

## Annex 2-1

### Guidelines No.1 for Depository Receipts under the Stock Connect Scheme of Shenzhen Stock Exchange: Cross-Border Conversion of Depository Receipts

#### Chapter I General Provisions

**Article 1** The *Guidelines* is formulated in accordance with the *Provisions on the Supervision and Administration of Depository Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges* (the “**Provisions**”) and the *Interim Measures for the Listing and Trading of Depository Receipts under the Stock Connect Scheme between Shenzhen Stock Exchange and Overseas Stock Exchanges* (the “**Interim Measures**”) for the purposes of regulating the cross-border conversion of depository 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** The *Guidelines* is applicable to the cross-border conversion of depository receipts which are listed on the SZSE or the depository receipts whose underlying shares are listed on the SZSE as well as to the administration of registration of cross-border conversion institutions and depositories. Any matter not covered herein shall be governed by other relevant rules of the SZSE.

**Article 3** For the purpose of the *Guidelines*, the term “cross-border conversion of depository receipts” includes the cross-border conversion of Chinese depository receipts (“**CDRs**”) and the cross-border conversion of global depository 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 CDRs in the overseas market and delivers the shares to a depository which, in turn, issues the CDRs pursuant to the notice of the custodian and the instruction of the Chinese cross-border conversion institution; or a depository cancels CDRs pursuant to the instruction of the Chinese cross-border conversion institution, and the custodian delivers the underlying shares of the CDRs to the Chinese cross-border conversion institution pursuant to the notice of the depository.

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 GDR on the SZSE and delivers the shares to a depository which, in turn, issues the GDRs pursuant to the notice of the custodian and the instruction of the overseas cross-border conversion institution; or a depository cancels GDRs pursuant to the instruction of the overseas cross-border conversion institution, and the custodian delivers the underlying shares of the GDRs to the overseas cross-border conversion institution according to the notice of the depository.

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

**Article 4** The SZSE will, in accordance with the *Provisions*, the *Interim Measures*, the *Guidelines*

and other rules of the SZSE, register Chinese cross-border conversion institutions, overseas cross-border conversion institutions, and depositories involved in the cross-border conversion of depository receipts, and exercise self-regulation over the cross-border conversion, securities trading on the SZSE and other activities conducted thereby.

## **Chapter II Cross-Border Conversion of CDRs**

### **Section 1 Filing of Chinese Cross-Border Conversion Institutions**

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

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

**Article 6** A member filing with the SZSE to be 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 SZSE.

**Article 7** A member filing to be a Chinese cross-border conversion institution shall submit the following documents to the SZSE:

- (1) application form for cross-border conversion of CDRs;
- (2) photocopy 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 SZSE.

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

**Article 8** The SZSE will accept a member's application if all the required documents are complete. If the member evidently does not meet the registration requirements or submits incomplete application documents, the application will be rejected.

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The SZSE will review the application documents of members. If the members meet the filing requirements, the SZSE will complete the filing within 10 trading days following acceptance of the application and announce the list of filed Chinese cross-border conversion institutions to the market.

**Article 9** A Chinese cross-border conversion institution shall apply to the SZSE for cross-border conversion of a specific CDR. Upon confirmation, the SZSE 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 SZSE, any Chinese cross-border conversion institution that applies for cross-border conversion of a specific CDR shall have already been announced by the SZSE 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 SZSE in writing 15 trading days in advance, and upon confirmation, the SZSE will make an announcement to the market.

**Article 11** The SZSE may terminate the filing of a Chinese cross-border conversion institution and make an announcement 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 filing requirements set forth in (1) to (3) of Article 6 of the *Guidelines*;
- (3) the Chinese cross-border conversion institution has been subject to any self-regulatory measure, disciplinary sanction, administrative regulatory measure, or administrative penalty in the most recent one year for its cross-border conversion business;
- (4) the SZSE terminates the filing of Chinese cross-border conversion institution in accordance with the *Interim Measures* and other applicable rules; or
- (5) any other circumstance where termination of filing is deemed necessary by the SZSE.

Any Chinese cross-border conversion institution whose filing 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 commissioned by investors who meet suitability management requirements (“**qualified investors**”) in accordance with the provisions of the *Interim Measures*, the *Guidelines*, and other rules of the SZSE as well as the arrangements contemplated in the prospectus, the depository 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 SZSE on the first day of listing of the CDR, unless otherwise prescribed by the SZSE.

Particulars concerning Chinese cross-border conversion institutions' acceptance of cross-border conversion instructions from non-specific qualified investors and the depository'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 SZSE.

**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 the *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 SZSE 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 SZSE.

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

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

**Article 16** The domestic custodian appointed by the Chinese cross-border conversion institution shall, at the end of each trading day, report to the SZSE 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 SZSE the name, trading record, positions of each product and asset balance in which the Chinese cross-border conversion institution invests in the overseas market, as well as other information required by the SZSE.

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### **Section 3 Creation and Redemption of CDRs**

**Article 17** After delivering the underlying shares lawfully acquired in the overseas market to the depository, a Chinese cross-border conversion institution shall, in a timely manner, send to the depository an application for creation of CDRs 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 CDRs;
- (4) the quantity of CDRs 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 SZSE 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 consistent with the creation application sent to the depository.

**Article 19** Upon receiving the underlying shares, the depository for CDRs 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 SZSE the following CDR issuance information within the time window prescribed by the SZSE:

- (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 CDRs;
- (4) the quantity of CDRs to be created; and
- (5) other information as stipulated in the relevant agreement or as required by the SZSE.

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

Unless otherwise prescribed by the SZSE, the depository for CDRs shall issue the corresponding quantity of CDRs 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 SZSE 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 SZSE will, according to the current day's CDR issuance information submitted by the depository, increase the balance of such CDRs available for sale by the Chinese cross-border conversion institution on the current day accordingly.

The SZSE 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 SZSE within the time window prescribed by the SZSE 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 CDRs 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 SZSE immediately and shall not sell the excess CDRs.

**Article 22** A depository for CDRs 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 depository for CDRs shall provide the SZSE with the information on the outstanding quantity of CDRs 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 depository for CDRs 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 CDRs.

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

A Chinese cross-border conversion institution and the depository shall, within the prescribed time window of each trading day, submit to the SZSE the information on the CDR redemption within the latest reporting period.

**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 SZSE, the CSDC, the depository, 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 SZSE 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 CDRs issued by a depository exceeds the actual quantity of the underlying shares under the custody of the custodian, the depository and the relevant Chinese cross-border conversion institution shall cancel the excess CDR within one trading day.

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

If the depository and the relevant Chinese cross-border conversion institution fail, in a timely manner, to cancel the excess CDRs or replenish the underlying shares as set forth in the first and second paragraphs of this Article, the SZSE may request the CSDC to cancel the excess CDRs 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 (the “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 SZSE, an overseas securities institution shall first register with the SZSE as an overseas cross-border conversion institution.

**Article 27** An overseas securities institution applying to the SZSE 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 SZSE;
- (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 SZSE;
- (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 SZSE.

**Article 28** An overseas securities institution applying to be an overseas cross-border conversion institution shall appoint a member of the SZSE to submit the following documents to the SZSE 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, departmental rules, normative documents, and applicable rules of the SZSE; and
- (8) other documents as prescribed by the SZSE.

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 application documents are true, accurate, and complete.

**Article 29** The SZSE 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 SZSE 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 SZSE in writing 15 trading days in advance, and upon confirmation, the SZSE will make an announcement to the market.

**Article 31** The SZSE 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 the *Guidelines*;
- (2) the SZSE terminates the filing of the overseas cross-border conversion institution in accordance with the *Interim Measures*; or
- (3) any other circumstance where termination of the filing is deemed necessary by the SZSE.

The SZSE will announce the termination of the filing 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 SZSE 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 SZSE. 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 restrain such activities and report to the SZSE 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 and address the situation or terminate the appointment relationship between them as required by the SZSE.

**Article 34** Before conducting cross-border conversion, an overseas cross-border conversion institution shall file the following information with the SZSE through the member it appoints for

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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 SZSE.

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

### **Section 3 Registration and Ongoing Administration of Depositories for GDRs**

**Article 35** In order to create and redeem GDRs involving the underlying shares listed on the SZSE, the depository for GDRs shall appoint a member of the SZSE to submit a registration application to the SZSE before the listing of GDRs.

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

**Article 36** A depository for GDRs shall submit the following filing documents to the SZSE through the member it appoints for trading on its behalf:

- (1) filing form for depository business information of GDRs;
- (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, departmental rules, normative documents, and applicable rules of the SZSE; and
- (4) other documents as prescribed by the SZSE.

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

Any change to the filing information, due to any new depository business for specific GDRs, shall be filed by the depository with the SZSE within two trading days.

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

**Article 37** A depository for GDRs shall open a dedicated securities account for the depository business, and file such account with the SZSE for record.

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

**Article 38** The appointed member shall exercise effective supervision and restraints over the securities trading activities of the depository on the SZSE. If the member finds that the depository conducts securities transactions beyond the prescribed scope or engages in any other unusual

trading activity, it shall reject the order of the depository and report to the SZSE in a timely manner.

#### **Chapter IV Self-Regulation**

**Article 39** Each cross-border conversion institution and depository shall lawfully conduct cross-border conversion and securities investment activities in accordance with the *Interim Measures* and the *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 SZSE 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 the *Guidelines*.

**Article 40** For regulatory purposes, the SZSE may conduct on-site or off-site inspections on the cross-border conversion of cross-border conversion institutions, depositories, 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, depository, or member appointed for trading violates the *Guidelines*, the SZSE will impose the corresponding self-regulatory measures or disciplinary sanctions against it in accordance with the provisions of the *Interim Measures* and other applicable rules, and record it in the integrity record; in case of a violation of Chinese laws, regulations, or relevant rules of the CSRC, the SZSE will report to the CSRC in accordance with relevant regulations.

#### **Chapter V Supplementary Provisions**

**Article 42** The right to interpret the *Guidelines* shall rest with the SZSE.

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