

Rules of the Exchange

CHAPTER 1

INTERPRETATION

101. In these Rules, unless the context otherwise requires:-

“Clearing Links” has the same meaning as defined in the CCASS Rules;

“CSRC” means the China Securities Regulatory Commission;

“Special Participant Open Gateway” means a hardware and software component operated by a Special Participant, which provides the communications interface between the System and the Special Participant’s trading devices;

“SPSA Delivery Failure” has the same meaning as defined in the Operational Procedures of CCASS;

“standard throttle rate” means the standard throughput rate of an order into the System through (a) an Open Gateway assigned with single Stock Exchange Trading Right or (b) a Special Participant Open Gateway, as determined by the Board from time to time;

CHAPTER 5

TRADING

Operational Trading Rules

Exchange Participants trading through China Connect Exchange Participants

590. (2A) An Exchange Participant whose name is included in the published list of Exchange Participants referred to in Rule 590(2) may at any time give the Exchange advance written notice to cease to conduct trading in China Connect Securities through the China Connect Service for the account of its clients through a China Connect Exchange Participant, whereupon the Exchange may remove its name from such list. Without prejudice to the foregoing, an Exchange Participant’s name shall be removed from the list if:

(a) the Exchange Participant has applied for registration as a China Connect Exchange Participant under Rule 1406(4), the Exchange has approved its application and has registered it as a China Connect Exchange Participant;
or

(b) the Exchange Participant ceases to carry on business.

- (3) Subject to Rule 590(2), any instruction provided by an Exchange Participant, whether directly to a China Connect Exchange Participant or indirectly through another Exchange Participant, to sell or buy China Connect Securities shall be subject at all times to any provision in these Rules that applies to the use of the China Connect Service or the trading of China Connect Securities or in China Connect Markets, including Chapter 14 of these Rules (except Rules 1404-1406A and 1410-1414), the applicable China Connect Service Special Rules and any regulations, requirements, conditions, restrictions, arrangements and other stipulations that may be made, issued or published pursuant to Chapter 14 or the applicable China Connect Service Special Rules.
- (5) By providing instructions to a China Connect Exchange Participant as referred to in Rule 590(3), the Exchange Participant agrees and represents to the Exchange that it shall abide by all applicable laws with regard to the trading of China Connect Securities on the relevant China Connect Market, including but not limited to any provision in these Rules that applies to the use of the China Connect Service or the trading of China Connect Securities or on China Connect Markets, Chapter 14 of these Rules (except Rules 1404-1406A, 1410-1414), the applicable China Connect Service Special Rules and any regulations, requirements, conditions, restrictions, arrangements and other stipulations that may be made, issued or published pursuant to Chapter 14 or the applicable China Connect Service Special Rules, in the same manner as if it were a China Connect Exchange Participant trading on the relevant China Connect Market through the use of the China Connect Service.

CHAPTER 14

CHINA CONNECT SERVICE

Resignation as a China Connect Exchange Participant

- 1406A. (1) An Exchange Participant may at any time give the Exchange written notice of its intention to resign as a China Connect Exchange Participant.
- (2) Where a notice under Rule 1406A(1) is given to the Exchange, the resignation of the China Connect Exchange Participant shall be subject to such conditions as the Exchange considers appropriate and shall take effect only after the Exchange has notified its approval in writing, the date on which the resignation is to take effect and any applicable conditions. Pending such approval and before the specified effective date, the China Connect Exchange Participant shall continue to be bound by all relevant provisions of Chapters 14 and 14A.
- (3) If a China Connect Exchange Participant, in its capacity as an Exchange Participant, gives notice of its cessation of business to the Exchange under Rule 353, such notice shall be deemed to be a notice under Rule 1406A(1) whereupon Rule 1406A shall apply.
1436. The Exchange may at any time and on such terms as it thinks fit revoke or terminate an Exchange Participant's registration as a China Connect Exchange Participant, or suspend, restrict or terminate a China Connect Exchange Participant's access to or use of the China Connect Service in respect of any China Connect Market or any part thereof where the Exchange considers it appropriate and reasonable to do so (including where the China Connect Exchange Participant fails to comply with these Rules) including any provision in this Chapter 14 and the applicable China Connect Service Special Rules. This is without prejudice to any other action that the Exchange may take against the China Connect Exchange Participant or any other rights of the Exchange. Before the revocation or termination of an Exchange Participant's registration as a China Connect Exchange Participant takes effect, the China Connect Exchange Participant shall continue to be bound by all relevant provisions of Chapters 14 and 14A.

CHAPTER 14A

CHINA CONNECT SERVICE - SHANGHAI

Interpretation

14A02. (2) In this Chapter, unless the context otherwise requires:

~~“CSRC”~~ ~~means the China Securities Regulatory Commission;~~

“SSE Rules” means the SSE Regulations on the Shanghai-Hong Kong Stock Connect Pilot Programme and the business and trading rules and regulations of SSE; ~~and~~

“Stock Borrowing and Lending Arrangement” means an arrangement permitted under Rule 14A16 whereby the persons referred to in Rules 14A16(4) to (7) borrow or lend China Connect Securities for the purposes mentioned in Rule 14A16(2) pursuant to a stock borrowing and lending agreement, and references to “Stock Borrowing and Lending”, “Stock Lender”, “Stock Borrower”, “lend” and “borrow” shall be construed accordingly; and

Operational Hours of the China Connect Service in relation to SSE

14A03. (2) The trading days and trading hours of SSE are set out below, which may be subject to change in accordance with the SSE Rules. Except between 9:20 and 9:25, SSE normally accepts order cancellation requests during its trading hours.

| | |
|---|---|
| SSE trading days | Monday to Friday (“T”) except where T is a public holiday in Mainland China |
| Trading hours on <u>an</u> SSE trading day | Opening Call Auction session in the morning : 09:15 – 09:25 Continuous Auction session in the morning: 09:30 – 11:30 Continuous Auction session in the afternoon: 13:00 – 15:00 |

- (3) The trading days of the China Connect Service and the operational hours are set out below, which may be subject to change in accordance with Rule 1415.

| | |
|--------------------------|---|
| CSC trading days | Monday to Friday (“T”) except where: (a) T is a public holiday in Mainland China or Hong Kong; or (b) banking services are not available in Mainland China or Hong Kong on T+1, the corresponding money settlement day. |
| Operational hours | Morning session: 09:10 – 11:30 Afternoon session 12:55 – 15:00 |

- (b) China Connect Exchange Participants may input China Connect orders for transmission to the CSC on a CSC trading day starting from:
- (i) 9:10 in respect of the SSE Opening Call Auction session in the morning;
 - (ii) 9:25 in respect of the SSE Continuous Auction session in the morning; and
 - (iii) 12:55 in respect of the SSE Continuous Auction session in the afternoon.

This means that the CSC will normally accept China Connect orders five minutes before commencement of each SSE trading session. Processing of China Connect orders in the SSE Market System normally starts at the beginning of each SSE trading session, as referred to in Rule 14A03(2).

Trading Arrangements

Quotation requirements and restrictions

- 14A06. (2) China Connect orders shall comply with the following:

| | |
|--|--|
| Price Limit of the China Connect Market | ±10% (and ±5% for <u>shares of “ST companies” and “*ST companies”</u> stocks under risk alert) based on the previous closing price |
| Turnaround Trading | Not allowed as set out in Rule 14A06(4)- |

Pre-trade checking

- (5) As SSE will conduct pre-trade checking of all sell orders routed to the SSE Market System to ensure that there will be sufficient securities to settle delivery obligationss on the settlement day assuming that all submitted sell orders will be executed, pre-trade checking procedures with respect to all China Connect sell orders will be applied by the Exchange and the SEHK Subsidiary to ensure that the relevant accounts have sufficient securities available for settlement before they are routed to the SSE Market System for execution.

- (6) In respect of a China Connect Exchange Participant who is a China Connect CCASS Clearing Participant, pre-trade checking of its China Connect sell orders will be conducted on the stock holding position of ~~the China Connect Exchange Participant's~~ its designated CCASS stock account(s) in accordance with Rules 14A06(8)(a),(c) and (d) except where the China Connect sell order is an SPSA order, in which case Rule 14A06(7A) shall apply.
- (7) In respect of a China Connect Exchange Participant who is not a China Connect CCASS Clearing Participant, pre-trade checking of its China Connect sell orders will, unless such order is an SPSA order, be conducted on the stock holding position of the CCASS stock account(s) that has been designated to ~~it the China Connect Exchange Participant~~ by its duly appointed the CCASS GCP for the settlement of who has been authorized to settle its China Connect Securities Trades ~~for the China Connect Exchange Participant under the clearing agreement referred to in Rule 1406(3)(e)~~. Pre-trade checking of its China Connect sell orders will be conducted in accordance with Rules 14A06(8)(a), (c) and (d) except where the China Connect sell order is an SPSA order, in which case Rule 14A06(7A) shall apply.
- (7A) In respect of an SPSA order input by a China Connect Exchange Participant, pre-trade checking will be conducted on the stock holding position ~~in~~ of the Special Segregated Account ~~which has been assigned~~ with the assigned investor identification number indicated by the China Connect Exchange Participant when it inputs the SPSA order in accordance with Rules 14A06(8)(b), (c) and (d).
- (8) (a) Subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the CCASS Rules, the ~~The~~ total number of shares which can be the subject of China Connect sell orders (other than SPSA orders) in respect of each China Connect Security on a CSC trading day shall not exceed the total stock holding position in respect of the same China Connect Security as shown in the relevant designated CCASS stock account(s) referred to in Rule 14A06(6) or (7) immediately before the commencement of operation of the China Connect Service on that CSC trading day.
- (b) Subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the CCASS Rules, the ~~The~~ total number of shares which can be the subject of SPSA orders in respect of each China Connect ~~Security~~ Securities in a Special Segregated Account on a CSC trading day shall not exceed the total stock holding position in respect of the same China Connect Security as shown in the relevant Special Segregated Account referred to in Rule 14A06(7A) immediately before the commencement of operation of the China Connect Service on that CSC trading day.
- (c) In respect of overdue short stock positions in China Connect Securities of a China Connect CCASS Clearing Participant under the CNS System which are outstanding for settlement on the due date where such China Connect CCASS Clearing Participant is a China Connect Exchange Participant, HKSCC will request the Exchange to deduct the overdue short stock position quantities from the sellable balances of such China Connect CCASS Clearing Participant on the next CSC trading day, and if such China Connect CCASS Clearing Participant is a CCASS GCP of any China Connect Exchange Participant(s), from the sellable balances of each of such China Connect Exchange

Participant(s) on the next CSC trading day. If such overdue short stock positions are, or are alleged by such China Connect CCASS Clearing Participant to be, caused in whole or in part by an SPSA Delivery Failure, the sellable balances of such China Connect CCASS Clearing Participant, and/or the relevant China Connect Exchange Participant(s) and the relevant Special Segregated Accounts will be adjusted in accordance with the CCASS Rules.~~the result of a failure to deliver to it the China Connect Securities from a Special Segregated Account and HKSCC is satisfied that is the case, as referred to in the CCASS Rules, HKSCC will request the Exchange to deduct the overdue short stock position quantities from the sellable balances of the relevant Special Segregated Account instead.~~

- (d) Any China Connect sell order input by a China Connect Exchange Participant which may, upon execution, exceed the relevant total stock holding positions mentioned in Rule 14A06(8)(a) or (b) above will (subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the CCASS Rules) be rejected.
- (9) To enable the Exchange and the SEHK Subsidiary to apply the pre-trade checking procedures, HKSCC will, in accordance with the CCASS Rules and subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the CCASS Rules, reproduce and replicate the stock holding records of the CCASS stock accounts (both client and house account positions) referred to in Rules 14A06(6) and (7) and the Special Segregated Accounts referred to in Rule 14A06(7A), and transmit the information to the CSC before the commencement of operation of the China Connect Service~~each CSC trading day~~ on each CSC trading day. Each China Connect Exchange Participant agrees to and authorizes the reproduction, replication and transmission of its stock holding records as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures. In respect of Special Segregated Accounts, each China Connect Exchange Participant who is authorized to execute on behalf of its clients sale of China Connect Securities in the Special Segregated Accounts acknowledges and confirms that its clients have authorized the reproduction, replication and transmission of the stock holding records of the Special Segregated Accounts as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures.
- (10) Consistent with Rule 1421(2), China Connect Exchange Participants shall put in place appropriate arrangements to ensure that (a) in respect of an SPSA order, Rule 14A06(2A) will be complied with before the placing of the order; and (b) in respect a China Connect sell order other than an SPSA order,~~(a) that~~ there are sufficient China Connect Securities in ~~their~~the relevant client account ~~and/or~~ house accounts, as applicable, within CCASS before placing ~~the a China Connect sell order (other than an SPSA order)~~ the a China Connect sell order (other than an SPSA order) for the account of their client or for their own account, as the case may be; and (b) compliance with Rule 14A06(2A) before placing an SPSA order. Upon matching of a China Connect sell order on the SSE Market System, the relevant number of China Connect Securities recorded in the relevant account referred to in (a) above or the relevant Special Segregated Account, as the case may be, will be used for stock settlement in accordance with the CCASS Rules.

Review of Sales/Purchases

(12) A China Connect Exchange Participant shall review all sales and purchases of China Connect Securities at the end of each SSE trading session on each CSC trading day and shall report any discrepancy, erroneous transaction or complaint to the Exchange at such time and in such manner as the Exchange may prescribe from time to time.

- 14A07. (9) In respect of each CSC trading day, if the Daily Quota Balance drops to zero or below (i.e. if the Daily Quota is fully utilized):
- (a) during the SSE Opening Call Auction session and before commencement of the SSE Continuous Auction session in the morning at 9:30, China Connect buy orders input after the time at which the Daily Quota Balance drops to zero or below will not be accepted by the CSC, but China Connect buy orders input before such time will not be affected and will be transmitted by the CSC to the SSE Market System for execution in the usual manner. Only if the Daily Quota Balance resumes to a positive level before commencement of the SSE Continuous Auction session in the morning will new China Connect buy orders be accepted by CSC; and
 - (b) after commencement of the SSE Continuous Auction session in the (M)orning session at 9:30, no China Connect buy orders will be accepted for the rest of the CSC trading day unless the Exchange otherwise determines, but China Connect buy orders input before the time at which the Daily Quota Balance drops to zero or below will not be affected and will be transmitted by the CSC to the SSE Market System for execution in the usual manner.
- (13) Unless otherwise determined by the Exchange:
- (a) during the SSE Opening Call Auction session and the five minutes before the commencement of the SSE Opening Call Auction session of SSE on each CSC trading day, the reference price referred to in Rule 14A07(12) shall be (i) the current bid price of the relevant China Connect Security; and (ii) where no current bid price is available, the previous closing price of the China Connect Security; and
 - (b) during the SSE Continuous Auction sessions (morning and afternoon) and the five minutes before the commencement of each SSE Continuous Auction session of SSE on each CSC trading day, the reference price referred to in Rule 14A07(12) shall be (i) the current best bid price of the relevant China Connect Security; (ii) where no current best bid price is available, the latest trade price of the relevant China Connect Security; and (iii) where the latest trade price is not available, the previous closing price of the relevant China Connect Security.

Shareholding Monitoring Procedures

- 14A08. (4) Where foreign investors (including investors holding China Connect Securities through CCASS) hold ~~more than~~ 28% or more of the issued shares of a relevant issuer in aggregate, SSE will notify the SEHK Subsidiary, and the Exchange and SEHK Subsidiary will as soon as practicable thereafter suspend accepting China Connect buy orders in respect of the relevant China Connect Securities until the aggregate shareholding of foreign investors is reduced to below 26%, as advised by SSE.

Forced-sale Procedures

- (5) Notwithstanding Rule 14A08(4), where the aggregate shareholding of foreign investors (including investors holding through CCASS) in respect of a relevant issuer exceeds 30% of the issued shares of the issuer on an SSE trading day, SSE may, pursuant to the SSE Rules, issue a forced-sale notice to the SEHK Subsidiary on the following trading day, requiring it to arrange for a sell down of the portion of the China Connect Securities that exceeds 30% within 5 SSE trading days on a “last-in, first-out” basis (as determined in accordance with Rule 14A08(11)).

Compliance with applicable laws in Mainland China

- 14A10. As required by SSE, China Connect Exchange Participants shall:

- (4) acknowledge, and make appropriate arrangements to require their clients to acknowledge, that if the SSE Rules are breached, or if the disclosure and other obligations referred to in the listing rules of the SSE ~~Listing Rules~~ or the SSE Rules are breached, SSE has the power to carry out investigations, and may, through the Exchange or the SEHK Subsidiary, require China Connect Exchange Participants to provide relevant information and materials (including the information and personal data of their clients and other persons referred to in Rule 537) to assist in its investigation;

Purpose of Stock Borrowing and Lending of China Connect Securities

- 14A16. (2) Stock Borrowing and Lending of China Connect Securities may only be carried out for the following purposes:
- (b) for the purpose of enabling the clients of China Connect Exchange Participants to sell China Connect Securities held by them but which have not been transferred to the relevant ~~CCASSHKSCC-clearing~~ stock account in time to meet the pre-trade checking requirement set out in Rule 14A06 provided that the stock loan period does not exceed one day and is non-renewable; and
- (11) Before a China Connect Exchange Participant borrows any China Connect Securities from another Exchange Participant or a Qualified Institution (as Stock Lender) under a Stock Borrowing and Lending Arrangement, ~~the~~ China Connect Exchange Participant shall provide the Exchange with a confirmation in the prescribed form confirming that the Stock Lender has provided it with an undertaking in respect of the following:

Short Selling Order

- 14A17. (5) A Short Selling order shall only be input during the SSE Opening Call Auction ~~S~~session or a SSE Continuous Auction session.

CHAPTER 15

SPECIAL PARTICIPANTS

Securities Eligible for the Order-routing Service of Special Participants

1506. (2) Where securities are accepted or designated by the Exchange under Rule 1506(1), Special Participants shall not input any order to buy Special SEHK Securities or accept instructions from any China Connect Market Participants or any other persons to buy Special SEHK Securities on the System. ~~Unless the context otherwise requires, any reference in these Rules to “SEHK Securities” includes “Special SEHK Securities”~~

Backup Special Participant Open Gateway

1512. (4) Notwithstanding anything to the contrary contained in these Rules, upon activation of a Backup Special Participant Open Gateway by the Exchange, such Backup Special Participant Open Gateway shall for the purposes of these Rules be deemed to be a Special Participant Open Gateway as defined and shall be used as such by the Special Participant until such time as it is returned by the Exchange to a "non-trading" mode.

Continuing Obligations of Special Participants

1514. A Special Participant shall at all times:
- (3) comply with all applicable laws in the conduct of its business and the order-routing services referred to in Rule 1502 including but not limited to the applicable rules, regulations and interpretations promulgated or issued by the ~~CSRC China Securities Regulatory Commission~~ and the relevant China Connect Market Operator from time to time;

Quotas on the Trading of SEHK Securities

1531. Where quotas are imposed by any relevant governmental or regulatory bodies referred to in Rule 1530:
- (1) the Special Participant shall publish the quota utilization and the quota balance on each trading day; and
- (2) the Special Participant shall not submit orders on, and shall be restricted from trading in, SEHK Securities once the quota limits are reached, provided that sell orders will not be restricted or rejected so long as the Exchange considers it appropriate to continue to process and accept sell orders.