

Welcome to the newsletter for the Shanghai-Hong Kong Stock Connect programme for northbound investors. Here you can find important developments of the programme, trading calendars and the market education programmes we held.

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## Shanghai-Hong Kong Stock Connect Successfully Launched on November 17

### Launch Ceremony

Hong Kong Exchanges and Clearing Limited (HKEx) hosted a launch ceremony at its Exhibition Hall on 17 November 2014 to celebrate the official launch of Shanghai-Hong Kong Stock Connect with about 500 guests and journalists.

Click [here](#) for details.



(From left to right): Head of CSDC Hong Kong Subsidiary Preparatory Task Force Yao Meng, Executive Vice President of the Shanghai Stock Exchange Xu Ming, Chief Executive of HKEx Charles Li, Chairman of the Securities and Futures Commission Carlson Tong, Deputy Director of the Liaison Office of the Central People's Government in HKSAR Qiu Hong, Chairman of HKEx C K Chow, Chief Executive of the HKSAR C Y Leung, Acting Financial Secretary Professor K C Chan, Vice Chairman of the China Securities Regulatory Commission Liu Xinhua, Chief Executive of the Hong Kong Monetary Authority Norman Chan, General Manager of the Shenzhen Stock Exchange Song Liping, and the Deputy CEO of the Securities and Futures Commission Alexa Lam.



Chief Executive of the HKSAR C Y Leung



HKEx Chairman C K Chow



HKEx Chief Executive Charles Li

## Taxation

(Updated 14 November 2014)

1. Are Hong Kong and overseas investors required to pay taxes on *cash dividend and/or bonus shares* of SSE Securities?

- 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**.

2. Are Hong Kong and overseas investors required to pay *capital gains tax or business tax* when they trade SSE Securities?

- 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.

3. Are Hong Kong and overseas investors required to pay *stamp duty* on their transactions in SSE Securities?

- 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.

## Quota

(Updated 14 October 2014)

1. How does the Quota work?

- RMB 300 Billion - Northbound Aggregate Quota :**  
Aggregate Quota balance = Aggregate Quota - aggregate buy trades + aggregate sell trades (calculated at the weighted average cost)
- RMB 13 Billion - Northbound Daily Quota :**  
Daily Quota Balance = Daily Quota - Buy Orders + Sell Trades + Adjustments

2. Are there any measures in place to prevent quota hogging?

- A shares traded on the SSE are subject to price limit based on their previous closing price, including a **±10% price limit** for stocks under normal circumstances.
- 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.

## Margin trading, Short-selling & Stock Borrowing and Lending

(Updated 14 October 2014)

1. Is margin trading allowed for SSE Securities?

- Subject to conditions, margin trading in SSE Securities may be conducted. For details, please refer to "[FAQ for Investors](#)" Question # 21.

2. Is Stock Borrowing and Lending (SBL) allowed for SSE Securities?

- SBL of SSE Securities will be allowed in the following situations:
  - For covered short selling: an investor borrows SSE Securities and sells it on SSE through a China Connect Exchange Participant or a Trade-Through Exchange Participant via Northbound trading; and
  - For meeting the pre-trade checking requirement in certain circumstances (such as where a China Connect Exchange Participant's client is unable to affect a transfer of shares to the China Connect Exchange Participant's clearing account in time to meet the pre-trade checking requirement).
- There will be certain restrictions on which stocks can be the subject of SBL and who can participate in SBL.
  - SBL agreements for covered short selling purpose cannot be longer than one month;
  - SBL agreements for pre-trade checking purpose cannot be longer than one day (roll-over not allowed);
  - Stock lending will be restricted to certain types of persons to be determined by SSE; and
  - SBL activities will be required to be reported to SEHK.

3. Is short selling of SSE Securities allowed through Northbound trading?

- Will be allowed subject to a number of requirements set by SSE. For details, please refer to "[FAQ for Investors](#)" Question # 26.

## Rights Issue / A Shares Ownership

(Updated 26 September 2014)

**1. Can Hong Kong and overseas investors participate in rights issue subscription of SSE-listed companies through CCASS Participants?**

- Yes. For details, please refer [“FAQ for Market Participants”](#) Question 2.30.

**2. What is HKSCC’s role and who are the beneficial owner of the SSE securities?**

- **HKSCC is the “nominee holder”** of the SSE Securities acquired by Hong Kong and overseas investors through Shanghai-Hong Kong Stock Connect.
- The CSRC Stock Connect Rules, as departmental regulations having legal effect in Mainland China, expressly provide for the concept of a “nominee holder”.
- 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.

**3. Who is obligated to make any disclosure in respect of SSE Securities acquired by Hong Kong and overseas investors?**

- Hong Kong and overseas investors who trade SSE Securities through Shanghai-Hong Kong Stock Connect shall comply with their reporting and disclosure obligations in accordance with applicable laws upon their triggering any relevant disclosure requirements.
- 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.

**4. How can Hong Kong and overseas investors exercise their voting right with respect to their SSE Securities through HKSCC?**

- HKSCC will advise CCASS Participants of all general meeting details such as meeting date, time and the number of resolutions. CCASS Participants who have relevant holdings in their stock account as at the record date can vote via CCASS’s existing voting functions. However, if CCASS Participants wish to cast “Abstain” and/or cumulative votes (if applicable), they are required to submit written instructions to HKSCC. 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 issuer via the designated on-line voting platform.

## Error Trade

(Updated 26 September 2014)

**What is the Error Trade handling procedures?**

- Exchange Participants 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 Exchange Participant to conduct further non-trade transfers for error trade rectification if SEHK believes that the Exchange Participant has abused such rectification arrangements.

*For more details, please refer to [“FAQ for Investors”](#) and [“FAQ for Market Participants”](#)*

97 China Connect Exchange Participants, 53 Trade-through Exchange Participants and 96 Clearing Participants Are Eligible to Participate in Trading Activities

Please refer to Appendix – List of China Connect Exchange Participants (Page 6) / List of Trade-through Exchange Participants (Page 7)

Operational Readiness - 2 Successful Market Rehearsals and Pre-Launch Test Completed

November/December Trading Calendar

| November 2014                                  |     |     |     |     |     |     | December 2014   |     |     |     |     |     |     |
|--|-----|-----|-----|-----|-----|-----|---|-----|-----|-----|-----|-----|-----|
| Mon  | Tue | Wed | Thu | Fri | Sat | Sun | Mon   | Tue | Wed | Thu | Fri | Sat | Sun |
|  |     |     |     |     | 1   | 2   | 1   | 2   | 3   | 4   | 5   | 6   | 7   |
| 3  | 4   | 5   | 6   | 7   | 8   | 9   | 8   | 9   | 10  | 11  | 12  | 13  | 14  |
| 10   | 11  | 12  | 13  | 14  | 15  | 16  | 15  | 16  | 17  | 18  | 19  | 20  | 21  |
| 17   | 18  | 19  | 20  | 21  | 22  | 23  | 22  | 23  | 24  | 25  | 26  | 27  | 28  |
| 24   | 25  | 26  | 27  | 28  | 29  | 30  | 29  | 30  | 31  |     |     |     |     |
| Launch Day of Shanghai-Hong Kong Stock Connect |     |     |     |     |     |     | Hong Kong Public Holiday (Market Close for Northbound & Southbound Trading) |     |     |     |     |     |     |
| Two-way (Northbound & Southbound) Trading      |     |     |     |     |     |     | Two-way (Northbound & Southbound) Trading                                   |     |     |     |     |     |     |

Source: SSE click [here](#) (Chinese version only), HKEx click [here](#)

Strong Market Response to Investor Education

Exchange Participants

Professional and Industry Associations\*

System Vendors

- 65 education seminars with 39 exchange participants
- 20 education seminars with 14 professional and industry associations:
  - Alternative Investment Management Association (AIMA)
  - Asia Securities Industry & Financial Markets Association (ASIFMA)
  - Hong Kong Institute of Certified Public Accountants (HKICPA)
  - Hong Kong Investment Funds Association (HKIFA)
  - Hong Kong Investor Education Centre (HKIEC)
  - Hong Kong Securities and Futures Professional Association (HK S&F PA)
  - Hong Kong Securities Association (HKSA)
  - Hong Kong Securities Professionals Association (HKSPA)
  - Institute of Securities Dealers (ISD)
  - Managed Funds Association (MFA)
  - The Hong Kong Foreign Financial Institutions Association (HKFFIA)
  - The Hong Kong Institute of Financial Analysts and Professional Commentators (IFAPC)
  - The Irish Funds Industry Association (IFIA)
  - Treasury Market Association (TMA)
- 5 education seminars with 4 system vendors:
  - Bloomberg
  - KVH
  - NASDAQ OMX (Smart System)
  - Thomson Reuters

\*Education events in Hong Kong



## Mainland

- ~100 conferences/workshops in Mainland
- ~12,500 investors, mainly institutional and high net worth individuals
- Partners: CSRC, SSE, Securities Association of China

## Hong Kong

- ~140 seminars
- ~14,000 investors, including retail, institutional, sales executives
- Partners: local brokers, HK Investor Education Centre, industry associations

## International Roadshow

- Joint international roadshow with SSE
  - 11 cities across US, Canada, UK, Europe and Middle East
- Other regions reached by HKEx: Japan, Taiwan, Korea, Singapore and Australia
- ~1,500 institutional investors (covering 300+ firms)



## Charles Li Direct



**“The beginning of a long journey”**  
(15 November 2014)

To read / listen to the full article  
please go to this [link](#)

## Launch Day Trading Statistics

[Market highlights](#) of the first trading day  
(17 November 2014)

Daily Quota / Turnover / No. of Orders / No. of  
Trades / Top 5 Most Actively Traded Stocks

For more information on Shanghai-Hong Kong  
Stock Connect

Visit: [www.hkex.com.hk/chinaconnect](http://www.hkex.com.hk/chinaconnect)  
Email: [info@hkex.com.hk](mailto:info@hkex.com.hk)

## Disclaimer

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## List of China Connect Exchange Participants

|  |   |   |
|--|---|---|
| ABCI Securities Company Limited                                      | GF Securities (Hong Kong) Brokerage Limited           | Noble Securities Company Limited  |
| Bali Securities Co. Limited  | Goldman Sachs (Asia) Securities Limited               | OCBC Wing Hang Shares Brokerage Co. Limited                                   |
| Barclays Capital Asia Limited  | Guangdong Securities Limited                          | Optiver Trading Hong Kong Limited   |
| BNP Paribas Securities (Asia) Limited                                | Guodu Securities (Hong Kong) Limited                  | Orient Securities (Hong Kong) Limited   |
| BOCI Securities Limited  | Guosen Securities (HK) Brokerage Company, Limited     | Phillip Securities (Hong Kong) Limited  |
| BOCOM International Securities Limited                               | Guotai Junan Securities (Hong Kong) Limited           | Po Sang Futures Limited   |
| Bright Smart Securities International (H.K.) Limited                 | Guoyuan Securities Brokerage (Hong Kong) Limited      | President Securities (Hong Kong) Limited                                      |
| CGB International Securities Limited                                 | Haitong International Securities Company Limited      | Prudential Brokerage Limited  |
| Changjiang Securities Brokerage (HK) Limited                         | Hang Seng Securities Limited                          | Qilu International Securities Limited   |
| Chief Securities Limited   | Hani Securities (HK) Limited                          | Quam Securities Company Limited   |
| China Everbright Securities (HK) Limited                             | Hong Kong International Securities Limited            | Realink Financial Trade Limited   |
| China Galaxy International Securities (Hong Kong) Co., Limited       | HSBC Broking Securities (Hong Kong) Limited           | RHB OSK Securities Hong Kong Limited  |
| China International Capital Corporation Hong Kong Securities Limited | HSBC Securities Brokers (Asia) Limited                | SG Securities (HK) Limited  |
| China Merchants Securities (HK) Co., Limited                         | Huatai Financial Holdings (Hong Kong) Limited         | Shacom Securities Limited   |
| China Securities (International) Brokerage Company Limited           | I-Access Investors Limited                            | Shenyin Wanguo Securities (H.K.) Limited                                      |
| Chong Hing Securities Limited  | ICBC International Securities Limited                 | Sino Grade Securities Limited   |
| Christfund Securities Limited  | Industrial Securities (Hong Kong) Brokerage Limited   | SinoPac Securities (Asia) Limited   |
| CIMB Securities Limited  | Instinet Pacific Limited                              | South China Securities Limited  |
| CITIC Securities Brokerage (HK) Limited                              | J.P. Morgan Broking (Hong Kong) Limited               | Standard Chartered Securities (Hong Kong) Limited                             |
| Citigroup Global Markets Asia Limited                                | JTI Securities Limited                                | Sun Hung Kai Investment Services Limited                                      |
| CLSA Limited   | KGI Securities (Hong Kong) Limited                    | Susquehanna Hong Kong Limited   |
| CMB International Securities Limited                                 | Kim Eng Securities (Hong Kong) Limited                | Taifair Securities Limited  |
| CNI Securities Group Limited   | Kingston Securities Limited                           | Timber Hill Securities Hong Kong Limited                                      |
| Credit Suisse Securities (Hong Kong) Limited                         | Kuentai Securities (Kam Ngan) Company Limited         | Toyo Securities Asia Limited  |
| CSC Securities (HK) Limited  | Luk Fook Securities (HK) Limited                      | Tung Shing Securities (Brokers) Limited                                       |
| Dah Sing Securities Limited  | Macquarie Capital Securities Limited                  | Tung Tai Securities Company Limited   |
| DBS Vickers (Hong Kong) Limited                                      | Malahon Securities Limited                            | UBS Securities Hong Kong Limited  |
| Deutsche Securities Asia Limited                                     | Masterlink Securities (Hong Kong) Corporation Limited | UOB Kay Hian (Hong Kong) Limited  |
| Emperor Securities Limited   | Mega Securities (Hong Kong) Company Limited           | Victory Securities Company Limited  |
| Essence International Securities (Hong Kong) Limited                 | Merrill Lynch Far East Limited                        | Yuanta Securities (Hong Kong) Company Limited                                 |
| Ever-Long Securities Company Limited                                 | Morgan Stanley Hong Kong Securities Limited           | Yue Xiu Securities Company Limited  |
| First Shanghai Securities Limited                                    | Nanhua Securities (Hong Kong) Company Limited         | <b>Total: 97 China Connect Exchange Participants (as of 14 November 2014)</b> |
| Fulbright Securities Limited   | National Resources Securities Limited                 |   |

The list has been published: click [here](#)

List of Trade-through Exchange Participants

|   |   |   |
|---|---|---|
| Asia-Pac Securities Limited                     | Head & Shoulders Securities Limited                     | Prominence Financials Limited   |
| Audrey Chow Securities Limited                  | GuocoCapital Limited                                    | SPS Securities Limited  |
| BMI Securities Limited                          | Hing Wai Allied Securities Limited                      | Grand Investment (Securities) Limited                                     |
| Boom.com Limited                                | iSTAR International Securities Co. Limited              | Stockwell Securities Limited  |
| Business Securities Limited                     | Japan Asia Securities Limited                           | Success Securities Limited  |
| Capitec Securities Limited                      | Jimei Securities Limited                                | Tai Tak Securities (Asia) Limited   |
| China System Securities Limited                 | JS Cresvale Securities International Limited            | Taiwan Concord Capital Securities (Hong Kong) Limited                     |
| China Yinsheng Securities Limited               | Ko's Brother Securities Company Limited                 | Tanrich Securities Company Limited  |
| Core Pacific-Yamaichi Securities (H.K.) Limited | Kaiser Securities Limited                               | Treasure Securities Limited   |
| Delta Asia Securities Limited                   | Lei Shing Hong Securities Limited                       | VC Brokerage Limited  |
| East Asia Securities Company Limited            | Lippo Securities Limited                                | Win Wong Securities Limited   |
| First Worldsec Securities Limited               | Mirae Asset Securities (HK) Limited                     | Wing Fung Securities Limited  |
| FP Sino-Rich Securities & Futures Limited       | M Y Securities Limited                                  | Wing Lung Securities Limited  |
| Fubon Securities (Hong Kong) Limited            | Pacific Foundation Securities Limited                   | Wintech Securities Limited  |
| Geminis Securities Limited                      | Oriental Patron Securities Limited                      | Wo Fung Securities Company Limited  |
| Genting Securities Limited                      | Partners Capital Securities Limited                     | Wocom Securities Limited  |
| GLS Securities Limited                          | Ping An of China Securities (Hong Kong) Company Limited | Yicko Securities Limited  |
| GT Capital Limited                              | Sheng Yuan Securities Limited                           | Total: 53 Trade-through Exchange Participants<br>(as of 21 November 2014) |
|   |   |   |

The list has been published: click [here](#)