



**CHINA CONNECT SERVICES ANNEX**  
**SUPPLEMENT TO SECURITIES DEALING SERVICES: HONG KONG MARKET ANNEX**

**1. Definitions and Interpretation**

1.1 In this China Connect Services Annex, capitalised terms have the meaning given to them in the “General Terms and Conditions of Business” (the “**General Terms**”).

1.2 This China Connect Services Annex is referred to herein as “this Annex”.

1.3 References in this Annex to “we”, “us” and “our” mean, unless the context otherwise requires, CLSA and where the context requires will also include any company in the CLSA Group, or persons connected with the CLSA Group.

**2. Effect of Terms of Business; Amendment**

2.1 By giving us instructions to trade China Connect Securities via China Connect, you agree to be bound by the terms of this Annex and acknowledge that you have read and understood the Risk Disclosures and Other Information set out in the Schedule hereto.

2.2 The terms and conditions set out in this Annex shall apply to all securities dealing services in relation to China Connect Services, provided by us to you in addition to, and supplemental to, the terms and conditions set out in the General Terms, the Hong Kong Market Annex and such other Annex. Accordingly, the terms and conditions in this Annex are legally binding and take effect when you signify your acceptance by placing an order for China Connect Securities, following your receipt of our General Terms, the applicable Service Annex and this Annex.

**3. Definitions**

Capitalised terms used herein will have the meanings given below or otherwise in the Existing Terms.

“**A Shares**” means any securities issued by companies incorporated in Mainland China which are listed and traded on Mainland China A Share markets (Shanghai and Shenzhen) and not on the SEHK.

“**Average Pricing**” means the allocation or application of an average price per China Connect Security to each individual fund managed by the same fund manager in respect of trades in such China Connect Security on the same Trading Day.

“**Cash**” means all cash or cash equivalents in Renminbi received and held by us on the terms of these China Connect Terms.

“**CCASS**” means the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on The Stock Exchange of Hong Kong Limited and/or any system established for the purpose of China Connect.

“**China Connect**” means a securities trading and clearing links programme developed or to be developed by the SEHK, SSE, HKSCC and ChinaClear for the establishment of mutual market access between SEHK and SSE.

“**China Connect Authorities**” means the regulators which regulate China Connect and activities relating to China Connect, including without limitation, the CSRC, PBOC, SAFE, SFC and any other regulator, agency or authority with jurisdiction, authority or responsibility in respect of China Connect.

“**China Connect Entities**” means the exchanges, clearing systems and other entities which provide services relating to China Connect, including without limitation, the SEHK, HKSCC, SEHK Subsidiary, SSE and ChinaClear.

“**China Connect Laws**” means the laws and regulations of Hong Kong and Mainland China from time to time in respect of China Connect or any activities arising from China Connect.

“**China Connect Market**” means the SSE.

“**China Connect Market System**” means the system used for the trading of China Connect Securities on the SSE, as operated by the SSE.

“**China Connect Rules**” means any rules, policies or guidelines published or applied by any China Connect Authority or China Connect Entity from time to time in respect of China Connect or any activities arising from China Connect.

“**China Connect Securities**” means any securities listed on the SSE which may be eligible for trading by Hong Kong and international investors on China Connect.

“**China Connect Service**” means the order-routing service through which Northbound orders placed by an Exchange Participant may be transmitted by the SEHK Subsidiary to the SSE for the buying and selling of China Connect Securities and any related supporting services.

“**China Connect Terms**” means the terms in this Annex, as may be amended, supplemented, modified or varied from time to time.

“**ChinaClear**” means China Securities Depository and Clearing Corporation Limited.

“**Clearing Participant**” has the meaning given to such term in the rules of the Central Clearing and Settlement System of Hong Kong.

“**Client Identity Rules**” means the SFC’s client identity rules in the SFC’s Code of Conduct and Client Identity Rule Policy.

“**Client Information**” has the meaning given in Article 12.1.

“**Client Securities Rules**” means the Securities and Futures (Client Securities) Rules (Cap571H of the Laws of Hong Kong).

“**Client Transaction**” has the meaning given in Article 12.1.

“**CSC**” means the China Stock Connect System for receiving and routing orders under Stock Connect to the trading system on a China Connect Market for automatic matching and execution.

“**CSRC**” means China Securities Regulatory Commission.

“**CSRC China Connect Rules**” means the Several Provisions on the Pilot Program of Shanghai-Hong Kong Stock Market Connect, as promulgated by CSRC to prescribe the launch and operation of the China Connect.

“**Exchange Participant**” has the meaning given by the rules of the SEHK.

“**Existing Terms**” means the applicable existing terms of business, annexes and/or other relevant notices and disclosure between you and us that govern our provision of securities dealing services to you.

“**Forced-sale Notice**” has the meaning given in Article 10.1.

“**H Shares**” means any securities issued by companies incorporated in Mainland China and listed on the SEHK.

“**HKEx**” means the Hong Kong Exchanges and Clearing Limited.

“**HKSCC**” means the Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of HKEx.

“**Mainland China**” means the People’s Republic of China (excluding Hong Kong, Macau and Taiwan).



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“Mainland China Listco” has the meaning given in paragraph 17 of the Schedule hereto.

“Mainland China Resident” means a person who is a citizen of the People’s Republic of China and does not have permanent right of abode in a jurisdiction outside Mainland China.

“Non-trade Transfer” means a transfer of China Connect Securities which involves a change in the beneficial ownership of the China Connect Securities and which is not conducted through the China Connect Service and executed on the China Connect Market.

“Northbound” denotes the trading of China Connect Securities by Hong Kong and international investors through China Connect.

“PBOC” means the People’s Bank of China.

“Pre-Trade Checking” means the requirement under the China Connect Laws pursuant to which SSE may reject a sell order if an investor does not have sufficient available China Connect Securities in its account.

“Related Person” means any of our Affiliates, or any director, officer, employee or agent of us or our Affiliates.

“Renminbi” or “RMB” means the lawful currency of Mainland China, deliverable in Hong Kong.

“SAFE” means the State Administration of Foreign Exchange.

“SEHK” means The Stock Exchange of Hong Kong Limited.

“SEHK Subsidiary” means a wholly-owned subsidiary of SEHK duly authorised as an automated trading service provider under the SFO and licensed under applicable laws in Mainland China to provide the order-routing service under China Connect.

“SFC” means the Securities and Futures Commission.

“SFO” means the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

“Special China Connect Securities” means any securities listed on the SSE which the SEHK (after consulting with SSE) from time to time accepts or designates as eligible only for China Connect sell orders and not China Connect buy orders.

“SSE” means the Shanghai Stock Exchange.

“SSE Rules” means the rules, operation procedures, circulars and notices of SSE in respect of the stock listing and trading activities taking place on SSE.

“Taxes” means all retrospective, present or future taxes, duties, levies, imposts, charges, assessments, deductions, withholdings, costs, expenses, any other tax (including without limitation any capital gains tax or any provision for withholding income tax on capital gain or business tax on capital gains) and related liabilities, including additions to tax, penalties and interest imposed on or in respect of (i) China Connect Securities or Cash, (ii) any transaction effected under these China Connect Terms or (iii) you.

“Trading Day” means a day on which SEHK is open for Northbound trading, where “T day” denotes the Trading Day on which a transaction is executed and “T+1 day” denotes the day which is one Trading Day, or in the context of the settlement of funds, one business day (on which banks in Hong Kong and Shanghai are generally open for business) after T day.

“you” means the client to whom these China Connect Terms are addressed and, if applicable, the principal(s) on whose behalf such client act(s).

**4. Eligible Investors**

You represent and undertake on a continuing basis, including without limitation on the first date that these China Connect Terms are effective and on each date that you placed an order or give an instruction in respect of China Connect Securities under these China Connect Terms, that:

- (a) (i) you are not a Mainland China Resident or an entity incorporated or registered under the laws of Mainland China; (ii) if you are a Mainland China Resident, you are using funds lawfully owed by you and located outside Mainland China to make investments in China Connect Securities; or (iii) if you are an entity incorporated or registered under the laws of Mainland China, your investment in China Connect Securities has been conducted pursuant to any program (including the Qualified Domestic Institutional Investor Program, if applicable) approved by, or any other approval of, any competent Mainland China regulator; and
- (b) Your investment in China Connect Securities does not violate the laws and regulations of Mainland China, including those in relation to foreign exchange control and reporting.

**5. Compliance with China Connect Laws and China Connect Rules**

5.1 Any trading in China Connect Securities will be subject to all China Connect Laws and China Connect Rules, certain of which are referred to in the Schedule hereto.

5.2 These China Connect Terms highlight certain key features of China Connect as of the date hereof. We are not liable for any inaccuracies or misstatements in the information set out in the Schedule hereto. These China Connect Terms do not purport to cover all China Connect Laws and China Connect Rules. You shall be fully responsible for understanding and complying with all China Connect Laws and China Connect Rules and for any consequences of Northbound trading. We will not, and does not intend to, advise you on any China Connect Laws or China Connect Rules. For further information, please refer to the web pages on the HKEx website and the SFC website relating to China Connect from time to time and other relevant sources.

5.3 We shall have the right to apply any procedures or requirements in respect of any trading of China Connect Securities through China Connect which we determine in our absolute discretion to be necessary or desirable for the purpose of any China Connect Laws, China Connect Rules or market practice. Neither we nor any Related Person shall have any liability for any losses or risks which may result directly or indirectly from such procedures or requirements.

5.4 We may, in our absolute discretion, refuse to execute any instruction given by you, if (for example, and without limitation):

- 5.4.1 such instruction is not compliant with any China Connect Laws or China Connect Rules or if we reasonably believe that such instruction may not be compliant with any China Connect Laws or China Connect Rules or if we are required by SEHK not to accept such instruction;
- 5.4.2 without prejudice to your obligations in Article 8, in respect of any instruction to make a Northbound sell order, we determines in our absolute discretion that you do not have sufficient securities at the time of such order instruction to settle the delivery obligation or if submission of the order would cause us to be in breach of the Pre-Trade Checking requirements or related requirements under the China Connect Rules or China Connect Laws; or
- 5.4.3 in respect of any instruction to make a Northbound buy order, we determines in our absolute discretion that you do not have sufficient funds to settle the payment obligation in respect of such order on the settlement day.



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Neither we nor any Related Person shall have any liability for any losses or risks which may result directly or indirectly from such refusal.

5.5 Without limitation to the foregoing, we may in our absolute discretion suspend, terminate or limit your ability to access the China Connect through us without advance notice to you, including but not limited to where requested or directed by a China Connect Authority.

5.6 In the event that SEHK, the SEHK Subsidiary or HKSCC is notified by SSE, ChinaClear or any other relevant exchange, clearing house or governmental or regulatory body that there is reasonable cause to believe that you have failed to comply with or have breached any China Connect Laws or China Connect Rules, you shall, upon the request of us provide such information (including translations into Chinese if requested by us) as we may reasonably request to enable us to assist the relevant exchange, clearing house or governmental or regulatory body including without limitation SSE, ChinaClear or any PRC governmental or regulatory authority or authorities to assess whether there is any non-compliance or breach of the China Connect Laws or China Connect Rules and/or the extent of any non-compliance or breach.

#### 6. Risk Disclosures and Acknowledgement

You shall be deemed to acknowledge the following by instructing us in respect of any transaction relating to China Connect Securities.

6.1 You acknowledge that you have read and understood the risk disclosures and other information set out in the Schedule hereto and that you understand your obligations set out in such Schedule including any consequences of a breach of China Connect Laws or China Connect Rules.

6.2 You acknowledge that there is a risk of prohibition from trading China Connect Securities and that your instructions to trade China Connect Securities may not be accepted.

6.3 You acknowledge that neither we nor any Related Person shall be liable for any loss, liability or third party claim or demand that you may suffer directly or indirectly as a result of any action or inaction by us or any Related Person in connection with the provision of trading services in respect of China Connect Securities to you by us including, without limitation, the materialisation of any of the risks described in the Schedule hereto.

6.4 You acknowledge that SEHK has the power not to extend the China Connect Service to you, and the power to require us not to accept instructions from you, if it is found that you, we or any of our clients have or may have committed any abnormal trading conduct set out in the SSE Rules or failed to comply with any China Connect Rules.

6.5 You acknowledge that if the SSE Rules are breached, or the disclosure and other obligations referred to in any China Connect Laws or China Connect Rules are breached, (i) SSE has the power to carry out investigations, and may, through SEHK (or through the SEHK Subsidiary, or any other governmental or regulatory body), require us or a Related Person to (a) provide relevant information and materials relating to you including, without limitation, in relation to your identity, personal data and trading activity; and (b) to assist in a China Connect Authority's investigation in relation to you and/or your trading activity; and (ii) you may be subject to regulatory investigations and legal and regulatory consequences if you are in breach of, or fail to comply with, such laws, rules and regulations.

6.6 You acknowledge that the SEHK may (for the purpose of assisting SSE in its regulatory surveillance of the China Connect Market and enforcement of the SSE China Connect Rules and as part of the regulatory cooperation arrangement between the SEHK, the SEHK Subsidiary and SSE), at the request of SSE, require us to provide information (including, without limitation, in relation to your identity, personal data and trading activity) in relation to you and any other persons referred to in the SEHK China Connect

Rules with respect to any China Connect orders placed or China Connect transactions made or entered into by us on your or their behalf.

6.7 You acknowledge that where a China Connect Authority considers that there is a serious breach of the SSE Rules, we may be required by a China Connect Authority to (a) issue warning statements (verbally or in writing) to you; and (b) cease providing you with any service relating to trading China Connect Securities through China Connect.

6.8 You acknowledge that, prior to us informing you that a Northbound buy order instructed by you has been settled, you shall not instruct a Northbound sell order in respect of the China Connect Securities which are the subject of such Northbound buy order.

6.9 You acknowledge and consent to us or any Related Person providing information relating to you and your profile, including the type and value of Northbound buy and sell orders and transactions executed on your behalf to a China Connect Authority at such intervals and in such form as such China Connect Authority may specify from time to time including in relation to an investigation or surveillance by a China Connect Authority.

6.10 You acknowledge and accept responsibility for paying all fees, charges, levies and taxes and shall comply with any filing or registration obligations as may be required under any China Connect Laws or China Connect Rules relating to any China Connect Securities and any dividends or entitlements in respect of such China Connect Securities.

6.11 You acknowledge and accept that we will be subject to recordkeeping requirements under the China Connect Rules and may therefore retain records (including telephone and electronic communications and account information) in relation to your Northbound orders and trading for 20 years or as otherwise required under the China Connect Rules or the China Connect Laws.

6.12 You acknowledge and accept that the SEHK may upon SSE's request require us to reject any order made on your behalf.

6.13 You acknowledge and accept that none of the China Connect Authorities or their respective directors, employees and agents shall be responsible or held liable for any loss or damage directly or indirectly suffered by us or any Related Person, you or any other third party arising from or in connection with (i) the trading of China Connect Securities or the operation of the CSC in respect of China Connect Securities, or (ii) any amendments, making or enforcement of the China Connect Rules; or (iii) any action taken by a China Connect Authority in discharge of its supervisory or regulatory obligations or functions (including any action taken in respect of abnormal trading activities).

#### 7. Representations

You make the representations set out in this Article to us on a continuing basis:

7.1 that you are aware of and shall comply with all China Connect Laws and China Connect Rules to which you may be subject;

7.2 that the execution of any instruction you give to us shall not result in any breach of any China Connect Laws or China Connect Rules; and

7.3 that you understand and have assessed the risks relating to China Connect and you are willing to undertake the risks relating to China Connect.

7.4 You make the following representations to us on each date you instruct an order to sell China Connect Securities:

7.4.1 that you do not know of any fact that might impair the validity of such China Connect Securities and that you have full authority to

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receive, deal with and give instructions, authorisations or declarations in respect of the same;

- 7.4.2 that there is no adverse claim to such China Connect Securities; and
- 7.4.3 that there is no restriction on the transfer of such China Connect Securities other than those expressly provided for under the SEHK rules or CCASS rules.

#### 8. Compliance with Pre-Trade Checking Requirements

8.1 You undertake that you will comply with any requirements relating to Pre-Trade Checking mandated by the China Connect Authorities, the China Connect Entities or as notified to you by us.

8.2 In addition, you undertake to ensure there are sufficient available China Connect Securities in your account by the applicable cut-off time (as notified to you by us from time to time) to cover any proposed sell order given on the relevant Trading Day.

8.3 If we consider that you do not for whatever reason have sufficient available China Connect Securities in your account to settle a sell order by the applicable cut-off time (as notified to you by us from time to time) we may in our absolute discretion:

- 8.3.1 reject your sell order (in whole or in part);
- 8.3.2 use any China Connect Securities in the designated CCASS stock account(s) which we hold for ourself or on behalf of our other customers to fulfil the Pre-Trade Checking requirement in respect of your sell order, in which case you shall reimburse us for any costs, losses or expenses which we incur as a result of buying in or otherwise sourcing the amount of China Connect Securities which you have failed to deliver in respect of your sell order on such terms and at such price (including any associated fees and expenses) and at such time as we shall determine in our absolute discretion; or
- 8.3.3 perform any other act which we consider necessary or desirable to comply with Pre-Trade Checking and/or relevant China Connect Laws or China Connect Rules and to cover your shortfall (including but not limited to applying any other China Connect Securities available to us from other sources).

8.4 In addition, we may in our absolute discretion reject your sell order (in whole or in part) if for any other reason we consider that there is or may be non-compliance with any China Connect Laws or China Connect Rules. Any risk, loss or cost resulting from non-compliance or potential non-compliance with Pre-Trade Checking and/or the relevant China Connect Laws or China Connect Rules shall be borne by you.

8.5 If you give any sell order in respect of any China Connect Securities allocated to any fund managed by you, you undertake to ensure that there are sufficient available China Connect Securities in your account allocated to such fund by the applicable cut-off time (as notified to you by us from time to time) to cover any such proposed sell order on the relevant Trading Day. In all cases, it is your responsibility to ensure that each of the funds managed by you complies with all China Connect Laws and China Connect Rules to which the relevant fund may be subject.

Any risk, loss or cost resulting from non-compliance or potential non-compliance with Pre Trade Checking and/or the relevant China Connect Laws or China Connect Rules shall be borne by you.

#### 9. Settlement and Currency Conversion

9.1 As all Northbound trading is effected and settled in Renminbi, if we do not receive sufficient Renminbi before settlement of a Northbound buy order to settle such purchase of China Connect Securities, settlement may be delayed and/or fail and you may not acquire title to, or become entitled to sell or transfer the relevant China Connect Securities. Where we hold any

funds on your behalf, if there are insufficient Renminbi funds to settle any Northbound buy order or other payment obligation in connection with China Connect, you authorise us to convert any funds in any other currency which we holds on your behalf into Renminbi for the purposes of settlement thereof.

9.2 Notwithstanding any provisions in the Existing Terms, where it is necessary to convert one currency to another pursuant to these China Connect Terms, such conversion may be carried out automatically by us in a commercially reasonable manner without prior notice to you. Any risk, loss or cost (including fees, charges and/or commissions) in connection with or resulting from any conversion of one currency into another currency pursuant to these China Connect Terms shall be borne by you.

9.3 You agree that in the event that you fail to settle in a timely manner any payment obligation in relation to an instruction to purchase China Connect Securities, we have the right to immediately and without prior notice to you take such action as we consider appropriate to reduce or eliminate any loss or liability that we suffers or may suffer (including but not limited to taking any steps to sell, realize, dispose of or otherwise deal with the relevant China Connect Securities) and that you shall indemnify and hold us harmless for any liabilities, expenses or other losses we may incur in exercising the foregoing right. You further agree that we shall have no liability to you for any loss, diminution in value or other damages whatsoever for any action or inaction of us or our agents pursuant to this Article.

9.4 Notwithstanding any provisions in the Existing Terms, where we determine that there is insufficient liquidity in RMB to settle any buy orders, we may, in our sole and absolute discretion, reject your instructions to place such buy order.

#### 10. Sale, Transfer and Disgorgement

10.1 Where, under the terms of the China Connect Rules, we receive notice (a "**Forced-sale Notice**") from a China Connect Authority requiring us to sell and liquidate a specified number of China Connect Securities, we shall be entitled to issue a corresponding notice (a "**Client Forced-sale Notice**") to you requesting you to sell and liquidate any number of such China Connect Securities that you hold in your account with us (as determined by us in our sole discretion) within the period specified by the relevant China Connect Authority, and you undertake to comply with any such Client Forced-sale Notice.

10.2 In relation to any Forced-sale Notice, you authorise us to sell or arrange for the sale of such China Connect Securities on your behalf at such price and on such terms as we may determine in our absolute discretion if you fail to comply in a timely manner with a Client Forced-sale Notice, to the extent necessary to comply with all China Connect Laws and China Connect Rules.

10.3 Where China Connect Securities owned by you that are the subject of a Client Forced-sale Notice have been transferred from the holding of the Clearing Participant that settled the relevant Northbound buy order (the "**Original CP**") to another Clearing Participant or custodian (the "**Recipient Agent**"), you authorise us to provide instructions to the Recipient Agent on your behalf to return the relevant China Connect Securities to the Original CP for sale and liquidation in accordance with all China Connect Laws and China Connect Rules. You also undertake to inform the Recipient Agent of such authorisation and, where required, you undertake to instruct the Recipient Agent to act accordingly.

10.4 You authorise us to sell or arrange for the sale of any amount of China Connect Securities owned by you if we receive notice from any China Connect Authority requiring you to disgorge any profits as a result of the "short swing profit rule", as described in paragraph 17 (*Short Swing Profit Rule*) of the Schedule hereto.



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10.5 In addition to the above, you authorise us to sell, transfer or carry out any other action in relation to China Connect Securities owned by you if we are instructed to do so by any China Connect Authority or if we otherwise determine in our absolute discretion that it is necessary or desirable to do so in order to comply with any China Connect Laws or China Connect Rules.

10.6 Neither we nor any Related Person shall have any liability for any losses or risks which may result directly or indirectly from any actions taken by us or a Related Person in respect of this Article.

#### **11. Client Information**

11.1 Retention of records: If you instruct us to effect a Northbound transaction in China Connect Securities on behalf of your client (a "**Client Transaction**"), you shall retain for a period of not less than 20 years (or such other period as we may instruct you in accordance with China Connect Laws or China Connect Rules) records of any client instructions and account information in relation to the Client Transaction (such records the "**Client Information**").

11.2 Your client acting as intermediary: if you instruct us to effect a Client Transaction and you are aware that your client is acting as an intermediary (either directly or indirectly through other intermediaries) for another person who is the beneficial owner of the Client Transaction, you undertake and confirm that you have arrangement in place:

11.2.1 requiring your client to retain or procure the retention of the Client Information in relation to the beneficial owner of the Client Transaction for the period specified in Article 11.1; and

11.2.2 which entitle you to obtain and disclose the Client Information in relation to the beneficial owner upon request and within the required timeline specified by us, or procure that it be so obtained and disclosed.

11.3 Disclosure of information to China Connect Authority: if we receive an enquiry from any China Connect Authority in relation to a Client Transaction, you shall, upon request and within the time limit specified by us, disclose to us or to the relevant China Connect Authority the Client Information or procure such disclosure, in relation to the beneficial owner of the Client Transaction.

#### **12. Taxation**

12.1 In addition and without prejudice to any of our rights under the Existing Terms, you will indemnify us and any Related Persons (together, the "**Indemnified Parties**") on a full indemnity basis against any Taxes of whatever nature that are incurred by, assessed on or imposed upon any Indemnified Parties by any China Connect Authorities and/or the State of Administration of Tax of Mainland China at any time in connection with any purchase, sale or closing out of any orders/transactions entered into by us as agent on your behalf.

12.2 You shall be responsible for paying all Taxes, and you shall be required to comply with any filing or registration obligations, in each case as may be required under any China Connect Laws or China Connect Rules relating to any China Connect Securities and any dividends or entitlements in respect of such China Connect Securities.

12.3 In the event we are required under China Connect Laws or China Connect Rules to pay any Taxes, we may notify you whenever necessary and request that you provide us with relevant information as we may deem necessary to fulfill our obligations. You must provide to us, promptly on such request, such information and documents such as but not limited to costs of your purchase of the China Connect Securities, your and/or any underlying beneficial owner's tax status or residence. We may withhold or

deduct relevant Taxes from any amount due to you and you will remain liable for any shortfall.

12.4 In the event we do not receive any requested information from you within a reasonable period of time to fulfill our obligations, we shall be forthwith entitled in our absolute discretion, without further notice or demand to you, to satisfy any obligation of us or you to pay or account for any amounts in respect of any Taxes by selling, realizing or otherwise dealing with, in such manner as we in our absolute discretion may determine, all or part of any property held by us for any purpose in any of your accounts held with us, and to apply the proceeds in reduction of all or part of your liability to any tax authority or us.

12.5 We shall have no responsibility to verify the accuracy of the information provided by you and is entitled to rely on such information to fulfil our obligations.

12.6 We shall have no liability whatsoever for the lack of any tax relief, or any failure to obtain the benefit of any tax credit.

#### **13. Miscellaneous**

13.1 You will execute any further documents and provide any materials and/or information as we may reasonably request to enable us to perform our duties and obligations under these China Connect Terms which it deems necessary as and when the China Connect Rules are amended or supplemented from time to time.

13.2 You will provide all information (including translations into Chinese, if required) to us which we request if such information is requested by any China Connect Authority or any exchange, regulatory authority or any organisation (whether within or outside Hong Kong) with which HKEX or the SEHK has entered into an information sharing arrangement or agreement. You acknowledge that, your failure to comply with this provision may, amongst other things, result in a suspension of China Connect services to you.

13.3 We reserve the right to vary any of the terms of these China Connect Terms by written notice to you.



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### **SCHEDULE: RISK DISCLOSURES AND OTHER INFORMATION**

This Schedule describes some of the key risk factors and other information concerning China Connect. This Schedule does not disclose all the risks and other significant aspects of Northbound Trading through China Connect. You should ensure that you understand the nature and risks of China Connect and Northbound trading and you should consider carefully (and consult your own advisers where necessary) whether trading in China Connect Securities is suitable for you in light of your circumstances. The decision to trade in China Connect Securities is yours, but you should not trade in China Connect Securities unless you fully understand and are willing to assume the risks associated with China Connect and are able to comply with all relevant China Connect Laws and China Connect Rules. You acknowledge the risks and agree to the terms set out in this Schedule. You are responsible for monitoring changes in the China Connect Laws and China Connect Rules and complying with any new requirements.

We do not represent that the information set out in this Schedule is up to date, and do not undertake to update the information set out in this Schedule. In addition, we do not provide any warranty with respect to such information and no such information is to be construed as legal, financial or tax advice of any kind by us.

#### *Home Market Rules*

### **1 Home Market Rules**

A fundamental principle of China Connect is that the laws and rules of the home market of the applicable securities shall apply to investors in such securities. In respect of China Connect Securities, Mainland China is the home market and thus the general principle is that investors in China Connect Securities should observe SSE Rules and other Mainland China securities laws and regulations. If such rules and regulations are breached, SSE has the power to carry out an investigation. Nevertheless, certain Hong Kong legal and regulatory requirements will also continue to apply to Northbound trading.

#### *Trading and Settlement Restrictions*

### **2 Pre-Trade Checking**

SEHK is required to check that in respect of any Northbound sell orders given by an Exchange Participant, the relevant Exchange Participant holds sufficient available China Connect Securities to be able to fill such Northbound sell orders. Pre-Trade Checking will be carried prior to the start of each Trading Day.

Accordingly, you may be unable to execute Northbound sell orders due to Pre-Trade Checking related requirements. Your attention is drawn to the provisions set out in Clause 8 of the China Connect Terms. Note in particular that you may be unable to execute a sell order of China Connect Securities if there has been a delay or failure for whatever reason in the transfer of the relevant China Connect Securities to any clearing account of us or if for any other reason we consider that there is or may be non-compliance with any China Connect Laws or China Connect Rules.

Any risk, loss or cost resulting from non-compliance or potential non-compliance with Pre Trade Checking and/or the relevant China Connect Laws or China Connect Rules shall be borne by you.

### **3 Settlement**

Northbound trades will follow the A Share settlement cycle. For settlement of China Connect Securities trades, ChinaClear will debit or credit the securities accounts of its participants (including HKSCC as clearing participant) on T day free of payment. We may have settlement arrangements in place different from the ChinaClear settlement arrangements. Unless we agree to prefund settlement, settlement of funds relating to such trading will be effected on T+1 day. We may, in our absolute



discretion, decide to prefund settlement. In the event we agree to prefund the settlement of China Connect Securities trades, (a) we shall retain the funds received from the HKSCC on T+1 day; and (b) you shall reimburse us with respect to any 'excess' pre-funding provided by us.

Although the transfer of the China Connect Securities precedes the transfer of cash, under the China Connect Service, the title to China Connect Securities will not be released until the receipt of confirmation of payment. Accordingly, for purposes of contract notes, the settlement date would be T+1 day when both the securities and the cash are settled or, where the purchase was pre-funded, the settlement date would be the date on which the securities are released.

You acknowledge that there is no guarantee that we will offer prefunding settlement and that if we decide to offer prefunding settlement, we may decide to terminate such service at any time.

#### **4 Quota Restrictions**

Purchases of China Connect Securities through China Connect are subject to certain quota controls as described below. As a result, there is no assurance that a buy order can be successfully placed through China Connect.

There is a quota that limits the maximum net value of all Northbound buy trades that can be executed by Exchange Participants while China Connect is in operation ("**Aggregate Quota**"). There is also a daily quota that limits the maximum value of all Northbound buy trades that can be executed by Exchange Participants on each Trading Day ("**Daily Quota**"). The Aggregate Quota and/or the Daily Quota may change from time to time without prior notice and investors are advised to refer to the HKEx website and other information published by the HKEx for up-to-date information.

The SEHK and the SSE may also set pricing and other restrictions on buy orders in order to prevent the artificial use or filling of the Aggregate Quota or Daily Quota.

If there is a restriction, rejection or suspension of Northbound buying (which would include any order that has been accepted but not yet executed) as a result of a breach of the Aggregate Quota or the Daily Quota or the relevant pricing and other restrictions, we will be unable to carry out any buy orders and any instruction to buy submitted but not yet executed will be restricted or rejected.

Conversely, under the SEHK rules, investors may sell their China Connect Securities regardless of whether there is a breach of the Aggregate Quota or Daily Quota.

#### **5 Restriction on Day Trading**

Day (turnaround) trading is not permitted on the Mainland China A Share market. If you buy China Connect Securities on T day, you may be able to sell the shares only on or after T+1 day. Due to Pre-Trade Checking related requirements, we may accept an instruction to sell China Connect Securities that were bought on T day only on or after the applicable cut-off time (as notified to you by us from time to time) on T+1 day.

#### **6 No off-exchange trading and transfers**

You, we and any Related Person shall not trade or provide services to facilitate trading of any China Connect Securities otherwise than through the China Connect Market System, and we shall not match, execute or arrange the execution of any sale and purchase instructions or any transfer instructions from you or effect any Non-trade Transfer or settlement of instructions in respect of any China Connect Securities in any manner otherwise than through China Connect in accordance with the China Connect Rules, except in the following circumstances or as otherwise provided by a relevant China Connect Authority:

(a) Stock borrowing and lending of China Connect Securities which are eligible for covered short selling and with a tenor of no more than one month;



- (b) Stock borrowing and lending of China Connect Securities which are eligible for satisfying the Pre-trade Checking requirement with a tenor of one day (and which is not renewable);
- (c) Post-trade allocation of China Connect Securities by fund manager across the funds and/or sub-funds it manages; and
- (d) Any other situations specified by SSE and ChinaClear, including but not limited to any Non-trade Transfer as a result or for the purpose of (a) succession, (b) divorce, (c) dissolution, liquidation or winding up of any company or corporation, (d) donation to a charitable foundation; and (e) assisting in any enforcement action or proceedings of any court, prosecutor or law enforcement agency.

## **7 Placing Orders**

Only limit orders with a specified price are allowed pursuant to China Connect Laws and China Connect Rules, whereby buy orders must not be lower than at the current best price and sell orders may be executed at or higher than the specified price. Market orders will not be accepted.

## **8 SSE Price Limits**

China Connect Securities are subject to a general price limit of a  $\pm 10\%$  based on the previous Trading Day's closing price. In addition, China Connect Securities which are on the risk alert board are subject a  $\pm 5\%$  price limit based on the previous trading day's closing price. The price limit may be changed from time to time. All orders in respect of China Connect Securities must be within the price limit. Any orders with a price beyond the price limit will be rejected by SSE.

## **9 Delisting of SSE-listed companies**

According to the SSE Rules, if any SSE-listed company is in the delisting process, or its operation is unstable due to financial or other reasons such that there is a risk of being delisted or exposing investors' interest to undue damage, the SSE-listed company will be earmarked and traded on the risk alert board. Any change to the risk alert board may occur without prior notice. If a China Connect Security which is eligible for China Connect trading at launch of the programme is subsequently moved to the risk alert board, investors under China Connect will be allowed only to sell the relevant China Connect Security and will be prohibited from further buying. For details concerning the risk alert board, please refer to the SSE Rules and SSE Risk Alert Board Provisional Trading Arrangement and any other relevant sources from time to time.

## **10 Account Information of Beneficial Owner**

The identity of the beneficial owner of China Connect Securities which are the subject of a sell order may need to be disclosed to HKSCC and/or relevant Mainland China authorities.

## **11 No Manual Trade or Block Trade**

There will be no manual trade facility or block trade facility for Northbound trading under China Connect.

## **12 Amendment of Orders and Loss of Priority**

Consistent with the current practice in Mainland China, if an investor engaged in Northbound trading wishes to amend an order, the investor must first cancel the original order and then input a new one. Accordingly, order priority will be lost and, subject to the Daily Quota Balance and Aggregate Quota Balance restrictions, the subsequent order may not be filled on the same Trading Day.

## **13 Special China Connect Securities**

SEHK will accept or designate securities which cease to meet the eligibility criteria for China Connect Securities as Special China Connect Securities (provided that they remain listed on SSE). In addition, any securities or options (which are not 'eligible for China Connect trading') received by you as a result of any distribution of rights or entitlements, conversion, takeover, other corporate actions or abnormal





trading activities will be accepted or designated by SEHK as Special China Connect Securities. You will only be able to sell, but not buy, any Special China Connect Securities.

### *Mainland China and Hong Kong Legal Issues*

#### **14 Disclosure of Interests**

Under Mainland China laws, rules and regulations, if you hold or control shares (on an aggregate basis, i.e., including both domestically and overseas issued shares of the same Mainland China Listco (as defined below), whether the relevant holdings are through Northbound trading, QFII/RQFII regime or other investment channels) in a Mainland China incorporated company which is listed on a Mainland China stock exchange (a "**Mainland China Listco**") above a certain threshold as may be specified from time to time by the relevant China Connect Authorities, you must disclose such interest within the period specified by the relevant China Connect Authority, and you must not buy or sell any such shares within the period specified by the relevant China Connect Authority. You must also disclose any substantial change in your holding as required by the relevant China Connect Authority.

Where a Mainland China incorporated company has both H Shares listed on the SEHK and A Shares listed on the SSE, if an investor is interested in more than a certain threshold (as may be specified from time to time) of *any* class of voting shares (including A Shares purchased through China Connect) in such Mainland China incorporated company, the investor is under a duty of disclosure pursuant to Part XV of the SFO. Part XV of the SFO does not apply where the Mainland China incorporated company has not listed any shares on the SEHK.

It shall be your responsibility to comply with any disclosure of interest rules from time to time imposed by the relevant China Connect Authorities and arrange for any relevant filings.

#### **15 Short Swing Profit Rule**

Under Mainland China laws, rules and regulations, the "short swing profit rule" requires you to give up/return any profits made from purchases and sales in respect of China Connect Securities of a particular Mainland China Listco if (a) your shareholding in that Mainland China Listco exceeds the threshold prescribed by the relevant China Connect Authority from time to time and (b) the corresponding sale transaction occurs within the six months after a purchase transaction, or vice versa. You (and you alone) must comply with the "short swing profit rule".

#### **16 Foreign Ownership Limits**

Under Mainland China laws, rules and regulations, there is a limit to how many shares a single foreign investor is permitted to hold in a single Mainland China Listco, and also a limit to the maximum combined holdings of all foreign investors in a single Mainland China Listco. Such foreign ownership limits may be applied on an aggregate basis (i.e. across both domestically and overseas issued shares of the same issuer, whether the relevant holdings are through Northbound Trading, QFII/RQFII regime or other investment channels). It shall be your responsibility to comply with all foreign ownership limits from time to time imposed by China Connect Laws and China Connect Rules. Such legal and regulatory restrictions or limitations may have an adverse effect on the liquidity and performance of an investment in China Connect Securities due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers. As a result, you may suffer losses through your trading or investment in China Connect Securities.

If we become aware that you have breached (or reasonably believes that you may breach upon execution of further Northbound buy orders) any foreign ownership limits, or if we are so required by any China Connect Authority, including, without limitation, as a result of any Forced-sale Notice issued by the SSE, we will sell any China Connect Securities pursuant to Clause 10 (*Sale, Transfer and Disgorgement*) above if you fail to comply with the corresponding Client Forced-sale Notice in order to ensure compliance with all China Connect Laws and China Connect Rules. In such case, no buy orders for the relevant China Connect Securities will be accepted until SSE informs the SEHK Subsidiary or SEHK that the aggregate foreign shareholding has fallen below a certain percentage. SEHK may



determine in its absolute discretion which Exchange Participants and what quantity of China Connect Securities should be subject to a Forced-sale Notice (this is likely to be on a “last-in, first-out” basis), and SEHK’s (or SEHK Subsidiary’s) own records shall be final and conclusive.

Moreover, under Mainland China laws, where the aggregate holdings of foreign investors exceeds a specified percentage (the “**Cautionary Level**”) of the issued shares of a single Mainland China Listco, upon notification by the SSE to the SEHK Subsidiary, SEHK and the SEHK Subsidiary are required as soon as practicable thereafter to suspend accepting China Connect Securities buy orders in respect of the relevant China Connect Securities. In such circumstances, we may reject your buy orders until the aggregate shareholding of foreign investors has fallen below the specified percentage (the “**Permitted Level**”) as advised by SSE.

As of the date of these China Connect Terms, the single foreign investor limit is set at 10% of the shares of a Mainland China Listco and the aggregate foreign investor limit is set at 30% of the shares of a Mainland China Listco (while the Cautionary Level and the Permitted Level are set at 28% and 26% respectively of the shares of a Mainland China Listco).. Such limits are subject to change from time to time and we shall not be under any obligation to inform you of any such changes to foreign ownership limits.

## **17 Taxation**

Prior to investing in China Connect Securities, you are strongly urged to consult your own tax advisers and counsel with respect to the possible Hong Kong and/or Mainland China tax consequences to you of such investment since such tax consequences may differ in respect of different investors.

You will be fully responsible for any Taxes in respect of China Connect Securities including, without limitation, any capital gains tax or other Mainland China taxes, and will indemnify us and any Related Person from and against all Hong Kong and/or Mainland China Taxes which we or Related Persons may incur arising in connection with any China Connect Securities which you hold, trade or otherwise deal in.

We assume no responsibility for advising on or handling any tax issues, liabilities and/or obligations in connection with China Connect, nor will we provide any service or assistance in this regard.

## **11. Insider Dealing, Market Manipulation and Other Market Conduct Rules**

Northbound trading through the China Connect will be subject to Mainland China laws and regulations prohibiting activities that constitute market manipulation, insider dealing and related offences. The scope of these restrictions may not be the same as equivalent requirements under Hong Kong law. In particular, defences applicable under Hong Kong market misconduct rules may not be applicable under Mainland China laws and regulations. If you are unfamiliar with Mainland China market conduct requirements and restrictions, you should seek specialist advice before engaging in trading through the China Connect. You confirm that you are not in possession of inside information when trading China Connect Securities or procuring others to do so.

## **19 Client Securities Rules**

By way of brief background, the Client Securities Rules prescribe how client assets are to be dealt with by all intermediaries and their associated entities. However, as the China Connect Securities traded through China Connect are not listed or traded on the SEHK, the Client Securities Rules will not apply unless otherwise specified by the SFC or any other relevant China Connect Authority.

## **20 Investor Compensation Fund**

Trading in China Connect Securities does not enjoy the protection afforded by the Investor Compensation Fund established under the Securities and Futures Ordinance. Accordingly, when you trade in China Connect Securities, unlike the trading of SEHK-listed securities, you will not be covered



by the Investor Compensation Fund in respect of any loss you may sustain by reason of a default by SFC licensed or registered persons.

## **21 Ownership of China Connect Securities**

Hong Kong law recognises the proprietary interest of investors in shares held for them by their broker or custodian in CCASS. Such recognition should apply equally to China Connect Securities held for Hong Kong and overseas investors by the Clearing Participant through HKSCC. In addition, in Mainland China (where China Connect Securities are registered in a securities account opened with ChinaClear in the name of HKSCC), it is expressly stipulated in the CSRC China Connect Rules that HKSCC acts as the nominee holder and the Hong Kong and overseas investors are the beneficial owners of the China Connect Securities. Accordingly, the regulatory intention appears to be that Hong Kong and overseas investors should also have proprietary rights over China Connect Securities under Mainland China laws. You should conduct your own review of the materials published by HKEX on China Connect in relation to the ownership of China Connect Securities and the applicable China Connect Rules as they may be amended and supplemented from time to time. You should also consult your own legal advisers to make your own assessment of your rights as a Northbound investor in China Connect Securities.

You should also note that as China Connect is a recent initiative there may be some uncertainty surrounding such arrangements. In addition, while Hong Kong and overseas investors may have proprietary rights over China Connect Securities, HKSCC as nominee is not obliged to enforce such rights in Mainland China on behalf of such investors.

### *Clearinghouse Risk*

## **22 Risk of ChinaClear Default**

ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. If ChinaClear (as the host central counterparty) defaults, HKSCC has stated that it may (but shall have no obligation to) take any legal action or court proceeding to seek recovery of the outstanding China Connect Securities and monies from ChinaClear through available legal channels and through ChinaClear's liquidation process, if applicable. As ChinaClear does not contribute to the HKSCC guarantee fund, HKSCC will not use the HKSCC guarantee fund to cover any residual loss as a result of closing out any of ChinaClear's positions. HKSCC will in turn distribute the China Connect Securities and/or monies recovered to clearing participants on a pro-rata basis as prescribed by the relevant China Connect Authorities. We in turn will be distributing China Connect Securities and/or monies to the extent recovered directly or indirectly from HKSCC. Although the likelihood of a default by ChinaClear is considered to be remote, investors should be aware of this arrangement and of this potential exposure before engaging in Northbound trading.

## **23 Risk of HKSCC Default**

Our provision of services pursuant to these China Connect Terms also depends upon the performance by HKSCC of its obligations. Any action or inaction of the HKSCC or a failure or delay by the HKSCC in the performance of its obligations may result in a failure of settlement of China Connect Securities and/or monies in connection with them and you may suffer losses as a result. Neither we nor any Related Person shall have any responsibility or liability for any such losses.

## **24 Scripless Securities**

China Connect Securities are traded in scripless form and accordingly, China Connect Securities may not be physically deposited into and/or withdrawn from CCASS.

### *Other Operational Issues*

## **25 Company Announcements on Corporate Actions**



Any corporate action in respect of China Connect Securities will be announced by the relevant issuer through the SSE website and certain appointed newspapers. HKSCC will also record all corporate actions relating to China Connect Securities in CCASS and inform its clearing participants of the details via the CCASS terminals as soon as practicable on the announcement date. Investors engaged in Northbound trading may refer to the SSE website and the relevant newspapers for the latest listed company announcements or, alternatively, the HKEx website's China Stock Markets Web (or such other replacement or successor web page from time to time) for corporate actions in respect of China Connect Securities issued on the previous trading day. Investors should note that SSE-listed issuers publish corporate documents in Chinese only, and English translations will not be available.

In addition, HKSCC will endeavour to collect and distribute cash dividends relating to China Connect Securities to clearing participants in a timely manner. Upon receipt of the dividend amount, HKSCC will to the extent practicable arrange to distribute to relevant clearing participants on the same day.

Following existing market practice in Mainland China, investors engaged in Northbound trading will not be able to attend shareholder meetings by proxy or in person, unlike the current practice in Hong Kong in respect of SEHK-listed shares.

We do not and cannot ensure the accuracy, reliability or timeliness of any company announcements of corporate actions and neither we nor any Related Person accept any liability (whether in tort or contract or otherwise) for any loss or damage arising from any errors, inaccuracies, delays or omissions or any actions taken in reliance thereon. We expressly disclaim all warranties, expressed or implied, as to the accuracy of any company announcement or as to the fitness of the information for any purpose.

## **26 Average Pricing across Funds for Fund Managers**

If you act as a fund manager for more than one fund or an asset manager on behalf of more than one client and you pre-allocate China Connect orders across such funds or clients which you manage, we may offer Average Pricing for such orders notwithstanding such orders may be executed at different times during the same Trading Day. Where Average Pricing applies, each fund or client will be allocated China Connect Securities (or their proceeds) at the same averaged price, which may be higher or lower than the price which such fund or client would have paid or received had the orders been processed individually and in the order submitted directly or indirectly to us. Neither we nor any Related Person will be responsible for any such differences in pricing or any loss or risk arising from the application of Average Pricing.

## **27 Disclosure of Information and Publication of Trade Information**

SEHK may require us to provide information on your profile, and the type and value of your orders in relation to Northbound trading of China Connect Securities and the trades which we executed for you at such intervals and in such form as SEHK may specify from time to time for purposes of the publication, dissemination or public distribution of aggregated information in respect of China Connect Securities trades under China Connect, trading volumes, investor profiles and other related data. SEHK may forward such information to SSE for surveillance and investigation purposes.

## **28 Client Error**

Neither we nor any Related Person shall be liable for any loss, damage or expense or consequential loss, damage or expense suffered by an investor as a result of any trading based on the investor's instructions. We will not be able to unwind any trade, and investors should also take note of the settlement arrangements in respect of China Connect Securities under China Connect, including but not limited to quota restrictions.

The China Connect Rules generally prohibit any off-exchange trading or transfers. However transfers may be permitted between you and us to rectify a trade in limited circumstances, although there is a lack of clarity as to the circumstances in which such transfers may be permitted. We shall have absolute discretion to determine whether to conduct any transfer to rectify any error trade and shall



have no obligation to do so. Neither we nor any Related Person shall have any liability for any losses which may result directly or indirectly from such errors or any refusal to conduct a transfer to correct an error trade.

## **29 Retention of Information**

You acknowledge and accept that we will be required under the China Connect Rules to keep records for a period of no less than 20 years of (a) all orders and trades executed on your behalf; (b) any instructions received from you; (c) your account information in relation to Northbound trading; and (d) all relevant information concerning margin trading and stock borrowing and lending of any China Connect Securities (including, without limitation, in respect of any such margin trading, the relevant securities margin trading arrangement and the funds provided).

## **30 China Connect Market System**

SEHK or the SEHK Subsidiary (after consulting with SEHK) may, under certain circumstances as specified in the SEHK rules and/or whenever the SEHK determines that it is appropriate and in the interest of a fair and orderly market to protect investors, temporarily suspend or restrict all or part of the order-routing and related supporting services with regard to all or any Northbound trading of China Connect Securities, and for such duration and frequency as SEHK may consider appropriate. You will not be able to buy or sell China Connect Securities on SEHK through China Connect during any period in which trading of China Connect Securities is suspended. In particular, you should note that while trading of China Connect Securities is suspended by the SEHK, trading of such China Connect Securities may continue on SSE. You may remain exposed to fluctuations in the price of China Connect Securities caused by trading on SSE during the period when trading of such China Connect Securities is suspended by SEHK.

SEHK has absolute discretion to change the operational hours and arrangements of the China Connect Service at any time and without advance notice, whether on a temporary basis, due to operational needs, inclement weather, under emergency situations or otherwise. Moreover, SEHK or the SEHK Subsidiary (with the agreement of SEHK) may cease the provision of the China Connect Northbound trading service permanently.

Such suspension, restriction or cessation will affect *our* ability to accept and process your orders and you are advised to refer to the HKEx website and other information published by the HKEx for up-to-date information. There can be no assurance that your orders will be accepted or processed, notwithstanding that China Connect Securities may be traded through other channels including, without limitation, by PRC investors on the SSE.

Further, the SEHK rules state that where any H Shares with corresponding A Shares eligible as China Connect Securities are suspended from trading on SEHK, but the corresponding A Shares are not suspended from trading on the SSE, the service for routing the China Connect sell orders and China Connect buy orders for such A Shares to the SSE for execution will normally remain available. However, SEHK may, in its discretion, restrict or suspend such service without prior notice and your ability to place sell orders and buy orders may be affected.

The China Connect Market System is a new platform for trading of China Connect Securities under China Connect. Our provides trading services based on the China Connect Market System which is operated by the SSE. We are not responsible for any delay or failure caused by the China Connect Market System and investors accept all risks arising from trading China Connect Securities through the China Connect Market System. Neither we nor any Related Person shall be responsible or held liable for any loss or damage directly or indirectly suffered by you arising from or in connection with the China Connect Service or the CSC through Northbound trading including, without limitation, the following:

- (a) a suspension, restriction or cessation of the China Connect Service or the CSC, or any inability to access or use the CSC or the China Connect Service;
- (b) any special arrangement put in place or any action, step or measure taken or not taken to deal with an emergency or contingencies including but not limited to the cancellation of any or all China Connect orders input by Exchange Participants;



- (c) any suspension, delay, interruption or cessation of trading of any China Connect Securities on the SSE;
- (d) any delay, suspension, interruption or order cancellation of any China Connect Securities as a result of the hoisting of a Typhoon Signal No.8 or above or the issuance of the Black Rainstorm Warning in Hong Kong;
- (e) any delay or failure to route any China Connect orders or any delay or failure to send any order cancellation requests or to provide the China Connect Service due to any system, communication or connection failure, power outage, software or hardware malfunction or other events beyond our control or the control of SEHK, us or a Related Person;
- (f) any China Connect order which a China Connect Exchange Participant has requested to be cancelled not being cancelled for any reason whatsoever;
- (g) in the event that SEHK or SSE requires that we reject any order for China Connect Services;
- (h) any delay, failure or error of any China Connect Market System or any system upon which we, the SEHK Subsidiary or a Related Person is reliant in providing the China Connect Service; and
- (i) any delay or failure to execute, or any error in matching or executing, any China Connect order due to reasons beyond the control of SEHK, HKEx, the SEHK Subsidiary, us or any Related Person, including but not limited to any action or decision taken or made, or not taken or made, by any China Connect Authority or any other relevant governmental or regulatory body.

If there is a delay or failure to send order cancellation requests in any circumstance described in paragraph (e) above, you shall, in the event such order is matched and executed, remain responsible for fulfilling any settlement obligations in respect of such transaction.

You acknowledge that HKEx, SEHK, SEHK Subsidiary, SSE, the subsidiary of SSE and their respective directors, employees and agents are not responsible or held liable for any such losses.

### **31 Operational Hours**

SEHK has absolute discretion to determine from time to time the operational hours of the China Connect service, and will have absolute discretion to change the operational hours and arrangements of the China Connect service at any time and without advance notice whether on a temporary basis or otherwise. We shall not be under any obligation to inform you of any such determinations by the SEHK as to the operational hours of the China Connect service.

Where, for example, there is any price sensitive information relating to a Mainland China Listco during a time when China Connect Service is not in operation, the A Shares of the Mainland China Listco may continue to trade on the SSE and the price of such A Shares may move significantly. In such case, Northbound investors will not be able to trade in such shares until the next available Trading Day under China Connect.

### **32 Margin Trading**

Subject to certain conditions prescribed by the China Connect Authorities, Hong Kong and overseas investors may conduct margin trading in China Connect Securities determined by the relevant China Connect Authorities to be eligible for margin trading ("**Eligible Margin Trading Securities**"). The HKEx will from time to time publish a list of Eligible Margin Trading Securities. The SSE may suspend margin trading activities in any specific A Share if the volume of margin trading activities in such A Share exceeds a threshold determined by the SSE and resume margin trading activities when the volume of margin trading drops below a prescribed threshold. Where the SEHK is notified by the SSE that a suspension or resumption involves a security on the list of Eligible Margin Trading Securities, the HKEx will disclose such information on its website. In such circumstances, any margin trading (except for margin trading in respect of China Connect Securities buy orders) in the relevant China Connect Security shall be suspended and/or resumed accordingly. The SSE reserves the right to acquire at some future date for margin trading orders to be flagged when routed to China Connect. Neither we nor any Related person shall have any obligation to update you in respect of the list of Eligible Margin Trading Securities or any restrictions or suspensions in respect of margin trading from time to time.

### **33 Rights Issuances**



Where you receive any form of entitlement security from the issuer of a China Connect Security, if such entitlement security:

- (a) is a China Connect Security, you will be permitted to buy and sell the entitlement security through China Connect;
- (b) is not a China Connect Security but is a RMB denominated security listed on the SSE, you may be allowed to sell the entitlement security through China Connect but will not be permitted to buy such entitlement security;
- (c) is an SSE-listed security but is not traded in RMB, you will not be allowed to buy or sell the entitlement security through China Connect; and
- (d) is not listed on the SSE, you will not be allowed to buy or sell the entitlement security on China Connect unless and until appropriate arrangements (if any) have been provided by HKSCC. It is possible that no such alternative arrangements will be provided.

### **34 Odd Lot Trading**

Odd lot trading in China Connect Securities is available only for sell orders and all odd lots must be sold in one single order. A board lot order may be matched with different odd lot sell orders, resulting in odd lot trades. Board lot and odd lot orders are matched on the same platform on China Connect and subject to the same share price. The maximum order size is 1 million shares and the tick size is uniformly set at RMB0.01.

### **35 Short Selling**

Covered short selling of China Connect Securities may become available in due course provided such covered short selling satisfies the requirements specified by the relevant China Connect Authorities, including that short selling orders are only in respect of China Connect Securities designated as eligible for short selling, are appropriately flagged as such and that they are subject to an uptick rule. Naked short selling of China Connect Securities is prohibited. The China Connect Authorities may also suspend the ability to engage in short selling of any China Connect Security if the volume of short selling activity exceeds thresholds prescribe by SSE. You will be fully responsible for understanding and complying with short selling requirements as in effect from time to time and for any consequences of non-compliance.

### **36 Stock Borrowing and Lending**

The SEHK has announced that stock borrowing and lending will be permitted for eligible China Connect Securities as specified by the SSE for the purpose of (a) covered short selling and (b) satisfying the Pre-Trade Checking requirement. Stock borrowing and lending of eligible China Connect Securities will be subject to restrictions set by SEHK and SSE, including but not limited to the following:

- (a) stock borrowing and lending agreements for the purpose of covered short selling shall have a duration of not more than one month;
- (b) stock borrowing and lending agreements for the purpose of satisfying the Pre-Trade Checking requirement shall have a duration of not more than one day (and roll-over is not permitted);
- (c) stock lending will be restricted to certain types of persons to be determined by SSE; and
- (d) stock borrowing and lending activities will be required to be reported to SEHK.

The SSE will determine a list of China Connect Securities eligible for stock borrowing and lending. Special China Connect Securities are not eligible for stock borrowing and lending for the purpose of covered short selling (but are eligible for the purpose of satisfying the Pre-Trade Checking requirement). We will be required to file a monthly report to the SEHK providing details of our stock borrowing and lending activities with respect to China Connect Securities. This may include (amongst others) details of the borrower, lender, amount of shares borrowed/lent, amount of shares outstanding and date of borrowing/returning.



Investors are advised to refer to the relevant provisions from time to time applicable in the SEHK China Connect Rules (as and when these are published) and in the China Connect Laws and China Connect Rules.

### **37 RMB Conversion**

Any conversion of any currency into RMB pursuant to Clause 9 (*Settlement and Currency Conversion*) may be subject to conversion limits. Settlement of a Northbound buy order may be delayed and/or fail if there is a delay in converting the relevant currency into RMB. Any risk, loss or cost resulting from any such delay or failure of settlement shall be borne by you.

*Risks associated with investing in China Connect Securities*

### **38 Other risks associated with investing in China Connect Securities**

*General Mainland China related risk*

Mainland China is an emerging market that possesses one or more of the following characteristics: a certain degree of political instability, relatively unpredictable financial markets and economic growth patterns, a financial market that is still at the development stage or a weak economy. Emerging markets investments usually result in higher risks such as event risk, political risk, economic risk, credit risk, currency rate risk, market risk, liquidity/gapping risk, regulatory/legal risk, trade settlement, processing and clearing risks and bondholder/shareholder risk.

*Equity risk*

Investing in China Connect Securities may offer a higher rate of return than investing in short term and longer term debt securities. However, the risks associated with investments in China Connect Securities may also be higher, because the investment performance of China Connect Securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value.

*General legal and regulatory risk*

You must comply with all China Connect Laws and China Connect Rules. Furthermore, any change in any China Connect Laws or China Connect Rules may have an impact on the market sentiment which may in turn affect the performance of China Connect Securities. It is impossible to predict whether such an impact caused by any such change will be positive or negative for China Connect Securities. In the worst case scenario, you may lose a material part of your investments in China Connect Securities. In addition, any litigation or other legal actions brought before the courts in Mainland China will be subject to Mainland China laws, rules and procedures, which are not the same as those which apply to the courts in Hong Kong.

*Currency risk*

RMB is not yet freely convertible in Hong Kong, and is subject to foreign exchange controls and restrictions. Particularly, conversion of RMB through banks in Hong Kong is subject to certain restrictions. It may be difficult for investors to convert RMB into Hong Kong dollars or other currencies or vice versa at any specific time, and conversion will be subject to conversion costs and such costs and timings for conversion may not be of your preference.

In addition, the value of RMB against Hong Kong dollars or other foreign currencies may be affected by a wide range of factors. There is no guarantee that RMB will not depreciate. A depreciation of RMB may result in a decrease in the market value of RMB securities and the realisation price of RMB securities. Non-RMB based investors who are trading in RMB securities, may also sustain loss in the event that they subsequently convert any RMB proceeds back to Hong Kong dollars or other base currencies.





There are also significant restrictions on the remittance of RMB into and out of the PRC. If the issuer of RMB securities is not able to remit RMB to Hong Kong or make distributions in RMB due to exchange controls or other restrictions, the issuer may make distributions (including dividends and other payments) in other currencies. Investors may therefore be exposed to additional foreign exchange risk and liquidity exposures.

The liquidity and trading price of China Connect Securities may be adversely affected by the limited availability of RMB outside the PRC and restrictions on the conversion of RMB. These factors may affect the liquidity of RMB for investors and accordingly adversely affect the market demand for China Connect Securities.

- **END** -