Shanghai-Hong Kong Stock Connect

FAQ for Investors

(Updated: 23 January 2015)

The information and materials contained in this FAQ are provided on an “as is” and “as available” basis and may be further amended or changed before Shanghai-Hong Kong Stock Connect is launched and the relevant rules, regulations, agreements and other documentation are finalized. These FAQs do not deal with all topics relating to and all issues that may arise from the implementation of Shanghai-Hong Kong Stock Connect. The information in these FAQs is for information purposes only. They are not intended to constitute legal or other professional advice, and should not be relied on or treated as a substitute for specific advice relevant to particular circumstances. Specific legal, tax or other advice about your specific circumstances should be sought before any investment decision is made or any action is taken based on these FAQs. Hong Kong Exchanges and Clearing Limited and its subsidiaries assume no responsibility for any errors, omissions or statements within these FAQs, or for any loss or damage (direct or indirect) which may arise from the use of or reliance on any materials contained in these FAQs. As the implementation of Shanghai-Hong Kong Stock Connect is subject to conditions, including regulatory approvals, completion of all necessary development work and market readiness, its establishment may or may not take place. Accordingly, shareholders of HKEx and potential investors are reminded to exercise caution when dealing in its securities. Investors should also exercise caution when dealing in any other securities traded on SEHK or SSE which may be included in the scope of Shanghai-Hong Kong Stock Connect and their derivatives.
I. GENERAL

1. What is Shanghai-Hong Kong Stock Connect?

Shanghai-Hong Kong Stock Connect is a securities trading and clearing links programme to be developed by Hong Kong Exchanges and Clearing Limited (HKEx), Shanghai Stock Exchange (SSE) and China Securities Depository and Clearing Corporation Limited (ChinaClear), aiming to achieve a breakthrough in mutual market access between the Mainland and Hong Kong.

Under Shanghai-Hong Kong Stock Connect, The Stock Exchange of Hong Kong Limited (SEHK), a wholly-owned subsidiary of HKEx, and SSE will establish mutual order-routing connectivity and related technical infrastructure to enable investors of their respective market to trade designated equity securities listed in the other’s market.

The Hong Kong Securities Clearing Company Limited (HKSCC), also a wholly-owned subsidiary of HKEx, and ChinaClear will be 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 investors.

2. Why do HKEx, SSE and ChinaClear create Shanghai-Hong Kong Stock Connect?

The establishment of Shanghai-Hong Kong Stock Connect is a ground-breaking initiative to both Mainland and Hong Kong as it will, for the first time, enable mutual market access by investors in the two markets through an orderly, controllable and expandable channel. More importantly, this initiative will pave the way for the opening up of the Mainland’s capital account and help promote the internationalisation of Renminbi and development of the Hong Kong’s capital market.

For Hong Kong, Shanghai-Hong Kong Stock Connect will provide an unprecedented opportunity and creates momentum for the long-term development of the Hong Kong capital market. It is expected to enhance the Hong Kong market’s liquidity and broaden the investor base. For HKEx, it is the first step of HKEx’s China Connect Programme and represents an important part of HKEx’ strategic development, which is to reinforce HKEx’s position as the global exchange of choice for Mainland investors and the Chinese exchange of choice for international investors.

3. Who can participate in Shanghai-Hong Kong Stock Connect?

While all Hong Kong and overseas investors will be allowed to trade SSE Securities through Shanghai-Hong Kong Stock Connect, only Mainland institutional investors and those individual investors who satisfy the eligibility criteria (i.e. Individual investors who hold an aggregate balance of not less than RMB 500,000 in their securities and cash accounts) will be accepted to trade SEHK Securities through Shanghai-Hong Kong Stock Connect.

Shanghai-Hong Kong Stock Connect will be open to all SEHK Participants (EPs), SSE Members, HKSCC’s Clearing Participants (CPs), and ChinaClear Participants, subject to their meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and / or clearing house. The names of all eligible EPs and CPs will be published on HKEx website.
4. **When can we expect Shanghai-Hong Kong Stock Connect to launch?**

Launch of Shanghai-Hong Kong Stock Connect will only take place once relevant trading and clearing rules and systems have been finalized, all regulatory approvals have been granted, market participants have had sufficient opportunity to configure and adapt their operational and technical systems. All necessary investor education programmes must also be in place. It should take approximately six months to complete the preparation for formal launch. Investors can refer to the HKEx website for update on progress of Shanghai-Hong Kong Stock Connect from time to time.

5. **What can we trade under Shanghai-Hong Kong Stock Connect? (Updated as of 26 September 2014)**

*SSE Securities for trading by Hong Kong and overseas investors, i.e. “Northbound Trading”*

Among the different types of SSE-listed securities, only A shares will be included in Shanghai-Hong Kong Stock Connect in the initial stage. Other product types such as B shares, Exchange Traded Funds (“ETFs”), bonds, and other securities will not be included.

In the initial phase, Hong Kong and overseas investors will be able to trade certain stocks listed on the SSE market (i.e. “SSE Securities”). These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A shares that are not included as constituent stocks of the relevant indices but which have corresponding H shares listed on SEHK, except the following:

(a) SSE-listed shares which are not traded in RMB; and

(b) SSE-listed shares which are included in the “risk alert board”\(^1\).

For any SSE-listed security which is not accepted as an SSE Security upon the launch of operation of Shanghai-Hong Kong Stock Connect due to its being under “risk alert”, if it is subsequently removed from the “risk alert board”, it will be accepted as an SSE Security if it remains as a constituent stock of the relevant indices or if its corresponding H share continues to be listed and traded on the SEHK (as appropriate).

Investors will only be allowed to sell an SSE Security but restricted from further buying if:

(c) the SSE Security subsequently ceases to be a constituent stock of the relevant indices; and/or

(d) the SSE Security is subsequently under “risk alert”; and/or

(e) the corresponding H share of the SSE Security subsequently ceases to be traded on SEHK, as the case may be.

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\(^1\) According to the SSE Listing Rules, any SSE-listed company which is in the delisting process, or which operation is unstable due to financial or other reasons, to the extent that it is running the risk of being delisted or exposing investors’ interest to undue damage, the SSE-listed company will be earmarked and traded on the “risk alert board”. For details, please refer to the SSE Listing Rules at [http://www.sse.com.cn/lawandrules/sserules/listing/stock/c/c_20131230_3760420.pdf](http://www.sse.com.cn/lawandrules/sserules/listing/stock/c/c_20131230_3760420.pdf) and SSE Risk Alert Board Provisional Trading Arrangement at [http://www.sse.com.cn/lawandrules/sserules/trading/stock/c/c_20121217_3669125.shtml](http://www.sse.com.cn/lawandrules/sserules/trading/stock/c/c_20121217_3669125.shtml).
In the case where a PRC company is seeking simultaneous listing on both SSE (as A share) and SEHK (as H share), the relevant A share will be accepted as an SSE Security after any price stabilisation periods (as stipulated in the prospectus) both the A share and H share have passed as required by the respective exchange or regulator.

In the case where a PRC company whose share is listed on SEHK (as H shares) seeks an A share listing on SSE, the A share will be accepted as an SSE Security after the A share has passed the price stabilisation period as required by SSE. In the case where an SSE-listed company whose share is not also listed on SEHK seeks an H share listing on SEHK, the A share will be accepted as an SSE Security only after price stabilisation period for the H share (as stipulated in prospectus) has passed as required by SFC.

In the case where the corresponding H share of an SSE Security is suspended from trading on SEHK, investors can continue to buy and sell the SSE Security which are not suspended from trading on SSE.

Hong Kong and overseas investors may receive shares or other types of securities from the issuer of SSE Security as entitlements:

(a) if the entitlement security is an SSE Security, Hong Kong and overseas investors will be allowed to buy and sell the entitlement security through Shanghai-Hong Kong Stock Connect;

(b) if the entitlement security is not an SSE Security but is a SSE-listed security and traded in RMB, Hong Kong and overseas investors will be allowed to sell the entitlement security through Shanghai-Hong Kong Stock Connect, but will not be allowed to buy such entitlement security; and

(c) if the entitlement security is not a SSE-listed security, Hong Kong and overseas investors will not be allowed to buy or sell the entitlement security on SSE. HKSCC is considering alternative arrangements which could be put in place to handle such entitlement, and will update CPs in due course.

The full list of SSE Securities will be published on the HKEx website, which will be updated from time to time with advance notice to the market.

**Eligible stocks to be included in Southbound Trading**

Through Shanghai-Hong Kong Stock Connect, Mainland investors will be able to trade the constituent stocks of the Hang Seng Composite LargeCap Index and Hang Seng Composite MidCap Index, and all H shares that are not included as constituent stocks of the relevant indices but which have corresponding shares in the form of SSE-listed Shares, except that the following will not be accepted as SEHK Securities upon the launch of operation of Shanghai-Hong Kong Stock Connect:

(a) Hong Kong shares that are not traded in Hong Kong dollars (HKD);

(b) H shares which have corresponding shares listed and traded on an exchange in Mainland China other than SSE; and

(c) H shares with corresponding A shares put under “risk alert”.

These eligible shares will collectively be referred to as “SEHK Securities”.

In the case where a PRC company is seeking simultaneous listing on both SSE (as A share) and SEHK (as H share), the relevant H share will be accepted as a SEHK
Security after any price stabilisation periods (as stipulated in prospectus) both the A share and H share have passed as required by the respective exchange or regulator.

In the case where an SSE-listed company which A share is not accepted as a SSE Security seeks H share listing on SEHK, the H share will be accepted as a SEHK Security only after any applicable price stabilisation period (as stipulated in prospectus) has expired as required by SFC. In the case where an SEHK-listed company which H share is not accepted as a SEHK Security seeks A share listing on SSE, the H share will be accepted as a SEHK Security after the A share has passed the price stabilisation period as required by SSE.

In the case where the corresponding A share of an SEHK Security is suspended from trading on SSE, Mainland investors will be allowed to continue to buy and sell the SEHK Security which remains active on SEHK.

Investor will only be allowed to sell an SEHK Security but restricted from further buying if:

(a) the SEHK Security subsequently ceases to be a constituent stock of the relevant indices; and/or

(b) the corresponding A share of the SEHK Security ceases to be traded on SSE or put under “risk alert”; and/or

(c) where the SEHK Security is an H share and the share of the issuer of such SEHK Security is subsequently listed on an exchange in the Mainland other than SSE, as the case may be.

The scope of the SSE Securities and the SEHK Securities may be amended from time to time as agreed by SSE and SEHK after consulting each other and after obtaining the consent of the relevant regulatory bodies.

5A. Will there be any special arrangement to exclude certain eligible SEHK Securities from Southbound Trading during initial launch? (Updated as of 10 November 2014)

To ensure smooth implementation of Shanghai-Hong Kong Stock Connect and that Mainland investors have sufficient time to familiarize themselves with the trading rules and practices for SEHK Securities, eligible securities that will undergo trading arrangement(s) resulting in parallel trading (e.g. share consolidation / subdivision and change in board lot size) before 30 November 2014 will be excluded from the SEHK Securities list, until they have completed parallel trading and the last conversion cycle in CCASS. EPs should refer to the SEHK Securities list available at the SSE website from time to time.

6. Is there a quota? (Updated as of 26 September 2014)

Trading under Shanghai-Hong Kong Stock Connect will, initially, be subject to a maximum cross-boundary investment quota (i.e., Aggregate Quota), together with a Daily Quota.

Northbound trading and Southbound trading will respectively be subject to a separate set of Aggregate and Daily Quota, which is monitored by SEHK and SSE respectively.

The Northbound Aggregate Quota is set at RMB 300 billion. The Southbound Aggregate Quota is set at RMB 250 billion.
The Northbound Daily Quota is set at RMB 13 billion, and the Southbound Daily Quota is set at RMB 10.5 billion.

Both the Aggregate Quota and the Daily Quota will apply on a “net buy” basis. Under that principle, investors will always be allowed to sell their cross-boundary securities or input order cancellation requests regardless of the quota balance.

The Northbound Aggregate Quota balance will be published on HKEx website after SSE’s market close. The Daily Quota balance will be disseminated on HKEx website at 1-minute intervals and through CCOG and OMD Index Feed at 5-second intervals.

7. **How does the Aggregate Quota work? (Updated as of 14 October 2014)**

The Northbound Aggregate Quota is set at RMB 300 billion. The Southbound Aggregate Quota is set at RMB 250 billion. At the end of each trading day, SEHK will calculate and disseminate the remaining balance of the Northbound Aggregate Quota as follows:

\[
\text{Aggregate Quota balance} = \text{Aggregate Quota} - \text{aggregate buy trades} + \text{aggregate sell trades} \text{ (calculated at the weighted average cost)}
\]

The weighted average cost of aggregate sell trades is calculated based on the purchase cost of all buy trades of the respective SSE Security conducted in Northbound Trading and is not the actual corresponding buy trades conducted by each individual EP.

If Aggregate Quota Balance is less than Daily Quota, Northbound buying will be suspended on the next trading day. However, investors can continue to sell SSE Securities, which will then increase the Aggregate Quota Balance. SEHK will re-open Northbound buying once the Aggregate Quota balance returns to the Daily Quota level or above.

8. **How does the Daily Quota work?**

The Daily Quota limits the maximum net buy value of cross-boundary trades under Shanghai–Hong Kong Stock Connect each day.

SEHK monitors the usage of the Northbound Daily Quota on a real time basis and the Northbound Daily Quota Balance will be updated on HKEx website every minute:

\[
\text{Daily Quota Balance} = \text{Daily Quota} - \text{Buy Orders} + \text{Sell Trades} + \text{Adjustments}
\]

The Daily Quota will be refreshed and remain the same everyday, subject to the balance of the Aggregate Quota. Unused Daily Quota will NOT be carried over to next day’s Daily Quota.

Once the Northbound Daily Quota Balance drops to zero or is exceeded during a continuous auction session (Continuous Trading), no further buy orders will be accepted for the remainder of the day. Subject to the Aggregate Quota Balance, SEHK will resume the Northbound buying service on the following trading day.

Once the Northbound Daily Quota Balance drops to zero or the Daily Quota is exceeded during the opening call session, new buy orders will be rejected. However, as order cancellation is common during opening call auction, the Northbound Daily Quota Balance may resume to a positive level before the end of the opening call auction. When that happens, SEHK will again accept Northbound buy orders.
It should be noted that buy orders already accepted will not be affected by the Daily Quota being used up and will remain on the order book of SSE unless otherwise cancelled by the relevant EPs.

9. How will the Northbound Daily Quota balance be updated and disseminated during the 5-minute order input period before SSE opens for trading? Will the Daily Quota Balance be updated when an EP input an order? Will the Daily Quota Balance be updated when an EP input an order cancellation request? (Updated as of 26 September 2014)

The Northbound Daily Quota balance will be reduced whenever CSC receives and accepts a buy order, but the updated Daily Quota balance will only be disseminated according to the dissemination schedule, i.e. every 5 seconds for CC OG and OMD Index Feed and every minute on HKEx website. The Daily Quota balance will normally be increased when SSE sends an order cancellation confirmation to CSC. However, as SSE is not open during the 5-minute order input period, the Daily Quota balance will NOT be increased due to the input of order cancellation by EPs during that period.

10. Does it mean that buy orders will no longer be accepted by CSC during a trading day once the Daily Quota balance drops to zero or becomes negative? (Updated as of 6 October 2014)

Depending on when the Daily Quota balance drops to zero or below, new buy orders may or may not be accepted by CSC during a trading day:

<table>
<thead>
<tr>
<th>Time when Daily Quota balance drops to zero or becomes negative</th>
<th>Will buy orders be accepted again?</th>
</tr>
</thead>
<tbody>
<tr>
<td>During that session</td>
<td>In following session(s)*</td>
</tr>
<tr>
<td>09:10 – 09:15 (5-minute input period)</td>
<td>No</td>
</tr>
<tr>
<td>09:15 – 09:25 (Opening Call Auction)</td>
<td>Only if subsequently the Daily Quota balance &gt; 0</td>
</tr>
<tr>
<td>09:25 – 09:30 (5-minute input period)</td>
<td>Only if subsequently the Daily Quota balance &gt; 0</td>
</tr>
<tr>
<td>09:30 – 11:30 (Continuous Auction – morning)</td>
<td>No</td>
</tr>
<tr>
<td>12:55 – 13:00 (5-minute input period)</td>
<td>No</td>
</tr>
<tr>
<td>13:00 – 15:00 (Continuous Auction – afternoon)</td>
<td>No</td>
</tr>
</tbody>
</table>

* If subsequently the Daily Quota Balance > 0

11. Are there any measures in place to prevent quota hogging? (Updated as of 26 September 2014)

Since the announcement of Shanghai-Hong Kong Stock Connect, SEHK has received market feedback concerning the possibility of mischievous behavior towards the use of the Northbound quota, which may affect the proper running of the programme. In light of this, SEHK will put in place a dynamic price checking for buy orders.

Buy orders with input prices lower than the current best bid (or last traded price in the absence of current best bid, or previous closing price in the absence of both current best
bid and last traded price) for a certain percentage will be rejected by CSC. During Opening Call Auction, the current bid (or previous closing price in the absence of the current bid) will be used for checking. Dynamic price checking will be applied throughout the trading day, from the 5-minute input period before the start of Opening Call Auction until the end of the afternoon Continuous Auction. SEHK intends to set the dynamic price checking at 3% during the initial phase of Shanghai-Hong Kong Stock Connect. The percentage may be adjusted from time to time subject to market conditions.

12. Can an EP place buy orders at a lower price first when trading commences and then amend the price of the orders afterwards in order to secure the availability of quota for Northbound trading? (Updated as of 26 September 2014)

Northbound orders cannot be amended. EPs who wish to amend their Northbound orders must cancel the original orders first and then input new orders. The quota released at the time of order cancellation may immediately be taken up by orders input by other EPs. Hence, quota cannot be “reserved” by using this method. More importantly, EPs should not place buy orders with fictitious prices in order to secure or reserve the quota as such behavior will breach the Rules of SEHK, and SEHK has the right to take disciplinary actions against such EPs. EPs are therefore advised to remind their clients not to provide buy order instructions with an aim to “reserve” or “hog” the quota.

13. How does Shanghai-Hong Kong Stock Connect differ from the current QDII / QFII schemes?

Shanghai-Hong Kong Stock Connect differs from the current schemes such as the QDII, QFII and RQFII programmes in the following ways:

(a) In terms of eligible investors, Shanghai-Hong Kong Stock Connect is open to SSE Members, institutional investors and individual investors who satisfy certain eligibility criteria in the Mainland for Southbound trades, and EPs and any of their clients (with no restrictions imposed) for Northbound trades; as comparison, QDII and QFII schemes target at selected institutional investors and they are not limited to investors in Hong Kong;

(b) In terms of eligible products for investment, Shanghai-Hong Kong Stock Connect initially accepts certain SSE listed A shares and Hong Kong listed stocks (please refer to Question No. 5 for details), while QDII, QFII and RQFII schemes have different investment scope;

(c) In terms of quota, the quota(s) of Shanghai-Hong Kong Stock Connect applies to the whole market rather than individual investors, while under QDII, QFII and RQFII schemes, quota is allocated to respective approved institutions.

(d) In terms of cross-boundary fund flow and currency exchange, under Shanghai-Hong Kong Stock Connect it will be handled by HKSCC and ChinaClear; While under QDII and QFII schemes it is completed by the QDII/QFII institutions.

Shanghai-Hong Kong Stock Connect is not exclusive to other schemes such as QDII, QFII or RQFII, i.e. it will co-exist with these schemes.
14. **How will the cross-boundary regulatory enforcement issues arising from the programme be dealt with?**

According to the Joint Announcement, both the CSRC and the SFC will actively enhance cross-boundary regulatory and enforcement cooperation. Each of them will take all necessary measures to establish, in the interests of investor protection, an effective regime under the Shanghai-Hong Kong Stock Connect to respond to all misconduct in either or both markets on a timely basis. The CSRC and the SFC will improve the current bilateral agreement to strengthen enforcement cooperation in respect of the following areas:

(a) Referral and information exchange mechanisms concerning improper activities;

(b) Investigatory cooperation in relation to cross boundary illegal activities including disclosure of false or misleading information, insider dealing and market manipulation;

(c) Bilateral enforcement exchange and training; and

(d) Enhancement of general standards of cross-boundary enforcement cooperation.

The Joint Announcement further notes that the two Commissions will establish a dedicated liaison mechanism for Shanghai-Hong Kong Stock Connect to deal with any issues that may be encountered during the pilot programme which may require joint resolution.

15. **Are we protected by the investor compensation fund?**

Hong Kong investors participating in the Shanghai-Hong Kong Stock Connect through SEHK Participants will continue to be protected by Hong Kong laws.

Similar to any overseas investment which involves a sub-custody arrangement, investors will also be facing the counterparty risks of any additional parties along the value chain, and in this case ChinaClear which is the central registration company in the Mainland.

Similarly for the trading and settlement activities, Hong Kong investors will continue to deal with SEHK Participants and be protected by the SFO.

It should however be noted that the current Investor Compensation Fund will not cover any Northbound activities.

16. **Can investors participating in Shanghai-Hong Kong Stock Connect participate in the initial public offerings (IPO) in the other market?**

It is currently contemplated that Shanghai-Hong Kong Stock Connect will not support initial public offering. We will further inform the market of the arrangements pertaining to other depository and nominee services under the programme, including for instance secondary market fund raising events.
II. TRADING ARRANGEMENT

17. What are the trading hours for trading SSE Securities through Shanghai-Hong Kong Stock Connect?

Hong Kong and overseas investors will be required to follow SSE’s trading hours to trade SSE Securities (i.e. Northbound trading). However, SEHK will accept Northbound orders from EPs five minutes before the Mainland market session opens in the morning and in the afternoon.

<table>
<thead>
<tr>
<th>SSE Trading Session</th>
<th>SSE Trading Hours</th>
<th>Time for EPs to input Northbound orders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Call Auction</td>
<td>09:15 – 09:25</td>
<td>09:10 – 11:30</td>
</tr>
<tr>
<td>Continuous Auction (Morning)</td>
<td>09:30 – 11:30</td>
<td></td>
</tr>
<tr>
<td>Continuous Auction (Afternoon)</td>
<td>13:00 – 15:00</td>
<td>12:55 – 15:00</td>
</tr>
</tbody>
</table>

09:20 – 09:25: SSE will not accept order cancellation
09:10 – 09:15; 09:25 – 09:30; 12:55 – 13:00: Orders and order cancellations can be accepted by SEHK but will not be processed by SSE until SSE’s market open

Orders that are not executed during the opening call auction session will automatically enter the continuous auction session

Southbound trading will follow SEHK’s trading hours.

18. What is the trading and settlement currency?

Hong Kong and overseas investors will trade and settle SSE Securities in RMB only. Mainland investors will trade SEHK Securities quoted in HKD only and settle the trades with ChinaClear or its clearing participants in RMB.

19. What kind of order(s) can investors enter when trading SSE Securities under Shanghai-Hong Kong Stock Connect?

Only limit orders (SSE limit orders can be matched at the specified or better price) will be accepted for SSE Securities throughout the day.

20. Can investor do day trading on SSE Securities?

Day trading is not allowed for Mainland A shares market. Therefore, Hong Kong and overseas investors buying SSE Securities on T-day can only sell the shares on and after T+1 day.

21. Is margin trading allowed for SSE Securities? (Updated as of 14 October 2014)

Subject to conditions, margin trading in SSE Securities may be conducted. Hong Kong and overseas investors cannot participate in the Margin Trading and Securities Lending (融資融券) Programme provided by SSE in Mainland China. However, based on requirements set by SSE, they will be allowed to use funds provided by China Connect EPs and EPs who are registered with SEHK to conduct trading in SSE Securities through China Connect EPs for the account of their clients (“Trade-through EPs”) via any form of securities margin financing arrangement to buy SSE Securities through the Shanghai-Hong Kong Stock Connect. The relevant parameters will be included in the Rules of the SEHK.
Currently, Mainland investors can only conduct margin trading in certain A shares that the SSE has determined are eligible for margin trading and stock borrowing and lending. Hong Kong and overseas investors conducting margin trading in SSE Securities via the Shanghai-Hong Kong Stock Connect will be subject to a similar restriction. A List of Eligible SSE Securities for Margin Trading, the scope of which will be determined by SSE from time to time, will be posted on the HKEx website for reference by the investing public. Only those SSE Securities which are eligible for both buy orders and sell orders through the Shanghai-Hong Kong Stock Connect will be included in the List.

According to the relevant rules of SSE, SSE may suspend margin trading activities in specific A shares when the volume of margin trading activities in such A shares exceeds the threshold determined by SSE and resume margin trading activities when the volume drops below a prescribed threshold (see 22). When SEHK is notified by SSE that such suspension and resumption involves an SSE Security on the List of Eligible SSE Securities for Margin Trading, EPs and investors will be informed through the HKEx website. Margin trading in the relevant SSE Security should be suspended/resumed in Hong Kong accordingly.

SSE has reserved the right to require margin trading orders to be flagged as margin trading orders to be routed to the SSE system. This requirement will not be implemented at the initial launch of Northbound trading and EPs will be given sufficient advance notice on the timing of implementation to ensure that the necessary development work can be done.

22. What are the prescribed thresholds that SSE may suspend or resume margin trading activities in specific A shares? (Updated as of 23 January 2015)

Based on current SSE requirements on margin trading, SSE will suspend further margin trading in a stock eligible for margin trading after the “margin trading indicator” for the stock (单只股票的融资监控指标) reaches 25%. When the “margin trading indicator” drops below 20%, SSE will allow margin trading to resume. For information, SSE publishes a list of A shares which have reached the 25% margin trading indicator on its website at http://www.sse.com.cn/disclosure/diclosure/margin/.

As mentioned in 21, the suspension and resumption of margin trading in eligible SSE Securities through the Shanghai-Hong Kong Stock Connect will follow the suspension and resumption of margin trading activities in SSE after SSE has duly notified SEHK. For information, EPs may refer to SSE’s website at http://www.sse.com.cn/aboutus/innovation/margin/ which publishes individual A share’s margin trading level.

23. Is Stock Borrowing and Lending (SBL) allowed for SSE Securities? (Updated as of 14 October 2014)

SBL of SSE Securities will be allowed in the following situations:

(a) for covered short selling: an investor borrows SSE Securities and sells it on SSE through a China Connect EP or a Trade-Through EP via Northbound trading; and

(b) for meeting the pre-trade checking requirement in certain circumstances (such as where a China Connect EP’s client is unable to effect a transfer of
shares to the China Connect EP’s clearing account in time to meet the pre-trade checking requirement).

SBL in SSE Securities will be subject to restrictions set by SSE to be incorporated into the Rules of SEHK. These include:

(a) SBL agreements for covered short selling purpose cannot be longer than one month;
(b) SBL agreements for pre-trade checking purpose cannot be longer than one day (roll-over not allowed);
(c) Stock lending will be restricted to certain types of persons to be determined by SSE; and
(d) SBL activities will be required to be reported to SEHK.

24. What SSE Securities can be the subject of stock borrowing and lending? (Updated as of 14 October 2014)

SBL for the purpose of short selling will be limited to those SSE Securities which are eligible for both buy orders and sell orders through the Shanghai-Hong Kong Stock Connect, i.e. excluding SSE Securities that are only eligible for sell orders.

SBL for the purpose of meeting the pre-trade checking requirements will cover all SSE Securities, including SSE Securities that are only eligible for sell orders through the Shanghai-Hong Kong Stock Connect.

25. Who can participate in SBL of SSE Securities? Can I lend SSE Securities of which I am not the beneficial owner? (Updated as of 14 October 2014)

The following persons may lend China Connect Securities:

(a) China Connect EPs;
(b) Trade-through EPs (i.e. EPs registered with SEHK to conduct trading in SSE Securities through China Connect EPs for the account of their clients);\(^2\)
(c) EPs other than (a) and (b) who own or hold SSE Securities for their own account or on a propriety basis (“Non-Registered EPs”); and
(d) Qualified institutions (“QIs”) which will include:
   (i) HKSCC participants (other than Investor Participants);
   (ii) funds, unit trusts or collective investment schemes which are managed by persons licensed or registered to carry out Type 9 (asset management) regulated activity under the Securities and Futures Ordinance; and
   (iii) other persons accepted or specified by SSE.

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\(^2\) Note that under the draft SEHK Rules, references to “China Connect Exchange Participants” shall be read to include Trade-through Exchange Participants (see Rule 14A16(18))
China Connect EPs and Trade-through EPs may lend to their clients while Non-registered EPs and QIs may only lend to China Connect EPs and Trade-through EPs.

A summary is set out in the table below:

<table>
<thead>
<tr>
<th>Who can be lenders?</th>
<th>Who can they lend to?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Clients</td>
</tr>
<tr>
<td>EPs</td>
<td></td>
</tr>
<tr>
<td>(a) China Connect EPs</td>
<td>√</td>
</tr>
<tr>
<td>(b) Trade-Through EPs</td>
<td>√</td>
</tr>
<tr>
<td>(c) Non-Registered EPs</td>
<td>x</td>
</tr>
<tr>
<td>QIs</td>
<td></td>
</tr>
<tr>
<td>(d) Qualified Institutions</td>
<td>x</td>
</tr>
</tbody>
</table>

The SSE Securities to be lent by a China Connect EP or a Trade-through EP must either be securities held or owned by it as principal, or securities borrowed from other China Connect EPs, Trade-through EPs, Non-Registered EPs or QIs, in each case who are, lending as principal.

The SSE Securities to be lent by a Non-Registered EP or a QI must only be securities held or owned by it as principal.

China Connect EPs and Trade-through EPs must provide SEHK with an undertaking or a confirmation in the prescribed form depending on whether they act as stock lender or stock borrower. They must also file a monthly report to SEHK providing details on their stock borrowing and lending activities with respect to SSE Securities in the prescribed form which will include details such as stock name, name of borrower, name of lender, amount of shares borrowed/lent, amount of shares outstanding, date or borrowing/returning etc. The form will be available on the HKEx website in due course and China Connect EPs and Trade-through EPs will be informed of the procedures and means of submission.

Non-registered EPs and QIs lending stocks to China Connect EPs and Trade-through EPs must provide the borrowers with an undertaking in the prescribed form confirming, among others, that they are not restricted from engaging in stock lending activities.
26. Is short selling of SSE Securities allowed through Northbound trading? What are the trading arrangements on short selling? (Updated as of 23 January 2015)

Naked short selling is prohibited for Northbound Trading. Covered short selling of SSE Securities will be allowed subject to the following requirements:

(a) Only eligible SSE Securities (Short Selling Security) can be short sold. The List of Eligible SSE Securities for Short Selling will be published on the HKEx website and the list will be compiled by reference to SSE’s list of eligible stocks for short selling for the SSE market excluding Special SSE Securities;

(b) China Connect EPs can input short selling orders during the opening call auction session and continuous auction sessions on each CSC trading day;

(c) China Connect EPs are required to flag the short selling orders when inputting them into the system. See 26.1 for details;

(d) Short selling orders must be submitted in multiples of 100 shares;

(e) Short selling orders will be subject to the following price restrictions:

(i) Short selling orders will be subject to a tick rule: the input price of a short selling order must not be lower than the most recent execution price (or the previous closing price if there have been no executed trades on a given day) of the relevant Short Selling Security;

(ii) As required by SSE, where shares in any Short Selling Security borrowed for short selling remain outstanding and have not yet been returned, China Connect EPs and their relevant clients are required to comply with the price requirement in (i) above in respect of any instructions for the sale of that Short Selling Security, except for those instructions that exceed the number of the outstanding and unreturned shares. See 26.2 for details;

(iii) SEHK may impose additional price restriction to block the input of Short Selling orders at an artificially high price which has the effect of using up the short selling limits. This additional price restriction will not be applicable at launch;

(f) For each Short Selling Security, there will be quantity restrictions (i.e. Short Selling Ratio limits) for short selling and the calculation of which is based on HKSCC’s holding of that security in the omnibus account maintained in ChinaClear (i.e. the number of shares of that Short Selling Security held by all Northbound investors as of the beginning of the trading day) as follows:

(i) Daily limit: 1%;

(ii) Cumulative limit: 5% for a rolling period of 10 CSC trading days.

Both the daily and cumulative limits will be rounded to the nearest 2 decimal places. The daily limit usage will be calculated in real time throughout the
trading day. Any short selling order that will cause the daily limit to be exceeded if executed will be rejected. The cumulative limit will be calculated at the end of each CSC trading day. See also 26.3 for details;

(g) There will be mandatory reporting requirements for short selling activities as follows. See also 26.4 for details:

(i) Short Selling Weekly Report: This is a weekly report on the short selling activities of each Short Selling Security. China Connect EPs are required to submit the report if they have conducted any short selling activities, whether for their own account or for clients, if any borrowed shares have been returned to the Stock Lender in respect of open short positions during the week and/or if there are outstanding short positions as at the end of the week. China Connect EPs should submit the completed report via the Electronic Communication Platform (ECP) on or before the 1st working day of the following week. See Explanatory Notes for details.

(ii) Large Open Short Position Report: This report must be filed by a China Connect EP/Trade-through EP if there is any open short position of any Short Selling Security (whether executed for their own account or for the account of any of their clients) after the market close on the last CSC trading day of a calendar week that exceeds any of the following thresholds:

A. RMB25 million; or

B. 0.02% of the total issued shares of the relevant Short Selling Security. See also 26.5 for details.

(h) Pre-trade checking applies to short selling orders. Therefore the borrowed stocks for the purpose of short selling on a CSC trading day should be held in the selling China Connect EP’s CCASS account before commencement of trading on that CSC trading day. Short selling orders that do not meet the pre-trade checking requirement will be rejected.

26.1 Are China Connect EPs required to confirm with their clients whether a sell order is a short sale or not? How about in cases where a client borrows shares from a Stock Lender other than the China Connect EP executing the short sale (i.e. another China Connect EP with whom the client has an account? (Updated as of 23 January 2015)

In order for China Connect EPs to flag short selling orders in accordance with the Rules of the Exchange, prior to inputting sell orders into the system, China Connect EPs should confirm with their clients whether the sell order is a short selling order. Alternatively, China Connect EPs should have appropriate arrangements in place that require their clients to inform them that the order is a short selling order when placing the order. China Connect EPs should establish effective procedures and keep proper records in these regards, which may be required to submit to SEHK upon request.
In the event that a client borrows shares from a Stock Lender other than the China Connect EP executing the short sale (i.e. another China Connect EP with whom the client has an account), the executing China Connect EP needs to require the client to inform it of the return of the stock loan so that it may comply with its reporting requirements on open short positions.

26.2 How does the price restriction work for short selling? (Updated as of 23 January 2015)

For tick rule checking, the input price of all short selling orders will be checked against the most recent execution price (and in its absence, the previous closing price) of the relevant Short Selling Security. If the input price is lower than the aforementioned price, the short selling order will be rejected.

In the event that shares of Short Selling Security borrowed for short selling remain outstanding and have not yet been returned to the Stock Lender, China Connect EPs and their relevant clients are required to comply with the tick rule requirement as mentioned above in respect of any instructions for the sale of that Short Selling Security, except for those instructions that exceed the number of the outstanding and unreturned shares.

**Example 1:** A Client who owns 200K of a Short Selling Security borrows 1 million shares from a China Connect EP for short selling purpose and has short sold 700K shares. The Client did not return the borrowed shares to the China Connect EP. Subsequently, the client wants to sell 200K shares that are owned by himself. In this case the sell order of 200K will still be subject to the tick rule requirement and the client and the China Connect EP need to ensure that the price of the sell order is not violating the tick rule. The sale is a long sale.

**Example 2:** Further to Example 1, if the Client has short sold all the 1 million shares that he borrowed but did not return any of the borrowed shares to the China Connect EPs. If he subsequently wants to sell the 200K shares owned by himself, in this case, the sell order of 200K shares will not be subject to the tick rule and the sale again is a long sale.

26.3 What is the dissemination time of short selling related statistics on the HKEx website? (Updated as of 23 January 2015)

To facilitate short selling by China Connect EPs, HKEx will publish on its website on each CSC trading day and for each Short Selling Security the following information:

<table>
<thead>
<tr>
<th>Information Display</th>
<th>Update time / frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Maximum number of shares available for short selling for the CSC trading day</td>
<td>Before market open</td>
</tr>
<tr>
<td>b. Remaining balance available for short selling</td>
<td>Every 15 minutes</td>
</tr>
<tr>
<td>c. Short selling turnover (in shares and in value) for each stock</td>
<td>After the close of morning session and after market close</td>
</tr>
<tr>
<td>d. Respective daily and 10-day cumulative short selling percentage</td>
<td>After market close</td>
</tr>
</tbody>
</table>
26.4 Who should submit the Short Selling Weekly Report and Large Open Short Position Report? (Updated as of 23 January 2015)

For the Short Selling Weekly Report, only the China Connect EPs who directly input the short selling orders into the CSC (and have the short selling orders executed) will be required to submit the report. For the avoidance of doubt, this will not affect the requirement for submitting Stock Borrowing and Lending Monthly Report.

For the Large Open Short Position Report, both China Connect EPs and Trade-through EPs are required to submit the report in the event that there is any open short position of any Short Selling Security executed for their own account or for the account of any of their clients exceeding the reporting thresholds prescribed by SEHK from time to time.

26.5 Where can we find the total issued shares of each Short Selling Security? (Updated as of 23 January 2015)

The total issued shares of the relevant Short Selling Security can be found on the SSE website. For instance, the total issued shares of Shanghai Pudong Development Bank (Stock Code: 600000) can be found on http://www.sse.com.cn/assortment/stock/list/stockdetails/capital/index.shtml?COMPANY_CODE=600000&SecurityCode=:.

27. What are the prescribed thresholds that SSE may suspend or resume short selling activities in specific A shares? (Updated as of 23 January 2015)

Currently, SSE may suspend the short selling activities of an A share when the total open short positions in that A share reaches 25% of the stock’s listed and tradable shares (上市可流通量), and may resume short selling activities when the A share’s total open short position drops below 20%. SSE will publish a list of specific A shares which have reached the prescribed threshold on its website at
http://www.sse.com.cn/disclosure/diclosure/margin/. When SEHK is notified by SSE that such suspension and resumption involves a Short Selling Security, such information will be published on the HKEx website, and short selling in the relevant SSE Security will be suspended / resumed for Northbound Trading accordingly. CCEPs are advised to check the HKEx website at 9 am in the morning to obtain the updated List of Eligible SSE Securities for Short Selling.

EPs who are interested to know more about the individual A share’s open short position level can also refer to SSE’s website at http://www.sse.com.cn/aboutus/innovation/margin/.

28. **What will happen to an outstanding SBL agreement if the relevant stock is taken out from the List of Eligible SSE Securities for Short Selling? Does the SBL agreement need to be closed out immediately? (Updated as of 14 October 2014)**

SSE will notify SEHK when an A share is removed from the short selling stock list maintained by SSE. Short selling activities in that A share will then be suspended in both the Mainland and Hong Kong markets. Suspension of further SBL activities in an A share will not affect the outstanding SBL agreements on that A share, EPs and investors are not required to close out such agreements. However, eligible lenders and borrowers are advised to consider the potential implication of the suspension mechanism on their business arrangement (including the relevant SBL agreement) before participating in A share short selling.

29. **Can SSE Securities be transferred off-exchange? (Updated as of 26 September 2014)**

As stipulated in Article 11 of the CSRC Stock Connect Rules, transfers of SSE Securities should only be conducted on SSE, and off-exchange trading is not allowed unless otherwise permitted. To facilitate market players in conducting Northbound trading and the normal course of business operation, the following types of off-exchange or “non-trade” transfer of SSE Securities are allowed (Article 29 of the SSE Stock Connect Pilot Provisions):

(a) SBL for covered short selling purpose (not more than one month duration);
(b) SBL for the purpose of satisfying the pre-trade checking requirement (one-day duration which cannot be rolled over);
(c) transfers between EPs and their clients for the purpose of rectifying error trades;
(d) post-trade allocation of shares to different funds/sub-funds by fund managers; and
(e) other situations specified by SSE and ChinaClear.

With respect to (a) and (b), details are set out in Q23.

With respect to (c), EPs who perform non-trade transfers of SSE Securities to rectify error trades will be required to submit to SEHK an error trade report together with supporting documents explaining the error made and providing details of the non-trade transfer. SEHK has the power to disallow a particular EP to conduct further non-trade transfers for error trade rectification if SEHK believes that the EP has abused such rectification arrangements. SEHK may provide error trade reports and related information to the SFC and SSE. EPs are cautioned not to misuse this arrangement to
effect off-exchange trades or transfers which are otherwise disallowed under the relevant Mainland regulation.

With respect to (e), ChinaClear has stipulated in Article 9 of the ChinaClear Implementing Rules for Registration, Depository and Clearing Services under the Shanghai-Hong Kong Stock Connect Pilot Program that non-trade transfers are allowed in the following situations:

- succession;
- divorce;
- the dissolution, liquidation or winding-up of any company or corporation;
- donation to a charitable foundation;
- assisting in any enforcement in connection with proceedings or action taken by any court, prosecutor or law enforcement agency; and
- any other transfer as may be permitted by SSE.

HKSCC is discussing with ChinaClear and the relevant authorities how to facilitate stamp duty collection (if required) from investors for these non-trade transfers in SSE Securities. Further details will be published on the HKEx website in due course.

30. How will the forced-sale arrangement take place when the aggregate foreign shareholding in a particular SSE Security exceeded 30%? (Updated as of 26 September 2014)

If the aggregate foreign shareholding limit (currently set at 30%) is exceeded due to trading in SSE Securities through Shanghai-Hong Kong Stock Connect, SSE will notify SEHK the number of shares that are subject to forced sale within 5 trading days. On a last-in-first-out basis, SEHK will identify the relevant trades involved and request the relevant EPs to require the clients concerned to sell the shares within the timeframe as stipulated by SEHK. If the relevant investors fail to sell their shares before the stipulated deadline, EPs will be required to force-sell the shares for the relevant investors in accordance with the Rules of SEHK, which contain provisions aimed at complying with the Mainland forced-sale regulations. Accordingly, EPs are advised to include relevant provisions in their client agreements such that they are authorized to comply with the forced-sale arrangement where applicable. It should be noted that the relevant Mainland regulations also provide that foreign investors who are subject to the forced-sale arrangement may apply for exemption if the aggregate foreign shareholding in the relevant A share drops below 30% within the 5-day forced-sale period. Where the aggregate foreign shareholding in respect of an A share drops below 30% during the 5-day period before an investor’s shares are sold, EPs may apply to SEHK on behalf of their clients for an exemption from complying with the requirement so that the shares can be lifted from forced-sale and EPs can continue hold their SSE Security.

There may be cases where an EP who is subject to the forced-sale arrangement has transferred the shares to another CCASS Participant at the request of its client prior to receiving the forced-sale notice from SEHK. As stipulated under CCASS Rule 4110, such CCASS Participants should transfer the relevant SSE Securities back to the EP concerned after the end of the 5-day period in the case where the client has not sold the shares in accordance to the forced-sale notice.
31. Do EPs need to sign separate client agreement with their clients who want to participate in Northbound trading? (Updated as of 26 September 2014)

For those clients who want to participate in Northbound trading, EPs should review their client agreement to ensure it has sufficient clauses covering the trading of SSE Securities including the risks involved. It is expected that the client agreement should, among other things, include the following for Northbound trading:

(a) No day trading is allowed;
(b) Pre-trade checking is in place so that a client must have his/her shares transferred to the EP’s corresponding CCASS account before the commencement of trading on a trading day if he/she intends to sell the shares during a trading day;
(c) All trading must be conducted on SSE, i.e. no over-the-counter (OTC) or manual trades are allowed;
(d) Naked short selling is not allowed;
(e) Foreign shareholding restriction (including the forced-sale arrangement) is in place and EPs should have the right to “force-sell” client’s shares upon receiving the forced-sale notification from SEHK;
(f) Investors should understand fully the Mainland rules and regulations in relation to short-swing profits, disclosure obligations and follow such rules and regulations accordingly;
(g) EPs may have the right to cancel client’s orders in case of contingency such as hoisting of Typhoon Signal No 8 in Hong Kong;
(h) EPs may not be able to send in client’s order cancellation requests in case of contingency such as when SEHK loses all its communication lines with SSE, etc and investors should still bear the settlement obligations if the orders are matched and executed;
(i) Clients must comply with SSE Rules and other applicable laws of Mainland China relating to Northbound trading;
(j) EPs may forward the client’s identity to SEHK which may on-forward to SSE for surveillance and investigation purposes;
(k) If the SSE Rules are breached, or the disclosure and other obligations referred to in the SSE Listing Rules or SSE Rules is breached, SSE has the power to carry out an investigation, and may, through SEHK, require EPs to provide relevant information and materials and to assist in its investigation;
(l) SEHK may upon SSE’s request, require an EP to reject orders from the client;
(m) Client needs to accept the risks concerned in Northbound trading, including but not limited to prohibition of trading SSE Securities, being liable or responsible for breaching the SSE Listing Rules, SSE Rules and other applicable laws and regulations;
(n) SSE may request SEHK to require EP to issue warning statements (verbally or in writing) to their clients, and not to extend Northbound trading service to their clients; and
(o) HKEx, SEHK, SEHK Subsidiary, SSE and SSE Subsidiary and their respective directors, employees and agents shall not be responsible or held liable for any loss or damage directly or indirectly suffered by an EP, its clients or any third parties arising from or in connection with Northbound
32. **What are the board lot/odd lot, order size and tick size for SSE Securities? (Updated as of 26 September 2014)**

All SSE Securities are subject to the same trading board lot size, which is 100 shares (buy orders must be in board lot). Odd lot trading is only available for sell orders and all odd lots should be sold in one single order. It is common that a board lot buy order may be matched with different odd lot sell orders, resulting in odd lot trades. It should be noted that unlike Hong Kong, board lot and odd lot orders are both matched on the same platform on SSE, and subject to the same share price. The maximum order size is 1 million shares and the tick size is uniformly set at RMB 0.01.

33. **Does SSE price limit apply under Shanghai-Hong Kong Stock Connect?**

For SSE Securities, there is a general price limit of a ±10% (and a ±5% for stocks under special treatment (i.e. ST and *ST stocks) in the risk alert board) based on previous closing price.

All orders input for SSE Securities must be within the price limit. Any orders with price beyond the price limit will be rejected by SSE. The upper and lower price limit will remain the same intra-day.

34. **Will there be any foreign shareholding restriction on SSE Securities? (Updated as of 26 September 2014)**

Under current Mainland rules, unless otherwise permitted by the relevant strategic investor regulations, a single foreign investor’s (i.e. QFII and RQFII) shareholding in a listed company is not allowed to exceed 10% of the company’s total issued shares, while all foreign investors’ shareholding in the A shares of a listed company is not allowed to exceed 30% of its total issued shares.

When the aggregate foreign shareholding of an individual A share reaches 26%, SSE will publish notices on its website (http://www.sse.com.cn/disclosure/diclosure/qfii). If aggregate foreign shareholding exceeds the 30% threshold, the foreign investors concerned will be requested to sell the shares on a last-in-first-out basis within five trading days.

SSE Securities purchased through Shanghai-Hong Kong Stock Connect will be considered in totality with those purchased by QFII and RQFII, and be subject to the same foreign shareholding restriction. Once SSE informs SEHK that the aggregate foreign shareholding of an SSE Security reaches 28%, further Northbound buy orders in that SSE Security will not be allowed, until the aggregate foreign shareholding of that SSE Security is sold down to 26%. If the 30% threshold is exceeded due to Shanghai-Hong Kong Stock Connect, HKEx will identify the relevant EP and require it to follow the forced-sale requirements. HKEx will publish a notification on its website to inform the market about suspension of buy orders if the shareholding limit goes beyond 28% and about the resumption of buy orders if the shareholding drops below 26%.

Foreign investors can continue to sell the A share which aggregate foreign shareholding has reached the 30% threshold. If such selling activities cause the aggregate foreign shareholding to drop below the 30% threshold within 5 trading days, EPs who were trading or the CSC.
subject to the forced-sale requirement may submit application to the SEHK for forced-sale exemption.

EPs should monitor their clients’ shareholdings in SSE Securities and remind their clients to comply with the 10% single foreign investor’s restriction, and forced-sale arrangement.

35. **Will there be any disclosure obligations for SSE Securities?** *(Updated as of 26 September 2014)*

According to the Law of the PRC on Securities, when an investor holds or controls up to 5% of the issued shares of a Mainland listed company, the investor is required to report in writing to the CSRC and the relevant exchange, and inform the listed company within three working days. The investor is not allowed to continue purchasing or selling shares in that listed company during the three days.

For such investor, every time when a change in his shareholding reaches 5%, he is required to make disclosure (in the same manner as mentioned above) within three working days. From the day the disclosure obligation arises to two working days after the disclosure is made, the investor may not buy or sell the shares in the relevant Mainland listed company.

If a change in shareholding of the investor is less than 5% but results in the shares held or controlled by him falling below 5% of the relevant Mainland listed company, the investor is required to disclose the information within three working days.

36. **What is the pre-trade checking requirement?** *(Updated as of 26 September 2014)*

Currently, Mainland investors are only allowed to sell A shares which are available in their stock accounts at the end of the previous day. Based on the shareholdings of an investor, SSE will reject a sell order if the investor does not have sufficient shares in his account. For Northbound trading, SEHK will apply similar checking on all Northbound sell orders at the EP level to ensure there is no overselling by individual EPs. Sell orders will be rejected if the cumulative sell quantity for the day is higher than the shareholding position at market open. Therefore, when placing sell orders, investors must ensure they have sufficient shares in their accounts opened with the EP who acts as the selling broker. If the shares are kept in an account opened with another EP or a custodian, investors must first transfer the shares to the selling EP on T-1 in order to sell their shares on T day. An additional settlement instruction (SI) session will be available in the morning on T day to allow custodian or GCP (who is not an EP) as delivering party to transfer SSE Securities. The sellable quantity of SSE Securities will then be updated for pre-trade checking.

37. **What is the holiday arrangement?** *(Updated as of 26 September 2014)*

In the initial stage of operation of Shanghai-Hong Kong Stock Connect, investors will only be allowed to trade on the other market on days where both markets are open for trading, and banking services are available in both markets on the corresponding settlement days. This arrangement is essential in ensuring that investors and brokers will have the necessary banking support on the relevant settlement days when they will be required to make payments.

The following table illustrates the holiday arrangement of Northbound trading of SSE Securities:
<table>
<thead>
<tr>
<th>Day</th>
<th>Mainland</th>
<th>Hong Kong</th>
<th>Open for Northbound Trading?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day-1</td>
<td>Business Day</td>
<td>Business Day</td>
<td>Yes</td>
</tr>
<tr>
<td>Day-2</td>
<td>Business Day</td>
<td>Business Day</td>
<td>No</td>
</tr>
<tr>
<td>Day-3</td>
<td>Business Day</td>
<td>Public Holiday</td>
<td>No</td>
</tr>
<tr>
<td>Day-4</td>
<td>Public Holiday</td>
<td>Business Day</td>
<td>No</td>
</tr>
</tbody>
</table>

If a Northbound trading day is a half trading day in Hong Kong market, Northbound Trading will continue until SSE market is closed. The Northbound trading calendar will be available on HKEx website before launch of Shanghai-Hong Kong Stock Connect.

We will continue to explore with market players and the banking sector to consider the operational feasibility as well as market demand to support cross-boundary trading/money settlement during holidays.

38. **What is the contingency arrangement under severe weather conditions? (Updated as of 26 September 2014)**

In the initial stage, Northbound trading arrangement under severe weather conditions will be as follows:

(a) If SSE is suspended due to bad weather, there will be no trading on the Northbound and Hong Kong investors and EPs will be informed by SEHK;

(b) If typhoon signal number 8 (or above) and/or black rainstorm warning is issued in Hong Kong before Hong Kong market opens, Northbound trading will not open. If the signal/warning is subsequently discontinued on the same day, arrangement for the resumption of Northbound trading will follow that for the SEHK market (detailed arrangement is available on the HKEx website at http://www.hkex.com.hk/eng/market/typhoons/tradingarrangement.htm);

(c) if typhoon no. 8 (or above) is issued in Hong Kong after Hong Kong market opens but before SSE market opens (between 9:00 a.m. and 9:15 a.m.), Northbound trading will not open; and

If typhoon signal number 8 (or above) is issued in Hong Kong after SSE market has opened, trading will continue for 15 minutes during which order put and cancellation will be allowed. After 15 minutes, only order cancellation is allowed until SSE market is closed.
Similar to the holiday arrangement, we will further consider whether there is any alternative arrangement or enhancement that can be done and will engage the market as appropriate.

For details of the existing typhoon/rainstorm procedure for Hong Kong market, please refer to the HKEx website:


39. **Can investors trade through their existing broker(s) in Hong Kong? Do investors need to open any additional account with any party to trade SSE Securities under Shanghai-Hong Kong Stock Connect?**

Hong Kong and overseas investors can trade SSE Securities through any EPs, so long as the chosen EP is eligible to participate in Shanghai-Hong Kong Stock Connect. Investors should discuss with their brokers on the detailed arrangements of participating in Shanghai-Hong Kong Stock Connect, including whether they need to open a separate account for trading SSE Securities, in addition to the one for trading Hong Kong shares,

40. **Do investors need to sign a separate client agreement specially for participating in Shanghai-Hong Kong Stock Connect apart from that for the stock market?**

Brokers may amend their client agreements in relation to the trading of SSE Securities if necessary (refer to Q26). Investors should consult their brokers whether they are required to sign a separate client agreement before participating in Shanghai-Hong Kong Stock Connect.

41. **Will SEHK provide a trading calendar specific for Northbound Trading? (Updated as of 26 September 2014)**

SEHK will provide the Northbound Trading Calendar before the launch of Shanghai-Hong Kong Stock Connect and the beginning of each calendar year thereafter. For the market’s reference, SEHK has prepared a “Mock Northbound Trading Calendar”

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>Northbound Trading of SSE Securities</th>
<th>Money Settlement (for 1:1 position)</th>
<th>Securities Settlement (for 1 position)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. T8 / Black rainstorm issued before HK market opens (i.e. 9:00 a.m.) and discontinued after 12:00 noon</td>
<td>Not open</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>2. T8 issued between 9:00 a.m. and 9:15 a.m.</td>
<td>Not open</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>3. T8 issued after SSE market opens (i.e. 9:15 a.m.)</td>
<td>Trading will continue for 15 minutes after T8 issuance, thereafter, only order cancellation is allowed till SSE market close</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>4. Black rainstorm issued after HK market opens (i.e. 9:00 a.m.)</td>
<td>Trading continues as normal</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>5. T8 / Black rainstorm discontinued at or before 12:00 noon</td>
<td>Trading resumes after 2 hours</td>
<td>Postpone to 3 p.m.</td>
<td></td>
</tr>
</tbody>
</table>
42. Are there any restrictions in odd lot trading in SSE Securities? (Updated as of 26 September 2014)

For Northbound trading, EPs are allowed to input odd lot sell orders. However, odd lot buy orders will not be accepted. In addition, an investor (or ultimate beneficial owner) who places an odd lot sell order must ensure he/she sells all the odd lot in that SSE Security in one go. For example, if an investor has 107 shares of a certain SSE Security in his/her stock account, EPs can only input a sell order of 7 shares or 107 shares.

III. CLEARING, SETTLEMENT AND RISK MANAGEMENT ARRANGEMENT

43. What is the clearing and settlement cycle?

Northbound trades will follow the A share settlement cycle. For securities settlement, ChinaClear will debit or credit its clearing participants’ (including HKSCC as clearing participant) stock accounts before 6:00pm on T day to settle their A share trades. To facilitate SSE Securities settlement cycle, HKSCC will conduct securities settlement on Northbound trades for its CPs via two rounds of Batch Settlement Runs at around 4:30pm and 6:00pm on T day.

For money settlement of Northbound trades, it will be effected by around noon on T+1 day.

Investors should consult their brokers on their stock and money settlement arrangement with respect to Northbound trading, which may not exactly follow the ChinaClear and HKSCC time schedule as explained above.

44. What are the clearing risk management measures in place under Shanghai-Hong Kong Stock Connect? (Updated as of 14 October 2014)

HKSCC and ChinaClear will establish the Clearing Links and each will become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfill the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

ChinaClear will generally apply its existing risk management measures on HKSCC’s unsettled positions on SSE Securities. HKSCC will in turn adapt ChinaClear’s risk management measures and impose them on CPs trading SSE Securities. These risk management measures are largely similar to those imposed by ChinaClear on its other clearing participants.

To avoid risk spill-over across the border, both HKSCC and ChinaClear will not participate in each other’s mutualised risk management pools (e.g. default fund) that are normally contributed by their home market clearing participants. As such, ChinaClear will not contribute to the HKSCC Guarantee Fund and ChinaClear will not be required
to share any default loss of CPs. CPs’ Guarantee Fund contributions will not be utilised to offset close-out loss in ChinaClear default.

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC’s liabilities in Northbound trades under its market contracts with CPs will be limited to assisting CPs in pursuing their claims against ChinaClear. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear’s liquidation process, if applicable. HKSCC will in turn distribute the stocks or monies recovered to CPs on a pro-rata basis.

45. Is the RMB Equity Trading Support Facility (TSF) available for obtaining RMB funding to trade SSE-listed shares under Shanghai-Hong Kong Stock Connect?

TSF, which serves as a back-up facility to enable investors to buy RMB-denominated shares on SEHK with HKD, will not cover SSE Securities initially. Hence, investors will need to use their RMB to trade and settle SSE Securities.

46. How would SSE Securities under Shanghai-Hong Kong Stock Connect be custodised for Hong Kong and overseas investors? Can investors hold SSE Securities acquired through Shanghai-Hong Kong Stock Connect in physical form?

Since SSE Securities are issued in scripless form, physical deposits and withdrawals of SSE Securities into/from the CCASS Depository will not be available.

As explained above, Hong Kong and overseas investors can only hold SSE Securities through their brokers/custodians. Their ownership of such is reflected in their brokers/custodians’ own records such as client statements.

47. How do I participate in corporate actions of SSE Securities companies? (Updated as of 28 November 2014)

HKSCC will keep CCASS Participants informed of the corporate actions of SSE Securities, in particular those that require CCASS Participants/investors to take actions. CCASS Participants/investors should note that the time for them to take actions for some types of corporate actions of SSE Securities may be as short as one business day only. Common types of corporate actions of SSE Securities include but are not limited to cash dividend, bonus issues and voting etc. Besides take-over offers and rights issue may occur but they are relatively uncommon.

HKSCC will endeavor to collect and distribute cash dividends relating to SSE Securities to CCASS Participants in a timely manner. Upon receipt of the dividend amount on payment date, HKSCC will to the extent practicable arrange to distribute to the relevant CCASS Participants on the same day.

HKSCC will advise CCASS Participants of all general meeting details such as meeting date, time and the number of resolutions relating to SSE Securities. Hong Kong and overseas investors who have relevant holdings in their CCASS Participants as at the record date can vote via CCASS Participants. HKSCC will consolidate the voting instructions from CCASS Participants and endeavor to submit a combined single voting instruction (with ‘For’ and/or ‘Against’ votes together with ‘Abstain’ and/or cumulative votes if applicable) to the relevant SSE-listed company via the designated on-line voting platform.
HKSCC will inform CCASS Participants of the take-over offers details such as offer rate and the subscription period. Take-over offers may be in form of cash or securities. Normally, the offer period will be around 30 days. Hong Kong and overseas investors who have relevant holdings in their CCASS Participants during the subscription period can accept the take-over offers via CCASS Participants. HKSCC will consolidate the acceptance instructions from CCASS Participants and endeavor to submit one consolidated acceptance instruction to the relevant SSE-listed company via the designated electronic platform. Upon receipt of the cash or securities consideration, HKSCC will to the extent practicable arrange to distribute to the relevant CCASS Participants on the same day.

HKSCC will inform CCASS Participants of the rights issue details such as subscription price and the subscription period. Normally, the subscription period will be around one week, but it may be as short as one business day only. Hong Kong and overseas investors who have relevant holdings in their CCASS Participants at the record date will receive the rights/open offer to subscribe for underlying shares during the subscription period via CCASS Participants. Rights/open offer are non-tradeable. No excess application is available in general. HKSCC will consolidate the subscription instructions from CCASS Participants and endeavor to submit one consolidated subscription instruction to the relevant SSE-listed company via the designated electronic platform. Upon receipt of the rights/open offer shares, HKSCC will to the extent practicable arrange to distribute to the relevant CCASS Participants on the same day.

Hong Kong and overseas investors should note and comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS Participants) in order to participate in the corporate actions relating to their SSE Securities.

48. **What will be the implications for issuers of SEHK Securities should they exclude Mainland investors holding SEHK Securities through the Shanghai-Hong Kong Stock Connect (Stock Connect Shareholders) from participating in their rights issues/open offers? (Updated as of 28 November 2014)**


According to FAQ Series 29, it does not consider that there are grounds for issuers of SEHK Securities to exclude Stock Connect Shareholders from participating in their rights issue/open offers to subscribe for underlying shares based on the CSRC notice “Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Shanghai-Hong Kong Stock Connect” (Announcement [2014] No.48) which sets out the procedure for the filing of rights issue/open offer prospectuses.

If SSE considers that an issuer of SEHK Securities proposes not to extend its rights issues/open offers to subscribe for underlying shares to Stock Connect Shareholders without sufficient justification, SSE has the right to exclude such shares from the scope of SEHK Securities.

49. **For SSE Securities that Hong Kong and overseas investors have acquired through Shanghai-Hong Kong Stock Connect, can investors attend the relevant shareholder meetings in person or appoint more than one person to attend and act**
as proxy at the meetings on his/her behalf?

Multiple proxies are not available in the Mainland market today. Following the existing Mainland market practice, Hong Kong and overseas investors being the beneficial owners of SSE Securities will not be able to attend meetings as proxy in person, as opposed to what they can do in Hong Kong if they hold SEHK-listed shares.

50. In what capacity does HKSCC hold the SSE Securities acquired by Hong Kong and overseas investors through Shanghai-Hong Kong Stock Connect? (Updated as of 26 September 2014)

Hong Kong Securities Clearing Company Limited (“HKSCC”) is the “nominee holder” (名义持有人) of the SSE Securities acquired by Hong Kong and overseas investors through Shanghai-Hong Kong Stock Connect 3.

51. Is such concept of “nominee holder” recognised under the laws and regulations of Mainland China? If so, what is the function of a “nominee holder”? (Updated as of 26 September 2014)

The CSRC Stock Connect Rules, as departmental regulations having legal effect in Mainland China, expressly provide for the concept of a “nominee holder”. As mentioned in the response to Question 45, the concept is also expressly used in the SSE Stock Connect Pilot Provisions and the ChinaClear Stock Connect Implementing Rules. There are also other laws and regulations in Mainland China which provide that securities can be registered in an account opened in the name of such “nominee holder” 4. The reference to “nominee holder” in the Settlement Measures expressly recognises the concept of a “beneficial owner” (证券权益拥有人). In addition, pursuant to the Settlement Measures, a nominee holder (being HKSCC in relation to the SSE Securities) is the person who holds securities on behalf of others (being Hong Kong and overseas investors in relation to the SSE Securities) 5. The rights and obligations of HKSCC as the nominee holder in relation to the SSE Securities acquired by Hong Kong and overseas investors are set out in the amended CCASS Rules and CCASS Operational Procedures (amendments approved by the SFC pending announcement of effective date). Similar to existing provisions on other securities, it is made clear that HKSCC has no proprietary interest in SSE Securities and as a nominee, HKSCC will be responsible for collecting and distributing dividends to its participants (for their own account and/or as agent for their investors), obtaining and consolidating voting instructions from its participants and submitting a combined single voting instruction to the issuer of the relevant SSE Securities 6.

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3 See, article 7, Several Provisions on the Pilot Program of Shanghai-Hong Kong Stock Market Connect, the “CSRC Stock Connect Rules” (《沪港股票市场交易互联互通机制试点若干规定》); article 118, Shanghai Stock Exchange Shanghai-Hong Kong Stock Connect Pilot Programme Provisions, the “SSE Stock Connect Pilot Provisions” (《上海证券交易所沪港通试点办法》); and article 6, ChinaClear’s Implementing Rules for Registration, Depository and Clearing Services under the Shanghai-Hong Kong Stock Connect Pilot Programme, the “ChinaClear Stock Connect Implementing Rules”.

4 Article 18, the Administrative Measures for Registration and Settlement of Securities, the “Settlement Measures”.

5 Article 78, Settlement Measures.

6 New Rule 824 of the CCASS Rules and Section 8 of the CCASS Operational Procedures, and article 118, the SSE Stock Connect Pilot Provisions.
52. **Who are the beneficial owners of the SSE Securities?** *(Updated as of 26 September 2014)*

While HKSCC is the “nominee holder”, it holds the SSE Securities on behalf of Hong Kong and overseas investors who are the beneficial owners of the SSE Securities. The CSRC Stock Connect Rules expressly provide that investors enjoy the rights and benefits of the SSE Securities acquired through Shanghai-Hong Kong Stock Connect in accordance with applicable laws. Therefore, based on such provision, it is the Hong Kong and overseas investors as the ultimate investors (rather than any broker, custodian or intermediary through whom such investors hold the SSE Securities) who should be recognised under the laws and regulations of Mainland China as having beneficial ownership in the SSE Securities. Any broker or intermediary holding SSE Securities for its own account will also be regarded as an investor having beneficial ownership in such SSE Securities.

53. **Being the beneficial owner of the SSE Securities, can a Hong Kong or overseas investor exercise shareholder rights in Mainland China against the issuer of such SSE Securities?** *(Updated as of 26 September 2014)*

According to the “nominee holder” arrangement, the beneficial owners of the SSE securities shall exercise their rights in relation to such securities through the nominee holder. The securities account for the SSE Securities acquired by Hong Kong and overseas investors through Shanghai-Hong Kong Stock Connect will be opened in the name of HKSCC as nominee holder with China Securities Depository and Clearing Corporation Limited. Accordingly, Hong Kong and overseas investors are to exercise shareholder rights in relation to the SSE Securities through HKSCC in accordance with the CCASS Rules and CCASS Operational Procedures including receiving dividends through, and giving voting instructions to, HKSCC.

However, it should be noted that, under the CCASS Rules, HKSCC as nominee holder shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the investors in respect of the SSE Securities in Mainland China or elsewhere. HKSCC as nominee holder will, upon the request of a participant holding SSE Securities through HKSCC, provide certification of the participant’s holdings of SSE Securities in CCASS.

54. **Who is obligated to make any disclosure in respect of SSE Securities acquired by Hong Kong and overseas investors?** *(Updated as of 26 September 2014)*

Pursuant to the laws and regulations of Mainland China, when trading in securities through Shanghai-Hong Kong Stock Connect, Hong Kong investors shall comply with their reporting and disclosure obligations in accordance with applicable laws upon their triggering any relevant disclosure requirements (“Hong Kong investors” here refers to the investors who trade securities through Shanghai-Hong Kong Stock Connect,

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7 Article 13, CSRC Stock Connect Rules.
8 Article 5, China Securities Depository and Clearing Corporation Limited Securities Registration Rules.
9 Article 7, CSRC Stock Connect Rules.
10 Article 118, the SSE Stock Connect Pilot Provisions.
including both the local investors in Hong Kong and other overseas investors\(^{11}\)). Disclosure responsibilities are borne by the person who has “actual control over voting rights of the securities”\(^{12}\). Furthermore, this test may be satisfied by considering the single holding of an investor or by aggregating the holding of other parties “acting in concert” with such investor\(^{13}\). Accordingly, Hong Kong and overseas investors who will have “actual control over voting rights of the securities” (either individually or acting in concert with others) are responsible for complying with disclosure obligations under the laws and regulations of Mainland China in relation to SSE Securities acquired through Shanghai-Hong Kong Stock Connect.

Broadly speaking, a disclosure is required to be made within 3 days when such holding reaches 5% of the issued shares of an SSE-listed issuer. Thereafter, every increase or decrease in such holding by 5% will also trigger a disclosure to be made within 3 days. Please refer to Question 30 for further discussion in relation to disclosure obligations under the laws and regulations of Mainland China.

The disclosure obligation in respect of changes to the interest in SSE Securities does not apply to HKSCC in its capacity as the nominee holder of SSE Securities holding on behalf of Hong Kong and overseas investors\(^{14}\).

55. **On the insolvency of HKSCC, will SSE Securities acquired by Hong Kong and overseas investors be regarded as general assets of HKSCC and therefore distributed to HKSCC’s creditors?** (Updated as of 26 September 2014)

As discussed in the response to Question 47, HKSCC is only the nominee holder of SSE Securities acquired by Hong Kong and overseas investors, and is not the beneficial owner of such securities. Accordingly, such SSE Securities will not be regarded as the general assets of HKSCC under Hong Kong and Mainland China law and will not be available to the general creditors of HKSCC on its insolvency. Furthermore, as a company incorporated in Hong Kong, any bankruptcy proceedings against HKSCC will be initiated in Hong Kong and any claims against HKSCC will be determined as a matter of Hong Kong law. In that event, ChinaClear and the People’s courts will recognise the liquidator of HKSCC, which has been duly appointed pursuant to Hong Kong law, as the rightful entity having the power to deal with SSE Securities in the place of HKSCC.

IV. **MARKET INFORMATION**

56. **Where can investors obtain market information?** (Updated as of 26 September 2014)

To increase A-share market data visibility to Hong Kong market, SSE and HKEx will exchange free 1-price depth data of eligible stocks for Southbound and Northbound Trading and the data will be provided to EPs free of charge.

\(^{11}\) Article 13, CSRC Stock Connect Rules.
\(^{12}\) Article 12, the Administrative Measures for Acquisition of Listed Companies 《上市公司收购管理办法》.
\(^{13}\) Art. 86, PRC Securities Law 《中华人民共和国证券法》.
\(^{14}\) Article 115, SSE Stock Connect Pilot Provisions.
Real-time A-share data of the eligible stocks for northbound trading will be disseminated to EPs via their CC OG, updated once every 5 seconds. Data content includes Best Bid Price/Volume, Best Offer Price/Volume, Volume Traded, Value Traded, Previous Price, Open Price, Latest Price, Highest Price and Lowest Price.

The 1-price depth data of eligible stocks could only be used internally by EPs and for further redistribution to their trading clients. Dissemination to any other third parties is not allowed. Further, the data could not be used for index compilation and deriving any tradable products.

To increase market transparency, real-time daily quote balance for Northbound Trading will be disseminated to EPs via their CC OG and OMD Index Feed and the information will be updated once every 5 seconds. The information could be redistributed free of charge.

EPs, system vendors and Hong Kong and overseas investors may also source real time market data of SSE via SSE licensed information vendors, a list of which is available on the website of China Investment Information Services Limited, which is a subsidiary of SSE incorporated in Hong Kong and is responsible for SSE overseas market data business. SSE real time market data can also be accessed through the licensed Mainland vendors of SSE Infonet Ltd., Co. which is the information business arm of SSE. Similarly, Mainland investors may also source market data of SEHK via HKEx licensed information vendors who are providing data services in the Mainland. In addition, 23 information vendors are providing real time basic market prices (BMP) to investors in Hong Kong, the Mainland and overseas for free. The list of such vendors and their websites is available on HKEx website.

57. How do investors obtain the latest company announcement?

All approved corporate actions on SSE Securities will be announced by the issuers through the SSE website and four officially appointed newspapers (both the printed paper and their websites): the Shanghai Securities News, Securities Times, China Securities Journal and Securities Daily. HKSCC will record all corporate actions relating to SSE Securities in CCASS and advise CCASS Participants of the details via the CCASS terminals as soon as practicable on the announcement date. Hong Kong and overseas investors can visit the SSE and newspaper websites for the latest listed company announcements.

Hong Kong and overseas investors can also visit HKEx website’s China Stock Markets Web for the company announcements of SSE Securities issued on the previous trading day.

Hong Kong and overseas investors trading SSE Securities through Shanghai-Hong Kong Stock Connect should note that SSE-listed issuers will continue to publish corporate documents in Chinese only as their current practice, and English translation will not be available.
V. FEES AND LEVIES

58. How much does it cost to trade and settle SSE Securities under Shanghai-Hong Kong Stock Connect? (Updated as of 14 October 2014)

Hong Kong and overseas investors trading SSE Securities under Shanghai-Hong Kong Stock Connect will be subject to SSE’s Handling Fee and Securities Management Fee, together with ChinaClear’s “Transfer Fee” (as referred below).

Investors should note that certain existing CCASS fees still apply, including stock settlement fee for settlement instructions and money settlement fee. HKSCC will also impose a new CCASS fee (in HKD), called “Portfolio fee”, on its CCASS Participants for providing depository and nominee services for their SSE Securities held in CCASS. The Portfolio Fee will be collected in HKD on a monthly basis.

Fees and taxes related to Northbound trades under Shanghai-Hong Kong Stock Connect as follows:

Fees and taxes applicable to a Northbound trade:

<table>
<thead>
<tr>
<th>Items</th>
<th>Rate</th>
<th>Charged by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handling Fee (手续费)</td>
<td>0.00696% of the consideration of a transaction per side</td>
<td>SSE</td>
</tr>
<tr>
<td>Securities Management Fee (管理费)</td>
<td>0.00200% of the consideration of a transaction per side</td>
<td>CSRC</td>
</tr>
<tr>
<td>Transfer Fee (过户费)</td>
<td>0.060000% on face value per side</td>
<td>ChinaClear</td>
</tr>
<tr>
<td>Stamp Duty (交易印花税)</td>
<td>0.100000% of the consideration of a transaction on the seller</td>
<td>SAT</td>
</tr>
</tbody>
</table>

All the above fees and levies will be collected from CCASS Participants’ designated bank accounts at day-end of T day.

The following an example illustrating the calculation of fees and taxes:

On T day, a CP has to clear a Northbound Sell Trades with below detail:
Trade Quantity: 300 shares      Trade Price: ¥ 30
Face Value: RMB 1 per share

<table>
<thead>
<tr>
<th>Fee Type</th>
<th>Description</th>
<th>Formula</th>
<th>Amount *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handling Fee (手续费)</td>
<td>0.00696% of the consideration of a transaction per side</td>
<td>300 × ¥ 30 × 0.00696% = ¥ 0.6264</td>
<td>¥ 0.63</td>
</tr>
<tr>
<td>Securities Management Fee (管理费)</td>
<td>0.00200% of the consideration of a transaction per side</td>
<td>300 × ¥ 30 × 0.00200% = ¥ 0.18</td>
<td>¥ 0.18</td>
</tr>
<tr>
<td>Transfer Fee (过户费)</td>
<td>0.060000% on face value per side</td>
<td>300 × ¥ 1 × 0.060000% = ¥ 0.18</td>
<td>¥ 0.18</td>
</tr>
<tr>
<td>Stamp Duty (交易印花税)</td>
<td>0.100000% of the consideration of a transaction on the seller</td>
<td>300 × ¥ 30 × 0.100000% = ¥ 9</td>
<td>¥ 9</td>
</tr>
</tbody>
</table>

Total transaction cost to settle the Northbound Trade ¥ 9.99

* Note: Mainland fees will be rounded to the nearest cent

59. Are Hong Kong and overseas investors required to pay stamp duty on their transactions in SSE Securities? (Updated as of 14 November 2014)

According to the notice jointly issued by the Ministry of Finance (MOF), the State Administration of Taxation (SAT) and CSRC on 14 November 2014 http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201411/t20141114_1158461.html,
Hong Kong and overseas investors are required to pay stamp duty arising from the sale and purchase of SSE Securities and the transfer of SSE Securities by way of succession and gift in accordance with existing Mainland taxation regulations.

60. **Are Hong Kong and overseas investors required to pay taxes on cash dividend and/or bonus shares of SSE Securities?** (Updated as of 14 November 2014)

   According to the notice jointly issued by MOF, SAT and CSRC on 14 November 2014, Hong Kong and overseas investors are required to pay tax on cash dividend and/or bonus shares of SSE Securities at a standard rate of 10%, which will be withheld and paid to the relevant tax authority by the respective listed companies. For those investors whose residing country has entered into a tax treaty with China which allows them enjoying a lower dividend tax rate, the investors may apply to the tax authority for a refund of the differences.

   The tax rate and the dividend rate will be available via the existing “Enquire Announcement Information” function.

61. **Are Hong Kong and overseas investors required to pay capital gains tax or business tax when they trade SSE Securities?** (Updated as of 14 November 2014)

   According to the notice jointly issued by MOF, SAT and CSRC on 14 November 2014, Hong Kong and overseas investors are exempted from paying both capital gains tax and business tax, when they trade SSE Securities via Shanghai-Hong Kong Stock Connect.

62. **As Northbound trades are subject to Transfer Fee which is calculated based on the face value of the stock, do all SSE securities have the same face value?** (Updated as of 26 September 2014)

   Face value of SSE securities is usually RMB 1, with a few exceptions. HKEx will publish the face values of SSE securities on HKEx’s website, as part of the eligible stock list for Shanghai-Hong Kong Stock Connect.

**Note:**

This FAQ will be updated from time to time as the implementation progresses and investors can refer to the HKEx website for the latest development of Shanghai-Hong Kong Stock Connect.