

Appendix 1:

**Interim Measures for the Listing and Trading of Depository Receipts
under the Stock Connect Scheme between Shanghai Stock Exchange and
London Stock Exchange**

(Draft for Comment)

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Chapter I General Provisions

Article 1 [Objectives and Basis]

This *Measures* is formulated in accordance with the *Securities Law of the People's Republic of China* (the "**Securities Law**"), the *Opinions on Launching the Pilot Program of Domestic Offering of Stocks or Depository Receipts by Innovative Enterprises*, the *Administrative Measures of Offering and Trading of Depository Receipts (Trial)* (the "**Administrative Measures of Depository Receipts**"), 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)* (the "**Supervision and Administration Provisions**"), and other applicable laws, administrative regulations, departmental rules, and normative documents (collectively "**domestic laws**"), and the market rules of the Shanghai Stock Exchange to regulate the listing, trading, cross-border conversion, and information disclosure of or in relation to depository receipts under the stock connect scheme between Shanghai Stock Exchange (the "**SSE**") and London Stock Exchange (the "**LSE**") ("**depository receipts under Shanghai-London Stock Connect**"), maintain an orderly market, and protect the lawful rights and interests of investors.

Article 2 [Scope of Application]

The term "depository receipts under Shanghai-London Stock Connect" as used in this *Measures* refers to the depository receipts issued and listed on the SSE by qualified LSE-listed companies ("**CDRs**") as well as the depository receipts issued and listed on the LSE by qualified SSE-listed companies ("**GDRs**") under the stock connect scheme between the SSE and LSE.

This *Measures* is applicable to the listing, trading, cross-border conversion, information disclosure, and other activities of or in relation to CDRs under Shanghai-London Stock Connect. Trading activities not covered herein shall be governed by the *Trading Rules of Shanghai Stock Exchange* (the "**Trading Rules**") and other market rules of the SSE on trading of stocks.

This *Measures* is applicable to the cross-border conversion, listing of the underlying shares, information disclosure, and other activities in relation to the GDRs in the SSE market under Shanghai-London Stock Connect. Matters not covered herein shall be governed by the applicable market rules including the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange* (the "**Stock Listing Rules**") and the *Trading Rules*.

The term "cross-border conversion" as used in this *Measures* refers to the conversion of underlying shares into depository receipts ("**creation**") and the conversion of depository receipts into underlying shares ("**redemption**").

Article 3 [Market Self-Regulation]

The following market entities who wish to participate in businesses involving the depositary receipts under Shanghai-London Stock Connect shall abide by the domestic laws and the market rules of the SSE, and accept the market self-regulatory measures of the SSE:

- (1) issuers of the underlying overseas securities corresponding to CDRs (“**overseas issuers**”) and their directors, senior executives, CDR holders, domestic offices for securities affairs, domestic representatives for information disclosure, actual controllers, and acquirers;
- (2) the depositaries of the depositary receipts under Shanghai-London Stock Connect, CDR sponsors and their sponsor representatives, securities service providers and their relevant personnel;
- (3) CDR market makers, domestic securities institutions engaged in the cross-border conversion of CDRs (“**Chinese cross-border conversion institutions**”), and the overseas securities institutions engaged in the cross-border conversion of GDRs (“**UK cross-border conversion institutions**”) and their partnering SSE members; and
- (4) other market entities as specified by the SSE.

Article 4 [Investor Protection]

Where the equity structure, corporate governance, operating rules, and other aspects of an overseas issuer are governed by the laws and rules of its place of incorporation, the overseas issuer shall make a full disclosure of the differences between applicable laws and rules and domestic laws and rules, as well as all measures it has taken to implement all provisions on the investor protection as required by law.

CDR sponsors, depositaries, and relevant securities service providers shall faithfully and diligently perform all of their duties and obligations in accordance with domestic laws, the market rules of the SSE, and other relevant rules and agreements, and shall not harm the lawful rights and interests of CDR holders.

Article 5 [Registration and Settlement]

Any CDR to be listed and traded on the SSE shall be registered with, placed under the custody of, and settled at the China Securities Depository and Clearing Corporation Limited (the “**CSDC**”).

Chapter II Listing of CDRs

Article 6 [Listing Requirements]

Any overseas issuer who applies for the listing of CDRs on the SSE for the first time shall:

- (1) meet the requirements of the *Administrative Measures of Depositary Receipts* and the *Supervision and Administration Provisions* on the public offering of CDRs and have the public offering approved by the China Securities Regulatory Commission (the “CSRC”);
- (2) have an average market capitalization of no less than RMB 20 billion, per the closing price of the underlying shares, over the 120 trading days prior to the offering application date, calculated at the middle price of RMB exchange rate announced by the People’s Bank of China on the day prior to the offering application date;
- (3) have been listed on the LSE for at least 3 years and have obtained the premium listing for at least 1 year;
- (4) seek the listing of no less than 50 million units of CDRs with a market value of no less than RMB 500 million;
- (5) meet any other requirements as required by the SSE.

The SSE may adjust the CDR listing requirements as appropriate for the market.

Article 7 [Application for Pre-Listing Review]

Any overseas issuer applying for the listing of CDRs on the SSE shall first apply to the SSE for pre-listing review and submit the following documents:

- (1) pre-listing review application form, which shall include information demonstrating that the overseas issuer meets the listing requirements of the SSE;
- (2) the application documents set forth in Article 5 of the *Supervision and Administration Provisions*; and
- (3) other documents required by the SSE.

The SSE shall submit the application documents set forth in Item (2) of the preceding paragraph to the CSRC on behalf of the overseas issuer.

Any overseas issuer applying for an adjustment to the application of disclosure requirements or ongoing supervisory rules of the SSE shall submit the specific rules involved in such adjustment, reasons for adjustment, alternative plan, and the legal opinion on the matter issued by a law firm.

Article 8 [Procedures of Pre-Listing Review]

The SSE shall conduct pre-listing review in accordance with this *Measures* and other relevant market rules and form the pre-listing review opinion and notify the overseas issuer within 30 trading days upon receiving the pre-review application. Such timeline may be appropriately extended by the SSE under special circumstances.

The Listing Committee of the SSE will review whether the CDR complies with the listing requirements set forth in the Article 6 of this *Measures* (except for the requirements that the public offering be approved by the CSRC and the CDR to be listed be no less than 50 million units with a market value of no less than RMB 500 million), make an independent and professional judgement on the application, and form its recommendation. The SSE will subsequently form the pre-listing review opinion on whether to approve the listing of the CDR based on recommendation of the Listing Committee.

The specific procedures and requirements for the pre-review of listing shall be prescribed separately by the SSE.

Article 9 [Pre-Listing Disclosure]

An overseas issuer shall make disclosure of the prospectus (filing draft) in advance through the websites of CSRC and SSE.

Where the overseas issuer has made the prospectus (filing draft) available on its own website or other media channels, such versions shall be fully consistent with the prospectus published on the websites of CSRC and SSE and be made available no earlier than it becomes available on the websites of CSRC and SSE.

Article 10 [Creation of Initial Liquidity 1]

Where an overseas issuer applies for the listing of CDRs representing existing shares, the overseas issuer shall, on the SSE website, disclose the prospectus, depositary agreement, offering sponsorship letter, financial reports, and other offering documents as well as the announcement of initial liquidity creation after obtaining CSRC's approval for the public offering.

The overseas issuer shall disclose, in the announcement of initial liquidity creation, the amount cap of the CDR approved for public offering, the Chinese cross-border conversion institutions that will be engaged in the cross-border conversion for the CDR, and the specific arrangements for the creation of initial liquidity, among other information.

Article 11 [Creation of Initial Liquidity 2]

After disclosing relevant documents prescribed in the preceding Article, the overseas issuer may arrange roadshows, to be held on-site or through telephone or the internet, to investors who meet suitability management requirements (“**qualified investors**”).

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The Chinese cross-border conversion institutions may create the CDRs through cross-border conversion in accordance with the provisions of this *Measures* and other market rules of the SSE as well as the arrangements outlined in the prospectus, depositary agreement, and announcement of initial liquidity creation, and may provide for the transfer of CDRs through block trade or otherwise in their agreement with qualified investors.

Particulars concerning the acceptance by Chinese cross-border conversion institutions of cross-border conversion requests from non-specific qualified investors and the subsequent issuance of the corresponding CDRs to such investors by the depositary shall be governed by rules separately prescribed by the SSE.

Article 12 [Creation of Initial Liquidity 3]

During the creation of initial liquidity, the overseas issuer and Chinese cross-border conversion institutions shall comply with relevant laws and regulations and treat investors fairly. The sponsor shall establish and organize the implementation of the initial liquidity creation plan, and exercise effective supervision over the compliance and fairness of such business activities.

During the initial liquidity creation period, the depositary shall help complete the creation of the CDRs in accordance with relevant terms and agreements and shall not process CDR redemption requests.

Article 13 [Listing Application]

If the CDRs created during the initial liquidity creation period meet the conditions under Item (4), Paragraph 1, Article 6 of this *Measures*, the overseas issuer shall apply in a timely manner to the SSE for the listing of the CDRs.

Article 14 [Documents for Listing Application]

Any overseas issuer applying for the initial listing of CDRs on the SSE shall submit the following documents:

- (1) the listing application;
- (2) the approval document of the CSRC for the current public offering;
- (3) the document certifying that the CDRs have been placed under the custody of the CSDC;
- (4) (if applicable) any required additional financial materials and statements regarding relevant material events for the period following the pre-listing review and before the listing application;
- (5) declarations and letters of undertaking of directors and senior executives;

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(6) relevant materials on the domestic offices for securities affairs and the domestic disclosure representative;

(7) the listing sponsorship letter;

(8) the listing announcement; and

(9) other documents required by the SSE.

The decision on whether to approve the listing of CDRs will be made by the SSE within 5 trading days after receipt of the full set of listing application documents. No further review by the Listing Committee is required except in cases where major changes have occurred in relevant matters after the pre-listing review period. The SSE reserves the right to postpone the decision-making process under exceptional circumstances.

Article 15 [Application for Additional Offering of CDRs]

Any overseas issuer intending to list additional CDRs as a result of rights issue or other activities shall submit, among other documents, the listing application, and the document certifying that the CDRs to be newly listed have been placed under the custody of the CSDC.

Article 16 [Listing Agreement]

To list CDRs on the SSE for trading, the overseas issuer shall sign and execute a listing agreement with the SSE to specify the rights and obligations of both parties and other relevant matters.

Article 17 [Listing Disclosure]

An overseas issuer shall, within 5 trading days before the listing of CDRs, disclose relevant documents including the listing announcement, the articles of association, listing sponsorship letter and legal opinions in accordance with the rules of the SSE.

A listing announcement shall meet the content and format requirements of the SSE and include the matters below:

(1) an overview of the current offering and listing, covering the offering cap granted by the CSRC, result of the creation of initial liquidity for the CDR, and other relevant matters;

(2) key trading information of the underlying overseas shares on the LSE market in the 10 trading days before the disclosure of the listing announcement, including the daily highest price, lowest price, closing price, and trading volume, among others;

(3) information concerning the listing and trading of the CDRs in question, including the place and date of listing, listing volume, the formula to calculate the closing price for the day before first day of listing, cross-border conversion arrangements, the registration and settlement institution, Chinese cross-border conversion institutions, and market makers;

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(4) (if applicable) the names of the top 10 CDR holders and their holding and relative holding ratio;

(5) (if applicable) any major changes to the matters disclosed in the prospectus prior to listing, and any major update on the key accounting information and financial indicators of the overseas issuer; and

(6) other matters that, in the opinion of the overseas issuer and the SSE, should be disclosed.

Article 18 [Signing of Application Documents and Undertakings]

Documents in the pre-listing review application and listing application submitted by the overseas issuer to the SSE may be signed by its authorized directors or senior executives, provided that the personal declarations and undertakings of directors and senior executives must be signed by themselves personally.

The overseas issuer shall warrant that the application documents and the ongoing disclosure documents submitted to the SSE are authentic, accurate, and complete, free of misrepresentations, misleading statements, and major omissions.

Article 19 [Language and Submission of Application Documents]

Unless otherwise specified by the SSE, application documents and ongoing information disclosure documents submitted by the overseas issuer shall be in simplified Chinese.

Both the overseas issuer and relevant information disclosure obligors shall disclose the listing and ongoing disclosure documents on the SSE website in accordance with the rules of the CSRC and the SSE.

Article 20 [Domestic Office for Securities Affairs and Staffing Thereunder]

An overseas issuer shall establish a securities affairs office in mainland China and engage domestic representatives for information disclosure, who will be responsible for the information disclosure and regulatory communications in connection with the listing of the CDR. The domestic representatives for information disclosure shall have the qualifications equivalent to those of the secretary of the board of directors of a domestic listed company, be familiar with the domestic disclosure rules and requirements, and have good command of the Chinese language.

The overseas issuer shall establish efficient communication channels with domestic investors, regulators and the SSE, protect the lawful rights and interests of domestic investors as provided by laws, and maintain active communication with domestic regulators and the SSE.

Article 21 [Requirements for Service Providers]

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When applying for the initial listing of CDRs on the SSE, the overseas issuer shall engage qualified sponsor and qualified securities service providers such as law firms, and accounting firms to provide relevant services.

Sponsor and securities service providers may engage overseas institutions to assist in their work, but such arrangement shall not exempt them from assuming such responsibilities as provided by laws.

Article 22 [Delisting]

The circumstances and procedures for suspension and termination of the listing of CDRs shall be separately prescribed by the SSE. An overseas issuer may apply for the termination of listing of its CDRs in accordance with the depositary agreement and market rules of the SSE.

The SSE may provide transfer services for the CDR suspended or terminated from listing. Specific matters shall be prescribed by the SSE separately.

Where the list of CDRs is terminated, the overseas issuer and depositary shall perform corresponding obligations in accordance with the *Administrative Measures of Depositary Receipts* and the depositary agreement to protect the lawful rights and interests of CDR holders.

Chapter III Ongoing Information Disclosure for CDRs

Section 1 General Rules

Article 23 [Basic Disclosure Requirements]

The overseas issuer and relevant information disclosure obligors shall disclose, in the SSE market and in a timely manner, all major information that may materially affect the trading price of the underlying shares, CDR, and their derivative products.

Both the overseas issuer and the relevant information disclosure obligors shall ensure that the disclosed information is authentic, accurate, complete, and free of misrepresentations, misleading statements, and major omissions.

Article 24 [Requirements for Fair Disclosure]

The overseas issuer and the relevant information disclosure obligors shall disclose important information to domestic and overseas investors in a fair manner, ensuring that domestic and overseas investors can equally access the same information, and shall not reveal in advance or leak such information to any one or any group of investors.

The overseas issuer and related information disclosure obligors shall not provide any major undisclosed information of such issuer to any organization or individual during performance updates, analyst meetings, roadshows, investor surveys, or other occasions or forms of communication regarding the production and operation, financial condition of the issuer, or other matters.

Article 25 [Principle of Simultaneous Disclosure]

Any information disclosed on the LSE market by the overseas issuer and the relevant information disclosure obligors shall be simultaneously disclosed on the SSE.

Any time the overseas issuer and relevant information disclosure obligors make disclosures on the LSE market at a time outside the SSE disclosure window specified by the SSE, the same disclosures must be made within SSE's next closest disclosure window.

Article 26 [Principles of Consistent Disclosure]

Information disclosed on the SSE market by the overseas issuer and relevant information disclosure obligors shall be consistent with those disclosed on the LSE market.

In case of a substantial difference in the content of domestic and overseas disclosure, the overseas issuer and relevant information disclosure obligors shall provide detailed explanations to the SSE and disclose the modification or supplementary announcements as required by the SSE.

Article 27 [Dispelling of Rumors]

The overseas issuer shall closely monitor the major reports or market rumors published by domestic and overseas public media channels, and timely verify any information that may materially affect the trading price of its underlying shares, CDRs, and their derivative products.

The overseas issuer shall make timely disclosure if such reports or rumors are verified or there are any updates, and publish clarifications timely if such reports or rumors are false or inaccurate.

The SSE may require the overseas issuer to verify and clarify any report or rumor that, in the opinion of the SSE, may materially affect the trading price of the overseas issuer's underlying shares, CDRs, and their derivative products.

Article 28 [Disclosure Exemption for Objective Reasons]

An overseas issuer or a relevant information disclosure obligor may apply to the SSE for an adjustment to the application of the disclosure requirements or ongoing supervisory rules of the SSE if such requirements or rules make it difficult for such issuer or obligor to comply with the rules of where it is incorporated or listed, provided that the issuer or obligor shall state the reasons, offer an alternative plan, and engage a law firm to issue a legal opinion on the matter. If the SSE believes that such adjustment is not warranted by law, such issuer or obligor shall continue to be bound by the relevant rules of the SSE.

Article 29 [Direct Disclosure Channel]

The overseas issuer and relevant information disclosure obligors shall adopt a direct information disclosure channel in accordance with the market rules of the SSE. The SSE will conduct formality examination regarding the format of the disclosure of the overseas issuer and relevant information disclosure obligors.

Article 30 [Suspension and Resumption of Trading]

The SSE may, in view of the circumstances or the application of an overseas issuer, suspend or resume the trading of the CDR and corresponding derivatives of the overseas issuer to ensure the timeliness and fairness of information disclosure.

An overseas issuer shall promptly inform the SSE and make relevant disclosures, if it is suspended from trading, whether by application or as ordered, or if its listing has been suspended or terminated on the LSE market. The SSE will address the situation according to the circumstances.

Section 2 Periodic Reports and *Ad Hoc* Reports

Article 31 [General Rules on Periodic Reports and *Ad Hoc* Reports]

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The overseas issuer shall prepare and disclose periodic reports and *ad hoc* reports in accordance with the *Securities Law, Administrative Measures of Depositary Receipts, Supervision and Administration Provisions*, and this *Measures*.

Article 32 [Content and Format of Periodic Reports]

The annual reports and semiannual reports of an overseas issuer shall, at a minimum, contain the disclosed contents specified in the *Securities Law, the Administrative Measures of Depositary Receipts, and the Supervision and Administration Provisions*.

Any overseas issuer that disclose quarterly reports, either voluntarily or as required by the LSE market, shall simultaneously disclosed such reports in the SSE market.

Any overseas issuer who has been disclosing annual reports, semiannual reports, or quarterly reports in the format required by the LSE market may continue to prepare periodic reports in such format, provided that the disclosure of the contents specified under Paragraph 1 of this Article and the completeness of such disclosure are not compromised.

Article 33 [Audit of Periodic Reports]

An overseas issuer shall prepare financial reports in accordance with the Chinese Accounting Standards or other accounting standards recognized by the Ministry of Finance of the People's Republic of China.

Annual financial reports shall be audited in accordance with the Chinese Auditing Standards or other auditing standards recognized by the Ministry of Finance of the People's Republic of China by domestic accounting firms licensed for securities and futures business in mainland China or by foreign accounting firms recognized by the CSRC and the Ministry of Finance of the People's Republic of China. The auditor's report shall be disclosed at the same time as the annual financial report.

Article 34 [Disclosure of Material Transactions]

Any material transaction conducted by an overseas issuer, other than a transaction in the ordinary course of business, shall be timely disclosed if it reaches any of the following thresholds:

(1) total amount of the assets involved in the transaction (whichever higher of the book value and the appraised value) represents 10 percent or more of the audited total assets of the overseas issuer in the most recent accounting year;

(2) transaction value (including liabilities, fees and expenses assumed under the transaction) represents 10 percent or more of the audited net asset of the overseas issuer in the most recent accounting year; or

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(3) the operating revenue corresponding to the target of the transaction (e.g., equity) in the most recent accounting year is over RMB 50 million and represents 10 percent or more of the audited operating revenue of the overseas issuer in the most recent accounting year.

The overseas issuer shall also timely disclose any transaction that does not reach the preceding thresholds but nevertheless may materially affect the trading price of its underlying shares, CDRs, and their derivative products.

Article 35 [Disclosure Threshold for Related-Party Transactions]

An overseas issuer shall timely disclose any transaction with related parties that reaches any of the following thresholds:

- (1) any transaction valued at RMB 10 million or above with a related natural person;
- (2) any transaction valued at RMB 50 million or above with a related legal person and representing 0.1 percent or more of the audited total assets of the overseas issuer in the most recent accounting year; or
- (3) any transaction that, in the opinion of the overseas issuer or the SSE, may cause the overseas issuer or its related party tilted toward the interest of other party.

The recognition of related parties and related-party relationship shall be made in reference to the disclosure requirements for domestic initial public offering of CDRs by the overseas issuer.

Article 36 [Disclosure of Other Non-Transactional Material Events]

An overseas issuer shall timely disclose any of the following material events that, in view of its materiality, may significantly affect the trading price of its underlying shares, CDRs, and their derivative products, and shall additionally describe the cause, current status, and potential legal consequences of the event:

- (1) any major litigation or arbitration involving an amount representing 10 percent or more of the absolute value of the audited total assets of the overseas issuer in the most recent accounting year;
- (2) major external guarantees or financial assistance;
- (3) major operating loss or financial loss;
- (4) investment and launch of major production or operation project or major progress has been made in such a project;
- (5) significant changes in the external environment for the production and operation of the overseas issuer;

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- (6) new major development strategies;
- (7) new rules and policies adopted by regulatory authorities that may have a material impact on the operation of the overseas issuer;
- (8) matters related to repurchase of underlying shares and depositary receipts;
- (9) changes in the underlying shares or depositary receipts held by the directors and senior executives; and
- (10) other material events prescribed by the CSRC and the SSE.

The SSE may require the overseas issuer to timely disclose any matter that, in the opinion of the SSE, may significantly affect the trading price of the underlying shares, CDRs, and their derivative products.

Article 37 [Disclosure of Performance Forecasts]

An overseas issuer may disclose performance forecasts, performance updates, and earnings forecasts. Any such information disclosed by the overseas issuer on the LSE market shall be simultaneously disclosed on the SSE market.

Any overseas issuer that discloses performance forecasts, performance updates, or earnings forecasts shall do so with prudence and objectivity, and shall not leverage such information to manipulate the trading price of its underlying shares, CDRs, and their derivative products.

Section 3 Miscellaneous

Article 38 [Disclosure of Shareholder Resolutions]

Unless otherwise specified by laws, administrative regulations, or the CSRC, an overseas issuer carrying out material transactions, related-party transactions, or other major matters specified in this Chapter may do so in accordance with the relevant rules of where it is incorporated and of the LSE market as well as the decision-making powers and procedures set out in its articles of association.

Any overseas issuer that submits relevant matters for deliberation at the shareholders' general meeting in accordance with the provisions of the preceding paragraph shall disclose the matters in a timely manner. The meeting materials and other documents of the shareholders' general meeting prepared by the overseas issuer according to the relevant provisions of the LSE market shall be disclosed together with the notice of the shareholders' general meeting.

Article 39 [Adjustment to Opinions of the Board of Directors and Independent Directors]

The board of directors and independent directors of an overseas issuer shall actively perform their duties and express their opinions in accordance with the rules of where the overseas

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issuer is incorporated and of the LSE market as well as the generally accepted standards and practices in the LSE market. If the SSE believes that any relevant matter has a material impact on the overseas issuer or investors, it may require the board of directors and independent directors of the overseas issuer to express their opinions on the matter.

Any overseas issuer or its director or senior executive that signs a written confirmation or makes a statement or undertaking in accordance with the relevant domestic rules may make appropriate adjustment to the wording of such confirmation, statement, or undertaking in view of the rules of where the overseas issuer is incorporated and of the LSE market as well as the generally accepted standards and practices in the LSE market, provided that no substantive change to the content thereof is made.

Article 40 [Exercise of Rights and Disclosure Thereof]

An overseas issuer and depositary shall, in accordance with the terms of the depositary agreement, timely release announcement concerning the exercise of rights of CDR holders and specify the detailed arrangements including when and how to exercise such rights and the results of such exercise to ensure CDR holders may effectively exercise their rights.

Where the overseas issuer and depositary intend to collect voting intents of the CDR holders through the website provided by the SSE or its subsidiaries or affiliates, they shall do so in compliance with the rules of the SSE and the terms of relevant agreements, and release an announcement to the market as required by the depositary agreement.

Article 41 [Ongoing Disclosure of Depositary Plan]

The overseas issuer shall, in its annual reports and semiannual reports, disclose the implementation of and changes to the depositary and custody arrangements during the reporting period, as well as the names of the top 10 CDR holders and their holding and relative holding ratio at the end of the reporting period. The overseas issuer shall also disclose any of the following circumstances in a timely manner:

- (1) change of the depositary or the custodian;
- (2) the underlying assets of CDRs under custody have been pledged, misappropriated, frozen by the judicial authorities, or subjected to other changes in ownership;
- (3) any major change to the depositary agreement or the custodian agreement;
- (4) change in the conversion ratio between CDRs and the underlying shares; or
- (5) other circumstances required by the CSRC and the SSE to be disclosed.

Any overseas issuer intending to change the conversion ratio between CDRs and the underlying shares shall obtain the prior approval of the SSE.

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In the event of the circumstances under Item (1) or (2) of the first paragraph of this Article or any major change to the custodian agreement, the depositary shall promptly notify the overseas issuer. The overseas issuer shall then disclose the matter in a timely manner.

Article 42 [Disclosure Requirements for Changes in Equity]

The shareholders, actual controllers, directors, senior executives of the overseas issuer, and investors holding depositary receipts issued domestically or overseas by the overseas issuer shall, in accordance with the *Supervision and Administration Provisions* and market rules of the SSE, make timely disclosure of change in equity, acquisition and change in the holding of depositary receipts, and other pertinent information.

Interest of an investor in the shares or depositary receipts issued domestically or overseas by an overseas issuer, whether held directly or indirectly by the investor and the persons acting in concert therewith, shall be calculated on a consolidated basis.

The rules of the SSE regarding the disclosure of change in equity interest in the overseas issuer shall not apply to a depositary when it has reached disclosure threshold due to any change in its holding of the underlying overseas shares arising from deposit arrangements.

Article 43 [Disclosure of Domestic Market Concentration]

Where the CDR of an overseas issuer held by an investor and the person acting in concert therewith, whether through securities trading, transfer by agreement, or other similar arrangements at the SSE, has reached, will reach, or has exceeded 5 percent of the total CDRs issued by the overseas issuer, such investor and person shall release an indicative announcement within 2 days as of the occurrence of the fact.

After reaching the above threshold, the investor and the persons acting in concert therewith shall release an indicative announcement in the time frame specified in the preceding paragraph each time that their holding of the CDR of such overseas issuer, whether through securities trading, transfer by agreement, or other similar arrangements at the SSE, has reached, will reach, or has exceeded an additional 5 percent of the total CDRs issued by the overseas issuer.

The investor and the person acting in concert therewith shall be exempt from the above announcement obligations if they have involuntarily reached the threshold due to an increase or decrease to the total CDRs issued by the overseas issuer; however, they shall perform such obligations if they have actively increased or decreased their holdings thereafter.

Chapter IV Trading of the CDR

Section 1 Investor Suitability Management

Article 44 [General Rules]

CDR trading is subject to investor suitability rules.

A member of the SSE shall establish the relevant systems for managing the suitability of CDR investors and conduct investor suitability management.

Any investor who wishes to trade CDRs shall meet the suitability management requirements prescribed by the SSE. Individual investors shall additionally pass the comprehensive suitability assessment organized by SSE members for CDR investors.

Article 45 [Suitability Criteria]

Any individual investor who wishes to trade CDRs shall satisfy the following requirements:

- (1) the daily average value of assets in her/his securities account and funds account over the 20 trading days before applying for trading CDRs is no less than RMB 3 million (excluding the funds and securities acquired from margin trading and short selling transactions);
- (2) there is no serious adverse entry in her/his integrity record; and
- (3) she/he is not under any circumstance where she/he would be prohibited or restricted from trading securities by the provisions of domestic laws, market rules of the SSE, or otherwise.

An institutional investor who wishes to trade CDRs shall do so in accordance with domestic laws and market rules of the SSE.

Article 46 [Comprehensive Assessment of Investors]

A member of the SSE shall examine whether an investor satisfies the investor suitability requirements for CDR trading and, with respect to an individual investor, conduct a comprehensive evaluation on her/his assets, knowledge, risk tolerance, integrity, and other pertinent aspects.

The member shall focus its evaluation on whether the individual investor has understood the market rules and procedures for trading CDRs and is fully aware of the risks associated with investing in CDRs.

The member shall keep track and stay informed of the trades of individual investors and conduct a follow-up assessment on their risk tolerance at least once every 2 years.

Article 47 [Members' Management Obligations]

A member of the SSE shall obtain a full understanding of the profile of investors who intend to trade CDRs and issue an explicit opinion on their suitability for such transactions. No member shall permit any investor who does not meet the suitability management requirements to trade CDRs.

Article 48 [Risk Disclosure Requirement]

A member of the SSE shall, through appropriate means, fully disclose to investors the risks associated with CDR trading, remind them to be vigilant about investment risks, and guide them to trade CDRs in a rational and compliant manner.

With respect to any client who trades CDRs for the first time, the member shall require the client to sign a CDR risk disclosure statement in writing or electronically. No member shall accept any purchase instructions from a client who has not signed the risk disclosure statement.

Article 49 [Investors' Obligations]

An investor shall acquire an adequate knowledge and understanding of the risks in CDR trading, of the applicable laws and regulations of mainland China, and of the market rules of the SSE, and, taking into consideration her/his risk identification and tolerance capacity, prudentially decide whether to trade CDRs.

An investor, by her/his holding of CDRs, shall automatically become a party to the depository agreement and be deemed to have agreed to be bound by the terms thereof.

Section 2 Special Trading-Related Rules

Article 50 [Pricing Unit]

CDRs to be listed and traded on the SSE are denominated in RMB, with the pricing unit being "price per CDR unit" and the tick size being RMB 0.01 Yuan.

If an investor intends to collectively trade CDRs through bidding, the order shall be in 100 units of CDRs or an integral multiple thereof, not exceeding 1million units of CDRs for a single order. When an investor holds less than 100 units of CDRs, such odd lot shall be traded in a single order.

The SSE may adjust the pricing unit, tick size, maximum order size, and other parameters as appropriate for the market, and will announce the adjustment to the market.

Article 51 [Day Trading]

Unless otherwise prescribed by the SSE, an investor shall not sell any CDR on the same day they are bought.

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Article 52 [Price Limit]

The SSE enforces price limit for CDR trading. The price limit is 10 percent, unless otherwise specified by this *Measures*.

The limit price shall be calculated as: limit price = previous closing price \times (1 \pm price limit), rounded to the nearest tick size multiple.

The price limit for the first trading day after 7 or more calendar days of daylong market closure at SSE shall be 20 percent;

The SSE may adjust the price limit for CDRs as appropriate for the market.

Article 53 [Arrangements on the First Day of Listing]

If an overseas issuer lists CDRs representing existing shares on the SSE, the previous closing price of the CDR shown in the real-time market data for the first day of listing shall be the RMB-denominated price converted from the nearest closing price of the underlying shares on the LSE market, unless otherwise prescribed by the SSE.

The overseas issuer shall, in accordance with the provisions of the preceding paragraph, calculate and furnish the closing price for the day before first day of CDR listing.

The price limit of a CDR on the first day of its listing shall be 10 percent. The rules of the SSE on the supervision of trading of newly issued shares during the early days of their listing shall not apply to a CDR following the first day of its listing.

Article 54 [Ex-Rights and Ex-Dividend]

Unless otherwise prescribed by the SSE, in such events as interest distribution and conversion of capital and surplus reserves into share capital and rights issue by an overseas investor, the SSE will, according to the application of the overseas issuer, make ex-rights adjustment to the CDR listed on the SSE by reference to the provisions of the *Trading Rules* on the ex-rights treatment of stocks.

If the overseas issuer distributes cash dividends, the SSE will not make ex-dividend adjustment to the CDR listed on the SSE, unless otherwise prescribed by the SSE.

Article 55 [Compliant Trading]

Investors, market makers, and Chinese cross-border conversion institutions who participate in the trading of CDRs shall do so in accordance with domestic laws, the *Trading Rules*, this *Measures*, and other market rules of the SSE, and shall not engage in any irregular trading activities or disrupt the normal course of trading.

Members of the SSE shall, in accordance with the requirements of the *Trading Rules*, *Membership Management Rules of Shanghai Stock Exchange* (the “*Membership*”

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Management Rules”), and other market rules of the SSE, duly perform their responsibilities of administering the trading activities of their clients, and timely discover, stop, and report any irregular trading activities of their clients during the trading of CDRs.

Article 56 [Supervision of Trading Activities]

The SSE will monitor the trading of CDRs on a real-time basis to promptly detect and address any irregular trading activities that are in violation of the *Trading Rules*, this *Measures*, or other relevant market rules.

If the trading of any CDR shows any fluctuation recognized by the SSE as abnormal, or is suspected of violating applicable laws, regulations, or rules, the SSE may impose special trading suspension on such CDR and announce such suspension; the parties involved shall submit a written report as required by the SSE.

The time and methods of special trading suspension and trading resumption shall be at the discretion of the SSE.

Article 57 [Information Release]

The SSE will publish to the market the real-time market data and trading statistics on CDR trading in accordance with the provisions of the *Trading Rules* on stock trading information and based on its supervisory needs, without giving regard to the provisions of Section 4 of Chapter V of the *Trading Rules* on the public trading information.

The SSE will disclose to the market such information as the quantity of outstanding CDRs as of the preceding day and the quantity of such CDRs being created through cross-border conversion on the current day.

Article 58 [Block Trade and Transfer by Agreement]

If the size of a single order for a CDR is not less than 300 thousand units or the transaction value of such order is not less than RMB 2 million, the order may be executed as a block trade.

The transfer of CDRs by agreement shall be handled with reference to the market rules of the SSE concerning the transfer of shares by agreement.

Article 59 [Market Making Rules]

CDR trading adopts a hybrid trading mechanism combining auction trading and market making trading. Eligible members may apply to the SSE to act as a market maker for CDRs and provide market making services therefor.

Article 60 [Market Making Requirements]

A market maker for a CDR shall have such obligations as providing two-way quotes for such

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CDR and be entitled to the corresponding rights in accordance with the market rules of the SSE and the market maker agreement.

A market maker for CDRs shall strictly abide by domestic laws, relevant rules of the SSE, and terms of the market maker agreement; establish a sound information segregation system to prevent conflict of interest between its market making business and other businesses; and not engage in insider trading, market manipulation, or other illegal or rule-breaking activities or seek illegitimate gains through its market making business.

Matters such as the rights, obligations, market making requirements, and supervision and administration of market makers for CDRs shall be governed by rules separately prescribed by the SSE.

Section 3 Cross-Border Conversion of CDRs

Article 61 [Cross-Border Conversion Permitted]

A CDR listed and traded on the SSE may be converted into the underlying overseas shares and vice versa through cross-border conversion by a Chinese cross-border conversion institution in accordance with the rules of the CSRC and the SSE as well as the provisions of the prospectus, listing announcement, and depositary agreement disclosed by the overseas issuer of the CDR.

Article 62 [Proceedings of Cross-Border Conversion]

In the creation of CDR, a Chinese cross-border conversion institution purchases or otherwise lawfully acquires the underlying shares in the overseas market and delivers such shares to the depositary, who then issues the corresponding CDR according to relevant rules and the terms of the depositary agreement. In the redemption of CDR, the depositary cancels the CDR according to relevant rules and the terms of the depositary agreement, and then delivers the corresponding underlying shares to the Chinese cross-border conversion institution.

An investor who meets suitability management requirements and intends to participate in the cross-border conversion of CDRs shall engage a Chinese cross-border conversion institution to do so on its behalf, the particulars of which shall be governed by rules separately prescribed by the SSE.

Article 63 [Registration Requirements for Cross-border Conversion Institutions]

Any member of the SSE who meets the following requirements may register with the SSE as a Chinese cross-border conversion institution:

- (1) it is qualified to engage in proprietary trading of securities;
- (2) it has experience in international securities business;
- (3) it falls under the class of securities companies required by the SSE;

(4) it was not subject to administrative penalties in the past year over proprietary business;

(5) it meets other requirements prescribed by the SSE.

Particulars concerning the registration for Chinese cross-border conversion institutions shall be governed by rules separately prescribed by the SSE.

Article 64 [Market Making Binding]

Any Chinese cross-border conversion institution that applies to engage in cross-border conversion of a specific CDR or voluntarily terminate its cross-border conversion for such CDR shall register with the SSE in accordance with the requirements of the SSE.

Unless otherwise prescribed by the SSE, any Chinese cross-border conversion institution that intends to apply to engage in the cross-border conversion of a specific CDR shall have already been announced by the SSE as a market maker for such CDR.

Article 65 [Compliant Trading Requirements 1]

Unless otherwise prescribed by the SSE, a Chinese cross-border conversion institution shall open a securities account and a funds account dedicated to the cross-border conversion and market making of CDRs, and use its proprietary capital to engage in the cross-border conversion business.

The Chinese cross-border conversion institution shall ensure that the accounts and assets for the cross-border conversion and market making businesses are effectively segregated, managed and accounted for separately from its accounts and assets for other businesses.

Article 66 [Compliant Trading Requirements 2]

A Chinese cross-border conversion institution shall authorize and delegate an LSE member to trade the underlying overseas shares and conduct related investment activities on its behalf, and report its cross-border conversions and overseas investments to the SSE.

The Chinese cross-border conversion institution shall conduct lawful and compliant cross-border transactions in strict accordance with state rules on cross-border funds regulation and the scope of investment and the maximum asset balance prescribed by the CSRC, and shall not engage in insider trading, market manipulation or other illegal or rule-breaking activities or seek illegitimate gains through its cross-border conversion business.

Article 67 [Obligations of Compliance of Depositary]

A CDR depositary, when participating in corporate actions such as dividend distribution in accordance with the depositary agreement, shall comply with the state rules on cross-border funds regulation and, following its completion of the domestic affairs relating to such corporate actions, timely report to the SSE details on the cross-border flow of funds.

Article 68 [Obligations of Domestic Custodian]

The domestic custodian engaged by a Chinese cross-border conversion institution shall report to the SSE, at the end of each trading day, the cross-border flow of funds in connection with the Chinese cross-border conversion institution's cross-border conversion business on that day, and, periodically report the names, asset balance concerning the investments made by the Chinese cross-border conversion institution in the overseas market and other relevant information.

Article 69 [CDR Creation Application]

Upon delivering the underlying shares lawfully acquired in the UK market to the depositary, the Chinese cross-border conversion institution shall timely submit the CDR creation application to the depositary according to relevant agreements, as well as relevant information to the SSE as required for cross-check by the SSE.

The Chinese cross-border conversion institution shall ensure that the information reported to the SSE is authentic, accurate, complete, and consistent with that in the creation application sent to the depositary.

Article 70 [Submission of Issuance Information by Depositary]

The depositary for the CDR shall compare the creation application sent by the Chinese cross-border conversion institution with the notice of the overseas custodian acknowledging receipt of the underlying shares, and, after confirming that the application is accurate, timely submit to the SSE the current day's issuance information on the CDR.

The depositary shall submit the issuance information in such format and manner and at such time as specified by the SSE, and ensure such information is authentic, accurate, and complete.

Unless otherwise prescribed by the SSE, the depositary shall issue the corresponding quantity of the CDR only after the delivery of the underlying shares in full by the Chinese cross-border conversion institution. Issuance of any CDR without receiving the underlying shares in full is prohibited.

Article 71 [Verification of Current Day's CDRs Available for Sale]

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

The SSE may refuse to process the current day's issuance information if the depositary and the Chinese cross-border conversion institution fail to timely submit relevant information to the SSE or if they have submitted inconsistent information; the resulting consequences shall

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be solely borne by the parties concerned.

Article 72 [Verification of Underlying Shares]

A depository for a CDR shall, according to relevant requirements, timely inform the SSE of the outstanding quantity of such CDR on that day as well as the information on the custody of the underlying shares on that day as provided by the custodian.

A Chinese cross-border conversion institution shall verify the current day's CDRs available for sale before market opens on that day. If the quantity available for sale is not consistent with the number of underlying shares delivered to the custodian, the Chinese cross-border conversion institution shall immediately report the situation to the depository and the SSE and shall not sell the excess CDR.

Article 73 [Suspension of Conversion]

A depository for a CDR shall suspend the creation or redemption of the CDR in any of the following circumstances:

- (1) if the overseas issuer makes interest distribution, holds a shareholder's general meeting, or takes other corporate actions, then unless otherwise agreed in the depository agreement, the depository shall suspend the creation and redemption of the CDR between the date of record in the LSE market and that in the SSE market as determined by the overseas issuer (including the date of record and the immediately preceding trading day);
- (2) if the outstanding quantity of a single CDR has reached 100 percent of the amount cap thereof approved by the CSRC, the depository shall suspend the creation of the CDR;
- (3) if the SSE market is closed by announcement, the depository shall suspend the creation and redemption of the CDR;
- (4) any other circumstances where the creation or redemption of the CDR shall be suspended as specified in the depository agreement or as deemed necessary by the SSE.

The depository shall announce to the market the cause and time of suspension and resumption of the creation and redemption of the CDR save for the circumstance under Item (3).

The overseas issuer and the depository shall appropriately arrange the dates of record with respect to interest distribution, holding of a shareholder's general meeting, and other corporate actions to avoid prolonged suspension of cross-border conversion. The SSE is entitled to require the overseas issuer and depository to adjust the dates of record for the two markets if there is an excessive interval in-between without a reasonable justification.

Article 74 [Redemption Mechanism]

Where a depository for CDRs, upon receiving the redemption application of the Chinese cross-border conversion institution, intends to cancel the corresponding CDRs in its account,

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it shall do so in accordance with the rules of the CSDC.

Article 75 [Emergency Action 1]

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

Article 76 [Emergency Action 2]

If the quantity of the underlying shares corresponding to a CDR issued by a depositary exceeds the quantity of the underlying shares under the custody of its custodian, the depositary and the relevant Chinese cross-border conversion institution shall cancel the excess CDR in a timely manner.

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 it; if the Chinese cross-border conversion institution fails to purchase the necessary quantity within the prescribed time limit, it shall replenish the underlying shares in a timely manner.

If the depositary and the Chinese cross-border conversion institution concerned fail to timely cancel the over-issued CDR or replenish the underlying shares as set forth in the first and second paragraph of this Article, the SSE may request the CSDC to cancel the excess from the Chinese cross-border conversion institution concerned or take other measures based on the custody data on the underlying shares provided by the custodian, and report the situation to the CSRC.

Article 77 [Liabilities]

Losses and legal consequences arising from irregularity in the cross-border conversion of CDR and from any measures taken in response shall be borne by the parties involved.

Chapter V Matters Related to the GDR

Section 1 Domestic Listing of Underlying Shares

Article 78 [Listing of Underlying Shares of GDRs]

Where an SSE-listed company intends to issue and list a GDR on the LSE and apply for the listing of the corresponding additional underlying shares, it shall submit to the SSE the following materials within 5 trading days prior to the listing date of such GDR:

- (1) application form for the listing of such additional shares;
- (2) deposit certificate issued by the CSDC for the additional shares;
- (3) a statement of the offering and listing of the GDR;
- (4) an indicative announcement on the listing of additional shares; and
- (5) any other documents required by the SSE.

If the GDR is subject to a redemption restriction, the SSE-listed companies shall disclose it in the indicative announcement on the listing of additional shares.

If the GDR is converted into underlying shares through cross-border conversion in accordance with this *Measures* and the depositary agreement following the listing of the additional underlying shares, the converted underlying shares may be traded in the SSE market.

Article 79 [GDR-Related Disclosures]

Any SSE-listed company that is offering a GDR through the LSE shall make a timely disclosure in the SSE market if:

- (1) the outstanding quantity of such GDR is less than 50 percent of the amount cap approved by the CSRC;
- (2) the listing of the GDR on the LSE market is suspended or terminated;
- (3) it is 5 trading days before the expiration of the redemption restriction for the GDR; or
- (4) there is any other circumstance that may significantly affect the trading price of the underlying shares.

With respect to the circumstance under Item (3) of the preceding paragraph, the SSE-listed company shall release at least 3 indicative announcements before the expiration of the redemption restriction for the GDR.

Article 80 [Disclosure of Changes in Equity]

Except for any GDR depository who holds underlying shares for fulfillment of depository obligations, where an investor and persons acting in concert therewith hold an interest in the domestic listed company through GDR, domestic underlying shares, or otherwise, such interest shall be calculated on a consolidated basis for the investor, who shall fulfill relevant disclosure obligations on such consolidated basis in accordance with the *Stock Listing Rules*.

Article 81 [Restriction on Shareholding Ratio]

Any overseas investor who holds an interest in a domestic listed company through GDRs, domestic underlying shares or other methods shall comply with the shareholding ratio limit prescribed by the *Supervision and Administration Provisions*.

Any single overseas investor whose interest in a domestic listed company, whether through GDRs, domestic underlying shares, or otherwise, has exceeded the shareholding ratio limit shall liquidate the excess within 5 trading days.

In the event that the combined interest of all overseas investors in a domestic listed company, whether through GDRs, domestic underlying shares, or otherwise, has exceeded the applicable limit, the SSE is entitled to issue liquidation notices to such investors in reverse order of when such interest was acquired.

Section 2 Cross-Border Conversion of GDRs

Article 82 [Registration Requirements for UK Cross-border Conversion Institutions]

Any UK securities institution intending to engage in the cross-border conversion of GDRs in the domestic market shall meet the following requirements and register with the SSE:

- (1) it is a full member firm of the LSE;
- (2) itself or the entity it controls, by which it is controlled, or with which it is under common control is a Qualified Foreign Institutional Investor (“QFII”) or RMB Qualified Foreign Institutional Investor (“RQFII”);
- (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 well-developed internal control rules, runs a compliant operation, and has not received any major sanctions from a regulatory authority in the most recent 3 years; and
- (5) it meets the other requirements prescribed by the SSE.

Particulars concerning the administration of registration of UK cross-border conversion institutions shall be governed by rules separately prescribed by the SSE.

Article 83 [Verification Obligations of Domestic Brokers]

An eligible UK securities institution shall authorize and delegate an SSE member to submit the registration materials to the SSE on its behalf, and engage in cross-border conversion and securities investment activities in the domestic market in accordance with the law.

The partnering member shall prudently examine the qualification, scale, experience, and other pertinent aspects of the UK securities institution and ensure its registration documents are authentic, accurate, and complete.

The member shall sign and execute a service agreement with the UK cross-border conversion institution to exercise effective supervision and constraints over the cross-border conversion and securities investment activities of the UK cross-border conversion institution in the domestic market. The member shall promptly report to the SSE any change in the registration information of the UK cross-border conversion institution.

Article 84 [Segregation of Accounts and Assets]

After registering with the SSE, the UK cross-border conversion institution shall open a securities account and a funds account dedicated to the cross-border conversion in accordance with law, and ensure that the accounts and assets for the cross-border conversion business are effectively segregated, managed and accounted for separately from its other lawfully opened accounts and assets in the domestic market.

Article 85 [Obligation of Compliant Trading]

A UK cross-border conversion institution shall make lawful and compliant cross-border transactions in strict accordance with the state rules on cross-border funds regulation and the scope of investment and the maximum asset balance prescribed by the CSRC, and shall not engage in insider trading, market manipulation or other illegal or rule-breaking activities or seek illegitimate gains through its cross-border conversion business.

If the investment of the UK cross-border conversion institution in the domestic market exceeds the scope of investment or the maximum asset balance prescribed by the CSRC, or if the UK cross-border conversion institution engages in any other irregular trading activity, the partnering member shall refuse the instructions of the UK cross-border conversion institution and promptly report the situation to the SSE.

Article 86 [Registration of Depositary]

A depositary for GDRs shall register with the SSE through an SSE member before the listing of the GDR. The list of registration materials shall be separately prescribed by the SSE.

No depositary shall engage in the creation or redemption of GDRs without completing the foregoing registration.

Article 87 [Obligations of Depositaries]

A depositary shall open a dedicated securities account for the depositary business in accordance with the law, and authorize and delegate an SSE member to sell the underlying shares or perform other actions on its behalf according to the depositary agreement. The depositary shall not use the domestic securities account to engage in securities transactions unrelated to the depositary business or underlying shares.

The partnering member shall exercise effective supervision and constraints over the securities trading activities of the depositary in the domestic market. If the depositary is found to have exceeded the approved scope of securities trades or have not suspended the creation of GDRs as required by applicable rules, the partnering member shall refuse its instructions and timely report the situation to the SSE.

A GDR depositary shall comply with the state rules on cross-border funds regulation when participating in corporate actions such as dividend distribution in accordance with the depositary agreement.

Article 88 [Obligations of Domestic Custodian]

The SSE may, based on its supervisory needs, require a domestic custodian to report the cross-border flow of funds with respect to a GDR depositary or UK cross-border conversion institution, as well as the names, asset balance concerning the investments made by the GDR depositary or UK cross-border conversion institution in the domestic market, and other relevant information.

Article 89 [Suspension of Conversion]

A depositary for a GDR shall suspend the creation or redemption of the GDR in any of the following circumstances:

- (1) if the redemption of the GDR is not allowed within a specified period according to the requirements of the CSRC and the terms of the prospectus, the depositary shall not process the redemption of such GDR during such period;
- (2) if the outstanding quantity of a single GDR has reached 100 percent of the amount cap thereof approved by the CSRC, the depositary shall suspend the creation of the GDR; or
- (3) any other circumstances where the creation or redemption of the GDR shall be suspended as specified in the depositary agreement or as deemed necessary by the SSE.

Article 90 [Non-Trade Transfers]

Where a UK cross-border conversion institution, for the purpose of cross-border conversion, intends to transfer the underlying shares in its securities account in the domestic market to the domestic securities account designated by its depositary, it shall do so in accordance with the rules of the CSDC.

Chapter VI Market Self-Regulation

Article 91 [Routine Supervisory Measures]

The SSE may take any of the following measures with respect to the entities specified in Article 3 of this *Measures* hereof for purposes of routine supervision:

- (1) requiring them to provide an explanation and statement on relevant issues;
- (2) requiring them to engage relevant securities service providers to verify their existing issues and issue an opinion thereon;
- (3) issuing various notices and letters;
- (4) accessing and examining the work records, working papers, and other relevant materials of sponsors and securities service providers;
- (5) holding a face-to-face meeting with relevant individuals;
- (6) conducting an on-site inspection; and/or
- (7) reporting the illegal or rule-breaking activities in question to the CSRC.

The entities mentioned in the preceding paragraph shall accept and actively cooperate with the routine supervision of the SSE, provide truthful responses to the inquiry of the SSE within the prescribed time limit, and submit explanations as required or release the corresponding correction or supplement announcement as required.

Article 92 [Disciplinary Sanctions on Overseas Issuers and Relevant Entities]

If an overseas issuer or its director, senior executive, domestic disclosure representative, relevant information disclosure obligor, sponsor or sponsor representative, securities service provider, or any related staff member violates this *Measures*, the *Stock Listing Rules*, other market rules of the SSE, or its or her/his declaration or undertaking to the SSE, the SSE may, depending on the severity of the violation, take one or a combination of the following supervisory measures and disciplinary sanctions against it or her/him:

- (1) issuing a verbal or written warning;
- (2) holding a private supervisory meeting;
- (3) recommending the overseas issuer to change relevant employees;
- (4) suspending the acceptance of documents issued by the sponsor, securities service provider, or its relevant staff member;

- (5) circulating a notice of criticism;
- (6) issuing a public reprimand;
- (7) publicly identifying the director or senior executive of the overseas issuer as being unsuitable for her/his current position;
- (8) publicly identifying the domestic disclosure representative of the overseas issuer as being unsuitable for such position;
- (9) imposing a punitive penalty; or
- (10) taking other supervisory measures or disciplinary sanctions prescribed in the *SSE Measures for Implementation of Disciplinary Sanctions and Regulatory Measures* and other market rules.

If any of the entities specified in the preceding paragraph commits a serious violation of this *Measures* or its or her/his declaration or undertaking, the SSE will report such violation to the CSRC for investigation in accordance with the law.

Article 93 [Trading-Related Supervisory Measures and Disciplinary Sanctions]

The SSE will take supervisory measures and disciplinary sanctions in accordance with the *Trading Rules*, this *Measures*, and other applicable market rules of the SSE against investors who have engaged in irregular trading activities in connection with CDR trading; and will report any suspected illegal or rule-breaking activities such as insider trading and market manipulation to the CSRC for investigation in accordance with the law.

If the irregular trading activity of an investor seriously affect the orderly or fair trading of securities, the SSE may take such measures against the investor as restricting trading through the account concerned, and will report the violation to the CSRC.

Unless otherwise prescribed by the SSE, the recognition and resolution of any irregular trading activity of an investor during the trading of CDRs shall be conducted in accordance with the applicable provisions of the *Trading Rules*, *Rules of Shanghai Stock Exchange on Real-Time Monitoring of Irregular Securities Trading Activities*, and other applicable market rules of the SSE regarding the irregular trading activities of investors in stock trading.

Article 94 [Chinese Cross-Border Conversion Institutions]

The SSE will take such supervisory measures or disciplinary sanctions prescribed in the *Membership Management Rules* as appropriate for the circumstance against a Chinese cross-border conversion institution, if:

- (1) its cross-border transaction has violated relevant state rules on cross-border funds regulation or has exceeded the scope of investment and the maximum asset balance prescribed by the CSRC;

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(2) it fails to submit timely and accurate information on its cross-border conversion business and investments in the overseas market as required by the SSE;

(3) it fails to submit the information on the CDR creation application in a timely manner or the information submitted contains errors or omissions;

(4) it applies for the issuance of CDRs without delivering the underlying shares in full;

(5) it has engaged in illegal or rule-breaking activities or sought other illegitimate gains during its cross-border conversion business; or

(6) it has otherwise violated this *Measures*.

The SSE may additionally terminate the registration of any Chinese cross-border conversion institution that has committed a serious violation.

Article 95 [Market Makers]

The SSE will take such supervisory measures or disciplinary sanctions prescribed in the *Membership Management Rules* as appropriate for the circumstance against a market maker for CDRs, if:

(1) it has engaged in any irregular trading activity when making a market for CDRs;

(2) it takes advantage of the market making business to engage in illegal or rule-breaking activities or seek other illegitimate gains;

(3) it seriously violates its market maker agreement;

(4) it uses its dedicated account for cross-border conversion and market making for other purposes; or

(5) it has otherwise violated this *Measures*.

The SSE may additionally revoke the status of any market maker that has committed a serious violation.

Article 96 [CDR Depositories]

If any of the following situations occurs to a depository for CDRs, the SSE may, depending on the circumstances, take such supervisory measures against the depository as giving a verbal or written warning, holding a private supervisory meeting, demanding corrections within a prescribed time limit, requiring a public correction, clarification or explanation, or recommending the issuer to change the depository; if the circumstance is serious, the SSE may additionally impose such disciplinary sanctions as circulating a notice of criticism or issuing a public reprimand, as well as report the violation to its competent authority:

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(1) it fails to provide the SSE with such information as the outstanding quantity of CDRs and information on the custody of the underlying shares from the custodian in a timely manner and as required;

(2) it fails to submit CDR issuance information to the SSE in a timely manner or the information submitted contains errors or omissions;

(3) it issues CDRs without holding sufficient underlying shares;

(4) it fails to suspend the creation or redemption of CDRs as required;

(5) it fails to timely report to the SSE details on the cross-border flow of funds; or

(6) it has otherwise violated this *Measures*.

Article 97 [UK Cross-Border Conversion Institutions]

The SSE will take such supervisory measures or disciplinary sanctions prescribed in the *Trading Rules* as appropriate for the circumstance against a UK cross-border conversion institution, if

(1) its cross-border transaction has violated relevant state rules on cross-border funds regulation or has exceeded the scope of investment and the maximum asset balance prescribed by the CSRC;

(2) it engages in any irregular trading activity as prescribed in the market rules of the SSE; or

(3) it has otherwise violated this *Measures*.

If case of any of the above violations, the SSE may demand the UK cross-border conversion institution to make corrections within a prescribed time limit; if the violation is serious, the SSE may additionally terminate its registration as a UK cross-border conversion institution.

Article 98 [GDR Depositaries]

If any of the following situations occurs to a depositary for GDRs, the SSE may, depending on seriousness of the circumstances, take such supervisory measures against the depositary as giving a verbal or written warning, demanding corrections within a prescribed time limit, or recommending the issuer to change the depositary:

(1) it fails to suspend the creation or redemption of GDRs as required;

(2) it uses its domestic securities account to engage in any securities transactions unrelated to its depositary business and the underlying shares; or

(3) it has otherwise violated this *Measures*.

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If case of any of the above violations, the SSE may take the supervisory measures and disciplinary sanctions under the *Trading Rules* against the depositary; if the circumstance is serious, the SSE may terminate its registration as a depositary for GDRs.

Article 99 [SSE Members]

The SSE will take such supervisory measures or disciplinary sanctions prescribed in the *Membership Management Rules* as appropriate for the circumstance against a member, if

- (1) it fails to fulfill its investor suitability management duties as required by this *Measures*;
- (2) it fails to perform its management duties in regard to client trading activities as required by the *Measures*;
- (3) it accepts the engagement of a UK cross-border conversion institution but fails to prudently examine the qualification, scale, experience, and other pertinent aspects of the UK cross-border conversion institution as required; or to ensure the authenticity, accuracy, and completeness of the registration information submitted by the latter; or to timely file any change in account information or other information of the UK cross-border conversion institution;
- (4) it accepts the engagement of a UK cross-border conversion institution but fails to effectively supervise the cross-border conversion and securities investment activities of the UK cross-border conversion institution in the domestic market as required;
- (5) it accepts the engagement of a depositary for GDRs but fails to effectively supervise the securities investment activities of the depositary in the domestic market as required; or
- (6) it has otherwise violated this *Measures*.

Article 100 [Domestic Custodians]

If the domestic custodian engaged by a Chinese cross-border conversion institution fails to timely and accurately report to the SSE such information regarding the Chinese cross-border conversion institution as its cross-border flow of funds and investments in the overseas market as required, or if the domestic custodian engaged by a GDR depositary or UK cross-border conversion institution fails to timely and accurately report to the SSE such information regarding the GDR depositary or UK cross-border conversion institution as its cross-border flow of funds and investments in the domestic market as required, the SSE may, depending on the circumstances, take such supervisory measures against the custodian as giving a verbal or written warning, holding a private supervisory meeting, or recommending the change of the domestic custodian, and will report the violation to its competent authority.

Chapter VII Ancillary Provisions

Article 101 [Fees and Charges]

All fees and charges in connection with the listing and trading of CDRs on the SSE shall be charged in reference to the rates applicable to the A-shares listed on the SSE.

Article 102 [Effectiveness and Amendment]

This *Measures* and any amendments thereto shall come into effect following adoption by the Board of Governors of the SSE and approval of the CSRC.

Article 103 [Body of Interpretation]

The SSE reserves the right to interpret this *Measures*.

Article 104 [Implementation Date]

This *Measures* shall be implemented as of XX.

consultation paper