

Rules on the Stock Connect between Chinese Mainland and Hong Kong

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.

Article 1 The Rules are formulated pursuant to the Securities Law and other pertinent laws and administrative regulations, for the purpose of regulating the activities in relation to the stock connect between Chinese Mainland and Hong Kong, protecting investors' legitimate rights and interests and maintaining the securities market order.

Article 2 For the purpose of the Rules, stock connect between Chinese Mainland and Hong Kong means Shanghai Stock Exchange (hereinafter referred to as "SSE") and Shenzhen Stock Exchange (hereinafter referred to as "SZSE") respectively set up technical links with The Stock Exchange of Hong Kong Limited (hereinafter referred to as "HKSE"), to enable mainland's and Hong Kong's investors to trade the shares within the specified range listed on each other's exchanges via local securities companies or brokers. The stock connect between Chinese Mainland and Hong Kong includes Shanghai-Hong Kong Stock Connect (hereinafter referred to as "SH-HK Stock Connect" and Shenzhen-Hong Kong Stock Connect (hereinafter referred to as "SZ-HK Stock Connect").

SH-HK Stock Connect is divided into HK-SH Northbound Trading and SH-HK Southbound Trading under SH-HK Stock Connect. HK-SH Northbound Trading means an investor entrusts a Hong Kong-based broker to declare to SSE (order routing) via a stock trading service company established by HKSE in Shanghai, and trade the SSE-listed stocks within the specified range of SH-HK Stock Connect. SH-HK Southbound Trading under the SH-HK Stock Connect means an investor entrusts a Mainland-based broker to declare to HKSE (order routing) via a stock trading service company established by SSE in Hong Kong, and trade the HKSE-listed stocks within the specified range of SH-HK Stock Connect.

SZ-HK Stock Connect is divided into HK-SZ Northbound Trading and SZ-HK Southbound Trading under the SZ-HK Stock Connect. HK-SZ Northbound Trading means an investor entrusts a Hong Kong-based broker to declare to SZSE (order routing) via a stock trading service company established by HKSE in Shenzhen, and trade the SZSE-listed stocks within the specified range of SZ-HK Stock Connect. SZ-HK Southbound Trading under the SZ-HK Stock Connect means an investor entrusts a Mainland-based broker to declare to HKSE (order routing) via a stock trading service company established by SZSE in Hong Kong, and trade the HKSE-listed stocks within the specified range of SZ-HK Stock Connect.

SH-HK Southbound Trading under the SH-HK Stock Connect and SZ-HK

Southbound Trading under the SZ-HK Stock Connect are collectively referred to as Southbound Trading.

Article 3 The stock connect between Chinese Mainland and Hong Kong shall comply with the current trading settlement laws and regulations of the Mainland and Hong Kong.

Relevant trading settlement activities shall comply with the regulatory and business rules of the places of trading settlement; listed companies shall observe the regulatory and business rules of the places where the companies are listed; securities companies or brokers shall observe local regulatory and business rules; investors shall observe the regulatory and business rules on investor eligibility of the places where their entrusted securities companies or brokers are located, unless otherwise stipulated herein.

Article 4 China Securities Regulatory Commission (hereinafter referred to as "CSRC") supervises and administers the business relating to the stock connect between Chinese Mainland and Hong Kong, and protects the legitimate rights and interests of investors in cross-border investment on an equitable, fair and matchable basis, through supervisory cooperation, and The Hong Kong Securities and Futures Commission and securities regulators of other relevant countries or regions.

Article 5 SSE, SZSE and HKSE shall perform the following responsibilities when rendering services in relation to the stock connect between Chinese Mainland and Hong Kong:

- i. Providing necessary sites and facilities;
- ii. SSE and SZSE respectively set up securities trading service companies in Hong Kong, and HKSE set up securities trading service companies in Shanghai and Shenzhen respectively; administering the business activities of securities trading service companies and supervising and assisting them to perform their responsibilities set forth herein;
- iii. Formulating relevant business rules, conducting self-disciplinary management of related transactions and other activities of market players, and promoting cross-market supervisory cooperation;
- iv. Formulating technical standards for relevant business of securities trading service companies;
- v. Monitoring related transactions on a real time basis, and developing corresponding information exchange system and joint monitoring system to jointly monitor cross-border illicit transactions and prevent market risk;
- vi. Administering and publishing relevant market information; and
- vii. Other responsibilities as defined by CSRC.

SSE and SZSE shall respectively formulate specific standards and implementation

guidelines on the eligibility management of southbound trading investors according to related regulatory requirements and submit them to CSRC for record.

SSE and SZSE shall formulate relevant business rules, and request HKSE and its securities trading service companies to provide investor information involved in related trading declaration.

Article 6 Securities trading service companies shall perform the following responsibilities according to the pertinent business rules of the stock exchanges or the related business arrangements of stock exchanges:

- i. SSE Securities Trading Service Company provides services relating to the southbound trading under SH-HK Stock Connect, and SZSE Securities Trading Service Company provides services relating to the southbound trading under SZ-HK Stock Connect; the securities trading service company established by HKSE in Shanghai provides services relating to HK-SH northbound trading; the securities trading service company established by HKSE in Shenzhen provides services relating to HK-SZ northbound trading;
- ii. Providing necessary facilities and technical services;
- iii. Performing responsibilities for management of quotas for HK-SH northbound trading, HK-SZ northbound trading and southbound trading;
- iv. Developing operating procedures and risk control measures for HK-SH northbound trading, HK-SZ northbound trading and southbound trading, and strengthening internal control to prevent risks;
- v. The securities trading service companies established by SSE and SZSE shall formulate respective technical standards for southbound trading of securities companies on Chinese Mainland, and test and assess the technical systems of the companies which intend to engage in southbound trading; the securities trading service companies established by HKSE in Shanghai and Shenzhen shall formulate respective technical standards for HK-SH northbound trading and HK-SZ northbound trading of brokers in Hong Kong, and test and assess the technical systems of the companies which intend to engage in northbound trading;
- vi. Providing technical services for securities companies and brokers, and monitoring the operation of the technical systems accessed to HK-SH northbound trading, HK-SZ northbound trading or southbound trading; and
- vii. Other responsibilities as defined by CSRC.

Article 7 China Securities Depository and Clearing Company Limited (hereinafter referred to as "CSDC") and Hong Kong Securities Clearing Company Limited (hereinafter referred to as "HKSCC") shall perform the following responsibilities when rendering services in relation to the stock connect between Chinese Mainland and Hong Kong:

- i. Providing necessary sites and facilities;

- ii. Providing registration, depository and settlement services;
- iii. Formulating relevant business rules;
- iv. Providing nominee services according to law;
- v. Conducting self-disciplinary management of related activities of participating institutions of registration and settlement; and
- vi. Other responsibilities as defined by CSRC.

Article 8 Securities companies on the mainland shall abide by laws, administrative regulations, the Rules, other provisions of CSRC and relevant business rules when engaging in southbound trading business, and shall strengthen internal control to prevent and control risks, and develop corresponding implementation plans in accordance with pertinent rules of CSRC, SSE and SZSE on investor eligibility, to effectively protect customers' rights and interests.

Article 9 In abnormal circumstances which seriously affect the part or whole of the transactions of the stock connect between Chinese Mainland and Hong Kong, SSE, SZSE and HKSE may suspend part or whole of related business activities according to business rules and contracts, and publish an announcement.

Article 10 The business conducted by SSE, SZSE and HKSE in relation to the stock connect between Chinese Mainland and Hong Kong is limited to the stock trading within the specified range and other business as recognized by CSRC.

Article 11 Securities trading service companies and securities companies or brokers shall not independently match the orders of investors for stock trading via the stock connect between Chinese Mainland and Hong Kong, nor shall they provide transfer services outside stock exchanges in any way for the stocks traded via the stock connect between Chinese Mainland and Hong Kong, unless otherwise stipulated by CSRC.

Article 12 Overseas investors' investment in domestic stocks shall be subject to the following shareholding proportion restrictions:

- i. The proportion of shares held by an overseas investor in a listed company shall not exceed 10% of the total shares in the company;
- ii. The proportion of A shares held by all overseas investors in a listed company shall not exceed 30% of the total shares in the company.

If an overseas investor strategically invests in a listed company according to law, the proportion of shares held is not subject to the above proportion restriction.

Where relevant domestic laws and regulations and other regulatory rules have stricter provisions on the maximum shareholding proportion, such provisions shall prevail.

Article 13 Investors are entitled to purchase shares through the stock connect between Chinese Mainland and Hong Kong according to law.

The shares thus purchased by investors must be recorded in the securities accounts opened by CSDC with HKSCC. CSDC shall exercise, in its own name, the rights pertaining to stock issuers through HKSCC. When CSDC exercises rights pertaining to a stock issuer, it shall solicit investors' opinions in advance via securities companies, custodian banks and other institutions on the mainland, and act on the opinions.

The stock holding records issued by CSDC shall be a valid certificate proving the investors of southbound trading own the shares' rights and interests. Investors shall not demand paper share certificates, unless otherwise stipulated by CSRC.

The shares purchased by investors via HK-SH Stock Connect and HK-SZ Stock Connect shall be registered under the name of HKSCC. If an investor's stock trading via HK-SH Stock Connect or HK-SZ Stock Connect meets information disclosure requirements, it must perform the reporting and information disclosure obligations according to law.

Article 14 CSDC shall assume the responsibilities for clearing and delivery of shares and funds with respect to the transactions concluded via the southbound trading. HKSCC shall assume the responsibilities for clearing and delivery of shares and funds with respect to the transactions concluded via HK-SH Stock Connect and HK-SZ Stock Connect.

CSDC and HKSCC shall not participate in each other's risk fund arrangements in the nature of mutual insurance, based on the principle that market settlement risk in the two places shall be segregated to avoid spreading; other related risk management arrangements shall comply with the relevant rules on trading settlement risk management in the places where trading settlement occurs.

Article 15 Investors shall settle with securities companies or brokers in RMB for the stock trading via the stock connect between Chinese Mainland and Hong Kong. Using other currencies in settlement must comply with the provisions of the People's Bank of China.

Article 16 CSRC shall take supervision and management measures according to law for the violations of laws, regulations, the Rules and other relevant provisions of CSRC; if administrative penalty is applicable according to law, CSRC shall penalize according to the Securities Law, the Law on Administrative Penalty and other relevant laws and regulations; those involving crime shall be prosecuted for criminal liability.

CSRC, The Hong Kong Securities and Futures Commission and securities regulators of other relevant countries or regions shall investigate and deal with relevant cross-border violations of laws and regulations relating to the stock connect between Chinese Mainland and Hong Kong, through the cross-border supervisory cooperation mechanism.

Article 17 SSE, SZSE and CSDC shall formulate respective business rules relating to the stock connect between Chinese Mainland and Hong Kong according to relevant requirements of the Rules, and submit them to CSRC for approval before

implementation.

Article 18 Stock exchanges, securities trading service companies and settlement institutions shall properly keep the documents and materials arising from performance of the responsibilities herein for a period of not less than 20 years.

Article 19 The Rules shall come into effect on the date of promulgation. The Rules on the Pilot Shanghai-Hong Kong Stock Connect (No. 101 Decree of CSRC) shall be annulled simultaneously.