

Notes on Amendments to the *Interim Measures for the Listing and Trading of Depository Receipts under the Stock Connect Scheme between Shenzhen Stock Exchange and Overseas Stock Exchanges*

The Shenzhen Stock Exchange (“SZSE” or the “Exchange”) has amended the *Interim Measures for the Listing and Trading of Depository Receipts under the Stock Connect Scheme between Shenzhen Stock Exchange and Overseas Stock Exchanges* (“*Interim Measures*”) to further regulate the overseas offering, by domestically listed companies, of global depository receipts that are convertible into the domestically listed underlying shares. The following sections seek to explain these changes.

I. Background and Overarching Principles

On 16 May, the China Securities Regulatory Commission (“CSRC”) released the *Application Guidelines for Regulatory Rules—Overseas Offering and Listing No. 6: Guidelines for the Overseas Offering of Depository Receipts by Domestically Listed Companies* (“*Regulatory Guidelines*”) to regulate the overseas offering of global depository receipts (“GDRs”) by domestically listed companies. Notably, the *Regulatory Guidelines* require registration of the domestic issuance of the additional underlying shares corresponding to the GDRs, as well as review, by the relevant stock exchange, of the issuance in reference to the procedures for offering of shares by listed companies to specified investors. These requirements need to be implemented through the *Interim Measures*.

The *Interim Measures* are meant to be a set of foundational rules governing depository receipts under the Stock Connect schemes. They contain rules and mechanisms for GDRs optimized based on the experiences of the recently launched China-Switzerland Stock Connect, the changes introduced by the *Regulatory Guidelines*, and the administrative needs of the Exchange. In particular, the *Interim Measures* (1) have clarified the listing criteria based on the product positioning of GDR; (2) provide the specifics of the review procedures in reference to the follow-on offering rules; (3) have strengthened supervision by including more market participants into their scope; and (4) set out the information disclosure requirements for issuers in view of the characteristics of the cross-border offering of GDRs.

II. Major Changes

This round of amendment includes 3 newly added Articles and 9 updated ones, bringing the total number of Articles of the *Interim Measures* to 134.

The three newly added Articles contain the following contents.

First, clarifying the listing criteria for the underlying shares to be newly issued domestically for the corresponding GDR. Any SZSE-listed company that applies for the

issuance and listing of additional shares at the Exchange in support of its overseas offering and listing of GDR must meet the following criteria: (1) meeting the offering conditions provided in the *Measures for Administration of Registration of Securities Offering by Listed Companies* (“*Measures for Administration of Registration*”); (2) having been listed on the Exchange for at least one year or, in the case of restructuring and listing, having been listed for at least one year after such restructuring and listing; (3) having an average A-share market capitalization of at least RMB 20 billion as calculated based on the closing price of the underlying shares over the 120 trading days prior to the offering application date; and (4) meeting any other conditions as required by the Exchange. (Article 105)

Second, clarifying the body and process of issuance review. The SZSE offering and listing review body will review the application documents for the offering and listing of the newly issued domestic underlying shares. The *Rules Governing the Review of Offering and Listing of Securities by Companies Listed on Shenzhen Stock Exchange* (“*Follow-on Offering Review Rules*”) and other provisions on the offering of securities to specified investors will apply to the application for the issuance and listing of the underlying shares and the acceptance of such application, review by the offering and listing review body, submission of review opinions to the CSRC, post-meeting matters, second reviews, suspension and termination of review, and other review-related matters. (Article 106)

Third, clarifying the disclosure requirements for SZSE-listed companies’ interim information at key stages of their application for the overseas offering and listing of GDRs. Any SZSE-listed company that applies for the offering and listing of GDR at an overseas stock exchange is required to make prompt disclosures of its progress when: (1) it submits an application to the relevant competent overseas authority for the offering and listing of the GDR, unless the application is made in a non-public manner pursuant to the regulatory requirements of the overseas market; (2) the competent overseas authority has issued a conclusion following its review of the offering and listing of the GDR; (3) the CSRC has approved the filing for the offering and listing of the GDR; (4) the GDR is successfully offered and listed on the overseas stock exchange; (5) the SZSE-listed company has received the proceeds from offering and listing; (6) the SZSE-listed company suspends or terminates the offering and listing of the GDR; and (7) there is any other major progress that warrants disclosure. (Article 107)

The nine updated Articles main concern the following changes.

First, correspondingly improved basis and scope of application of the *Interim Measures*. The *Measures for Administration of Registration* is added as an additional basis of the *Interim Measures*, which is now also applicable to the issuance and listing of the underlying shares of GDRs. Matters not covered in the *Interim Measures* will be governed by the *Follow-on Offering Review Rules*, the *Rules Governing the Listing of Shares on Shenzhen Stock Exchange*, the *Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange*, and other rules of the Exchange. (Articles 1 and 2)

Second, expanded supervisory scope. Domestically listed companies that plan to issue GDRs and their directors, supervisors, senior executives, controlling shareholders, and *de facto* controllers, as well as the sponsors of the newly issued underlying shares and their sponsor representatives, securities service providers, and related personnel are required to abide by the applicable rules and accept the market self-regulatory measures of the Exchange. Any violation will entitle the Exchange to impose self-regulatory measures or disciplinary sanctions. (Articles 3 and 122)

Third, other associated changes. The line “listing of the newly issued underlying shares” is changed into “listing of the newly issued domestic underlying shares”; any offering of GDR is expressly required to meet the conditions specified in the *Supervision and Administration Provisions*; expressions such as the “listing review committee” and the “rules review procedures” are improved; and it is made clear that the original *Interim Measures* will expire on day that the amended version is released. (Articles 15, 104, 108, 132, and 134)

III. Solicitation and Reflection of Public Comments

The Exchange received 109 comments and suggestions during the public consultation period, which are further consolidated into 47 based on contents. In particular:

- 2 concern the provisions of SZSE rules. With full regard given to these comments and to the realities of the domestic and overseas markets, the Exchange has modified or improved its rules on the timing of disclosure of interim information in the overseas offering and listing of GDRs.
- 17 concern understanding of or suggestions on the higher-level rules or systems. These have been forwarded to the competent authorities.
- 28 concern understanding of the mechanisms or rules of the Exchange. Regarding these comments and suggestions, the Exchange will hold discussions with the relevant market participants, offer interpretation and explanations during training, and consider making the corresponding protocol changes.