

Investment Guide

*Tapping Growth
and Innovation
in Chinese New Economy*



深圳证券交易所
SHENZHEN
STOCK EXCHANGE



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1. SZSE Overview

Shenzhen Stock Exchange (SZSE), established on 1st December, 1990, is a self-regulated legal entity under the supervision of China Securities Regulatory Commission (CSRC). It also organizes, supervises securities trading and performs duties prescribed by laws, regulations, rules and policies. Its main functions include providing the venue and facilities for securities trading, formulating operational rules, receiving listing applications and arranging securities listing, organizing and supervising securities trading, supervising members; regulating listed companies, managing and disseminating market information and other functions as approved by CSRC.

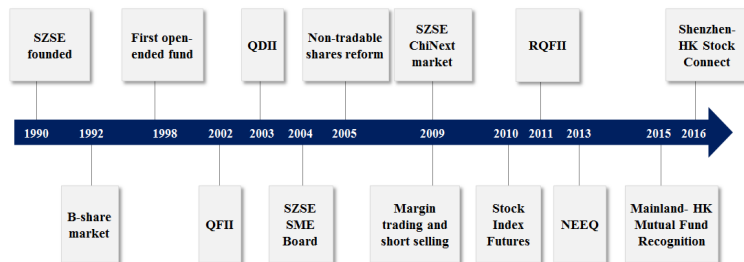
SZSE is committed to developing China's multi-tiered capital market system, serving national economic development and transformation and supporting the national strategy of independent innovation. The SME Board was launched in May 2004. The ChiNext market was inaugurated in October 2009. Thus SZSE has basically put in place a framework of multi-tiered capital market comprising the Main Board, SME Board, and the ChiNext Market. SZSE's products cover equities, mutual funds and bonds. The product lines include A-shares, B-shares, indices, mutual funds and fixed-income products. SZSE plays an increasingly important role in supporting the real economy and transforming the nation's economic growth model.

Since 2000, SZSE has signed MOUs with 30 major stock exchanges and financial institutions in the world and enhanced cross-border cooperation and communications. It has also taken an active part in international securities organizations. SZSE is a member of both the World Federation of Exchanges (WFE) and the Asian and Oceanian Stock Exchanges Federation (AOSEF). It is also an affiliate member of the International Organization of Securities Commissions (IOSCO).

1.1 Vision

- Serving the real economy and economic transition by enhancing the market's role in resources allocation.
- Providing a financing platform for high-growth, hi-tech and innovative SMEs.
- Satisfying different investment needs by diversifying investment instruments.

1.2 Historical Milestones



1.3 Market Highlights

By September 30, 2016, the SZSE had 1,818 of listed companies, with a total market capitalization of USD 3.29 trillion. For the nine months ended September 30, 2016, SZSE recorded USD 8.97 trillion of total turnover. Statistical highlights are as follows:

	By 30 Sep 2016 /For the nine months ended 30 Sep 2016	By 31 Aug 2016 /For the eight months ended 31 Aug 2016	Global Ranking
No. of Listed Companies	1,818	1,806	12
Market Cap (USD trn.)	3.29	3.31	7
Trading Value (USD trn.)	8.97	8.32	4
No. of IPOs	72	60	2
Fund Raised by Equity (USD bn.)	118.66	107.54	4
No. of Investor Accounts (mil.)	198.29	194.49	-

Source: SZSE, World Federation of Exchanges by the end of August, 2016 & by the end of September, 2016

2. Trading Practices

2.1 Relevant Rules	<p><i>Trading Rules of Shenzhen Stock Exchange</i> (SZSE Membership Supervision Doc [2016]No. 138,2016-4-28)</p> <p><i>Detailed Rules of Shenzhen Stock Exchange for Conducting the Securities Margin Trading and Short Selling</i>(2015-11-13)</p>
2.2 Trading Hours	<p>Open: Monday to Friday.</p> <p>The market is closed on public holidays and other dates as announced by the Exchange.</p> <hr/> <p>Opening call auction: 9:15-9:25</p> <p>Continuous auction: 9:30-11:30 13:00-14:57</p> <p>Closing call auction: 14:57-15:00</p>
2.3 Day Price Limit	<p>Up/Down Price Limit=Previous Closing Price× (1±Price Limit Ratio)</p> <hr/> <p>Price Limit Ratio for stocks and mutual funds: 10%</p> <hr/> <p>Price Limit Ratio for stocks under special treatment (ST shares or *ST shares): 5%</p> <hr/> <p>Special Cases: No price limit</p> <p>(1) IPO; for the first</p> <p>(2) listing Resumption after suspension; and trading day of</p> <p>(3) other cases as recognized by the Exchange or stocks</p> <p>CSRC</p> <p>Valid Price Range:</p> <p>(1)For shares, the valid price range for the opening call auction is within 900% of the previous closing price as displayed in the real-time quotations. And the valid price range for the continuous auction, the call auction following trade resumption and the closing call auction is ±10% of the last traded price;</p> <p>2) For bonds on their first day of trading, the valid price range for the opening call auction is within ±30% of the issue price and that for the continuous auction and closing call auction shall be ±10% of the last traded price. On other trading days, the valid price range for the opening call auction is within ±10% of the previous closing price and that for the continuous auction and the closing call auction is ±10% of the last traded price;</p> <p>(3) For pledge-style bond repos on a trading day other than the first trading day, the valid price</p>

	<p>range for the opening call auction is within $\pm 100\%$ of the previous closing price and that for the continuous auction and the closing call auction is $\pm 100\%$ of the last traded price. The valid price range for pledge-style bond repos on the first trading day will be specified by the Exchange separately.</p>
2.4 Market Order Types	<p>The Exchange's trading system accepts the following types of market orders in line with market conditions:</p> <ol style="list-style-type: none"> (1) Opposite-side Best Price (an order whose quotation price is set at the best price on the opposite side in the central order book at the time the order is routed into the Exchange's trading system); (2) Same-side Best Price (an order whose quotation price is set at the best price on the same side in the central order book at the time the order is routed into the Exchange trading system); (3) Five Best Orders Immediate or Cancel (an order that is executed in sequence against the five best prices available on the opposite side in the central order book at the time the order is routed into the Exchange's trading system, with the remaining unexecuted order, if any, cancelled automatically); (4) Immediate or Cancel (an order that is executed in sequence against all the orders available on the opposite side in the central order book at the time the order is routed into the Exchange's trading system, with the remaining unexecuted order, if any, cancelled automatically); (5) Fill or Kill (an order that is executed in its entirety against all the orders available on the opposite side in the central order book at the time the order is routed into the Exchange's trading system, otherwise the entire order shall be cancelled automatically);and (6) Other types of orders as specified by the Exchange.
2.5 Turnarounds	<p>T+1 turn-around trades apply to: B-shares;</p> <p>T+0 turn-around trades apply to: (1) bonds; (2) bond ETFs; (3) gold ETFs; (4) listed money market funds; (5) cross-border listed open-end funds (hereinafter, LOFs)*; (6) cross-border ETFs*;</p> <p>*only restricted to the open-end funds that track the index constituents or underlying assets to which intra-day turn-around trades apply</p>
2.6 Auction and Execution	<p>Auction trading of securities is conducted either as a call auction or a continuous auction.</p> <p>During auction trading of securities, orders are matched and executed based on the principles of price priority and time priority.</p> <p>The execution price in a call (1) the price that generates the</p>

	auction shall be determined according to the following principles:	<p>greatest trading volume;</p> <p>(2) the price which allows all the buy orders with a higher bid price and all the sell orders with a lower offer price to be executed;</p> <p>(3) the price which allows at least all the buy orders with identical price or all the sell orders with identical price to be executed.</p>
	The execution price in a continuous auction shall be determined according to the following principles:	<p>(1) where the highest bid price is identical to the lowest offer price, such price shall be taken as the execution price;</p> <p>(2) where the bid price is higher than the lowest offer price currently available in the central order book, such lowest offer price shall be taken as the execution price;</p> <p>(3) where the offer price is lower than the highest bid price currently available in the central order book, such highest bid price shall be taken as the execution price.</p>
2.7 Block Trades Thresholds	Securities traded on the Exchange can be executed as a block trade if any of the following thresholds is met:	
	(1) Single A-share trade:	the trading volume \geq 300,000 shares; or the trading value \geq RMB 2 million
	(2) Single B-share trade:	the trading volume \geq 30,000 shares; or the trading value \geq HKD 200,000
	(3) Single mutual fund trade:	the trading volume \geq 2 million units; or the trading value \geq RMB 2 million
	(4) Single bond trade:	the trading volume \geq 5,000 units; or the trading value \geq RMB 500,000;
2.8 Block Trades Types	(1) Negotiated Block Trading:	
	Accept orders during:	09:15 – 11:30, 13:00 – 15:30;
	Confirm execution orders during:	For equities: 15:00 – 15:30 For bonds: 09:15 – 11:30, 13:00 – 15:30
	(2) After-Hours Fixed-Price Block Trading:	
	Accept orders during:	15:05 – 15:30;
	Confirm execution orders during:	15:05 – 15:30

2.9 Margin Trading and Short Selling	<ul style="list-style-type: none"> ➤ Launched on Mar 31, 2010. ➤ The number of underlying securities increased by 4 times since then. Eligible list includes 400 stocks and 6 ETFs from SZSE. ➤ Since Nov 23, 2015: minimum margin ratio for securities margin trading increased from 50% to 100%. ➤ Since Aug 3, 2015: after shorting targeted securities, an investor may from the next trading day onward, return the above-mentioned securities by either purchases or his or her possession. ➤ Quota Control: If both the margin balance (short balance) and the collateral value exceed 25% of free float market capitalization of the underlying stock, margin trading (shorting selling) will be suspended on the next trading day. If the margin balance (short balance) or the collateral value reduces to less than 20% of free float market capitalization of the underlying stock, margin trading (shorting selling) will be resumed on the next trading day.
2.10 Opening Price	<p>The opening price of a security on a trading day is the first execution price of such security on that day. The opening price of a security is generated from the call auction. In case no opening price is generated therefrom, the opening price will be generated from the continuous auction.</p>
2.11 Closing Price	<p>The closing price of a security is generated from the call auction. In case no closing price is generated therefrom, the closing price will be generated from the trading volume-weighted average price of all the trades of such security during the one minute before the last trade (including the last trade) on that day. In the absence of any trade on a trading day, the previous closing price shall be taken as the closing price of that day.</p>
2.12 Settlement Arrangements	<p>China Securities Depository and Clearing Corporation Limited (CSDC) covers the registration, clearing and settlement services for securities listed in SZSE. In the Shenzhen market, CSDC Shenzhen Branch will settle both cash and securities by following arrangements:</p> <p>Cash:T+1, Securities:T+0:</p> <ul style="list-style-type: none"> (1) A-shares; (2) Closed-end funds; (3) LOFs; (4) Bonds traded on the Centralized Quotation System; (5) Government bonds, enterprise bonds, convertible bonds, collateralized repo of bonds traded on the Integrated Negotiated Trading Platform; (6) Cross-border ETFs, bond ETFs, cash-market ETFs and gold ETFs. <p>Cash:T+0, Securities:T+0: Bonds traded on the Integrated Negotiated Trading Platform (except for bonds</p>

mentioned above)

Cash:T+1, Securities:T+1: Stock ETFs

Cash:T+3, Securities:T+3: B-shares

2.13 SZSE Securities Trading Fee and Relevant Tax Schedule

Payer	Fees	Items	Fee Standards	Remarks	
Investor	Transaction Levy for Securities Transactions	A-share	Charged on both sides at 0.0487% of the traded value	1. Fees for block trades: 30% lower than standard fee rates for A-shares; 50% lower than standard fee rates for B-shares and mutual funds; and at the same level as for bonds. Levy for bond repo block trade is temporarily waived.	
		B-share			
		Fund			
		Preferred Share	80% of fees charged on ordinary share during pilot period		
		Warrant	Charged on both sides at 0.045% of the traded value		
		T-bond Spot	RMB 0.1 per trade for any transaction with traded value lower than RMB 1 million (inclusive). RMB 10 per trade for any transaction with traded value more than RMB 1 million		
		Enterprise Bond/Corporate Bond Spot			
		Specific Asset Management Plan			
		Privately Placed			
		SME Bond			
		Bond Pledged Repo(including T-bond Repo and other Bond Repo)	RMB 0.1 per trade for any transaction with traded value lower than RMB 1 million (inclusive). No charge on reverse trade. RMB 1 per trade for any transaction with traded value more than RMB 1 million. No charge on reverse trade (Temporarily Waived)		2. Fees for securities repurchase agreement: same to block trades with corresponding securities.
		Stock Pledged Repo	1% of the face value of the pledged underlying securities in each initial trade and RMB 100 at maximum		3. Fees for bond ETFs and money market ETFs are temporarily waived.
	Convertible Bond	Charged on both sides at 0.04% of the traded value			
Regulatory	A-share	Charged on both sides at 0.02% of the	Collected by SZSE on		

	Levy for Securities Transactions	B-share	traded value	behalf of CSRC
		Preferred Share		
	Stamp Duty on Securities Transactions	A-share	Charged on the sell side at 1‰ of the traded value. No charge on the buy side	Withheld by SZSE on behalf of tax authorities
		B-share		
		Preferred Share		
Issuer	Initial Listing Fee	A Share and B Share	RMB 300,000 for an issuer with total share capital of less than 200 million (inclusive), RMB 450,000 for an issuer with total share capital between 200 million and 400 million (inclusive), RMB 550,000 for an issuer with total share capital of between 400 million and 600 million (inclusive), RMB 600,000 for an issuer with total share capital between 600 million and 800 million (inclusive), RMB 650,000 for an issuer with total share capital of more than 800 million	Listing on the Main Board and the SME Board: 50% of standard rate. Listing on the ChiNext Market: 25% of standard rate. Total share capital includes both A-shares and B-shares.
		Preferred Share	80% of fees charged on ordinary share during pilot period	
		Fund	RMB 30,000	
		Warrant	RMB 200,000	
		Enterprise Bond/Corporate Bond Spot	Waived temporarily	
		Convertible Bond	0.01% of the value of listed bonds and RMB 30,000 at maximum (waived temporarily)	
		Specific Asset	Waived temporarily	

		Management Plan		
		Privately Placed SME Bond	Waived temporarily	
	Annual Listing Fee	A-share and B-share	RMB 50,000 for an issuer with total share capital of less than 200 million (inclusive), RMB 80,000 for an issuer with total share capital of between 200 million and 400 million (inclusive), RMB 100,000 for an issuer with total share capital of between 400 million and 600 million (inclusive), RMB 120,000 for an issuer with total share capital of between 600 million and 800 million (inclusive), RMB150,000 for an issuer with total share capital of more than 800 million	For ChiNext companies:50% of standard rate Total share capital includes both A shares and B shares
		Preferred Share	80% of fees charged on ordinary share during pilot period	
		Fund	RMB 60,000	
		Bond	Waived temporarily	
		Convertible Bond	RMB 6,000 per year for bond valued at RMB 100 million or under. Extra RMB 1,200 is charged for every additional RMB 20 million beyond RMB 100 million of the value of listed bond. Total fee shall not exceed RMB 24,000. (Waived temporarily)	
		Specific Asset Management Plan	Waived temporarily	
		Privately Placed SME Bond	Waived temporarily	

Member	Seat Fee	Seat	RMB 600,000/ normal seat, RMB 200,000/ special seat	
	Trading Unit Fee	Trading Unit	1. Trading unit use fee RMB 30,000 per year is charged for each additional trading unit used by members beyond the number of trading seats (i.e., seats for which fees have been paid).	
			2. Flow rate RMB 9,600 per year is charged per transmission unit (50 deals/ second) used by members beyond the number of trading seats (i.e., seats for which fees have been paid).	Collected by Shenzhen Securities Communication Since July 1,2014
			3. Volume rate RMB 0.1 for each trading order (buy order, sell order or cancelling order) and RMB 0.01 for each non-trading order (any order other than buy order, sell order and cancelling order).	1. 60% collected by Shenzhen Stock Exchange, 40% collected by Shenzhen Securities Information Co., Ltd. since July 1,2014 2. Fees for bond ETFs and money market ETFs are temporarily waived

3. Equity Market

3.1 A Multi-tiered Capital Market System

The SZSE has developed a multi-tiered capital market structure, consisting of the Main Board, the SME Board and the ChiNext Market, supporting enterprises at different stages of growth, including the blue chips, SMEs and innovative high-tech enterprises. The SME Board was launched in 2004 for high-quality SMEs that are champions in niche markets. The ChiNext Market was established in 2009. It has formed a cluster of high-tech, high-growth enterprises with strong independent innovation capability. Along with the launch of the SME Board and the ChiNext Market, emerging Chinese companies were given the opportunity to raise funds from capital market for the first time.

Main Board	<ul style="list-style-type: none"> Established on Dec 1, 1990 Competitive blue-chip companies
SME Board	<ul style="list-style-type: none"> Established on May 17, 2004 High-quality SMEs as niche market champions
ChiNext Market	<ul style="list-style-type: none"> Established on Oct 30, 2009 High-tech, high-growth companies powering China's new economy

	Main Board	SME Board	ChiNext Market
Market Cap (USD bn.)	1,063.6	1,427.4	781.5
Listed Companies (#)	478	800	540
Average Market Cap (USD bn.)	2.2	1.7	1.4

Source: SZSE by the end of September, 2016

3.2 Listing Standards

Items	Main Board & SME Board	ChiNext Market	
		Criteria I	Criteria II
Net Profit	With positive net profit in the last 3 consecutive years and the aggregate value is no less than RMB 30 million	With positive net profit in the past 2 consecutive years, and accumulated profit no less than RMB 10 million	Positive net profit in last one year
Revenue/ Cash Flow	With accumulated revenue in past 3 years of no less than RMB 300 million, or with accumulative net operating cash flow of no less than RMB 50 million		Positive revenue in last one year and no less than RMB 50 million

3.2.1 Listing on the Main Board and the SME Board

Under the Measures on the Administration of Initial Public Offerings and Listings of Shares

(CSRC Decree No.122, 2015-12-30), a company seeking IPO and listing on the Main Board or the SME Board shall meet the following specific requirements:

Entity Qualifications	<p>1. The issuer shall be a joint-stock limited company established by law and legally existing by law. (When a limited liability company is lawfully converted into a joint-stock limited company pursuant to the State Council approval, it may issue shares to the public by way of a public share offer.)</p> <p>2. Unless otherwise approved by the State Council, the issuer shall operate the joint-stock limited-liability company for a continuous period of 3 years or more after its establishment. (Where a limited liability company is wholly converted into a joint-stock limited company according to the original book value of its net assets, the continuous operating period shall be calculated from the date the limited liability company is established.)</p> <p>3. The registered capital of the issuer shall have been paid up in full, procedures for transferring the property right attached to assets used as capital contributions by the promoter or shareholders shall have been completed, and there shall be no material dispute over ownership of the issuer's major assets.</p> <p>4. The business operations of the issuer shall comply with laws and administrative regulations, its articles of association, and the state's industrial policies.</p> <p>5. There shall have been no significant change in the issuer's principal operations, directors and senior management and no change in its actual controller in the last 3 years.</p> <p>6. The issuer's equity structure shall be clear and there shall be no major dispute over the ownership of shares held by the controlling shareholder, controlled shareholders and shareholders controlled by the actual controller.</p>
Regular Operations	<p>1. The issuer shall have lawfully established sound systems for general shareholders' meetings, the board of directors, the board of supervisors, independent directors and the secretary to the board of directors so that relevant departments and personnel can perform their duties pursuant to the law.</p> <p>2. The issuer's directors, supervisors and senior management shall understand laws and regulations related to the issuance and listing of shares and shall be aware of the statutory responsibilities and obligations of a listed company and its directors, supervisors and senior management.</p> <p>3. The issuer's directors, supervisors and senior management shall have qualifications that conform to the law, regulations and rules, and shall not be subject to any of the following circumstances:</p> <p>(1) Banned from access to the securities market by CSRC and the sanction still in force;</p> <p>(2) Subject to an administrative penalty imposed by CSRC within the last 36 months or has been publicly censured by the Stock Exchange within the last 12 months; or</p> <p>(3) Investigated by the judicial authorities because of a suspected criminal offence or investigated by CSRC as a result of a suspected legal or regulatory violation, where no definitive and conclusive opinion has been issued.</p>

4. The issuer's system of internal controls shall be sound, have been implemented effectively, and reasonably be capable of ensuring the reliability of its financial reports, the legitimacy of its business activities, and the efficiency and effects of its operations.

5. The issuer shall not be subject to any of the following circumstances:

(1) Where it has issued securities to the public or in a disguised manner without the approval of the statutory authority within the last 36 months; or relevant legal violations that occurred 36 months ago are nevertheless ongoing;

(2) Where it has been subject to administrative penalties within the last 36 months as a result of any violation of laws and regulations related to, among other matters, industry and commerce, taxation, land, environmental protection, and customs, and the circumstances are serious;

(3) Where it has submitted an application to CSRC within the last 36 months, but the application documents submitted include any false records, misleading statements, or material omissions; or it has obtained issuance approval by deceptive means while not meeting the issuance conditions; or it has interfered with the examination and verification work of CSRC or its issuance examination and verification committee by improper means; or it has forged or altered the signature or seal of the issuer or the issuer's directors, supervisors or senior management;

(4) Where the issuance application documents it submitted on this occasion include any false records, misleading statements, or material omissions;

(5) Where it has been investigated by the judicial authorities because of a suspected criminal offence and no definite and conclusive opinion has been issued; or

(6) Any other circumstances in which investors' lawful rights and interests and the public interest are seriously damaged.

6. The issuer's articles of association shall specify the limits of authority for the examination and approval of external guarantees and deliberation procedures for external guarantees, and no guarantee shall be improperly provided for its controlling shareholder, actual controller or any other enterprise under their control.

7. The issuer shall have a strict fund management system and shall not have funds used by its controlling shareholder, actual controller or any other enterprise under their control in the name of borrowings, debt repayments, advance payments or any other means.

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Accounting**

1. The issuer shall have good quality assets, a reasonable asset-liability structure, strong profitability, and normal cash flows.

2. The issuer's internal controls shall be effective in all material respects and the issuer shall have obtained an unqualified internal control certification report issued by a certified public accountant (CPA).

3. The issuer's basic accounting work and the preparation of its financial statements shall comply with the Accounting Standards for Business Enterprises and the Accounting Systems for Business Enterprises, and shall fairly reflect in

all material respects of its financial position, the results of operations and cash flows, and the issuer shall have obtained an unqualified audit report issued by a CPA.

4. The issuer shall prepare financial statements on the basis of transactions or events which have actually occurred; when confirming, measuring or submitting accounting records, it shall exercise due prudence; for the same or similar businesses, it shall select the same accounting policy and shall not change it randomly.

5. The issuer shall fully disclose relationships with associated parties and appropriately disclose associated relationships based on the principle of importance. The pricing of associated transactions shall be fair and profits shall not be manipulated through associated transactions.

6. The issuer shall meet the following conditions:

(1) Its net profit has been positive for the last three financial years, with the aggregate amount exceeding RMB 30 million, and net profits shall have been calculated as the lower of the amounts before and after deducting non-recurring losses and profits;

(2) Its cumulative net cash flows from business activities for the last three financial years exceed RMB 50 million; or cumulative business income for the last three years exceeds RMB 300 million;

(3) Its total stock capital before issuance is no less than RMB 30 million;

(4) Its intangible assets (excluding land use rights, marine cultivation rights and mining rights, etc.) do not exceed 20% of net assets at the end of the latest period; and

(5) No loss has not been made up for in the latest period.

7. The issuer shall pay tax in accordance with the law and enjoy various tax concessions in accordance with the provisions of relevant laws and regulations. The issuer's business results shall not be heavily reliant on tax concessions.

8. The issuer shall not be subject to any major debt repayment risk or major contingent event such as guarantees, lawsuits or arbitration proceedings which will adversely affect its continuing operations.

9. The application documents the issuer submits shall not involve any of the following circumstances:

(1) Deliberately omitting or misrepresenting transactions, events or other important information;

(2) Misusing accounting policies or accounting estimates; or

(3) Manipulating, forging or tampering with accounting records or relevant vouchers on which financial statements are based.

10. The issuer shall not be subject to any of the following circumstances which adversely affect its ongoing profitability:

(1) Where there have been or will be significant changes in the issuer's business model and the variety and structure of its products or services which will have a material adverse impact on the ongoing profitability of the issuer;

(2) Where there have been or will be significant changes in the issuer's position

in the industry in which it operates or the business environment of such industry which will have a material adverse impact on the ongoing profitability of the issuer;

(3) Where the issuer's business income or net profit for the latest financial year was heavily reliant on any associated party or client for which a material degree of uncertainty exists;

(4) Where the issuer's net profit for the latest financial year was mainly derived from investment income outside the scope of the consolidated financial statements;

(5) Where there is any risk of a material adverse change in the acquisition or use of major assets or technologies used by the issuer such as trademarks, patents, proprietary techniques and franchise rights; or

(6) Any other circumstances likely to have a material adverse impact on the ongoing profitability of the issuer.

3.2.2 Listing on the ChiNext Market

Under the *Measures on the Administration of Initial Public Offerings and Listings of Shares on the ChiNext* (CSRC Decree No.123, 2015-12-30), a company seeking IPO and listing on the ChiNext Market shall meet the following specific requirements:

Entity	1. The issuer shall be a joint-stock limited company established by law and
Qualifications	it shall operate for a continuous period of 3 years or more after its establishment. (Where a limited liability company is wholly converted into a joint-stock limited company according to the original book value of its net assets, the continuous operating period shall be calculated from the date the limited liability company is established.)

2. The registered capital of the issuer shall have been paid up in full, procedures for transferring the property right attached to assets used as capital contributions by the promoter or shareholders shall have been completed, and there shall be no material dispute over ownership of the issuer's major assets.

3. The issuer shall focus on one business, and the business operations of the issuer shall comply with laws and administrative regulations, its articles of association, and the state's industrial policies.

4. There shall have been no significant change in the issuer's principal operations, directors and senior management and no change in its actual controller in the last 2 years.

5. The issuer's equity structure shall be clear and there shall be no major dispute over the ownership of shares held by the controlling shareholder, controlled shareholders and shareholders controlled by the actual controller.

Operational Compliance	1. The issuer shall have lawfully established sound systems for general meetings, the board of directors, the board of supervisors, independent directors, the secretary to the board of directors and the audit committee so that relevant departments and personnel can perform their duties pursuant to the law.
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The issuer shall establish and improve the shareholders' voting and ballots

counting system, establish a diversified dispute settlement mechanism between issuer and shareholders, guarantee investors to exercise shareholders' rights such as the right to derive investment income, right to know, right to participate, right to express, right to supervise, right to claim, etc. in accordance with the law.

2. The issuer's directors, supervisors and senior management shall be loyal and diligent, shall have qualifications that conform to the law, regulations and rules, and shall not be subject to any of the following circumstances:

(1) Banned from access to the securities market by CSRC, such sanction still in force;

(2) Subject to an administrative penalty imposed by CSRC within the last 3 years or has publicly censured by the Stock Exchange within the last 1 year; or

(3) Investigated by the judicial authorities because of a suspected criminal offence or investigated by the CSRC as a result of a suspected legal or regulatory violation, where no definitive and conclusive opinion has been issued.

3. The issuer's system of internal controls shall be sound, have been implemented effectively, and reasonably be capable of ensuring the reliability of its financial reports, the legitimacy of its business activities, and the efficiency and effects of its operations.

4. The issuer, its controlling shareholder and de facto controller shall not be subject to any of the following circumstances:

(1) Where it has issued securities to the public or in a disguised manner without the approval of the statutory authority within the last 3 years; or relevant legal violations that occurred 3 years ago are nevertheless ongoing;

(2) Any other major legal violation within the last 3 years in which investors' lawful rights and interests and the public interest are seriously damaged.

**Finance &
Accounting**

1. The issuer shall have obtained an unqualified internal control certification report issued by a CPA.

2. The issuer's basic accounting work and the preparation of its financial statements shall comply with the Accounting Standards for Business Enterprises and the Accounting Systems for Business Enterprises, and shall fairly reflect in all material respects of its financial position, the results of operations and cash flows, and the issuer shall have obtained an unqualified audit report issued by a CPA.

3. The issuer shall meet the following conditions:

(1) It must have been profitable in the most recent two consecutive years, with accumulated profits of no less than RMB 10 million and in continued growth; or the issuer must have been profitable in the most recent year with net profits of no less than RMB 5 million and revenues of no less than RMB 50 million.(Net profits shall be calculated based on the amount before or after deducting non-recurring profits and losses, whichever is smaller);

(2) It must have net assets of no less than RMB 20 million at the end of the most recent reporting period with no uncovered losses;

(3) It must have a total share capital of no less than RMB 30 million after the IPO.

3.3 Information Disclosure, Suspension and Resumption of Trading of the Listed Shares

	Main Board & SME Board	ChiNext Market
Relevant Rules & Regulations	<i>Rules Governing the Listing of Shares on Shenzhen Stock Exchange</i> (SZSE Listing Doc [2014] No. 378)	<i>Rules Governing the Listing of Shares on the ChiNext of Shenzhen Stock Exchange</i> (SZSE Listing Doc [2014] No. 378)
	<i>Memorandum on Trading Suspension and Resumption for Listed Companies</i> (Memorandum Main Board No.9, SME Board No. 14, ChiNext Market No.22)	
Principles on Information Disclosure	A listed company and the relevant obligated persons shall, in a timely and fair manner and in accordance with laws, administrative regulations, government department rules, regulatory documents, and such relevant regulations as the implementation rules, guidelines and notices issued by the Exchange, disclose information and guarantee that the information disclosed is true, accurate and complete, and free from false representations, misleading statements and material omissions.	
	The directors, supervisors and senior management of a listed company shall guarantee that the information disclosed by the company is true, accurate and complete.	
Periodic Reports	According to China's <i>Accounting Standards for Business Enterprises</i> , the financial year starts on January 1st and ends on December 31st. The periodic reports that must be released by a listed company include annual reports, interim reports and quarterly reports.	
	(1) Annual report:	disclose within 4 months from the end of each financial year;
	(2) Interim report:	disclose within 2 months from the end of the first half of each financial year;
	(3) Quarterly reports:	disclose within 1 month from the end of the first 3 months and the end of first 9 months of each financial year
Suspension and Resumption of Trading	Shenzhen Stock Exchange released <i>Memorandum on Trading Suspension and Resumption for Listed Companies</i> (the Memorandum) in May 2016.	
	The Memorandum requires that listed companies keep information confidential and conduct phased information disclosure in order to maintain trading continuity. Listed companies in question are also required to make prudent judgment on the duration of proposed trading suspensions. Given the situation in practice where a listed company may have difficulties in conducting phased information disclosure in a timely manner, thus necessitating an application for trading suspension, the Memorandum requires that the company take effective measures to prevent extended suspension and abuses that infringe on investors' rights to trade and to know. If listed companies abuse trading suspension or unreasonably extend suspension duration in violation of this Memorandum, the Exchange shall notify the market of the relevant situation through public announcements or other means	

and resume trading of the shares of the companies in question. Against listed companies that abuse trading suspensions, disclose false, inaccurate or incomplete information or violate relevant public commitments, the Exchange may take regulatory measures or disciplinary actions. Serious cases will be submitted to CSRC and its local offices for investigation in a timely manner.

The Memorandum sets standards for the business of trading suspension and resumption and enhances regulation in this regard in the following five aspects: clarifying the maximum duration of suspension pending major events, enhancing investors' supervision on long-term suspensions, refining requirements for information disclosure on suspension and resumption, strengthening restraints on suspension and enhancing the role of intermediaries.

For instance, the Memorandum provides that:

- the duration of suspension shall not exceed 10 trading days for such events as purchases or sales of assets, external investment, planned transfer of controlling right by related parties, and non-public equity offering not intended to fund major asset purchases;
- the duration of suspension shall not exceed 1 month for fund raising for major asset purchase through non-public equity offer;
- the duration of suspension shall not exceed 3 months for major asset restructuring;
- if the duration of suspension is expected to exceed 3 months, a shareholders' general meeting shall be convened to review the proposal for suspension to continue;
- for companies whose shares are in long-term suspension, intermediaries such as sponsor agencies and financial advisory institutions shall verify the progress of early-stage planning and issue professional opinions.

3.4 A-shares

A-shares, or the RMB-denominated common shares, refer to any ordinary shares issued by the domestic companies in China and to be subscribed and traded in RMB by domestic institutions, organizations or individuals (excluding investors from Taiwan, Hong Kong and Macao).

3.5 B-shares

B-shares refer to the RMB-denominated special shares with their par values marked in RMB in their circulation and to be subscribed and traded in Hong Kong Dollars. The trading of B-shares was launched in 1992, giving foreign investors the access to China's equity market. Since China's entry into the WTO, domestic investors were also allowed to invest in B-shares using foreign currencies.

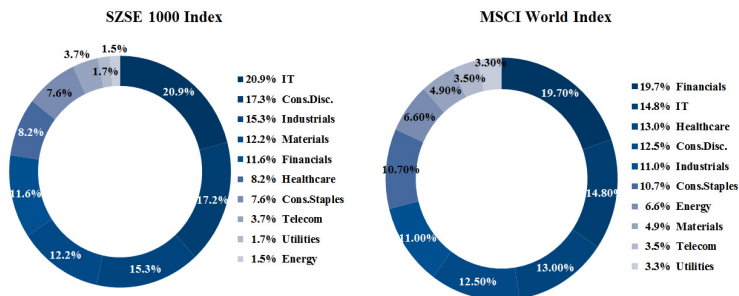
3.6 Market Characteristics

In terms of market capitalization, the Shenzhen stock market has a very high proportion of "new

economy” stocks that represent industries such as I.T., consumer discretionary and health care. In effect, the Shenzhen stock market has become an exchange powerhouse for technology and strategic emerging industries, where:

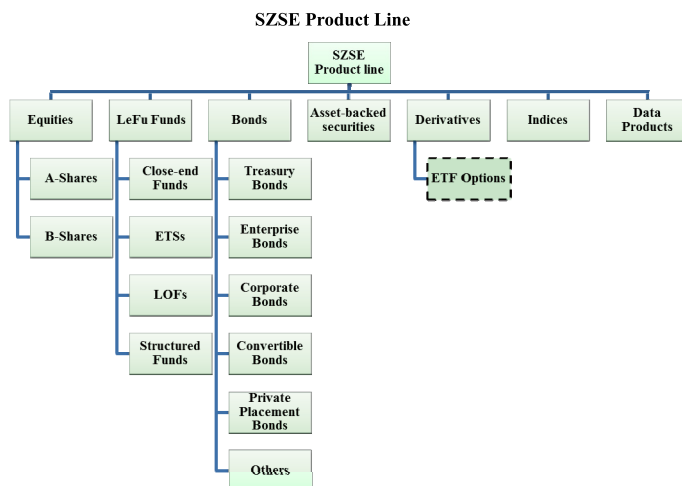
- 76% of all the companies in the emerging industries on the A-share market are listed on SZSE;
- 70% of SZSE-listed companies are certified hi-tech companies;
- 30% of SZSE-listed companies invest more than 5% of revenue in R&D.

Breakdown of Market Cap by Sector



Source: Bloomberg, SZSE by the end of June, 2016

4 Product Line



4.1 LeFu Funds

“Make life enjoyable and fortune accessible to all.”

In December 2010, SZSE launched its brand for listed funds -LeFu. LeFu covers all SZSE-listed fund products, including closed-end funds, listed open-end funds (LOFs), exchange traded funds (ETFs) and structured products.

LeFu Fund has four major features: a rich diversity of products, low trading cost, ease of trading and efficiency in investment turnover. LeFu includes several hundred funds exposed to equity or debenture, tracking indices and featuring leverage, closed-end and open-end designs. LeFu funds are invested in both domestic and overseas markets. Investors can purchase, trade, and redeem LeFu Fund units through a unified account with SZSE.

As of the end of September, 2016, the SZSE had a total of 491 listed funds with free float cap of USD 31.1 billion.

	Number of Listed Funds	Market Cap of Listed Funds (USD bn.)
Close-end Fund	4	1.1
ETFs	48	6.5
LOFs	180	3.0
Structured Funds	259	20.5

Source: SZSE by the end of September, 2016

4.2 Bonds

Currently bonds listed and traded on SZSE mainly include treasury bonds, credit bonds and convertible bonds. Treasury bonds include central government bonds and local government bonds. Credit bonds include enterprise bonds and corporate bonds (which in turn include both public offering and private placement bonds). Private placement bonds used to only be aimed at small and medium-sized enterprise issuers, but now enterprises of all sizes can be issuers of private placement bonds. Convertible bonds are a product that is unique to the exchange bond market and not available in the interbank bond market.

Bonds can be spot traded on the Integrated Negotiated Trading Platform by negotiation and on the Centralized Quotation System by centralized price bidding, which is highly efficient, transparent and market-oriented. Bond repo uses the standard bond system to determine the value of pledged bonds, which has provided the market with a convenient and economical financing channel and an effective liquidity management instrument.

In 2015, CSRC released the *Measures for the Administration of Corporate Bond Offering and Trading* (Decree No.113) to promote reform in the corporate bond market. SZSE conducted a preliminary study on the listing of corporate bonds, released the *Rules for Listing of Corporate Bonds* (Shenzhen Shang[2015] No.239) and other supporting rules, further simplified the listing procedures, improved the operation efficiency and optimized the system of information disclosure for corporate bonds. As of the end of 2015, the total outstanding amount of bonds under the custody of the Shenzhen bond market reached USD 77.4 billion, which represented a year-on-year growth rate of 85.7%.

As of the end of September, 2016, the number of bond issues reached 2,352, with USD 145.9 billion outstanding under custody.

Listed Bonds	#	Outstanding amount under custody (USD bn.)
Treasury Bonds	1,428	1.3
Corporate Bonds (Public Offering)	359	55.8
Enterprises Bonds	16	1.8
Convertible Bonds	8	1.3
Private Placement Bonds (include SME Private Bond)	541	85.7
Bond Repo	9	-

Source: SZSE by the end of September, 2016

4.3 Asset-backed Securities

SZSE launched its first corporate asset securitized product in December 2005 and provided a trading service for the product through its comprehensive negotiated trading platform (block-trade system).The SZSE has been striving to improve the innovation capability of asset-backed securitization. As of the end of September, 2016, 119 ABS products, with a combined free float cap of USD15.6 billion, have been listed on SZSE.

4.4 Derivatives

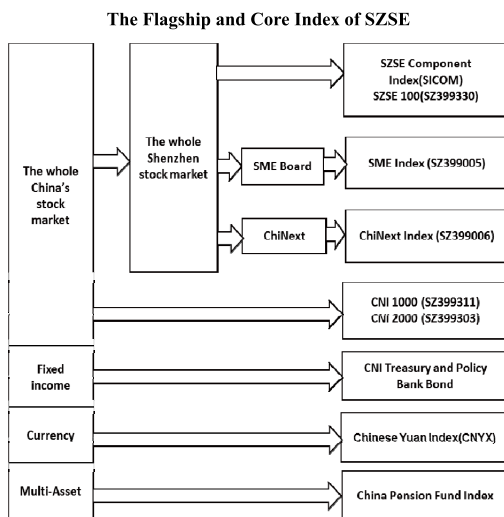
The SZSE is in preparation of options.

4.5 Indices

Since SZSE launched the first index in 1991, it released over 390 indices covering the stock, fixed income, currency and many other asset classes. The “SZSE indices” typically focus on providing benchmarks and investable indices that comprise securities listed and trading on the SZSE. The most well-known flagship indices include the SZSE Component Index, ChiNext Index, SME Index, SZSE100, SME-ChiNext 100, SZSE Small/Mid Cap Innovation Index, and SZSE Composite Index.

As of the end of September, 2016, there were 79 index fund products tracking “SZSE indices”. The total value of the assets is over USD12 billion. Shenzhen Securities Information Co., Ltd. (SSIC) is authorized by SZSE to develop, operate and market the “SZSE indices”. Index methodologies, constituent lists and other information regarding “SZSE indices” are published on the official website (www.cnindex.com.cn).

4.5.1 Index Family



Family of SZSE Equity Index Series

Index Universe	SZSE	SME Board	ChiNext	SME Board & ChiNext
Flagship Index	SZSE Component Index SZSE 100	SME Index	ChiNext Index	SME-ChiNext 100
Scale Index	SZSE 200/300/700/1000	SME 300	ChiNext 300	SME-ChiNext 400/500
Sector Index	10 Sector Indices			
Style Index	Growth/Value	Growth/Value	Growth/Value	Growth/Value
Thematic Index	TMT/ESG/Dividend/ Non-SOEs/Real estate/	Strategic Emerging Industries/CSR/	Strategic Emerging Industries	High and New Technology
Smart Beta Index	Equal Weighted/ Low Volatility/High Beta/High Dividend/...	Equal Weighted Low Volatility High Beta...	High Liquidity Equal Weighted	Equal Weighted Low Volatility High Beta...
Composite Index	SZSE Composite Index	SME Composite	ChiNext Composite	

4.5.2 Index Products

“SZSE indices” have facilitated innovative, investable products. The indices are licensed to over 30 domestic and overseas fund management companies as underlying indices for ETPs and passively-managed investment funds. SZSE 100 is one of the most renowned investable A-share indices and is tracked by 12 index funds with total asset value of close to USD 3 billion as of mid-2016. ChiNext Index is the best-known SZSE index to overseas investors; several overseas listed ETPs tracking ChiNext Index have already been listed and other listings will follow.

Index Product Category	Number of Products	AUM(USD billion)
Exchange listed	52	9.03
ETFs	17	2.07
Index Structured Products	23	6.05
LOFs	6	0.48
Overseas Listed ETPs	6	0.43
Non-exchange listed	27	3.01
Index Funds	26	3.00
Financial Plans	1	0.01
Total	79	12.04

Source: SSIC by the end of September, 2016.

4.5.3 Index Services

“SZSE indices” are calculated and disseminated (real-time every 3 seconds and at the end of the day) by SZSE and globally distributed to 155 data vendors including Bloomberg, Thomson Reuters, Factset, Morningstar, etc. Over 390 indices, daily and historical data at index level and constituents level (including but not limited to index performance, constituents list, rebalance list, free float shares, weightings, and corporate actions) are available for licensing.

Other diversified services as custom indices, co-brand indices, index calculation agency, onshore RMB bond valuation, industry classification and historical P/E ratios for listed companies, data licensing for compiling indices using SZSE securities information are also provided to satisfy market demand.

4.6 Data Products and Services

4.6.1 Market Data Service

SSIC is exclusively authorized to manage and distribute the securities information of SZSE. SSIC provides both SZSE Level-1 and Level-2 Market Data Services for both domestic and overseas clients.

SZSE Level-1 Market Data	<p>Level 1 Market Data comprise of security code, short name, high/low, open/close, last traded price, 5 best bid/ask prices, transaction volume, transaction value and etc.</p> <p>a. Real-time Data: Market information on a real-time basis: We provide market information of all securities listed on SZSE and other related information edited and collected by the exchange on real-time basis.</p> <p>b. Delayed Data: Market information is made available to clients on the basis of a 15-minute delay.</p> <p>c. End-of-day Data: Security code, short name, and closing price, high/low price, outstanding share capital of A&B share and indices of the Exchange are provided at the end of the trading day.</p>
SZSE Level-2 Market Data	<p>In terms of data content, Level-2 Market Data not only include the Level-1 Market Data contents, but also provide the first 10 levels of order depth (prices and share volume of orders in the 10 bid/ask queues), Tick data and ordering information plus the data contents of Spot Version. In terms of interface specification, Level-2 Market Data apply the FAST protocol based on the FIX standard. Moreover, Level-2 data support re-transmission.</p>

4.6.2 Information Services

SSIC provides both English and Chinese information services. The information services include corporate actions, equity fundamentals, bonds, funds, warrants, other financial data services and so on. Data can be delivered in both standard and customized formats.

Company Data Service Coverage:

Corporate Profile:	<p>Company data sections include the following information:</p> <ul style="list-style-type: none"> • Address - registered office, head office, mailing address; • Business - company's primary activities, including Global Industry Classification Standard (GICS) and China Securities Regulatory Commission (CSRC) codes; • History elements - ownership, founding date, date of incorporation, number of employees, name changes, acquisitions, mergers, joint venture information and detailed shareholders information.
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Corporate Governance:	<ul style="list-style-type: none"> • Management - directors, chairman, vice chairman, etc; • Subsidiaries associated and affiliated companies - lists active companies in which the parent company holds a percentage of ownership.
Corporate Finance:	<ul style="list-style-type: none"> • Property - detailed information on a company's property holdings; • Debt - financing arrangements, amounts outstanding, interest rate, due date; • Financial statements - includes income statements, balance sheets, cash flow statements.
Format:	• Excel, CSV/TXT, Database

Corporate Actions Service Coverage:

<i>Share Issuance</i>	<i>Profit Distribution</i>	<i>Risks</i>
IPO	Annual Dividend	Risk alert
IPO Placement	Dividend Implementation	Suspension risk
Additional Offering	Dividend change	
Rights Issue	Interim Dividend	
<i>Share Listing</i>	<i>Shareholder Meeting</i>	<i>ST</i>
IPO share listing	AGM	ST
Additional share listing	AGM resolution	ST removal
Staff share listing	AGM change	
Rights share listing	EGM	
Delisting	EGM resolution	
Trading suspension	EGM change	
Trading resumption	SRM	
Resumption progress	SRM Resolution	
Convertible bond listing	SRM Change	
<i>Periodic Report</i>	<i>Company Information Change</i>	<i>Delisting</i>
Annual report	Name change	Delisting risk warning
Annual report postponed	Domicile change	*ST removal
Interim report	Contact Information change	
Quarterly report	Abbreviation change	
Interim report postponed	Code change	
<i>Tender offer</i>	<i>Performance Forecast:</i>	<i>Bonds</i>
Merger& Acquisition	Profit forecast	Corporate bond
	Loss forecast	Convertible bond
		Convertible bond issuance
		Debt-to-equity conversion
		Convertible bond interest
		Redemption
		Re-sale
		T-bonds
		T-bond INT
		T-bond maturity
		Subordinated bond

4.7 Securities Identification System

SZSE has its own securities numbering system, which comprise of six digits. All securities traded on the SZSE, including A-shares, B-shares, fixed income products, and funds have their own unique local securities codes. Different instruments are numbered according to unique configurations.

Identification numbers for SZSE securities are in the following format:

Instruments	Number Format
A-shares	000XXX
B-shares	200XXX
Shares Listed on the ChiNext Market	30XXXX
Government Bonds	10XXXX
Government Bond Repos	13XXXX
Corporate Bonds	11XXXX
Convertible Bonds	12XXXX
Funds	17XXXX ,18XXXX

5. Access to Shenzhen Market for Foreign Investors

5.1 QFII

5.1.1 Relevant Rules & Regulations

Organization	Reference number	Date	Rules & regulations
CSRC, PBOC, SAFE	CSRC, PBOC, SAFE Decree No.36	2006-08-24	<i>Administrative Measures on Domestic Securities Investments by Qualified Foreign Institutional Investors</i> (《合格境外机构投资者境内证券投资管理办法》)
CSRC	CSRC Announcement [2012]No.17	2012-07-27	<i>Provisions on Issues in Relation to the Implementation of the Administrative Measures for Domestic Securities Investment by Qualified Foreign Institutional Investors</i> (《关于实施<合格境外机构投资者境内证券投资管理办法>有关问题的规定》)
CSRC	CSRC Announcement [2011]No.12	2011-05-04	<i>Guidelines on the Participation of Qualified Foreign Institutional Investors in Stock Index Futures Trading</i> (《合格境外机构投资者参与股指期货交易指引》)
SAFE	SAFE Announcement [2016]No.1	2016-02-04	<i>Provisions on Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors</i> (《合格境外机构投资者境内证券投资外汇管理规定》)
SZSE	SZSE Membership Supervision Doc [2014]No.36	2014-04-25	<i>Detailed Implementation Rules of the Shenzhen Stock Exchange for the Securities Trading of Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors</i> (《深圳证券交易所合格境外机构投资者和人民币合格境外机构投资者证券交易实施细则》)
Ministry of Finance, State Administration of Taxation	Caishui [2005]No.155	2005-12-01	<i>Notice of the Ministry of Finance and the State Administration of Taxation on the Business Tax Policies for Qualified Foreign Institutional Investors</i> (《财政部、国家税务总局关于合格境外机构投资者营业税政策的通知》)
State Administration of Taxation	Guoshuihan [2009]No.47	2009-01-23	<i>Notice of the State Administration of Taxation on Issues Concerning the Withholding of Enterprise Income Tax on Dividends, Bonuses and Interests Paid to QFII by</i>

			<i>Chinese Resident Enterprises</i> (《国家税务总局关于中国居民企业向 QFII 支付股息、红利、利息代扣代缴企业所得税有关问题的通知》)
Ministry of Finance, State Administration of Taxation, CSRC	Caishui [2014]No.79	2014-10-31	<i>Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues Concerning Temporarily Exempting the Income Derived by QFII and RQFII from the Transfer of Stock or Any Other Equity Investment Asset in China from Enterprise Income Tax</i> (《财政部、国家税务总局、证监会关于 QFII 和 RQFII 取得中国境内的股票等权益性投资资产转让所得暂免征收企业所得税问题的通知》)

5.1.2 Regulators

	CSRC	SAFE
	<ul style="list-style-type: none"> • approves QFII status • regulates onshore securities investments by QFIIs 	<ul style="list-style-type: none"> • approves and allocates QFII investment quota • regulates QFIIs' onshore accounts • monitors and regulates repatriation/remittance of funds

5.1.3 Eligible Applicants

Eligible QFIIs include fund management companies, securities firms, insurance companies, commercial banks, pension funds, charity endowment funds and other asset management institutions, and must meet the following qualification criteria:

Investor	Years of Relevant Business Experience	Net Asset	Assets Under Management	Other Requirements
Asset Management Institutions	2+	N/A	No less than USD 0.5 bn	N/A
Insurance Companies	2+	N/A	No less than USD 0.5 bn	N/A
Security Companies	5+	No less than USD 0.5bn	No less than USD 5 bn	N/A
Commercial Banks	10+	N/A	No less than USD 5 bn	Tier 1 capital not less than USD 0.3 bn
Other Institutional Investors*	2+	N/A	No less than USD 0.5 bn	N/A

*Note: other institutional investors include pension funds, charity funds, endowment funds, trust companies, government investment management companies, etc.

5.1.4 Investment Quota

On February 4, 2016, SAFE reissued the *Provisions on Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors* ("New Regulation"), which came into force the same day. The New Regulation loosens restrictions on the administration of the investment quota that were put in place under the original provisions. **CSRC abolished asset allocation guidelines on QFII assets for foreign investors.** QFII investors are no longer required to allocate 50% of their assets to the equities market. Below is a summary of the quota registration system stipulated by the New Regulation.

Basic Quota (Filing basis)	Applicants who own or manage assets or whose corporate group owns or manages assets that are primarily domiciled outside China.	<ul style="list-style-type: none"> ➢ =USD 100 million+ its average asset(or AUM) scale in the last 3 years * 0.2% - the obtained RQFII quota (after being converted into USD) ;and ➢ No less than USD20 million; no more than USD 5 billion.
	Applicants who own or manage assets or whose corporate group owns or manages assets that are primarily domiciled in China.	<ul style="list-style-type: none"> ➢ =Equivalent of RMB 5billion+ its asset (or AUM) scale of the preceding year * 80% - the obtained RQFII quota (after being converted into USD) ➢ No less than USD20 million; no more than USD 5 billion.
	Sovereign funds, central banks and currency administration authorities	<ul style="list-style-type: none"> ➢ No more than USD 5 billion.
Extra Quota (Approval basis)	If a QFII needs more than its basic quota, application to SAFE for approval is required.	

The filing and approval requirements stipulated in the New Regulation are also applicable to those QFIIs that have obtained the investment quotas before the promulgation of the New Regulation when such QFIIs apply for increase of their investment quotas.

As of August 30, 2016, the coverage of the QFII scheme has been expanded to 30 countries and regions with an aggregate investment quota of USD 81.478 billion.

Country/ Region	Accumulated QFII quota for institutes registered in the region (USD bn.)	Country/ Region	Accumulated QFII quota for institutes registered in the region (USD bn.)	Country/ Region	Accumulated QFII quota for institutes registered in the region (USD bn.)
Hong Kong	18.258	Switzerland	2.67	Thailand	0.4
Taiwan	10.541	Malaysia	2.06	Netherlands	0.276
USA	7.933	France	1.975	Sweden	0.231

Singapore	7.142	Australia	1.6	Belgium	0.21
UK	5.957	Macau	1.5	Ireland	0.2
Korea, Rep.	4.538	Kuwait	1.5	Brunei	0.2
Canada	3.055	Qatar	1	South Africa	0.15
Japan	2.579	Luxembourg	0.8	Lithuania	0.1
United Arab Emirates	2.5	German	0.72	Spain	0.1
Norway	2.5	Portugal	0.7	Italy	0.083
				Total	81.478

Source: SAFE as at August 30, 2016

5.1.5 Lock-up Restrictions

QFII can repatriate the principal and profit after a lock-up period, in accordance with the QFII rules, subject to SAFE's approval. Details are as follows:

Inbound Remittance	If the investment quota of a QFII has not been effectively used within 1 year after the date of filing or approval, SAFE may cancel all or part of the unused investment quota.	
Lock-up Restriction	Subject to a 3-month lock-up period starting from: ➤ the day the accumulative total investment principal remitted inbound by QFII reaches USD 20 million.	
Repatriation	Repatriation can only be made after the expiry of the lock-up period, and: Subscription and redemption of open-ended funds: ➤ handled on a daily basis; however the accumulated monthly net capital remitted by a QFII thereunder shall not exceed 20% of the fund's total domestic assets at the end of the preceding year. Others: ➤ the accumulated monthly net capital outflow remitted by a QFII shall not exceed 20% of its total domestic assets at the end of the preceding year.	

5.2 RQFII

5.2.1 Relevant Rules & Regulations

Organization	Reference number	Date	Rules & regulations
CSRC PBOC SAFE	CSRC, PBOC, SAFE Decree No.90	2013-03-01	<i>Measures for the Pilot Program of Securities Investment in China by RMB Qualified Foreign Institutional Investors</i> (《人民币合格境外机构投资者境内证券投资试点办法》)
PBOC SAFE	Yinfa[2016] No.227	2016-09-05	<i>Notice on Issues Relevant to Administration of Domestic Securities Investment by Renminbi Qualified Foreign Institutional Investors</i> (《关于人民币合格境外机构投资者境内证券投资管理有关问题的通知》)

CSRC	CSRC Announcement [2013] No.14	2013-03-01	<i>Provisions on the Implementation of the Measures for the Pilot Program of Securities Investment in China by RMB Qualified Foreign Institutional Investors (《关于实施<人民币合格境外机构投资者境内证券投资试点办法>的规定》)</i>
SZSE	Shenzhenghui [2014]No.36	2014-04-25	<i>Detailed Implementation Rules of the Shenzhen Stock Exchange for the Securities Trading of Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors(《深圳证券交易所合格境外机构投资者和人民币合格境外机构投资者证券交易实施细则》)</i>
Ministry of Finance, State Administration of Taxation, CSRC	Caishui [2014]No.79	2014-10-31	<i>Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues Concerning Temporarily Exempting the Income Derived by QFII and RQFII from the Transfer of Stock or Any Other Equity Investment Asset in China from Enterprise Income Tax(《财政部、国家税务总局、证监会关于 QFII 和 RQFII 取得中国境内的股票等权益性投资资产转让所得暂免征收企业所得税问题的通知》)</i>

5.2.2 Regulators

CSRC	SAFE	PBOC
<ul style="list-style-type: none"> • approves RQFII status • regulates onshore securities investments by RQFIIs 	<ul style="list-style-type: none"> • monitors and regulates repatriation/remittance of RMB funds • approves and allocates RQFII quota 	<ul style="list-style-type: none"> • regulates onshore RMB accounts

5.2.3 Eligible Applicants

The following eligible foreign entities may apply for RQFII license and quota with CSRC and SAFE:

- Subsidiaries in **Relevant Jurisdiction*** of PRC fund management companies, PRC securities companies, PRC commercial banks and PRC insurance companies;
- Financial institutions registered and with a principal place of business in that Relevant Jurisdiction that have:
 - a. obtained an asset management license issued by a regulator in the Relevant Jurisdiction; and
 - b. already conducted relevant asset management business.

***Relevant Jurisdiction:** please refer to *5.2.4 Investment Quota* for complete list of countries and regions with RQFII investment quota.

5.2.4 Investment Quota

On September 5, 2016, the PBOC and SAFE jointly issued the *Notice on Issues Relevant to Administration of Domestic Securities Investment by Renminbi Qualified Foreign Institutional Investors* (“New Regulation”), which came into force the same day. The New Regulation loosens restrictions on the administration of the investment quota that were put in place under the original provisions. Below is a summary of the quota registration system stipulated under the New Regulation.

Basic Quota (Filing basis)	Applicants who own or manage assets or whose corporate group owns or manages assets that are primarily domiciled outside of China	➤ =USD 100 million+ its average asset (or AUM) scale in the last 3 years * 0.2% - the obtained QFII quota (after being converted into RMB).
	Applicants who own or manage assets or whose corporate group owns or manages assets that are primarily domiciled in China.	➤ =Equivalent of RMB 5billion+ its asset (or AUM) scale of the preceding year * 80% - the obtained QFII quota (after being converted into RMB).
	Sovereign funds, central banks and currency administration authorities	➤ Not restricted by asset size. ➤ May obtain investment quota according to investment needs in domestic securities market investment.
Extra Quota (Approval basis)	If an RQFII needs more than its basic quota, application to SAFE for approval is required.	

The filing and approval requirements stipulated under the New Regulation are also applicable to those RQFIIs that have obtained the investment quotas before the promulgation of the New Regulation when such QFIIs apply for an increase in their investment quotas.

RQFIIs shall pay attention to the fact that the investment quota of an RQFII is still limited by the total quota ceiling in the country/region in which the RQFII is located. Where the total quota of the country/region has been used up, even though the base quota of an RQFII is larger than its existing investment quota, the RQFII may still not be able to obtain additional investment quota by way of filing or seeking approval.

As of August 30, 2016, the coverage of the RQFII scheme has been expanded to 17 countries and regions, including Hong Kong, Republic of Korea, Singapore, UK, France, Germany, Luxembourg, Switzerland, Canada, Qatar, Chile, Hungary, Thailand, Malaysia, United Arab Emirates and United States, with an aggregate investment quota of RMB 1,460 billion.

Country/Region	RQFII Quota ceiling set by PBOC (RMB bn.)	Unutilized RQFII quota (RMB bn.)	RQFII Quota approved to institutions by SAFE (RMB bn.)
Hong Kong	270	0	270
Korea, Rep.	120	46	74
Singapore	100	41	59
UK	80	50	30
Australia	50	20	30
France	80	56	24
Luxembourg	50	40	10
Germany	80	73	7
Switzerland	50	45	5
Canada	50	48	2
Qatar	30	30	-
Chile	50	50	-
Hungary	50	50	-
Thailand	50	50	-
Malaysia	50	50	-
United Arab Emirates	50	50	-
United States	250	250	-
Total	1,460	950	510

Source: PBOC, SAFE as at August 30, 2016

5.2.5 Lock-up Restriction

An RQFII can repatriate the principal after a lock-up period, according to the RQFII rules. Details are as follows:

RQFII open-ended funds:	not subject to a lock-up restriction
Other RQFII products:	subject to a 3 months lock-up period starting from: <ul style="list-style-type: none"> ➤ the date when the cumulative investment principal remitted into the PRC by the RQFII reaches an amount equivalent to RMB 100 million.

5.3 QFII & RQFII

5.3.1 Instrument Traded

For QFII and RQFII investors, the following instruments are available:

- stocks, bonds and warrants traded or transferred on stock exchanges;
- fixed income products traded on the interbank bond market;
- securities investment funds;
- stock-index futures; and
- other financial instruments allowed by CSRC.

(including the subscription of additional share issues, rights issues, IPO of shares; and IPO of convertible bonds)

5.3.2 Shareholding Restrictions

Shareholding Restrictions	(1)Single foreign investor	Shares held may not exceed 10% of the total shares of the listed company.
	(2)Total A-shares of an individual listed company held by all foreign investors	The total A-shares held may not exceed 30% of the total shares of the listed company.
	(3)Strategic investor	Where a QFII makes a strategic investment in a listed company, it shall abide by the <i>Measures for the Administration of Strategic Investment Made by Foreign Investors in Listed Companies</i> and other provisions, and its shareholding in strategic investment shall not be subject to the proportion limit as prescribed in (1)&(2).

5.3.3 PRC Tax Implications

		Capital Gain		
		Withholding Tax		Business Tax
Equity: A-shares	10%*	Income derived from the transfer of stock or any other equity investment asset in the PRC derived by QFII and RQFII before Nov 17, 2014 shall be subject to enterprise income tax.		Exempt Gains derived from the trading of securities in the PRC by the domestic companies entrusted by QFIIs shall be exempted from business tax.
	Temporarily exempt	From Nov 17, 2014, such income shall be temporarily exempt from enterprise income tax. (Apply to QFII and RQFII which have no establishments or places of business in China, or whose income as set out above is not effectively connected with their establishments or places of business the PRC even if they have establishments or places of business the PRC.)		
	Reference to <i>Caishui</i> [2014]No.79		Reference to <i>Caishui</i> [2005]No.155	
Bonds	Not specified	Exempt, Reference to <i>Caishui</i> [2005]No.155		

*If the double tax treaty rate differs, tax treaty rate should apply.

Dividend & Interest Income			
		Withholding Tax	Business Tax
Equity: A-shares	10%*	Where a QFII obtains such incomes as dividends, bonuses and interests sourced from within the PRC, it shall pay the enterprise income tax at the rate of 10%. In the case of dividends or bonuses, the enterprise income tax shall be withheld by the enterprise distributing the said dividends or bonuses.	N/A
	Reference to <i>Caishui</i> [2014] <i>No.79</i>		
Govt bonds	Exempt		Not specified
Other types of bonds	10%*	Where a QFII obtains such sources of income as dividends, bonuses and interest from within the PRC, it shall pay the enterprise income tax at the rate of 10%. In the case of interest, the enterprise income tax shall be withheld by the enterprise from payment or payment due.	Not specified
	Reference to <i>Caishui</i> [2014] <i>No.79</i>		

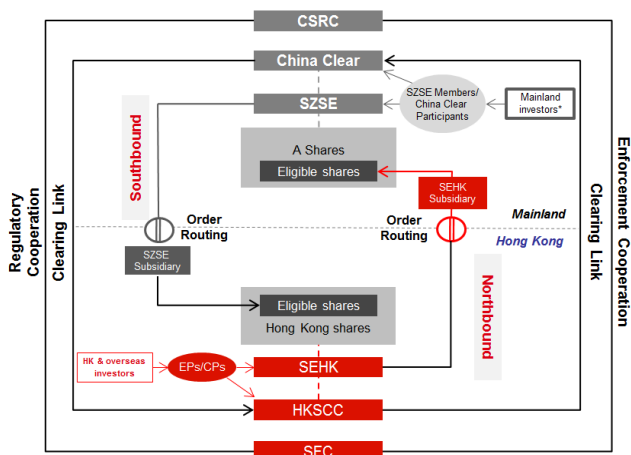
*If the double tax treaty rate differs, tax treaty rate should apply.

5.4 Shenzhen-Hong Kong Stock Connect

Shenzhen-Hong Kong Stock Connect (Shenzhen Connect) is a mutual stock market access mechanism under which SZSE and the Stock Exchange of Hong Kong Limited (SEHK) have established order-routing connectivity between their respective exchanges to enable investors in the Mainland and Hong Kong to trade eligible shares listed in each other's exchanges through local securities companies or brokers.

Under the Shenzhen Connect, appointed Hong Kong brokers can facilitate the Northbound trading of eligible shares listed on SZSE by sending orders to SZSE through a securities trading service company established by SEHK in Shenzhen.

Settlement of trading through both the northbound and southbound links is conducted in RMB.



5.4.1 Major Rules & Regulations

Organization	Reference Number	Date	Rules & regulations
CSRC SFC	CSRC, PBOC,SAFE Decree No.90	2016-08-16	<i>Joint Announcement of the China Securities Regulatory Commission and the Securities and Futures Commission</i> (《中国证券监督管理委员会香港证券及期货事务监察委员会联合公告》)
CSRC	(Document 128)	2016-09-30	<i>Several Provisions on the Mutual Stock Market Access Mechanism between the Mainland and HongKong</i> (《内地与香港股票市场交易互联互通机制若干规定》)
SZSE	Membership Doc [2016]292 SZSE	2016-09-30	<i>Measures of Shenzhen Stock Exchange for the Implementation of Shenzhen-Hong Kong Stock Connect Program</i> (《深圳证券交易所深港通业务实施办法》)
删除 SZSE	Membership Doc [2016] 293 SZSE		<i>Investor Suitability Management Guide for Hong Kong-bound link Under Shenzhen Hong Kong Connect</i> (《港股通投资者适当性管理指引》)
SZSE	Membership Doc [2016] 294 SZSE		<i>Essential Clauses for Risk Declaration for Trading though Hong Kong-bound link under Shenzhen-Hong Kong Connect</i>

			《港股通交易风险揭示书必备条款》 <i>Essential Clauses for Broker Service Agreement for Trading through Hong Kong-bound link under Shenzhen-Hong Kong Connect</i> 《港股通委托协议必备条款》
SZSE	Membership [2016] 291 SZSE	Doc	Trading Rules 《交易规则》
	Membership [2016] 683 SZSE	Doc	<i>Implementation Guideline for HKSCC to Participate in Online Voting on behalf of Investors Trading Through Shenzhen-Hong Kong Connect</i> 《香港中央结算有限公司参与深股通上市公司网络投票实施指引》
SZSE	Membership [2016] 682 SZSE	Doc	<i>Implementation Rules on Online Voting at SZSE-listed Companies' Shareholders' General Meeting</i> 《深圳证券交易所上市公司股东大会网络投票实施细则（2016年9月修订）》
SZSE			<i>Notice on Information Disclosure and Related Matters for Listed Companies Under Hong Kong-bound Trading Link of Shenzhen-Hong Kong Stock Connect</i> 《关于深港通业务中上市公司信息披露及相关事项的通知》
Ministry of Finance, State Administration of Taxation, CSRC	Caishui [2014]No.81 (Applicable to Shanghai-HK Connect, for reference only)	2014-11-24	<i>Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets</i> (《财政部、国家税务总局、证监会关于沪港股票市场交易互联互通机制试点有关税收政策的通知》)

5.4.2 Eligible Applicants

At the initial stage, investors eligible to trade shares that are listed on the ChiNext Market of SZSE under the Shenzhen Connect will be limited to institutional professional investors (IPI) as defined in the paragraph 15.2 of the Code of Conduct for Persons Licensed by or Registered with the SFC of Hong Kong. An IPI is defined as a person falling under paragraphs (a) to (i) of the definition of “professional investors” in Section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance of Hong Kong according to Stock Connect Another Milestone FAQ issued by HKex.

5.4.3 Eligible Shares

The eligible shares for Shenzhen Connect include:

- (1) Constituent stock of the SZSE Component Index with an average daily market capitalization of at least RMB 6 billion;
- (2) Constituent stock of the SZSE Small/Mid Cap Innovation Index with an average daily market capitalization of at least RMB 6 billion;
- (3) SZSE-listed A shares of A+H companies that are dual-listed on the Exchange and the SEHK Main Board.

Shares listed as per (1),(2)&(3) will not be included in Shenzhen Connect if they are:

- Issued a risk alert by the Exchange (i.e., ST and *ST shares);
- Suspended from listing by the Exchange;
- In the pre-delisting period;
- Quoted and traded in foreign currencies (i.e. B Shares); or
- In other special situation as recognized by the Exchange.

With the approval of the regulatory authority, the Exchange may adjust the scope of eligible shares for Shenzhen Connect.

5.4.4 Investment Quota and Control Mechanism

Aggregate Quota:	No aggregate quota limit;
Daily Quota:	RMB13 billion Daily quota is calculated on a net-buy basis. No remaining daily quota is carried over to the next trading day. The Shenzhen Connect daily quota balance shall be calculated as follows: Daily Quota Balance = Daily Quota – Buy Orders + Sell Trades + Buy Orders cancelled or Buy Orders rejected by the Exchange + Difference between the execution prices and bid prices of Buy Orders.
If Daily Quota balance ≤ 0:	<ul style="list-style-type: none"> ➢ During pre-opening section: Reject new buy orders until quota balance becomes positive (e.g. due to buy order cancellation), but still accept sell orders ➢ During continuous auction section or closing auction section: Suspend buy orders for the remaining of the day, but still accept sell orders.

5.4.5 Shareholding Restrictions

Shareholding Restrictions	(1)Single foreign investor	Shares held may not exceed 10% of the total shares of the listed company
	(2)Total A-shares of an individual listed company held by all foreign investors	Total A-shares held may not exceed 30% of the total shares of the listed company.
	(3)Strategic investor	Where a foreign investor makes strategic investment in a listed company, it shall abide by the <i>Measures for the Administration of Strategic Investment Made by Foreign Investors in Listed Companies</i> and other provisions, and

its shareholding in strategic investment shall not be subject to the proportion limit as prescribed in (1)&(2).

5.4.6 PRC Tax Implications

Currently, no specific taxation rules have been released by the relevant authorities in relation to the Shenzhen-Hong Kong Stock Connect. For your reference, taxation issues of investors in A-shares listed on the Shanghai Stock Exchange through the Shanghai-Hong Kong Stock Connect are illustrated as per below.

Capital gains	Enterprise income tax	Temporarily exempt	Reference to <i>Caishui[2014]No.81</i>
	Business tax		
	Individual income tax		
Dividends	Subject to 10% withholding tax and the listed company distributing the dividends has the withholding obligation. If the recipient is entitled to a lower treaty rate, it can apply to the in-charge tax bureau of the payer for a refund.		

5.4.7 Frequently Asked Questions

Q1: What is the Mutual Market Access Program?

The Mutual Market Access Program aims to establish mutual stock market access between the Mainland and Hong Kong. The Mutual Market Access Program includes the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect initiatives.

Under the Connect Program, mutual order-routing connectivity and related technical infrastructure has been established between the Hong Kong and Mainland stock markets to enable investors in one market to trade designated equity securities listed in the other markets. In order to facilitate trading and as part of the overall infrastructure plan, Shenzhen Stock Exchange has established a subsidiary known as *China Innovation Market Service Company Limited* (中国创盈市场服务有限公司) in Hong Kong.

China Clear, Hong Kong Securities Clearing Company Limited (HKSCC), and a wholly-owned subsidiary of HKEX, are responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by their respective market participants and/or investors.

Following the successful launch of the Shanghai Connect, the Shenzhen Connect by and large applies similar program principles and design to minimize the cost of operation for market participants. However, the Shenzhen Connect will facilitate trading of eligible shares in innovative and small-mid cap sectors of both markets.

On 16 August 2016, the Securities and Futures Commission (“SFC”) and China Securities Regulatory Commission (“CSRC”) made a Joint Announcement (“**Joint Announcement**”) regarding the in-principle approval of the development of the Shenzhen Connect for the further establishment of mutual stock market access between the Mainland and Hong Kong. By the end of September 2016 both exchanges had released detailed rules regarding trading, clearing, settlement information disclosure and online voting.

Q2: Does Mainland law recognize the beneficial ownership structure?

Article 18 of *Measures on Securities Registration and Settlement* provides that securities shall be recorded under the underlying owner's account. But where securities are recorded under nominee holding account in accordance with laws, administrative regulations or CSRC rules, provisions on nominee holdings should be followed. Article 13 of *Several Provisions on the Mutual Stock Market Access Mechanism between the Mainland and Hong Kong* clarifies that mainland shares purchased under the Connect Program shall be recorded under the nominee account of HKSCC and **underlying shareholders shall be entitled to the rights of the assets represented by the shares.**

Q3: How do Hong Kong and overseas investors exercise shareholders' rights on mainland-listed shares purchased under the Connect Program? Can Hong Kong and overseas investors vote online?

Under the Connect Program, arrangements for underlying beneficial owners of mainland-listed shares acquired through the Connect Program to exercise shareholders' rights shall be made in accordance with Hong Kong SAR laws. According to *CCASS Rules and CCASS Operating Procedures*, HKSCC, as the nominee holder, shall exercise the following rights on behalf of CCASS Participants and the underlying beneficial owners of securities purchased under the Connect Program:

- the right to call and participate in shareholders' meetings;
- the right to propose matters for voting at shareholders' meetings;
- the right to exercise voting rights or control over the company through voting at shareholders' meetings;
- the right to receive dividends and other distributions declared and etc.

Online voting is available for HKSCC as a nominee holder for Hong Kong and overseas investors in Shenzhen-listed shares through Shenzhen Connect. HKSCC shall solicit voting instructions from underlying shareholders and vote online on their behalf. SZSE has specified operational and technical details for online voting on its official website.

Q4: How can Hong Kong and overseas investors take legal actions to enforce rights to mainland-listed shares held through the Connect Program?

There are no clear legal provisions for or against underlying beneficial owners taking legal actions under the Connect Program. As the CSRC understands it, HKSCC, as the nominee shareholder for Shenzhen and Shanghai-listed shares acquired through the Connect Program, is entitled to exercise shareholders' right and take legal actions. According to article 119 of Civil Procedure Law of the People's Republic of China, the claimant must be a citizen, legal person or other organization with a direct interest in the case. If a Hong Kong or overseas investor can provide sufficient evidence to prove that he or she is the underlying beneficial owner with a direct interest, he or she can take legal actions with a mainland court in his or her own name.

Q5: Are certificates of beneficial ownership issued by HKSCC deemed valid by CSRC?

Article 3 *Several Provisions on the Mutual Stock Market Access Mechanism between the Mainland and Hong Kong* clarifies of the principle of *Home Rules*. Article 13 provides that mainland shares acquired by Hong Kong and overseas investors shall be recorded under HKSCC

account. As a result, according to CSRC, Laws and regulations of Hong Kong SAR shall provide arrangements to prove beneficial ownership for Hong Kong and oversea investors. **If Hong Kong SAR's law and regulation recognize the authority of HKSCC and its participants to issue certificates of beneficial ownership for Hong Kong and overseas investors under the Connect Program, CSRC shall observe the arrangement.**

Q6: Is a top-10 shareholder under the Connect Program defined as nominee holder or underlying beneficial owner?

According to *Forms and Contents of Annual Reports for Issuers (2015)*, an issuer shall disclose, at the end of the reporting period, its total number of shareholders, shareholders with 5% of corporate shares or more or at least top 10 shareholders if fewer than 10 shareholders hold 5% of corporate shares or more each. Currently, the A-shares market recognizes shareholders in accordance with the shareholders' list published by the clearing institution. **In other words, shareholders are recognized at the nominee level.** It maintains market efficiency to allow shareholder recognition at the nominee level under the Connect Program.

Q7: In disclosing shareholders with 5% shareholding or more, are shareholders defined as nominee or underlying beneficial owners? Who is responsible for disclosing information on changes in holdings for shareholders with a 5% stake or more? Is aggregation of interests required?

Article 68 of *Securities Law of China* provides that shareholders with 5% shareholdings or more and de facto controller of the listed company shall issue public announcements, reports or interim reports regarding changes in shareholding or control of the listed company. And *Measures of Management Over Listed Companies' Acquisitions* provides that a shareholder's interest in a listed company includes shares recorded under his or her account and shares that are under his or her control despite being recorded under others' accounts. **Holdings of shareholders and those acting in concert shall be aggregated. Those holding over 5% of corporate shareholdings, controlling shareholders and de facto controlling shareholders shall be responsible for relevant information disclosure.**

Article 13 and 14 of *Several Provisions on the Mutual Stock Market Access Mechanism between the Mainland and HongKong* provide that **investors who purchased shares through northbound links, when reaching the reporting threshold, shall fulfill obligations of reporting and information disclosure.**

Q9: Under the Connect Program, a single investor can only invest in up to 10% of a listed company's shares. In calculating the holding ratio and recognizing the limit, do we specify nominee or underlying shareholders? Is it required to aggregate mainland and overseas interests of the same listed company?

According to *Measures on Management of Listed Companies' Acquisitions*, the interests of an investor and those acting in concert shall be aggregated. Acting in concert means that investors through agreement and other arrangements merge voting shares for collective control. Investors who act in concert in a listed company's acquisition activities or changing of interest positions are

mutually parties acting in concert.

According to *Several Provisions on the Mutual Stock Market Access Mechanism between the Mainland and Hong Kong*, an overseas investor in fulfilling his or her disclosure obligation **shall aggregate his or interests in the same listed companies both on the mainland and outside it**. An overseas investor applying for a QFII license, he or she shall solidly fulfill obligations of information disclosure and prohibition of short-term speculation. **QFII and those acting in concert shall aggregate their interests in the same listed company. Where a QFII manages different investments products or mandates, sub-holdings in the same listed company shall be aggregated.**

Under the Connect Program, overseas investors shall observe information disclosure obligations as described above.

Q10: How should an asset management company or a group company fulfill information disclosure obligations? Should holdings in the same listed companies by different subsidiaries be aggregated?

Measures of Management Over Listed Companies' Acquisitions provides that a shareholder's interest in a listed company includes shares recorded under his or her account and shares that are under his or her control despite being recorded under others' accounts. Investors and others acting in concert shall aggregate their shareholdings. Under the Connect Program, asset management companies and group companies shall follow above-mentioned information disclosure obligations.

Q11: What are designated websites for information disclosure in connection with Shenzhen Hong Kong Stock Connect?

As approved by CSRC, SZSE's official website (www.szse.cn) and CNINFO website (www.cninfo.com.cn) have been designated for information disclosure for Shenzhen-bound link of the Shenzhen Connect. After the launch of the Shenzhen Connect, besides the above-mentioned designated websites, information disclosure shall continue to be carried by designated media according to current rules of operation. Operational details of information disclosure will be implemented according to current rules.

Q12: What are the rules for covered short sales for Shenzhen shares through the Shenzhen Connect?

The eligible shares for margin trading and covered short selling under the Shenzhen Connect shall be among the eligible securities for margin trading and short selling on the Shenzhen Stock Exchange. SEHK Securities Trading Service Company shall specifically mark out short selling orders covered by Shenzhen-listed shares in the Connect Program. The order price of covered short selling shall not be lower than the last execution price of the same stock; in the absence of any executed trade on the given trading day, the order price shall not be lower than the previous closing price.

SEHK Securities Trading Service Company shall procure that SEHK participants require that the order price at which its clients sell the shares borrowed for covered short selling shall meet the requirements in the previous paragraph if they sell such shares before returning the same, except for the portion of the shares that exceed the unreturned amount of borrowed shares.

The covered short selling ratio of a single Shenzhen Connect share during a single Shenzhen

Connect trading day shall not exceed 1%; the cumulative covered short selling ratio of a single Shenzhen Connect share shall not be over 5% over 10 consecutive Shenzhen Connect trading days.

Q13 Are the non-trading transfer of shares allowed in the trading of Shenzhen-listed shares through the Connect Program?

Yes. The non-trading transfer of Shenzhen Connect shares is allowed in the following circumstances:

- (1) The lending of Shenzhen Connect shares for covered short selling with a term of less than one month;
- (2) The one-day, non-renewable lending of Shenzhen Connect shares for pre-check purposes within the scope of securities held by oneself;
- (3) The transfer of Shenzhen Connect shares between an SEHK participant and its clients to correct an erroneous trade;
- (4) The allocation of Shenzhen Connect shares purchased by a fund manager through the omnibus account to different fund accounts under its management;

However beyond the above circumstances trading off exchange is not allowed.

Source: CSRC, SZSE and HKex

5.5 B-shares

5.5.1 Opening of a B-share Account

Foreign investors can invest in the B-share market, in which securities are denominated in HKD (in SZSE). Investors need to open securities account with the China Securities Depository & Clearing Corp. Ltd. (CSDC) Shenzhen branch. Detailed procedures are listed as per below:

(1) Open a B-share margin account and make cash deposit in a bank	Transfer the cash deposits and foreign currency cash deposits saved in the former bank with his or her legal personal identity to the B-share margin account opened in the same city and same bank. Domestic commercial banks shall provide vouchers for individual domestic investors and statements of accounts for securities institutions.
(2) Open a B-share capital account in a securities firm	Open a B-share capital account in the securities institutions with his or her legal personal identity and personal cash entry vouchers, with a minimum deposit of USD1,000 (or an equivalent amount of Hong Kong dollars) in the B-share capital account.
(3) Open a B-share security account in a securities firm	Open a B-share security account in the securities institutions against the presentation of the certificate verifying that the B-share capital account is opened.

Source: SIPF

There is no restriction on the repatriation of after-tax income or proceeds from B-shares for foreign investors.

5.6 Mainland-Hong Kong Mutual Recognition of Funds

On July 1, 2015, upon approval by CSRC, Mainland-Hong Kong Mutual Recognition of Funds (MRF), the scheme allows international asset management companies to distribute investment funds within the Hong Kong and Mainland retail markets.

The initial investment quota for the MRF is RMB 300 billion for funds flow between Hong Kong and the Mainland each way. On the People's Bank of China and the State Administration of Foreign Exchange jointly published the *Operational Guidelines for Mutual Recognition of Funds between Mainland China and Hong Kong* on November 6, 2015. With immediate effect, SAFE would only monitor the total investment quota of the MRF instead of each institution or each product.

Mainland China-Hong Kong Fund Mutual Recognition Service Platform

On December 5, 2015, the Mainland China and Hong Kong fund mutual recognition service platform was launched. The platform is connected with the HKMA's Central Money Market Units, related institutions in Mainland China and Hong Kong can realize data exchange, secondary registration and trusteeship and fund settlement for cross-border fund sales just by accessing to the platform from a single point.

6. Contact Us

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