

## **Recap on CSRC Press Release**

### **Information disclosure regarding changes in shareholders' equity under the Shanghai-Hong Kong Stock Connect**

- Information disclosure regarding the top ten shareholders of listed companies

Q: Under the real-name holder system of the Shanghai-Hong Kong Stock Connect, are the determination and disclosure of the top ten shareholders of listed companies based on the shares held by nominal holders or actual beneficial owners?

A: In accordance with the Standards for Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No. 2 - Contents and Formats of Annual Reports (Revision 2014), annual report shall disclose the number of shareholders as of the end of the reporting period, names of shareholders holding more than 5% shares, etc. If there are fewer than 10 shareholders holding over 5% shares, at least the ten largest shareholders shall be disclosed. At present, A-share market identifies shareholders based on the list of shareholders documented at the depository and clearing agency, in other words, it is based on the list

of nominal holders. In the preliminary period in implementing the Shanghai-Hong Kong Stock Connect, the disclosure of the top ten shareholders will be based on the list of nominal holders. It is a key arrangement to ensure market efficiency.

- Information disclosure of shareholders holding over 5% shares, controlling shareholders and actual controllers

Q: In relation to the disclosure of shareholders holding over 5% shares, controlling shareholders and actual controllers, does the term “shareholders” refer to actual beneficial owners or nominal holders? Who is obligated to disclose information regarding changes in shareholders’ equity? Will related equities be aggregated?

A: Pursuant to Article 67 of the Securities Law, a listed company shall report and release an ad hoc report on any “material change in any shareholder holding over 5% shares or the actual controller of such listed company”. Pursuant to the Measures for the Administration of Acquisition of Listed Companies, equity held by an investor in a listed company includes both shares registered in his name and those not registered in his name but the actual voting rights attached to which are possessed by such investor. Equities held by investor and other persons

acting in concert with such investor in a listed company shall be aggregated. Shareholders holding over 5% shares, controlling shareholders or actual controllers shall fulfill their equity disclosure obligations in accordance with aforementioned stipulations.

Pursuant to paragraph 4 of Article 13 of the Rules on the Connectivity Pilot for Shanghai-Hong Kong Stock Trading, when reaching the threshold that triggers the information disclosure requirement in connection with transactions entered into through the Shanghai-Hong Kong Stock Connect, Hong Kong investors shall fulfill reporting and information disclosure obligations in accordance with the law. Therefore, Hong Kong investors who purchase, through Shanghai-Hong Kong Stock Connect, stocks of companies listed on a domestic market are obliged to disclose relevant information.

- Calculation and determination of the maximum percentage of shares allowed to be held by overseas investors

Q: Pursuant to relevant rules of the Shanghai-Hong Kong Stock Connect, each overseas investor is allowed to hold a maximum of 10% shares of a single listed company. Are the calculation and determination of the maximum percentage of shares allowed to be held based on the shares

held by nominal holders or actual beneficial owners? Will stocks crossed listed in mainland and overseas markets be aggregated?

A: Pursuant to the Measures for the Administration of Acquisition of Listed Companies, “equities of a listed company held by an investor and persons acting in concert with such investor shall be aggregated”. The “act in concert” in the Measures refers to “the act or fact where an investor, through agreements or other arrangements, act together with other investors to jointly increase the number of voting rights they possess in a listed company.” “Investors which act in concert in the acquisition of a listed company and the resulting change in equity shares constitute persons acting in concert”.

In accordance with the Measures for the Administration of Domestic Securities Investment of Qualified Foreign Institutional Investors, in connection with the information disclosure obligation of a specific investor, the number of shares held by such investor in a listed company cross listed in mainland and overseas markets shall be aggregated. When applying for QFII status, overseas investors shall fulfill relevant requirements which mandate the disclosure of shareholding information and prohibit short-swing transactions. Shares held by a QFII and other persons acting in concert with it in a listed company shall be aggregated,

and the shares in a listed company held across different products by a QFII shall also be aggregated.

Under the Shanghai-Hong Kong Stock Connect, overseas investors shall effectively fulfill information disclosure obligations in accordance with the aforementioned stipulations.

- Equity disclosure of asset management firms or corporate groups

Q: How shall an asset management firm or a group with multiple subsidiaries fulfill their equity disclosure obligations? Shall shares held by such subsidiaries in a listed company be aggregated?

A: Pursuant to the Measures for the Administration of Acquisition of Listed Companies, equities held by an investor in a listed company include both shares registered in his name and those not registered in his name but the actual voting rights attached to which are possessed by such investor. Equities held by investor and other persons acting in concert with such investor in a listed company shall be aggregated. Under the Shanghai-Hong Kong Stock Connect, asset management firms or corporate groups shall fulfill equity disclosure obligations in accordance with the aforementioned stipulations.