Appendix 5

**Notes on the Revision of Rules for Depositary Receipts under the Stock Connect Scheme between the Shanghai Stock Exchange and Overseas Stock Exchanges (for Public Consultation)**

To further optimize and expand the depository receipt business under the stock connect scheme, more efficiently serve the two-way opening-up of the capital market, and in accordance with the *Provisions on the Supervision and Administration of Depositary Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges* (hereinafter referred to as *Provisions*) by the CSRC, the original *Interim Measures for the Listing and Trading of Depositary Receipts between the Shanghai Stock Exchange and the London Stock Exchange* has been revised into the *Interim Measures for the Listing and Trading of Depositary Receipts under the Stock Connect Scheme between the Shanghai Stock Exchange and Overseas Stock Exchanges* (hereinafter referred to as *Interim Measures*). The guidelines for pre-review, cross-border conversion and market-making have been revised accordingly. The main revisions are as follows:

**I. To revise the listing eligibility of CDRs**

In the *Provisions,* the scope of the depository receipt business has been expanded from the main board of the London Stock Exchange to overseas markets including the London Stock Exchange, and the potential CDR issuers have been expanded from companies listed on the London Stock Exchange to listed companies on overseas stock exchanges recognized by the CSRC. The *Interim Measures* also revised the listing conditions for CDRs. Namely, the requirements for the length of being listed on overseas exchanges have been adjusted to "being listed on an overseas stock exchange for 3 years and other listing length conditions agreed upon by the CSRC and overseas securities regulatory authorities based on the market stratification of the overseas market of underlying securities". The requirements for the market cap of CDR issuers, the lower limit of listing shares, and the lower limit of listed market value remain the same.

**II. To introduce articles related to capital-raising CDRs**

As the  *Provisions* allow CDR issuers to issue CDRs with newly-issued shares as the underlying securities in addition to the original model where overseas issuers can issue CDRs representing existing shares as the underlying securities, the *Interim Measures* adds articles on pre-review procedures, underwriting, pricing mechanism, cross-border conversion start time, etc. for the issuance and listing of CDRs with newly-issued shares as the underlying securities. Meanwhile the three guidelines on pre-review of listing, cross-border conversion and market-making have been simultaneously revised.

**III. To optimize the listing, trading, and cross-border conversion mechanisms of CDRs**

In terms of listing mechanism, the registration and listing process for new shares after the issuance of CDRs is optimized, and the listing process of CDRs will be shortened. In terms of trading mechanism, the previous close shown on the real-time quotation on the first day of listing of CDRs representing newly-issued shares will be the issue price, and the trading mechanism for the first day of listing of Main Board stocks will apply on trading of the first day. In terms of cross-border conversion mechanism, there is no redemption restriction period for the CDRs, and cross-border conversion between CDRs and their overseas underlying securities can be conducted from the day of CDR listing.

**IV. To adjust and clarify the ongoing regulation requirements on CDRs**

The revisions to the *Interim Measures* also include adjustments to the continuous information disclosure requirements after the listing of the CDRs, as follows:

First, in terms of periodic reports, CDR issuers are allowed to prepare and disclose periodic reports in foreign currencies.

Second, in terms of Ad Hoc reports, fairly-priced related party transactions are allowed to be disclosed in aggregate in periodic reports. Non-related-party-transactions between an overseas issuer and its controlled subsidiaries within the scope of consolidated statements or between the said controlled subsidiaries are exempted from disclosure. For major events other than transactions, the *Interim Measures* specifies that the issuer should make assessment whether it constitutes information that should be disclosed within the scope of the listed circumstances.

Third, the revised *Interim Measures* clarifies the arrangements of confidential information. Where the conditions are met, disclosure can be suspended or exempted if the information is qualified as a business secret, and can be exempted if it is qualified as a state secret.

Fourth, the *Interim Measures* clarifies the specific circumstances of trading suspension, distinguishing between the circumstances under which a trading suspension shall be applied for and the circumstances under which a trading suspension can be applied for.

Fifth, regarding the duties and liabilities of directors, supervisors and senior executives, the conditions for appropriate adjustments to the expressions of the directors, supervisors and senior executives’ confirmation opinions, statements or declarations have been revised from "under the premise of not changing the substantive content" to "under the premise of compliance with the *Securities Law*", which is more specific and can facilitate the understanding and practice of market participants. Moreover, considering the principle of reciprocity, CDR issuers are not required to submit the declaration and undertaking letter of directors, supervisors and senior executives.

Sixth, with regard to delisting, the revised *Interim Measures* specifies the circumstances for voluntary delisting and compulsory delisting, internal of CDR issuers, investor protection measures and the review procedures of the Shanghai Stock Exchange, etc.

**V. To adjust eligibility requirements of individual investors**

The *Interim Measures* adjusts the eligibility requirements for individual investors of CDRs. The average daily assets in the securities account and capital account in the 20 trading days before the application date have been lowered down from no less than RMB 3 million to no less than RMB 500,000, and the investor should have participated in securities trading for more than 24 months. Other requirements remain the same.

**VI. To revise several articles related to GDRs**

In the *Interim Measures*, the GDR mechanism remains unchanged, with several articles are revised, as follows: First, simultaneously expanding the overseas listing venues of GDRs; second, shortening the registration and listing process of newly-issued A shares related to the issuance of GDRs; third, requiring GDR issuers to disclose the outstanding quantity of GDRs in their periodic reports.