

# SUPPLEMENTAL CHINA CONNECT TERMS AND RISK DISCLOSURES

## DBS BANK (HONG KONG) LIMITED

## **SUPPLEMENTAL CHINA CONNECT TERMS AND RISK DISCLOSURES**

### **Part A: Supplemental Terms for China Stock Connect**

#### **1 Applicability**

- 1.1** These Supplemental Terms for China Stock Connect (as amended from time to time, the “**China Connect Terms**”) shall apply where the Customer informs or indicates to the Bank that the Customer wishes to trade China Connect Securities through China Connect.
- 1.2** These China Connect Terms amend and are supplemental to, and are without prejudice to, the applicable existing terms of business, client account agreements and/or other relevant notices and disclosure between the Customer and the Bank that govern the Bank’s provision of securities dealing services to the Customer, whether written or unwritten, and shall include, but are not limited to, the Investment Products Consolidated Terms and Conditions, Terms and Conditions for Accounts under Wealth Management Investment Portfolio (Wealth Management Accounts), DBS Treasures Private Client Terms and Conditions and/or DBS Private Bank Master Agreement in force between the Bank and the Customer as may be amended from time to time (collectively, the “**Terms**”). For any matter relating to China Connect, in the event of any inconsistency between these China Connect Terms and the Terms, the provisions of these China Connect Terms shall prevail.

#### **2 Definitions**

Capitalised terms used in these China Connect Terms will have the meanings given below or otherwise in the Terms.

“**A Shares**” means any securities issued by companies incorporated in Mainland China which are listed and traded on the Stock Exchanges of Mainland China from time to time.

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

“**CCASS China Connect Rules**” means the general rules of CCASS, as amended for the purposes of implementing China Connect, and as amended, supplemented, modified and/or varied from time to time.

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

“**China Connect**” means a securities trading and clearing links programme developed by 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, the People’s Bank of China, the State Administration of Foreign Exchange, 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, 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 SSE.

**“China Connect Market System”** means the system used for the trading of China Connect Securities on SSE, as operated by 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 and traded on SSE which may be traded by Hong Kong and international investors under 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 SSE for the buying and selling of China Connect Securities and any related supporting services.

**“Clearing Participant”** has the meaning given to such term in the rules of CCASS.

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

**“Client Securities Rules”** means the Securities and Futures (Client Securities) Rules (Cap 571H of the Laws of Hong Kong).

**“CSC”** means the China Connect System for receiving and routing orders under China 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 SEHK and shall include DBS Vickers (Hong Kong) Limited or other affiliate of the Bank as notified by the Bank to the Customer.

**“Forced-sale Notice”** has the meaning given in Clause 9.1.

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

**“HKEx”** means 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).

**“Mainland China Listco”** means a Mainland China incorporated company which is listed on a Mainland China stock exchange.

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

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

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

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

“**SEHK**” means the Stock Exchange of Hong Kong.

“**SEHK China Connect Rules**” means the rules of SEHK, as amended for the purposes of implementing China Connect, and as amended, supplemented, modified and/or varied from time to time.

“**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 of Hong Kong.

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

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

“**SSE**” means the Shanghai Stock Exchange.

“**SSE China Connect Rules**” means the SSE Regulations on the Shanghai-Hong Kong Stock Connect Pilot Programme which have been published by SSE for the purposes of implementing China Connect, as amended, supplemented, modified and/or varied from time to time.

“**SSE Listing Rules**” means the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, as amended, supplemented, modified and/or varied from time to time.

“**SSE Rules**” means the SSE China Connect Rules and the business and trading rules and regulations of SSE, as amended, supplemented, modified or varied from time to time.

“**Taxes**” means all taxes, duties, levies, imposts, charges, assessments, deductions, withholdings 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) the Customer (including, in each of cases (i), (ii) and (iii), as imposed by the relevant authorities in Hong Kong and/or Mainland China).

“**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 after T day.

**2.1** References to Clauses are to Clauses of these China Connect Terms.

**2.2** The headings used in these China Connect Terms are for convenience only and shall not affect the construction or interpretation hereof.

**2.3** Any reference in these China Connect Terms to words importing the singular shall include the plural and vice-versa.

### **3 Eligible Investors**

The Customer represents and undertakes on a continuing basis (including without limitation on the first day that these China Connect Terms are effective and on each date the Customer places an order or gives an instruction under these China Stock Connect Terms), that:

- (a)
  - (i) (if he/she is a natural person) he/she is not a Mainland China Resident or (if it is a legal person) it is not an entity incorporated or registered under the laws of Mainland China; or
  - (ii) if he/she is a Mainland China Resident, he/she is using funds lawfully owned by him/her and located outside Mainland China to enter into transactions under these China Connect Terms; or
  - (iii) if it is an entity incorporated or registered under the laws of Mainland China, its entry into of any transaction under these China Connect Terms 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) his/her or its entry into of any transaction under these China Connect Terms does not violate the laws and regulations of Mainland China, including those in relation to foreign exchange control and reporting.

### **4 Compliance with China Connect Laws and China Connect Rules**

**4.1** 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 these China Connect Terms.

**4.2** These China Connect Terms highlight certain key features of China Connect as of the date hereof. The Bank is not liable for any inaccuracies or misstatements in the information set out in these China Connect Terms. These China Connect Terms do not purport to cover all China Connect Laws and China Connect Rules. The Customer understands that the Customer shall be fully responsible for understanding and complying with all China Connect Laws and China Connect Rules and for any consequences of Northbound trading. The Bank does not, and does not intend to, advise the Customer on any China Connect Laws or China Connect Rules.

**4.3** The Bank shall have the right to apply any procedures or requirements in respect of any trading of China Connect Securities through China Connect which it determines in its absolute discretion to be necessary or desirable for the purpose of any China Connect Laws, China Connect Rules or market practice. The Bank shall have no liability for any losses or risks which may result directly or indirectly from such procedures or requirements.

**4.4** The Bank may, in its absolute discretion, refuse to execute any instruction provided by the Customer if such instruction is not compliant with any China Connect Laws or China Connect Rules or if the Bank reasonably believes that such instruction may not be

compliant with any China Connect Laws or China Connect Rules. The Bank shall have no liability for any losses or risks which may result directly or indirectly from such refusal.

- 4.5** Without limitation to the foregoing, the Bank may in its absolute discretion suspend, terminate or limit the Customer's ability to access China Connect through the Bank without advance notice to Customer, including but not limited to where requested or directed by a China Connect Authority.

## **5 Risk Disclosures and Acknowledgement**

- 5.1** By instructing the Bank in respect of any transaction relating to China Connect Securities, the Customer acknowledges:

**5.1.1** that (i) it has read and understood the risk disclosures and other information set out in Part B hereof; (ii) it understands that there is a risk of prohibition of trading China Connect Securities; and (iii) it understands its obligations set out in Part B hereof including the consequences of a breach of China Connect Laws;

**5.1.2** that the Bank shall not be liable for any loss, liability or third party claim or demand that it may suffer directly or indirectly as a result of any action or inaction by the Bank in connection with the provision of services in respect of China Connect Securities to the Customer by the Bank including, without limitation, the materialisation of any of the risks described in Part B hereof;

**5.1.3** that SEHK has the power not to extend the China Connect Service to the Customer if it is found that the Customer has or may have committed any abnormal trading conduct set out in the SSE Rules;

**5.1.4** 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, SSE has the power to carry out an investigation, and may, through SEHK (or any other governmental or regulatory body), require the Bank to (a) provide relevant information and materials relating to it including, without limitation, its identity and trading activity; and (b) to assist in a China Connect Authority's investigation in relation to it and/or its trading activity;

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

**5.1.6** and agrees that prior to the Bank informing the Customer that a Northbound buy order made by the Customer has been settled, it shall not make a Northbound sell order in respect of the China Connect Securities which are the subject of such Northbound buy order;

**5.1.7** and consents to the Bank providing information relating to its profile, the type and value of Northbound buy and sell orders and transactions executed on its behalf to a China Connect Authority at such intervals and in such form as such China Connect Authority may specify from time to time;

**5.1.8** and accepts 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;

**5.1.9** that SEHK may, upon SSE's request, require the Bank to reject its order; and

**5.1.10** that none of the China Connect Authorities or their respective directors, employees or agents shall be responsible or held liable for any loss or damage that it may suffer, whether directly or indirectly in connection with the trading of China Connect Securities or the operation of the CSC in respect of China Connect Securities.

## **6 Representations and Undertakings**

**6.1** The Customer makes the representations set out in this Clause 6.1 to the Bank on a continuing basis (including without limitation on the first day that these China Connect Terms are effective and on each date that it places an order or give an instruction in respect of China Connect Securities) and such representations shall apply to each transaction conducted under the China Connect Terms:

**6.1.1** that it is aware of and shall comply with all China Connect Laws and China Connect Rules to which it may be subject;

**6.1.2** that the execution of any instruction it gives to the Bank shall not result in any breach of any China Connect Laws or China Connect Rules;

**6.1.3** that it understands and have assessed the risks relating to China Connect and is willing to undertake such risks;

**6.1.4** it is not an insider as defined or interpreted under Mainland Chinese law and it is not in possession of inside information when trading China Connect Securities or procuring others to do so;

**6.1.5** it does not hold more than 5% of the shares of any Mainland China-incorporated company which is listed and traded on any stock exchange in Mainland China; and

**6.1.6** in purchasing China Connect Securities, it has no intention to manipulate the market.

**6.2** The Customer makes the following representations to the Bank on each date it places an order to sell China Connect Securities that:

**6.2.1** it does not know of any fact that might impair the validity of such China Connect Securities and that it has full authority to receive, deal with and give instructions, authorisations or declarations in respect of the same;

**6.2.2** there is no adverse claim to such China Connect Securities; and

**6.2.3** there is no restriction on the transfer of such China Connect Securities other than those expressly provided for under the SEHK China Connect Rules or CCASS China Connect Rules.

**6.3** The Customer undertakes to the Bank to inform it immediately in writing (and in any event no later than one Business Day after the relevant event) of anything that may potentially render any of the representations in these China Connect Terms inaccurate or misleading.

## **7 Compliance with Pre-Trade Checking Requirements**

- 7.1** The Customer undertakes that it will comply with any requirements relating to Pre-Trade Checking mandated by the China Connect Authorities, the China Connect Entities or as notified to the Customer by the Bank.
- 7.2** In addition, the Customer undertakes to ensure there are sufficient available China Connect Securities in its account by the applicable cut-off time on the applicable day (as notified to it (orally or through email or other means of communication as agreed between the Bank and the Customer) by the Bank from time to time) to cover any proposed sell order given on that Trading Day.
- 7.3** The Customer understands that if the Bank considers that it does not for whatever reason have sufficient available China Connect Securities in its account to settle a sell order by the applicable cut-off time (as notified to the Customer by the Bank from time to time), the Bank may in its absolute discretion:
- 7.3.1** reject its sell order; or
- 7.3.2** perform any other act which the Bank considers necessary or desirable to comply with Pre-Trade Checking and/or relevant China Connect Laws or China Connect Rules and to cover the shortfall (including but not limited to applying any other China Connect Securities available to the Bank from other sources).
- 7.4** In respect of any instruction to make a Northbound buy order, if the Bank determines in its absolute discretion that the Customer does not have sufficient funds to settle the payment obligation in respect of such order on the settlement day, the Bank may, in its absolute discretion, reject the buy order.
- 7.5** 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 the Customer. The Customer shall reimburse the Bank for any costs, losses or expenses which the Bank incurs as a result of its failure to deliver in respect of its sell order on such terms and price (including any associated fees and expenses) and at such time as the Bank shall determine in its absolute discretion.

## **8 Settlement and Currency Conversion**

- 8.1** As all Northbound trading is effected and settled in Renminbi, if the Bank does 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 the Customer may not acquire title to sell or transfer the relevant China Connect Securities. Where the Bank holds any funds on the Customer's behalf, if there are insufficient Renminbi funds to settle any Northbound buy order or other payment obligation in connection with China Connect, the Customer authorises the Bank to convert any funds in another currency which the Bank holds on its behalf into Renminbi for the purposes of settlement thereof.
- 8.2** Notwithstanding any other provisions in the Terms, where it is necessary to convert one currency to another pursuant to these China Connect Terms and if the Bank chooses to do so at its absolute discretion, such conversion may be carried out automatically by the Bank in a commercially reasonable manner without prior notice to the Customer. Any risk, loss or cost resulting from any conversion of one currency into another currency pursuant to these China Connect Terms shall be borne by the Customer. For avoidance of doubt, the Customer understands and acknowledges that the Bank does not have any obligation to make any such conversion.



**8.3** The Customer agrees that in the event that it fails to settle any payment obligation in relation to an instruction to purchase China Connect Securities in a timely manner, the Bank has the right to immediately and without prior notice to the Customer take such action as the Bank considers appropriate to reduce or eliminate any loss or liability that the Bank 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 the Customer shall indemnify and hold the Bank harmless for any liabilities, expenses or other losses the Bank may incur in exercising the foregoing right. The Customer further agrees that the Bank shall have no liability to it for any loss, diminution in value or other damages whatsoever for any action or inaction of the Bank or its agents pursuant to this Clause.

**8.4** Notwithstanding any other provisions in the Terms, where the Bank determines that there is insufficient liquidity in RMB to settle any buy orders, the Bank may, in its sole and absolute discretion, reject such buy order.

## **9 Sale, Transfer and Disgorgement**

**9.1** Where, under the terms of the China Connect Rules, the Bank receives notice (a **“Forced-sale Notice”**) from a China Connect Authority requiring the Bank to sell and liquidate a specified number of China Connect Securities, the Bank shall be entitled to issue a corresponding notice (a **“Client Forced-sale Notice”**) to the Customer requesting the Customer to sell and liquidate any number of such China Connect Securities that the Customer holds in its account with the Bank (as determined by the Bank in its sole discretion) within the time period specified by the relevant China Connect Authority, and the Customer undertakes to comply with any such Client Forced-sale Notice.

**9.2** In relation to any Forced-sale Notice, the Customer authorises the Bank to sell or arrange for the sale of such China Connect Securities on its behalf at such price and on such terms as the Bank may determine in its absolute discretion if it fails to comply with a Client Forced-sale Notice in a timely manner, to the extent necessary to comply with all China Connect Laws and China Connect Rules.

**9.3** Where China Connect Securities owned by the Customer that are the subject of a Client Forced-sale Notice have been transferred from the Clearing Participant that settled the relevant Northbound buy order (the **“Original CP”**) to another Clearing Participant or custodian (the **“Recipient Agent”**), the Customer authorises the Bank to provide instructions to the Recipient Agent on its 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. The Customer also undertakes to inform the Recipient Agent of such authorisation and, where required, the Customer undertakes to instruct the Recipient Agent to act accordingly.

**9.4** The Customer authorises the Bank to sell or arrange for the sale of any quantity of China Connect Securities owned by the Customer if the Bank receives notice from any China Connect Authority requiring it to disgorge any profits as a result of the “short swing profit rule”, as more fully described under paragraph 21 (*Short Swing Profit Rule*) of Part B of these China Connect Terms.

**9.5** In addition to the above, the Customer authorises the Bank to sell, transfer or carry out any other action in relation to China Connect Securities owned by the Customer if the Bank is instructed to do so by any China Connect Authority or if the Bank otherwise determines in its absolute discretion that it is necessary or desirable to do so in order to comply with any China Connect Laws or China Connect Rules.

**9.6** The Bank shall have no liability for any losses or risks which may result to the Customer directly or indirectly from any actions taken by the Bank under this Clause.

## **10 Fees and Taxation**

**10.1** The Bank shall be entitled in its absolute discretion, without further notice or demand, forthwith to satisfy any obligation of the Bank or the Customer to pay or account for any amounts in respect of any Taxes by selling, realising or otherwise dealing with, in such manner as the Bank in its absolute discretion may determine, all or part of any of the Customer's property held by the Bank for any purpose in any of its accounts, and to apply the proceeds in reduction of all or part of its liability to any tax authority or the Bank.

**10.2** The Customer is responsible for paying all fees, charges, levies and taxes, and the Customer undertakes that it will 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.

**10.3** Notwithstanding any other provision in these China Connect Terms, the Bank shall not be responsible for and shall have no liability to the Customer for any damage, liability or loss (including loss of profit) which may result directly or indirectly from any actions taken by the Bank under this Clause unless such damage, liability or loss is a direct result of the Bank's fraud, wilful default or gross negligence.

## **11 Indemnity**

In addition and without prejudice to any of the Bank's rights under the Terms or under any other provisions of these China Connect Terms, including without limitation Clause 8.3 above, the Customer will indemnify the Bank on a full indemnity basis against any claims, demands, actions, proceedings, damages, costs, expenses, losses and all other liabilities whatsoever arising directly or indirectly from the Bank providing any services to the Customer in respect of its trading or investment in China Connect Securities, including, without limitation, to (a) any Taxes resulting from any trading of China Connect Securities pursuant to China Connect; (b) the materialisation of any risk referred to in Part B hereof; (c) any legal costs which the Bank may incur in connection with any instruction given by the Customer; or (d) any costs incurred in connection with Clause 9 (*Sale, Transfer and Disgorgement*) above, in each case other than those claims, demands, actions, proceedings, damages, costs, expenses, losses and liabilities which are a direct result of the Bank's fraud, wilful default or gross negligence.

## **12 Payments in respect of China Connect Securities**

All sums payable by the Customer under the Terms shall be paid or accounted for free and clear of any tax (including goods and services and value added tax), levy, duty, charge, impost, fee, interest, penalty, deduction or withholding (collectively the "taxes") of any nature now or hereafter imposed, withheld or assessed by any taxing or other authority. If the Customer is required by any law or regulation to make any deduction or withholding on account of any taxes from any such sums payable by it, the Customer shall, together with such sums, immediately pay or account for such additional amount as will ensure that the Bank receives or is credited (free and clear of the taxes) the full amount which the Bank would have received or been credited if no such deduction or withholding had been required. Upon the Bank's request, the Customer will promptly forward to the Bank copies

of official receipts or other evidence showing that the full amount of any such deduction or withholding has been paid over to the relevant taxing or other authority.

### **13 Miscellaneous**

**13.1** The Customer will provide all information (including translations into Chinese, if required) to the Bank which the Bank requests if such information is requested by an exchange, regulatory authority or an organisation (whether within or outside Hong Kong) with which HKEx or SEHK has entered into an information sharing arrangement or agreement. The Customer acknowledges that, the Customer's failure to comply with this provision may, among other things, result in the suspension of China Connect service to it.

**13.2** Save for Clause 11 (*Indemnity*), the Customer will execute any further documents and provide any materials and/or information as the Bank may reasonably request to enable the Bank to perform its duties and obligations under these China Connect Terms which may become necessary as and when the China Connect Rules are amended from time to time.

**13.3** The Bank reserves the right at its discretion to review, add to, alter, vary or modify all or any of these China Connect Terms at any time without giving any reason. When any of such changes affect the liabilities and obligations of the Customer, the Bank shall give at least 30 days' notice to the Customer unless such changes are not within the Bank's control. In other cases, reasonable notice shall be given. Such notice may be given by such means as the Bank at its discretion sees fit. Any Customer who does not close his/her relevant account prior to the effective date of any changes is deemed to have agreed to such changes.

### **14 Governing Law and Jurisdiction**

**14.1** The parties agree that the governing law and jurisdiction clauses in the Terms shall also apply to these China Connect Terms.

## **Part B: Risk Disclosures and Other Information**

This Part describes some of the key risk factors and other information concerning China Connect. This Part does not disclose all the risks and other significant aspects of Northbound trading through China Connect. I acknowledge that I understand the nature and risks of China Connect and Northbound trading and I have considered carefully (and consult my own advisers where necessary) whether trading in China Connect Securities is suitable for me in light of my circumstances. The decision to trade in China Connect Securities is mine, and I have fully understood and am willing to assume the risks associated with China Connect and am able to comply with all relevant China Connect Laws and China Connect Rules. I acknowledge the risks and agree to the terms set out in these China Connect Terms.

I understand the Bank does not represent that the information set out in this Part is up to date or comprehensive and does not undertake to update the information set out in this Part. I am responsible for monitoring changes in the China Connect Laws and China Connect Rules and complying with any new requirements.

### *Home Market Rules*

#### **1 Home Market Rules**

As Mainland China is the home market of China Connect Securities, the SSE Rules and other Mainland China securities laws and regulations shall apply to me. 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 by the commencement of trading on the trading day I wish to execute. Otherwise, I may be unable to execute Northbound sell orders due to Pre-Trade Checking related requirements.

I shall bear any risk, loss, cost or expenses resulting from non-compliance or potential non-compliance with Pre-Trade Checking and/or the relevant China Connect Laws or China Connect Rules and/or the above actions taken by the Bank.

#### **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 and settlement of funds relating to such trading will be effected on T+1 day. 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. I understand that, until the Bank has enhanced its trading system, stock and money settlements of China Connect Securities may only be reflected in my account on T+1 (as opposed to T for stock and T+1 for money settlements respectively). This system issue, however, will not affect the time at which title to China Connect Securities will be transferred to investors on T+1.

#### **4 Quota Restrictions**

Purchases of China Connect Securities through China Connect are subject to certain quota controls. Such quotas may be aggregate quotas or daily quotas. As a result, there is no assurance that a buy order can be successfully placed through China Connect. Any instruction to buy that has been submitted but not yet executed may be restricted or rejected.

SEHK and SSE may also set pricing and other restrictions on buy orders in order to prevent the artificial use or filling of the applicable quotas.

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

Day (turnaround) trading is not permitted on the Mainland China A Shares market.

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

Unless otherwise provided by the CSRC, I understand that the Bank shall not, with certain limited exceptions, trade or provide services to facilitate trading of any China Connect Securities through any venue other than through the China Connect Market System, and the Bank shall not match, execute or arrange the execution of any sale and purchase instructions or any transfer instructions from me in respect of any China Connect Securities in any manner otherwise than through China Connect in accordance with the China Connect Rules.

#### **7 Placing Orders**

Only limit orders with a specified price are allowed pursuant to China Connect Laws and China Connect Rules, where buy orders must not be lower than 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 range of percentages 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 and any orders with a price beyond the price limit will be rejected by SSE.

#### **9 Restrictions on selling China Connect Securities**

Investors are prohibited from using China Connect Securities purchased through China Connect to settle any sell orders placed through channels other than China Connect. Accordingly, there may be a limited market and/or lower liquidity for China Connect Securities purchased through China Connect (as compared to the same shares purchased through other channels). In addition, any scrip entitlements received by me in respect of China Connect Securities are not eligible for trading through China Connect. Accordingly, there is a risk of low/no liquidity for such shares received by way of scrip entitlement.

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

According to the SSE Listing 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. I understand that I will only be allowed to sell such shares and are restricted from further buying.

**11 Account Information of Beneficial Owner**

I understand that my identity as 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.

**12 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.

**13 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. However naked short selling of China Connect Securities is prohibited. I am fully responsible for understanding and complying with short selling requirements as amended from time to time and for any consequences of non-compliance.

**14 Amendment of Orders and Loss of Priority**

Consistent with the current practice in Mainland China, if I wish to amend an order, I must first cancel the original order and then input a new one. Accordingly, order priority will be lost and, subject to the daily quota and aggregate quota restrictions, the subsequent order may not be filled on the same trading day.

**15 Warning Statements**

I understand that SEHK may require the Bank (a) to issue warning statements to me and/or (b) to cease to extend the China Connect Service to me.

**16 Special China Connect Securities**

I understand that 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 already accepted as China Connect Securities) received by me 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. I understand that I will only be able to sell, but not buy, any Special China Connect Securities.

**17 Margin Trading**

Subject to certain conditions prescribed by the China Connect Authorities, I may only conduct margin trading in certain China Connect Securities as determined by the relevant China Connect Authorities to be eligible for margin trading from time to time. SSE may suspend margin trading activities in any specific China Connect Security where the volume of margin trading activities in such China Connect Security exceeds certain thresholds and may resume margin trading activities when the volume drops below a prescribed threshold. The Bank shall not have any obligation to update me in respect of the list of eligible margin

trading securities or any restrictions or suspensions in respect of margin trading from time to time.

## **18 Rights Issuances**

Where I receive as entitlements shares or other types of securities from the issuer of a China Connect Security, whether I can buy and/or sell the entitlement security through China Connect will depend on a number of factors including whether the entitlement security is a China Connect Security, whether or not it is traded in RMB and whether or not HKSCC has put in place arrangements enabling me to do so.

## **19 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.

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

## **20 Disclosure of Interests**

If I hold or control shares on an aggregate basis in a Mainland China Listco above a certain threshold, I may have to disclose such interest within the period specified by the relevant China Connect Authority, and I must not buy or sell any such shares within a specified period. I may also have to disclose any substantial change in my holdings.

At the same time, I may have to comply with disclosure obligations under Part XV of the SFO.

## **21 Short Swing Profit Rule**

Under Mainland China laws, rules and regulations, the “short swing profit rule” requires me to return any profits made from purchases and sales in respect of China Connect Securities of a Mainland China Listco if (a) my shareholding in the 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. I will comply with the “short swing profit rule”.

## **22 Foreign Ownership Limits**

Mainland China foreign ownership limits on the number of shares a foreign investor is permitted to hold in a single Mainland China Listco and on the maximum combined holdings of all foreign investors in a single Mainland China Listco may have an adverse effect on the liquidity and performance of an investment in China Connect Securities. As a result, I may suffer losses in China Connect Securities.

I understand that if the Bank becomes aware that I have breached (or reasonably believe that I may breach upon execution of further Northbound buy orders) any foreign ownership limits, or if the Bank is so required by any China Connect Authority, including without limitation to any Forced-sale Notice issued by SSE, the Bank will sell any China Connect Securities pursuant to Clause 9 (*Sale, Transfer and Disgorgement*) in Part A of the China Connect Terms if I 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 China Connect Securities 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 will generally 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 foreign investors hold more than a specified percentage (the “**Cautionary Level**”) of the issued shares of a single Mainland China Listco in aggregate, upon notification by 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, the Bank may reject my buy orders until the aggregate shareholding of foreign investors is reduced to below the specified percentage (the “**Permitted Level**”) as advised by SSE.

### **23 Taxation**

I 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 the Bank from and against all Taxes which the Bank may incur arising in connection with any China Connect Securities which I hold, trade or otherwise deal in.

I understand and agree that the Bank assumes no responsibility for advising on or handling any tax issues, liabilities and/or obligations in connection with China Connect, nor will the Bank provide any service or assistance in this regard. Prior to investing in China Connect Securities, I understand that I should consult my own tax advisers and counsel with respect to the possible tax consequences to me of such investment since such tax consequences may differ in respect of different investors.

### **24 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. I understand that I should seek specialist advice before engaging in trading through China Connect.

### **25 Client Securities Rules and Client Identity Rules**

I understand that as the China Connect Securities traded through China Connect are not listed or traded on SEHK, I will not have protection either under the Client Securities Rules nor under the Client Identity Rules.

### **26 Investor Compensation Fund**

I understand that, in trading China Connect Securities, I will not enjoy the protection afforded by the investor compensation fund established under the SFO.

### **27 Ownership of China Connect Securities**

As China Connect is a recent initiative there may be some uncertainty surrounding the proprietary interest of investors in China Connect Securities. 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 (including myself).

## **28 Stock lending and borrowing**

Stock borrowing and lending of China Connect Securities will be permitted only in certain circumstances. Restrictions on the duration of stock loans and record keeping requirements may apply.

### *Clearinghouse Risk*

## **29 Risk of ChinaClear Default**

If ChinaClear defaults, HKSCC may, but has no obligation to, take any legal action or court proceedings to seek recovery of outstanding China Connect Securities and monies from ChinaClear. If it does so, HKSCC will 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. The Bank in turn will only be distributing the 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, I understand that I should be aware of this arrangement and of this potential exposure before engaging in Northbound trading.

## **30 Risk of HKSCC Default**

The Bank's 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 it and I may suffer losses as a result. The Bank shall have no responsibility or liability for any such losses.

### *Other Operational Issues*

## **31 Company Announcements on Corporate Actions**

I understand that I should refer to SSE's website and the relevant newspapers for the latest listed company announcements or, alternatively, the HKEx website's page entitled "China Stock Markets Web" (or such other replacement or successor page from time to time) for corporate actions in respect of China Connect Securities. I understand 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 participating in China Connect in a timely manner.

Following existing market practice in Mainland China, I understand that I will not be able to attend meetings by proxy or in person, unlike the current practice in Hong Kong in respect of SEHK-listed shares.

I understand the Bank does not and cannot ensure the accuracy, reliability or timeliness of any company announcements of corporate actions and accepts no 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. I understand the Bank has

expressly disclaimed all warranties, expressed or implied, as to the accuracy of any company announcement or as to the fitness of the information for any purpose.

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

I understand that SEHK may require the Bank to provide information on my identity, profile, and the type and value of my orders in relation to Northbound trading of China Connect Securities and the trades which the Bank executed for me at such intervals and in such form as SEHK may specify from time to time for purposes of their 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.

### **33 Client Error**

I understand that the Bank will not be liable for any loss, damage or expense or consequential loss, damage or expense suffered by me as a result of any trading based on my instructions. The Bank will not be able to unwind any trade, and I should also take note of the settlement arrangements in respect of China Connect Securities under China Connect, including but not limited to quota restrictions which may affect my ability to mitigate the consequences of any error trades. The Bank shall have no liability for any losses which may result directly or indirectly from such error trades.

The Bank shall have absolute discretion to determine whether to conduct any transfer to rectify any error trade and shall have no obligation to do so. The Bank shall have no liability for any losses which may result directly or indirectly from such error trades or any refusal to conduct a transfer to correct an error trade.

### **34 Retention of Information**

I acknowledge and accept that the Bank will be required under the China Connect Rules to keep records in relation to Northbound trading for a period of not less than 20 years.

### **35 China Connect Market System**

The China Connect Market System is a new platform for trading of China Connect Securities under China Connect. The Bank is not responsible for any delay or failure caused by the China Connect Market System and I accept all risks arising from trading China Connect Securities through the China Connect Market System. I understand that the Bank shall not be responsible or held liable for any loss or damage directly or indirectly suffered by me 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, 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;

- (d) any delay, suspension, interruption of trading or of any order cancellation in respect of China Connect Securities as a result of the hoisting of a Typhoon Signal No. 8 or the issuance of the Black Rainstorm Warning in Hong Kong;
- (e) any delay or failure to route any China Connect orders, 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 events beyond the control of the Bank or SEHK;
- (f) in the event that a China Connect order which a China Connect Exchange Participant has requested to be cancelled is not cancelled for any reason whatsoever;
- (g) in the event that SEHK or SSE requires that the Bank reject any order for China Connect Services;
- (h) any delay, failure or error of any China Connect Market System or any system upon which the SEHK Subsidiary 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 the Bank, SEHK, HKEx or the SEHK Subsidiary including, but not limited to, any action or decision taken or made, or not taken or made, by SSE, any China Connect Authority or a relevant governmental or regulatory body.

If there is any delay or failure to send any order cancellation requests in the circumstances described in paragraph (e) above, I shall, in the event that the order is matched and executed, remain responsible to the Bank for any settlement obligations in respect of such order.

### **36 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, whether on a temporary basis or otherwise, at any time and without advance notice.

### **37 RMB Conversion and RMB Risks**

If I belong to certain counterparty types (such as an individual) in certain jurisdictions that are subject to currency conversion restrictions, (as required by the relevant authority from time to time) any conversion of any currency into RMB pursuant to Clause 8 (*Settlement and Currency Conversion*) of Part A of these China Connect Terms is subject to any applicable daily maximum conversion limit. 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 me.

There are also significant restrictions on the remittance of RMB into and out of Mainland China. If the issuer of the 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. I 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 Mainland China and the restrictions on the conversion of RMB. These factors may affect the amount of liquidity in RMB for investors and accordingly adversely affect the market demand for 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, I understand that 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.

#### *General legal and regulatory risk*

I will comply with all China Connect Laws and China Connect Rules. Furthermore, I understand that 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. I understand that it is impossible to predict whether such an impact caused by any such change will be positive or negative for China Connect Securities. I understand that in the worst case scenario, I may lose a material part of my investments in China Connect Securities.