

China Securities Depository and Clearing Corporation Limited

Guidelines on Cross-border Fund Settlement by Settlement Banks

for Southbound Trading

Disclaimer: For the avoidance of doubt, if there is any conflict in the meaning between the English version and the Chinese version, the Chinese version shall prevail.

The Guidelines are formulated in accordance with the Rules for the Implementation of Registration, Depository and Settlement Business of the Stock Connect between Chinese Mainland and Hong Kong (the "Rules") and relevant business rules of China Securities Depository and Clearing Corporation ("CSDC").

Cross-border fund settlement for southbound trading is divided into two categories: first, the currency exchange for trading and non-trading funds and related taxes and fees and fund transfer; second, fund settlement for such business as trading and risk control with Hong Kong Securities Clearing Company Limited ("HKSCC").

Settlement banks shall not engage in relevant business until granted the qualifications for cross-border fund settlement for southbound trading ("southbound trading settlement banks"). Fund transfer is handled through southbound trading settlement banks' branches on the mainland and in Hong Kong, of which mainland's branches of settlement banks include settlement banks' branches in Shanghai and Shenzhen. Exchange business is handled through southbound trading settlement banks' branches in Hong Kong, and fund settlement with HKSCC is conducted via branches of southbound trading settlement banks designated by CSDC ("designated account banks") in Hong Kong.

CSDC authorizes its Shanghai branch and Shenzhen branch to conduct daily management of cross-border fund settlement for southbound trading. Shanghai and Hong Kong branches of southbound trading settlement banks shall sign related business memorandums with Shanghai Branch of CSDC on cross-border fund settlement business such as currency exchange and fund transfer for the southbound trading under Shanghai-Hong Kong Stock Connect. Shenzhen and Hong Kong branches of southbound trading settlement banks shall sign related business memorandums with Shenzhen Branch of CSDC on cross-border fund settlement business such as currency exchange and fund transfer for the southbound trading under Shenzhen-Hong Kong Stock Connect.

I. Currency Exchange for Trading Funds

Each southbound trading settlement bank (including designated account banks) shall allocate on average the whole amount of currency exchange for trading funds, including net amount of trading settlement and related taxes and fees, on every southbound trading working day¹ ("T day"). Southbound trading settlement banks

¹ Southbound trading working days refer to the trading or settlement days of southbound trading.

provide bilateral reference exchange rate² to Shanghai and Shenzhen branches of CSDC on T-1 day, provide end-of-day settlement exchange rate quotation at the end of T day, and complete the currency exchange, transfer and payment for trading funds based on the quotation on T day and corresponding quota on T+2 day.

CSDC conducts ex post supervision of the end-of-day settlement exchange rate quotations of southbound trading settlement banks, and if necessary, publish banks' quotation information to the market. With respect to a bank whose quotation apparently deviates from the market level, CSDC reserves the right to take such measures as reduction of its quota.

i. Confirmation of currency exchange quota

CSDC provides currency exchange confirmation form (see detailed format below) to each southbound trading bank in a designated way. After receiving the above form, each southbound trading settlement bank shall confirm the results in time, and submit the related confirmation document to CSDC.

ii. Confirmation of reference exchange rate

Prior to 18:00 of T-1 day, the southbound trading settlement bank shall provide bilateral reference exchange rates on T day to CSDC in a designated way, and the bilateral reference exchange rate for southbound trading under Shenzhen-Hong Kong Stock Connect shall be consistent with that for southbound trading under Shanghai-Hong Kong Stock Connect. The bilateral reference exchange rate is 3% higher or lower than the central parity rate³ of HKD vs. RMB in the offshore market at 17:30 of T-1 day. The reference exchange rate, as the currency exchange reference price on T day, is published to the market through Shanghai Stock Exchange ("SSE") and Shenzhen Stock Exchange ("SZSE"). Settlement participants may determine, with reference to the above exchange rate, the intraday exchange rate on the T day adopted to control risks according to their own and customers' actual risk management conditions.

In case an offshore market drastically fluctuates after 17:30, southbound trading settlement banks shall notify CSDC in time, and CSDC will coordinate and modify the reference exchange rate, and publish the latest reference exchange rate to the market through SSE and SZSE.

iii. Determination of end-of-day settlement exchange rate quotation

1. After receiving relevant trading data from SSE and SZSE in the daytime of T day, CSDC will provide, in a designated way and in batches, the accumulated buying and selling amount (in HKD) of each southbound trading settlement bank in the southbound trading on the same day. Southbound trading settlement banks may take it as currency exchange reference.

These banks must establish relevant confidentiality mechanism to ensure the above data are only used as currency exchange reference.

² Exchange rate quotation can be accurate to the fourth decimal place, with the minimum quotation unit of one basis point, i.e. 0.0001.

³ In the Guidelines, the central parity rate of HKD vs. RMB on the offshore market is the average of buying price and selling price shown in the Reuters information system at the time of quotation. Both the buying price and the selling price are from the perspective of banks, i.e. the exchange rate quotation of banks for buying and selling HKD.

2. After receiving relevant trading data from SSE at the end of T day, Shanghai Branch of CSDC will provide, in a designated way, to each southbound trading settlement bank the accumulated buying amount (in HKD), the accumulated selling amount (in HKD) and the net trading amount (in HKD) of southbound trading under Shanghai-Hong Kong Stock Connect on the same day and the currency exchange amount calculated based on the net trading amount.⁴

At the end of T day, Shenzhen Branch of CSDC will provide, in a designated way, to each southbound trading settlement bank the currency exchange amount (in HKD) of southbound trading under Shenzhen-Hong Kong Stock Connect, including net trading settlement amount and trading taxes and fees, i.e. the quotation form of end-of-day settlement exchange rates for southbound trading (see detailed format below).

3. Southbound trading settlement banks shall provide, in a designated way, the end-of-day unilateral settlement exchange rate quotation to Shanghai and Shenzhen branches of CSDC within five minutes after receiving the above data from Shanghai and Shenzhen branches of CSDC.

If the currency exchange direction is consistent and the offshore market does not drastically fluctuate, the settlement exchange rate quotations provided by southbound trading settlement banks to Shanghai and Shenzhen branches of CSDC shall be consistent with each other as far as possible.

The quotations shall be reasonable and fall within the scope of the reference exchange rate of the day, and do not deviate from the market. Both parties may determine the exchange rate through consultations if the end-of-day settlement rate quotation exceeds the scope of reference rates as a result of drastic fluctuation of offshore market in the daytime of T day. 4. On T day, Shanghai Branch of CSDC will provide, in a designated way, to each southbound trading settlement bank the quotation form of end-of-day settlement exchange rates for southbound trading (such data as currency exchange amount, including net trading settlement amount and trading taxes and fees, see detailed format below) after completion of HKD settlement. The southbound trading settlement banks will give a feedback to Shanghai Branch of CSDC after confirmation. 5. Response to special circumstances

(1) If the currency exchange amount of southbound trading on T day is adjusted by not more than 1% of the currency exchange amount on T day as a result of data adjustment of The Stock Exchange of Hong Kong Limited ("HKSE"), HKSCC or CSDC, CSDC sends the quotation form of end-of-day settlement exchange rates for southbound trading to southbound trading settlement banks based on the adjusted data. Upon confirmation, southbound trading settlement banks shall complete the currency exchange of adjusted currency exchange amount on T+2 day based on the end-of-day settlement exchange rates on T day.

If the adjustment amount is more than 1% of the currency exchange amount, CSDC will consult with southbound trading settlement banks on the applicable exchange rates.

(2) If Shanghai Branch of CSDC cannot complete the settlement in HKD for

⁴ Only used for reference. The currency exchange amount is subject to the end-of-day settlement results.

southbound trading on T day or calculate the currency exchange amount before 17:30, it will calculate relevant taxes and fees based on the trading data provided by SSE, and notify each southbound trading settlement bank to make currency exchange arrangements. After completion of southbound trading settlement, Shanghai Branch of CSDC shall timely inform southbound trading settlement banks of the latest currency exchange amount of southbound trading.

If Shenzhen Branch of CSDC cannot complete the settlement in HKD for southbound trading on T day or calculate the currency exchange amount before 17:30, it will notify each southbound trading settlement bank to make currency exchange arrangements based on the trading data provided by SZSE. After completion of southbound trading settlement, Shenzhen Branch of CSDC shall timely inform southbound trading settlement banks of the latest currency exchange amount of southbound trading.

iv. Fund settlement

On T+2 day, southbound trading settlement banks shall conduct currency exchange fund settlement according to the end-of-day settlement exchange rates and currency exchange amounts determined with Shanghai and Shenzhen branches of CSDC respectively on T day.

II. Trading Fund Transfer

i. Net amount of trading fund settlement on T day is payable to HKSCC

1. On the morning of T+2 day, after CSDC completes the southbound trading fund settlement with domestic settlement participants, it will send fund transfer instructions to southbound trading settlement banks' branches on the mainland, and transfer the relevant RMB funds to the account of its Hong Kong branch.

2. Southbound trading settlement banks' branches on the mainland and in Hong Kong must coordinate with each other to ensure related RMB funds enter into accounts after CSDC's instructions are sent, and notify CSDC.

3. Southbound trading settlement banks' branches in Hong Kong must complete the fund settlement for currency exchange transactions on T day before 17:00 according to the end-of-day settlement exchange rate and currency exchange amount determined on T day, and transfer the HKD funds to the relevant account opened by CSDC with the Hong Kong branch of the designated account bank according to the fund transfer instructions of CSDC, and coordinate and confirm with the Hong Kong branch of the designated account bank on whether the funds enter into the account.

Hong Kong branch of the designated account bank must timely check whether HKD funds of each southbound trading settlement bank have entered into the account in full. If finding problems, it must coordinate with related banks to resolve the problem and inform CSDC.

4. The Hong Kong branch of the designated account bank shall complete fund settlement before 18:00.

5. In case the Hong Kong branch of the designated account bank cannot receive CSDC's payable to HKSCC in full before 18:00 due to the problems such as fund transfer of certain southbound trading settlement banks, the Hong Kong branch of the designated account bank may not send rejection instructions to HKSCC for the time

being, but shall notify CSDC and initiate credit arrangements. Relevant problems must be resolved by CSDC through consultations.

ii. Net amount of trading fund settlement on T day is receivable from HKSCC

1. On T+2 day, southbound trading settlement banks send RMB fund transfer instructions to their Hong Kong branches in the daytime, and transfer RMB funds within their credit limits to the accounts opened by CSDC with branches on the mainland. Branches on the mainland must check in time whether the funds have entered into accounts. If finding problems, they must resolve the problem in time and notify CSDC.

2. Prior to 18:30 of T+2 day, the Hong Kong branch of the designated account bank completes fund transfer via the interbank HKD RTGS clearing system in Hong Kong according to the fund transfer instructions of CSDC, and properly coordinate with Hong Kong branches of each southbound trading settlement bank on fund transfer instructions to ensure actual position is acquired according to its currency exchange quota.

III. Non-trading Fund Exchange and Transfer

Non-trading funds refer to behavioral business funds of companies and stamp tax and other funds arising from such business as non-trading transfer. The exchange rates of currency exchange for relevant funds are determined according to the quotation form for currency exchange for non-trading funds in southbound trading (see detailed format below).

i. Currency exchange and fund transfer for cash dividends, corporate acquisition funds and non-trading transfer stamp tax

With respect to currency exchange for cash dividends and corporate acquisition funds, CSDC submits currency exchange demands at 10:30 of currency exchange day, and determine the currency exchange rate on T+0 day through consultation with the Hong Kong branch of the designated account bank. After completion of currency exchange, the designated account bank shall timely transfer the RMB funds received from currency exchange to the account opened by CSDC with its branch on the mainland. Relevant funds must enter into the account before 15:00 of the day.

With respect to the stamp tax arising from such business as non-trading transfer, after CSDC confirms relevant tax fund has entered into the domestic RMB account, it shall submit currency exchange demands at 10:30, and determine the currency exchange rate on T+0 day through consultation with the Hong Kong branch of the designated account bank. Meanwhile, the designated account bank's branch on the mainland transfers related funds to its Hong Kong branch based on CSDC's fund transfer instructions. The Hong Kong branch shall complete the currency exchange according to the currency exchange rate determined through consultation with CSDC, and related HKD funds must enter into the account before 15:00 of the day.

ii. Currency exchange and fund transfer involving rights issue/public offering

With respect to currency exchange demands generated by rights issue/public offering, CSDC submits currency exchange demands at 10:30 of currency exchange day, and determine the currency exchange rate on T+1 day through consultation with the Hong Kong branch of the designated account bank.

Before 11:00 of the next southbound trading working day of the currency exchange day, CSDC transfers, via the designated account bank's branch on the mainland, the corresponding RMB funds to the account opened by CSDC with its Hong Kong branch. The Hong Kong branch of the designated account bank respectively completes currency exchange and corresponding fund settlement before 16:00 and the point of time set by HKSCC.

iii. Other single currency exchange

With respect to the currency exchange demands incurred by special reasons, CSDC will negotiate with the Hong Kong branch of the designated account bank on currency exchange.

IV. Transfer of Risk Control Funds

Transfer of risk control funds is divided into settlement of CSDC's net payable to HKSCC and settlement of its net receivable from HKSCC:

i. Net payable to HKSCC

1. On the morning of risk fund settlement day, after CSDC completes the first batch of fund settlement for southbound trading, it will send fund transfer instructions to the designated account bank's branch on the mainland, and transfer the relevant RMB funds to the account of its Hong Kong branch.

2. The Hong Kong branch of the designated account bank shall check before 15:00 whether the funds have entered into the account. If finding problems, it must resolve the problem in time and notify CSDC.

3. The Hong Kong branch of the designated account bank completes the settlement of risk control funds payable according to the instructions of HKSCC.

ii. Net receivable from HKSCC

1. On the risk control fund settlement day, the Hong Kong branch of the designated account bank transfers, before 17:00, RMB funds within the credit limit as agreed by both parties to the account opened by CSDC with the designated account bank's branch on the mainland, according to the fund transfer instructions sent by CSDC in the daytime. Branches on the mainland must check in time whether the funds have entered into accounts. If finding problems, they must resolve the problem in time and notify CSDC.

2. The Hong Kong branch of the designated account bank completes the settlement of risk control funds receivable according to the instructions of HKSCC.

V. Miscellaneous

i. In case of typhoon signal No 8 or black rainstorm, southbound trading banks' branches in Hong Kong and on the mainland shall still provide reference exchange rates to CSDC in time as required, and timely handle the transfer of related funds according to the instructions of CSDC.

ii. In case of communication failure between CSDC and a southbound trading settlement bank's branches on the mainland and in Hong Kong, the bank shall timely find out the reasons and properly resolve it to ensure the normal operation of CSDC's relevant account inquiry and fund transfer.

iii. With respect to any non-public information that comes to CSDC's knowledge in southbound trading cross-border fund settlement, including but not limited to

information on fund settlement accounts, settlement funds and currency exchange arrangements, unless such information is disclosed to the competent authorities according to law, southbound trading settlement banks shall strictly hold it in confidence and ensure it and its related business personnel will not disclose, in any way, the information to any unrelated third party.

iv. The matters not mentioned in this notice shall be handled according to the Memorandum of Southbound Trading Fund Settlement and other relevant rules of CSDC.

File 1: Confirmation Form of Currency Exchange Arrangements for Southbound Trading

Confirmation Form of Currency Exchange Arrangements for Southbound Trading

| Currency exchange arrangements | |
|---|---------------------------|
| Bank | |
| Applicable time | |
| Exchange currency | |
| Percentage of exchange quota | _____ per cent (in words) |
| <p>Remarks:</p> <div style="text-align: right;"> <p>Corporate seal</p> <p>MM/DD/YY</p> </div> | |
| Bank Confirmation | |
| <p>It is confirmed that your company's currency exchange arrangement information is correct. Our bank undertakes to assume _____ per cent (in words) of the whole exchange quota for trading and related taxes and fees on each southbound trading day from _____ to _____.</p> | |
| <p>Remarks:</p> <div style="text-align: right;"> <p>Bank seal</p> <p>MM/DD/YY</p> </div> | |

File 2: Quotation Form of End-of-day Settlement Exchange Rates for Southbound Trading

Quotation Form of End-of-day Settlement Exchange Rates for Southbound Trading

| | | | |
|---------------------------|--|---|-----------------|
| Bank | | | |
| CSDC | Shanghai _____ Shenzhen _____ (tick off _____) | | |
| Exchange date | MM/DD/YY | Settlement date | MM/DD/YY |
| Buy/Sell | Net trading amount shall _____ | CSDC Exchange direction | Sell____Buy____ |
| Exchange amount | | | |
| Currency | HKD | Currency | RMB |
| Amount (in figures) | | Amount (in figures) | |
| Bank's exchange direction | Sell____Buy____ | End-of-day settlement exchange rate quotation | |
| Bank seal MM/DD/YY | | | |

Notes:

1. Exchange rates mentioned in this form refer to the exchange rates against RMB, with the minimum quotation unit of one basis point;
2. The quotation in this form is from the perspective of banks, i.e. the exchange rate quotation of banks for buying and selling HKD;
3. Exchange direction is required to be filled in with currency, like RMB and HKD.

File 3: Quotation Form of Currency Exchange for Non-trading Funds in Southbound Trading

Quotation Form of Currency Exchange for Non-trading Funds in Southbound Trading

| Exchange demands of CSDC | | | |
|----------------------------------|--|-------------------------|---------------|
| CSDC | Shanghai _____ Shenzhen _____ (tick off _____) | | |
| Exchange time | _____, MM/DD/YY | | |
| Settlement date | MM/DD/YY | CSDC Exchange direction | Sell___Buy___ |
| Exchange amount (HKD in figures) | | | |
| Remarks | | | |
| Bank's Exchange Quotation | | | |
| Bank | | | |
| Quotation time | _____, MM/DD/YY | | |

