

Section VIII: Fact Sheet On Pilot Programme for Trading US Securities

The information contained herein is provided as an investor service and to promote interest in the securities market. It is not intended under any circumstances that such information will constitute an invitation to the public to acquire, dispose of or subscribe for any securities under the Pilot Programme.

Investors should only consider participating in the Pilot Programme if they have sufficient means and resources to acquire and understand the relevant product and market information regarding the Programme.

Introduction

Under the Pilot Programme introduced in May 2000, a number of global securities listed on the National Association of Securities Dealers Automatic Quotations (Nasdaq) and the American Stock Exchange (AMEX) (currently part of the NYSE Group, Inc. (NYSE Group)) have been admitted to trading on the Hong Kong stock market.

Main Characteristics of Pilot Programme Securities

- Listed on Nasdaq or AMEX (currently NYSE);
- May also include a number of exchange traded funds (ETFs);
- Have no public offering in Hong Kong (HK);
- Not regulated as listings on the Stock Exchange's Main Board or on the Growth Enterprise Market (GEM);
- Admitted into the Stock Exchange for trading only;
- Trading of PP securities is regulated by HK law and Stock Exchange rules. In particular, the securities are subject to the market manipulation provisions of the Securities Ordinance;
- In general, suspension and resumption of trading will follow that of the home market but the Hong Kong Securities and Futures Commission (SFC) and the Stock Exchange retain the right to suspend, halt trading and remove any security from trading;

Trading and Settlement Arrangement

- **Trading currency** PP securities are either traded and settled in HK or in US dollars.
- **Trading hours** Refer to your broker for the latest trading hours.
- **Stock codes** Stock codes are within the 4331 to 4338 range.
- **Board lots** Each board lot may range from 10 to 100 shares depending on the price of the securities at the time of admission to trading.
- **Trading mechanism** Trading will be carried out through the Stock Exchange's Automatic Order Matching and Execution System (AMS) under an order-driven and automatching mechanism. Designated market makers for PP securities may participate in AMS to provide two-way prices on the AMS order book.
- **Trading spread** Trading spread follows those of HK securities
- **Short selling** PP securities are eligible for short selling with the tick rule.
- **Settlement** Settlement period is T+2 while the US settlement period is T+3. ITS may be applied to certain securities.
- **CCASS rules** All the latest Hong Kong Securities Clearing Company Limited (HKSCC) rules for clearing, settlement, custodian and nominee services apply to the PP securities.
- **Trading by overseas investors** Overseas investors should comply with the applicable regulatory restrictions in their country of domicile governing purchases or sale of overseas securities prior to trading the PP securities on the Stock Exchange.

Information Dissemination and Disclosure of Financial Information

- Information / filings relating to the PP issuers may be obtained from multiple sources which may operate on a best endeavour basis.
- Issuers' disclosure may be obtained from :
 - issuers' websites, Nasdaq's website (www.nasdaq.com), Amex's website (www.amex.com) (Note: Amex is currently part of NYSE Group and its website is www.nyse.com) and other third party websites;
 - EDGAR, the Electronic Data Gathering, Analysis and Retrieval system website (www.sec.gov), which contains all US issuers' filings to the US Securities and Exchange Commission.

Note: Similar to its US counterpart, the Stock Exchange is not in a position to verify the accuracy of the information disclosed; news reports and analysis reflect the views of its authors or commentators.

- Investors who purchase PP securities on the Stock Exchange will receive issuers' documents from HKSCC via their brokers or directly if they are Investor Participants when such documents are made available to HKSCC.
- Trading data of PP securities in HK:
 - Market prices and turnover of the PP securities traded on the Stock Exchange can be accessed through brokers, newspapers and information service providers similar to that of HK securities.
 - PP securities' US market data are available on the Nasdaq or Amex website (currently NYSE website).
 - PP securities' US market closing prices and turnovers are disseminated by the Stock Exchange to Exchange Participants and information vendors.

Share Registration and Other Services

- Shareholders can transfer their securities in the US for sale in HK and vice versa via brokers and HKSCC participants.
- PP issuers do not have share registrar in HK and all PP securities in HK are held under HKSCC's account with the US Depository Trust Company (DTC). Owners of these PP securities in HK are not registered shareholders but have beneficial interest in the securities.
- All owners of PP securities may request issuance of physical scrips, if available, indirectly through HKSCC. The issuance process normally takes much longer time than HK securities. HKSCC does not offer deposit service for PP securities and physical scrips of PP securities can only be deposited through brokers offering such services.
- Beneficial owners of PP securities held under HKSCC participants can collect their dividends, if any, in either HK or US dollars, at their option. However, for dividend collection, HKSCC may require beneficial owners to declare whether they are US taxpayers, for reporting to the relevant US authorities.
- As the Stock Exchange is not providing trading counters for warrants, rights or debt issues of PP securities, beneficial owners of these securities, if declared by the issuer, may transfer them to brokers or custodians who are DTC participants or sell or redeem them in the US market via HKSCC as part of its nominee service.

Fees and Other Charges

Summary of transaction costs and taxes

Transaction levy	Follow those of HK securities
Stamp duty	Not applicable
Withholding tax	<p>Will be collected by HKSCC's agent in the US on dividends paid on PP securities held under HKSCC. Refund of the withholding tax may be a complex and time-consuming process.</p> <p>Upon request, HKSCC will issue a confirmation to investors who have an Investor Participant Account with HKSCC of the net amount of dividends paid (i.e. after netting off the withholding tax) with respect to their holdings in the relevant securities as at the entitlement record date.</p> <p>For other investors, they should approach their brokers or custodians, who will request and obtain the confirmation from HKSCC on their behalf.</p>
Capital gains tax	Apply to US taxpayers who are beneficial owners of US securities (including PP securities) but not to non-US taxpayers

Summary of HKSCC tariff for Exchange Participants only

For the latest HKSCC fees and charges, please refer to CCASS Tarriff. Standard CCASS (the central clearing and settlement system operated by HKSCC) tariff applies except for the following, which will be charged to cover the fees payable to DTC and CCASS processing costs.

Stock maintenance fee	Monthly charge of \$0.25 per 100 shares or those less than 100 shares. The fee is calculated on the daily average stock balance of PP securities in stock accounts of each Participant for the month and is payable monthly. No stock custody fee will be charged.
Stock withdrawal fee	\$600 per instruction plus out-of-pocket expenses incurred by HKSCC. The fee also applies to the withdrawal of securities entitlements accruing from PP securities which are not eligible securities.
Handling fee for warrant conversions, voluntary takeovers, tender offers, or open offers	\$600 per instruction plus out-of-pocket expenses incurred by HKSCC
Cross-border	\$200 per receipt / delivery instruction plus out-of-pocket expenses.

transfer fee for receipts / deliveries of PP securities*	HK shareholders may also be charged a fee by their appointed agents / brokers offering this service in HK and in the US.
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* Charged for the transfer of securities between DTC and CCASS only. This fee will not be charged on the settlement of trades concluded in HK.