authorities, normative documents, and applicable rules of the Exchange; and
- (8) Other documents as prescribed by the Exchange.

All application documents other than those specified from (2) through (6) of the preceding paragraph shall be in Chinese.

The member appointed by the applicant shall prudently examine the qualification, business scale and experience of the overseas securities institution and ensure its registration application documents are true, accurate, and complete.

Article 29 The Exchange will accept an applicant’s application if all the required documents are complete, and reject the application if the applicant evidently does not meet the registration requirements or submits incomplete application documents. The Exchange shall, within 10 trading days of acceptance of the application, announce to the market the list of registered overseas cross-border conversion institutions.

Article 30 Any overseas cross-border conversion institution seeking to terminate its status as a cross-border conversion institution shall notify the Exchange in writing 15 trading days in advance, and upon confirmation, the Exchange will make an announcement to the market.

Article 31 The Exchange may terminate the registration of an overseas cross-border conversion

institution upon the occurrence of any of the following circumstances:

- (1) The overseas cross-border conversion institution no longer meets the registration requirements set forth in Article 27 of these Guidelines;
- (2) The Exchange terminates its registration in accordance with the *Interim Measures*; or
- (3) The overseas cross-border conversion institution is in any other circumstance where termination of its registration is deemed necessary by the Exchange.

The Exchange will announce the termination of the registration of any overseas cross-border conversion institution.

Section 2 Ongoing Administration of Cross-Border Conversion of GDRs

Article 32 An overseas cross-border conversion institution shall appoint a member of the Exchange to trade domestic underlying shares and conduct related investment activities on its behalf, and open securities accounts dedicated to the cross-border conversion.

Article 33 The member appointed by an overseas cross-border conversion institution shall exercise effective supervision over the trading activities of the overseas cross-border conversion institution on the Exchange. If the member finds that the overseas cross-border conversion institution has violated or may violate laws and regulations in securities trading activities, it shall stop such activities and report to the Exchange in a timely manner.

The member shall stipulate in the service agreement with the overseas cross-border conversion institution that if the overseas cross-border conversion institution uses the securities account in violation of laws and regulations in the course of cross-border conversion, or engages in any unusual trading activity that may seriously affect the normal course of trading, the member is entitled to reject any order from the overseas cross-border conversion institution, address the situation as required by the Exchange, or terminate the appointment relationship between them.

Article 34 Before conducting cross-border conversion, an overseas cross-border conversion institution shall file the following information with the Exchange through the member it appoints for trading on its behalf:

- (1) Information on its dedicated securities account for cross-border conversion;
- (2) Information on its domestic custodian and the custody agreement entered into with the custodian; and
- (3) Other information as prescribed by the Exchange.

Any overseas cross-border conversion institution intending to change its dedicated securities account for cross-border conversion shall file such change with the Exchange through its appointed member 15 trading days in advance and effect such change only upon the Exchange's confirmation. Any change to other registration information specified in the preceding paragraph shall be filed with the Exchange through its appointed member within two trading days.

Section 3 Registration and Ongoing Administration of Depositaries for GDRs

Article 35 In order to create and redeem GDR involving the underlying shares listed on the Exchange, the depositary for the GDR shall appoint a member of the Exchange to submit a registration application to the Exchange before the listing of the GDR.

No depositary shall create or redeem any GDR without completing the registration procedures.

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Article 36 A depositary for a GDR shall submit the following registration application documents to the Exchange through the member it appoints for trading on its behalf:

- (1) Information registration form for the GDR depositary business;
- (2) Photocopy of its business license issued by the country or region of its domicile;
- (3) A written undertaking to abide by Chinese laws, regulations, rules of competent authorities, normative documents, and applicable rules of the Exchange; and
- (4) Other documents as prescribed by the Exchange.

All application documents other than that in (2) of the preceding paragraph shall be in Chinese.

Any change to the registration information, due to any new depositary business for specific GDRs, shall be filed by the depositary with the Exchange within two trading days.

The appointed member shall ensure that the registration application documents are true, accurate, and complete.

Article 37 A depositary for a GDR shall open a dedicated securities account for the depositary business, and file such account with the Exchange for record.

Any depositary intending to change its appointed member or its dedicated securities account for the depositary business shall file such change with the Exchange 15 trading days in advance through the member, and effect such change only upon the Exchange's confirmation.

Article 38 The appointed member shall exercise effective supervision and restraints over the securities trading activities of the depositary on the Exchange. If the member finds that the depositary conducts securities transactions beyond the prescribed scope or engages in any other unusual trading activity, it shall reject the order of the depositary and report to the Exchange in a timely manner.

Chapter IV Self-Regulation

Article 39 Each cross-border conversion institution and depositary shall lawfully conduct cross-border conversion and securities investment activities in accordance with the *Interim Measures* and these Guidelines, and shall not violate the state regulations on cross-border funds administration; shall not exceed the investment scope or the upper limit of asset balance prescribed by the CSRC; shall not take advantage of the opportunities of cross-border conversion to engage in insider trading, market manipulation, or commit violations of other laws and regulations, or seek other improper benefits.

Each appointed member shall report all pertinent information to the Exchange in a timely manner and perform all due administrative duties with respect to the trading activities of its clients in accordance with the *Interim Measures* and these Guidelines.

Article 40 For regulatory purposes, the Exchange may conduct on-site or off-site inspections on the cross-border conversion of cross-border conversion institutions, depositaries, and the members appointed for trading. Relevant entities shall provide active cooperation in such inspections and truthfully provide relevant documents and explanations.

Article 41 If any cross-border conversion institution, depositary, or member appointed for trading violates these Guidelines, the Exchange will impose the corresponding self-regulatory measures or disciplinary actions against it in accordance with the provisions of the *Interim Measures* and other applicable rules, and at the same time, report to the CSRC or relevant regulatory authorities, and record it in the integrity record; in case of a serious violation, the Exchange will request a formal investigation thereof.

Chapter V Supplementary Provisions

Article 42 The right to interpret these Guidelines shall rest with the Exchange.

Article 43 These Guidelines shall be implemented as of the date of issuance.