



The Launch of Shanghai-Hong Kong Stock Connect

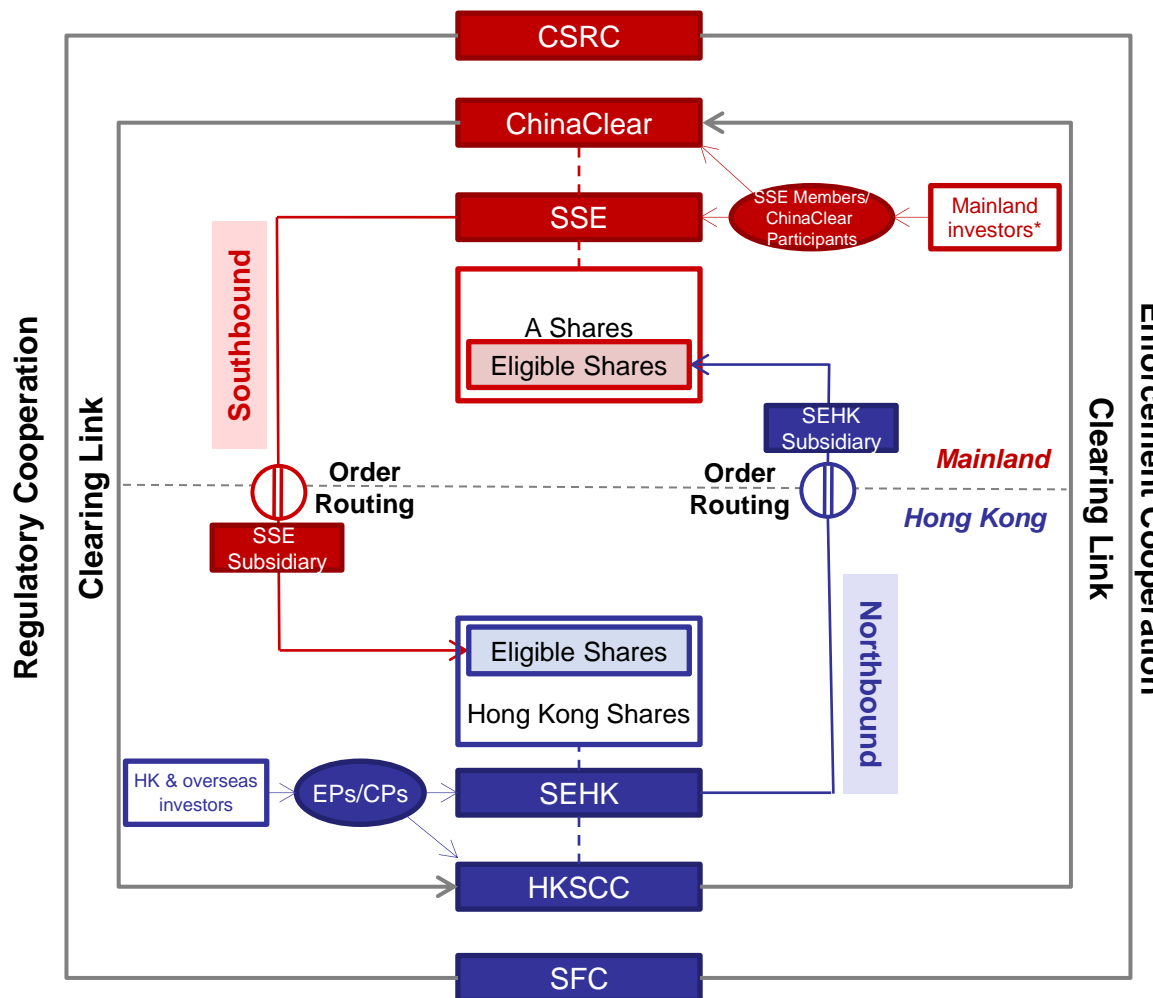
Charles Li, Chief Executive of HKEx Group
10 November 2014



Overview of Shanghai-Hong Kong Stock Connect



To achieve maximum market efficiency with minimum systemic risks



Order Routing in Gross for Maximum Price Discovery

Clearing and Settlement in Net for Minimum Cross-boundary Fund Flow

All RMB Conversion in HK, Facilitating Offset of Currency Conversion

Closed Loop Cross-Boundary Fund Flow to Achieve Stringent Risk Management

“Home Market” Rules and Laws Apply to the Extent Possible

Reciprocal Structure for Alignment of Interest

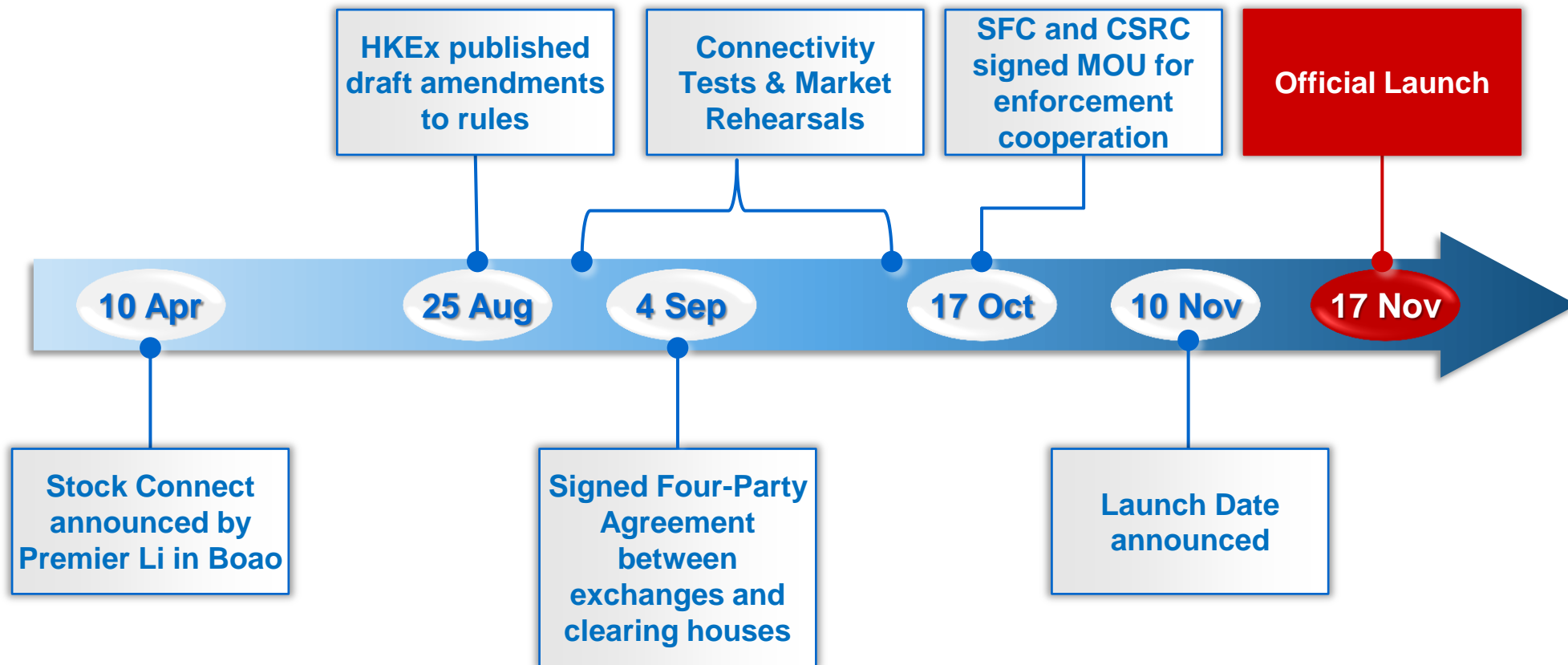
Equal Revenue Sharing to Achieve Win-win Solution

Quota Applied for Smooth and Stable Launch

Scalable in Size, Scope and Market in the Future

*Note: Only eligible Mainland investors can participate in Southbound trading

Key Timeline of Shanghai-Hong Kong Stock Connect Since Announcement on 10 April 2014



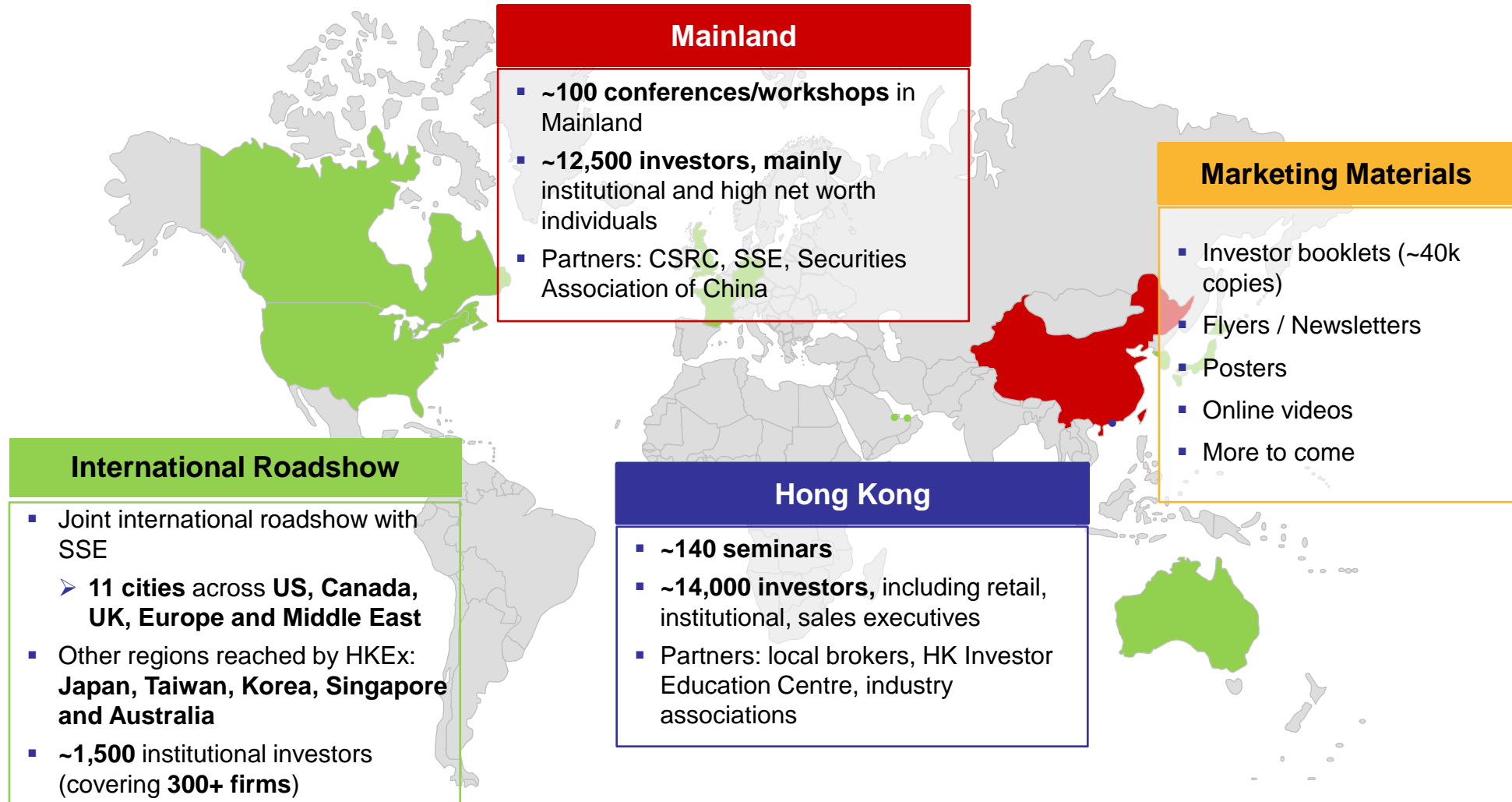
Since Shanghai-Hong Kong Stock Connect was announced, all related parties have intensively prepared for its successful launch and all key milestones reached

- ✓ **Cross-boundary regulatory and enforcement cooperation MOU signed between CSRC and the SFC**
- ✓ **Rules published**
 - Certain Provisions on Shanghai-Hong Kong Stock Connect Pilot Programme: published by CSRC
 - Exchanges and clearing houses rules and operational procedures approved and published
- ✓ **SEHK subsidiary in Shanghai set-up approved; SSE Subsidiary in Hong Kong approved**
- ✓ **Licenses granted by relevant regulatory authorities**
- ✓ **Exchanges/clearing houses joined each other as special member/participant**
- ✓ **Agreements between exchanges and clearing houses signed**
- ✓ **Cross-boundary banking arrangement set-up**
- ✓ **Systems verified via Market Rehearsals**
- ✓ **Eligible Stocks: Final lists of 568 eligible stocks for Northbound trading and 268 eligible stocks for Southbound trading published and available on HKEx website**
- ? **Expect clarity on tax issues before launch**

All the conditions under the Four-party Agreement have been satisfied

- ❑ 97 EPs participated in the Market Rehearsals in August and September
- ❑ Practice Sessions were conducted in September and October to allow participants to further familiarise themselves with the new operation
- ❑ EPs registration in process (73 as of today)
- ❑ Detailed information available on HKEx website to help EPs and CPs to enhance internal operations and conduct client on-boarding

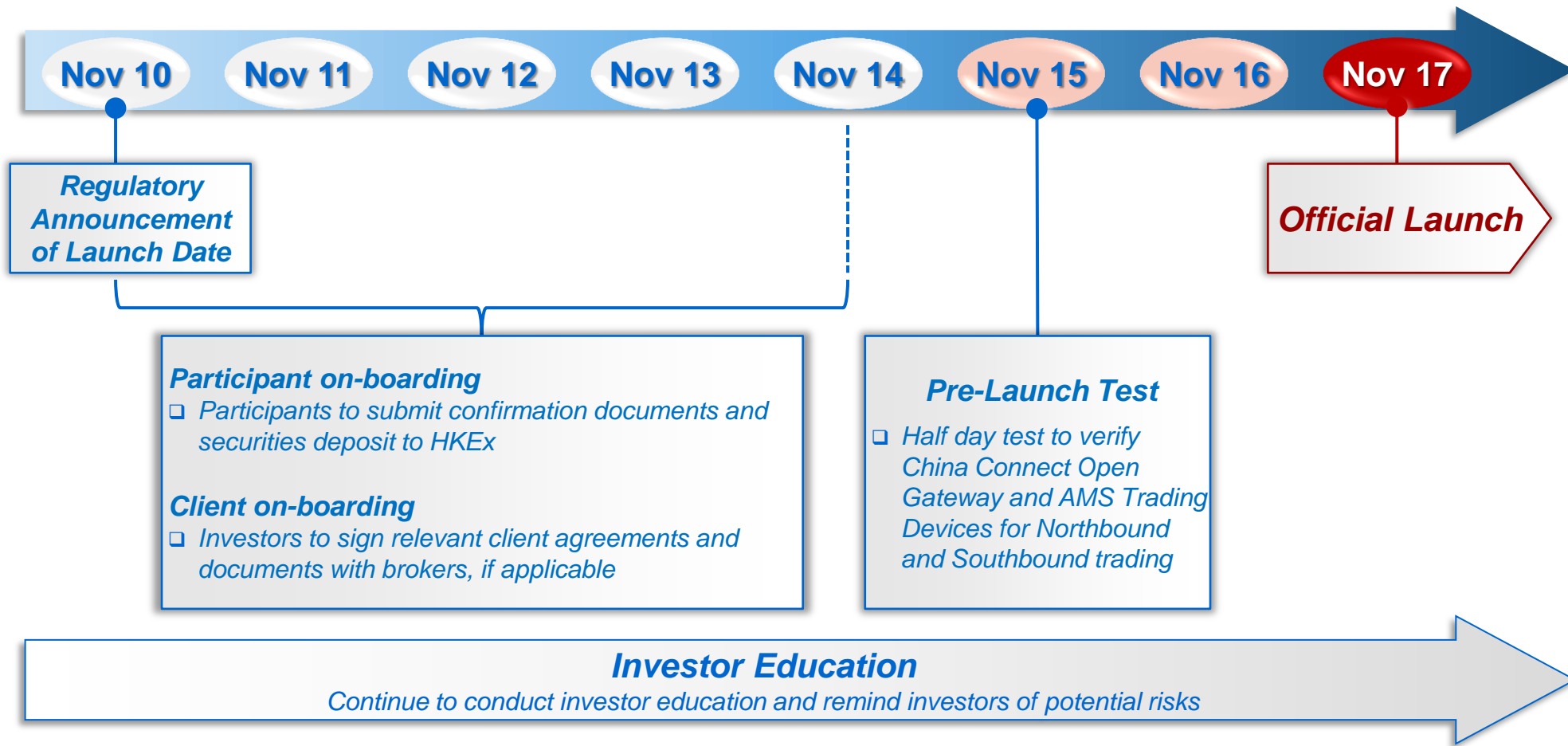
Brokers can join Shanghai-Hong Kong Stock Connect when they are ready



Significant interest from investors of different sectors during roadshows and seminars

The Last Mile

What needs to be completed between now and launch?



**Completing the last mile;
Shanghai-Hong Kong Stock Connect will commence operation on 17 November 2014**

Short Selling (Early 2015)

- System enhancement to allow short selling in A shares in Hong Kong

Pre-trade checking (Mid-2015)

- To explore and implement solutions that allow investors to sell A shares on T day and transfer the shares to brokers before settlement on T day
- This will also enable Settlement Instructions to be settled on a Delivery versus Payment (DvP) basis (in addition to the Free of Payment option)

***Shanghai-Hong Kong Stock Connect is a long-term strategic business initiative.
We will continue to enhance the model***

Q & A

HKEx Group Website: www.hkexgroup.com

HKExnews Website: www.hkexnews.hk