

Shanghai-Hong Kong Stock Connect



Introduction

Shanghai-Hong Kong Stock Connect is a programme jointly 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.

Eligible Investors

All retail and institutional investors outside Mainland China are eligible to participate in Shanghai-Hong Kong Stock Connect.

Quota - Northbound

Aggregate Quota	<p style="text-align: center;">RMB300 billion</p> <ul style="list-style-type: none"> ◆ Calculated end of each trading day ◆ Balance : Aggregate Quota – Aggregate Buy Trades + Aggregate Sell Trades 	<ul style="list-style-type: none"> ◆ If Aggregate Quota Balance < Daily Quota: Suspend buy order input for the next trading day ◆ If Aggregate Quota Balance increases to Daily Quota level: Resume buy order input for the next trading day
Daily Quota	<p style="text-align: center;">RMB13 billion</p> <ul style="list-style-type: none"> ◆ Calculated Real-time during trading hours ◆ Balance : Daily Quota – Buy Orders + Sell Trades + Adjustments (e.g. Buy Order cancelled, Buy Order rejected by SSE, Buy Order executed at a better price) 	<ul style="list-style-type: none"> ◆ If Daily Quota balance ≤ 0: <ul style="list-style-type: none"> » During opening call auction (Pre-opening): Reject new buy orders until quota balance becomes positive (e.g. due to Buy Order cancellation) » During continuous auction (continuous trading): Suspend buy order for the remaining of the day » Buy orders already input before suspension will not be affected

* Quota information will be disseminated through the HKEx website at one minute intervals and through HKEx's Orion Market Data Platform at five second intervals.

Eligible Securities

Index Constituents	SSE180, SSE380	◆ Excluding stocks on risk
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Dual-listed Stocks	A shares* of companies listed on both SSE and SEHK	alert board and stocks not traded in RMB
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Only sell orders are allowed if:

- ◆ ceases to be constituent stock of relevant indices; and/or
- ◆ subsequently put under risk alert board; and/or
- ◆ corresponding H share of A+H ceases to be traded on SEHK as the case may be

For more details of Eligible Securities, Please visit HKEx's website at

http://www.hkex.com.hk/chi/market/sec_tradinfra/chinaconnect/EligibleStock_c.htm

(6-digit SSE Securities Codes)

Trading Rules

Trading Hours	Time	Time for CSC to accept Northbound orders
Opening Call Auction	09:15 – 09:25	09:10 – 11:30
Continuous Auction (Morning)	09:30 – 11:30	
Continuous Auction (Afternoon)	13:00 – 15:00	12:55 – 15:00
Orders	Limit orders only	

Notes:

- (1) 09:20-09:25 : SSE will not accept order cancellation
- (2) 09:10-09:15 、 09:25-09:30 、 12:55-13:00 : Orders and order cancellations can be input into CSC but will not be processed by SSE until market opens
- (3) Orders that are not executed during the opening call auction session will automatically enter the continuous auction session.
- (4) Holiday Arrangement - Investors will only be allowed to trade SSE Securities on days when :
 - » both SEHK and SSE are open for business; and
 - » banking services of both markets are open on the corresponding money settlement days

Price Limit

- ◆ $\pm 10\%$ on previous closing price
- ◆ $\pm 5\%$ for risk alert board stocks (ST and *ST)
- ◆ Any orders with price beyond the price limit will be rejected
- ◆ The upper and lower price limit will remain the same intra-day
- ◆ The maximum order size is 1 million shares and the tick size is uniformly set at RMB 0.01

Others Rules

- ◆ No day trades
- ◆ No block trades
- ◆ No trading by designated broker
- ◆ No naked short selling
- ◆ No odd lot buy orders
- ◆ No IPO
- ◆ Odd lot sell order in one go
- ◆ Not allowed to participate in Mainland's margin trading and securities lending
- ◆ Not allowed modify order (Investors need to cancel the original order and insert a new one)

Fees and Tax

Items	Rate	Charged by
Handling Fee	0.00487%	SSE
Securities Management Fee	0.002%	CSRC
Transfer Fee	0.004%	ChinaClear & HKSCC
Stamp Duty (Seller)	0.1%	SAT
Commission	0.25%	Southwest Sec

Currency	RMB
Settlement Cycle	<ul style="list-style-type: none"> ◆ Securities Settlement : Trade day ◆ Money Settlement : T+1

Items	Description	Charged by
Dividend Tax	Applicable to cash dividend and bonus issue (Dividend tax will be withheld by issuers of SSE Securities and ChinaClear upon dividend payment.)	SAT
Capital Gain Tax	Applicable to share disposal (Subject to clarification with SAT)	SAT

Pre-trade Checking

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/her account. Therefore, when placing sell orders, investors must ensure they have sufficient shares in their accounts.

Corporate Communications such as circulars, annual reports from SSE-listed companies

Hong Kong and overseas investors should follow the Mainland market practice and refer to the websites of SSE and four officially appointed newspapers (i.e. Shanghai Securities News, Securities Times, China Securities Journal and Securities Daily) for the corporate announcements made by SSE-listed companies.

Corporate announcements posted through these channels are only available in Simplified Chinese.

Disclosure obligations of SSE securities

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.

Foreign shareholding restriction on SSE Securities

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 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.

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 of these activities.

For more details of SH-HK Stock Connect, please visit HKEx's website at

http://www.hkex.com.hk/chi/market/sec_tradinfra/chinaconnect/chinaconnect_c.htm

Should you have any enquiries, please do not hesitate to contact your financial consultant, or our Customer Relations Department at (852)2238-9225 | 4001-201-600 (for PRC customer) | email: enquiry@swsc.hk

Yours faithfully,

Customer Relations
Southwest Securities (HK) Brokerage Limited