



1. Not protected by Investor Compensation Fund

The Client should note that any Northbound or Southbound trading under Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect will not be covered by Hong Kong's Investor Compensation Fund. As far as Hong Kong investors participating in Northbound trading are concerned, since they are carrying out Northbound trading through securities brokers in Hong Kong and these brokers are not Mainland brokers, they are not protected by China Securities Investor Protection Fund on the Mainland.

2. Quotas

Trading under Shanghai and Shenzhen Connect will be subject to a Daily Quota. Northbound trading and Southbound trading are respectively subject to a separate set of Daily Quota, which is monitored by SEHK, SSE and SZSE respectively. The Daily Quota is applied on a "net buy" basis. Based on that principle, investors are always allowed to sell their cross-boundary securities regardless of the quota balance.

The Daily Quota limits the maximum net buy value of cross-boundary trades under each of Shanghai and Shenzhen Connect each day. The Northbound Daily Quota is set at RMB 13 billion for each of Shanghai Connect and Shenzhen Connect, and the Southbound Daily Quota is set at RMB 10.5 billion for each of Shanghai Connect and Shenzhen Connect.

Daily Quota Balance = Daily Quota – Buy Orders + Sell Trades + Adjustments

The Daily Quota will be reset every day. Unused Daily Quota will NOT be carried over to next day's Daily Quota.

If the Northbound Daily Quota Balance drops to zero or the Daily Quota is exceeded during the opening call auction 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.

Once the Northbound Daily Quota Balance drops to zero or the Daily Quota is exceeded during a continuous auction session, no further buy orders will be accepted for the remainder of the day. The same arrangement will be applied to the closing call auction of SZSE. 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 and SZSE respectively unless otherwise cancelled by relevant SEHK Participants.

3. Short selling

In investing in A-share via the Northbound trading, Hong Kong and overseas investors are prohibited from naked short selling in A-shares. In selling A-shares via the Northbound trading, Hong Kong and overseas investors are not allowed to participate in any securities lending on the Mainland.

4. Difference in trading day and trading hours

The Client should note that, due to differences in public holiday between Hong Kong and Mainland China or other reasons such as bad weather conditions, there may be difference in trading days and trading hours in the two markets. Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect will only operate on days when both markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Mainland market but Hong Kong investors cannot carry out any A-share trading. The Client should take note of the days and the hours which Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect is open for business and decides according to their own risk tolerance capability whether or not to take on the risk of price fluctuations in A-shares during the time when Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect is not trading.

5. Restrictions on selling imposed by front-end monitoring

For Clients who keeps their A-shares outside of South China Securities Limited, if they want to sell certain A-shares they hold, they must transfer those A-shares to the respective accounts of South China Securities Limited before the market opens on the day of selling (T day). If they fail to meet this deadline, they will not be able to sell those A-shares on T day.

6. The recalling of eligible stocks and trading restrictions

A stock may be recalled from the scope of eligible stocks for trading via Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect for various reasons, and in such event the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the Customer. The Client should therefore pay close attention to the list of eligible stocks as provided and renewed from time to time by SSE / SZSE and SEHK. Under Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect, the Client will only be allowed to sell A-share but restricted from further buying if: (i) the A-share subsequently ceases to be a constituent stock of the relevant indices; (ii) the A-share is subsequently under "risk alert"; and/or (iii) the corresponding H share of the A-share subsequently ceases to be traded on SEHK. The Client should also note that price fluctuation limit would be applicable to A-shares.

7. Trading costs

In addition to paying trading fees and stamp duties in connection with A-share trading, the Client carrying out Northbound trading via Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect should also take note of any new portfolio fees, dividend tax and tax concerned with income arising from stock transfers which would be determined by the relevant authorities.

8. Local market rules, foreign shareholding restrictions and disclosure obligations

Under Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect, A-shares listed companies and trading of A-share are subject to market rules and disclosure requirements of the A-share market. Any changes in laws, regulations and policies of the A-share market or rules in relation to Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect may affect share prices. The Client should also take note of the foreign shareholding restrictions and disclosure obligations applicable to A-shares. The Client will be subject to restrictions on trading (including restriction on retention of proceeds) in A-shares as a result of its interest in the A-shares. The Client is solely responsible for compliance with all notifications, reports and relevant requirements in connection with its interests in A-shares. Under the current Mainland rules, once an investor holds up to 5% of the shares of a company listed on the SSE / SZSE, the investor is required to disclose his interest within three working days and during which he cannot trade the shares of that company. The investor is also required to disclose any change in his shareholding and comply with related trading restrictions in accordance with the Mainland rules. According to existing Mainland practices, Hong Kong and overseas investors as beneficial owners of A-shares traded via Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect cannot appoint proxies to attend shareholders' meetings on their behalf.

9. Currency risks

Northbound investments in the SSE / SZSE securities will be traded and settled in Renmibi. If the Client holds a local currency other than RMB, the Client will be exposed to currency risk if the Client invests in a RMB product due to the need for the conversion of the local currency into RMB. During the conversion, the Client will also incur currency conversion costs. Even if the price of the RMB asset remains the same when the Client purchases it and when the Client redeems / sells it, the Client will still incur a loss when they convert the redemption / sale proceeds into local currency if RMB has depreciated. The above may not cover all risks related to Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect and any above mentioned laws, rules and regulations are subject to change.