

## HONG KONG MODULE

This Module to the Terms of Business forms an integral part of, and must be read in conjunction with, the Terms of Business.

### 1. APPLICATION OF THIS MODULE

1.1 This Module is applicable if SGS HK provides Services effecting any Transaction in connection with APAC Equity Securities by:

- (a) you becoming a client of SGS HK, and in such case:
  - (i) "we", "us" and "our" shall mean SGS HK in this Module, the General Terms of Business and any other applicable Module, in relation to the Services that are provided by SGS HK to you; and
  - (ii) the following provisions shall be disappplied in relation to the Services that are provided by SGS HK to you:
    - i. clauses 1.3, 1.4, 2.12, 3.5, 3.6, 3.11, 5, 8, 9, 10, 14.2, 15.2, 16.2, 17, 18.1, 18.3, 19, 20.1, 20.2, 20.3, and 20.6 of the General Terms of Business;
    - ii. any clause or Module which relates to Services that we (SGS HK) do not provide to you; and
    - iii. any provision not in this Module, which is specific to a jurisdiction (not being Hong Kong), including (without limitation) any provision which is mandatory under the laws and regulations of any jurisdiction (not being Hong Kong) and any provision which references or relates to the laws, regulations and/or procedures of any jurisdiction (not being Hong Kong) or of any regulatory authority (not being a Hong Kong regulatory authority); or
- (b) SGS HK being appointed as sub-agent of the Societe Generale entity acting as agent on your behalf that has on-boarded you as its client, and in respect of the execution of any order received from you for APAC Equity Securities, and in such case:
  - (i) "we", "us" and "our" shall mean SGS HK in this Module;
  - (ii) sections 1, 2, 5, 6, 8, 13, 14, 15, 16, 17 and 18 of this Module shall form part of this Agreement in respect of the services provided by SGS HK and be read as the context requires; and
  - (iii) the representations, warranties and covenants made by you under the General Terms of Business as supplemented by section 5 of this Module shall be deemed to be made by you to the Societe Generale entity that has on-boarded you as its client and SGS HK.

1.2 Where this Module applies, then (for the avoidance of doubt):

- (a) the following Modules, as amended and/or supplemented by this Hong Kong Module, shall apply in relation to the Services provided by SGS HK to you:
  - (i) the Regulatory Disclosure Module;

- (ii) the Electronic Services Module;
  - (iii) the Equities Module, except that sections 5.2, 6.3 and 11 shall be disapplied; and
  - (iv) the Agency Module, if you are an investment manager acting on behalf of Underlying Clients who have been notified to us in writing from time to time, except that sections 3.4, 6 and 7 shall be disapplied.
- (b) the following shall be disapplied in relation to the Services provided by SGS HK to you:
- (i) the following sentence in clause 4.2 of the General Terms of Business: "Upon our acceptance of a Short Sale instruction, we shall record the position as if you had sold the Securities to us as principal.";
  - (ii) the Client Money Module;
  - (iii) the Direct Electronic Access Module;
  - (iv) the Fixed Income Module;
  - (v) the Futures, Options and EFP Transactions Module;
  - (vi) the Commodities Module;
  - (vii) the Switzerland Module; and
  - (viii) the Retail Client Module.

## 2. DEFINITIONS

2.1 **Definitions:** All defined terms have the meaning set out in the Terms of Business.

(a) Additionally, for the purposes of this Module generally:

**"APAC Equity Securities"** means any equity securities that are listed and traded on any exchange in Asia Pacific;

**"Asia Pacific"** means the Asia-pacific region comprising the Asian continent and Oceania;

**"Business Day"** means a day which is not a Saturday or a Sunday, and upon which banks are open for business in Hong Kong;

**"China Connect"** has the meaning given to it in section 15 of the China Connect Terms;

**"China Connect Terms"** means the China Connect Terms in schedules 2, 3 and 4 to this Module, as amended, supplemented, modified and/or varied from time to time;

**"Client Identity Rules"** means the client identity rules of the SFC in the Code of Conduct and the Client Identity Rule Policy April 2003 published by the SFC on 28 February 2003;

**"Code of Conduct"** means the SFC's Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission;

"**Communication**" means any notice, instruction, request or other communication sent by whatever means and "**Communications**" means all such communications;

"**DMA**" means direct market access;

"**DSA**" means direct strategy access;

"**HK\$**" means Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People's Republic of China;

"**HKIAC**" means the Hong Kong International Arbitration Centre;

"**HKIAC Rules**" means the HKIAC Administered Arbitration Rules as amended from time to time;

"**introducing broker**" means an intermediary which is engaged in introducing broker business to us for us to execute and settle orders as executing broker;

"**Material Interest**" means an interest, relationship or arrangement that could be material and/or give rise to a conflict of interest in relation to a Transaction effected with or for you (or the investment which forms the subject of the Transaction);

"**Notice of Arbitration**" has the meaning given to it in the HKIAC Rules;

"**Regulators**" means the SFC, SEHK and the HKFE;

"**Securities**" has the meaning ascribed thereto in the SFO and, for the avoidance of doubt, shall include shares, stocks, warrants, options, convertible bonds and notes of any description whatsoever and wheresoever issued, quoted, dealt in or located;

"**Triggered Stock**" means any stock for which the execution price declines by 10% or more of its base price calculated using the closing price of such stock on the preceding day; and

"**Underlying Clients**" has the meaning given to it in the Agency Module.

(b) For the purposes of sections 13.14 to 13.21 of this Module:

"**Alpha-X Crossing System**" means the automated service operated by us which matches or executes Buy Orders with Sell Orders;

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means ASX Limited (ACN 008 624 691);

"**ASX Market**" means the Financial Market operated by ASX;

"**Australian Domiciled Person**" includes a person resident or ordinarily resident in Australia, and an entity, corporation, scheme or fund that is incorporated or taken to be incorporated or registered or taken to be registered in Australia or that is otherwise established or constituted under the state, territory or federal laws of Australia;

"**Australian Regulatory Requirements**" means the provisions of the Corporations Act, the *Corporations Regulations 2001* (Cth), the *Australian Securities and Investments Commission Act 2001* (Cth), any class orders or other regulatory guidance issued by ASIC and any operating rules, clearing and/or settlement rules, guidelines or

procedures issued by the ASX, ASX Settlement Pty Ltd or ASX Clear Pty Ltd, each as applicable and as amended from time to time;

**"Australian Securities"** means:

- (a) shares in a body;
- (b) debentures of a body;
- (c) legal or equitable rights or interests in securities covered by paragraph (a) or (b);
- (d) options to acquire, by way of issue, securities covered by paragraph (a), (b) or (c);
- (e) rights (whether existing or future and whether contingent or not) to acquire, by way of issue, the following under a rights issue:
  - (i) securities covered by paragraph (a), (b), (c) or (d); or
  - (ii) an interest in a scheme, or legal or equitable rights or interests in an interest in a scheme, or an option to acquire by way of issue an interest in a scheme or legal or equitable rights or interests in an interest in a scheme;
- (f) depository interests in Commonwealth Government Securities; or
- (g) simple corporate bonds depository interests, that are able to be traded (including by being admitted to quotation) on the ASX Market;

**"Australia Trading Terms"** means the terms defined in this section 2.1(b);

**"Bid"** means a price or quantity of Australian Securities to be purchased;

**"Buy Order"** means an instruction from you to SGSHK to purchase Australian Securities;

**"Commonwealth Government Securities"** means all securities issued by the Australian government, including treasury bonds, treasury notes, treasury indexed bonds and, previously, treasury adjustable rate bonds;

**"Corporations Act"** means the *Corporations Act 2001* (Cth) as amended from time to time;

**"Financial Market"** means a facility through which:

- (a) offers to acquire or dispose of financial products are regularly made or accepted; or
- (b) offers or invitations are regularly made to acquire or dispose of financial products that are intended to result or may reasonably be expected to result, directly or indirectly, in:
  - (i) the making of offers to acquire or dispose of financial products; or
  - (ii) the acceptance of such offers;

"**Offer**" means a price or quantity of Australian Securities to be sold;

"**Order**" means a Buy Order, a Sell Order or an instruction to amend or cancel a prior Buy Order or Sell Order;

"**Order Book**" means an electronic list of Buy Orders and Sell Orders maintained by or on behalf of an operator of a Financial Market, on which those Orders are matched with other Orders in the same list;

"**Pre-Trade Transparent Bid**", in relation to a Bid on the ASX Market, means the Bid is part of an Order for which price information is made available by ASX under the *ASIC Market Integrity Rules (Competition in Exchange Markets) 2011*;

"**Pre-Trade Transparent Offer**", in relation to an Offer on the ASX Market, means the Offer is part of an Order for which price information is made available by ASX under the *ASIC Market Integrity Rules (Competition in Exchange Markets) 2011*;

"**Sell Order**" means an instruction from you to SGS HK to sell Australian Securities;

"**Trading Hours**", in relation to the ASX Market and Australian Securities, means the times on a day during which:

- (a) Orders for the Australian Securities may be entered, amended or cancelled on the Order Books of the ASX Market; and
- (b) Orders for the Australian Securities are matched and Transactions in the Australian Securities are executed on a continuous basis on the ASX Market,

and includes a time during which an auction is conducted in the Australian Securities on the ASX Market;

"**Trading Pause**", in relation to the ASX Market and Australian Securities, means a period during which ASX must prevent Orders for the Australian Securities from being matched or executed on ASX Market, but during which Bids and Offers for the Australian Securities may be displayed, entered, amended and cancelled;

"**Trading Services**" means the matching and execution of Orders in Australian Securities on the Alpha-X Crossing System;

"**Trading Suspension**", in relation to the ASX Market and Australian Securities, means a halt or suspension in trading in the Australian Securities on the ASX Market, during which Orders in the Australian Securities may not be matched or executed on the ASX Market, but does not include a halt or suspension caused by a technical problem (including a power outage) affecting technical infrastructure used by ASX to support functionalities of the ASX Market; and

"**Transaction**" means a transaction in Australian Securities.

- (c) For the purposes of section 15 of this Module:

"**Your Clients**" means such of your clients to which we have from time to time expressly consented in writing to the sub-delegation by you to them of the DMA services provided by us or our Associates to you.

- (d) For the purposes of section 17 of this Module:

"**Alternative Crossing Services**" means the facility to execute orders via the Electronic Services or other automated electronic systems maintained by us or automated electronic systems maintained by third parties (in either case, matching your orders against the orders of our other clients or our own orders);

"**Crossing Order**" means an order placed or originated via Alternative Crossing Services by a Client which is a Qualified Investor;

"**Qualified Investor**" means a person (1) falling under paragraphs (a) to (i) of the definition of "professional investor" in section 1 of Part 1 of Schedule 1 to the SFO; or (2) within the meaning of sections 4, 6(a), 6(b)(i), 6(b)(iv), 6(b)(v) or 7 of the Securities and Futures (Professional Investor) Rules (Cap. 571D of the laws of Hong Kong); and

"**Qualified User**" means a Qualified Investor whose orders are placed into or whose transactions are conducted in Alternative Crossing Services, and includes any Qualified Investor who/which is ultimately responsible for originating the instruction in relation to an order placed into, or a transaction conducted in, Alternative Crossing Services.

### 3. **CLASSIFICATION**

- 3.1 You will be categorised by us as a professional investor for the purposes of the SFO and this Agreement. Accordingly, we shall not assume any greater responsibility to you than we have to a professional investor.

### 4. **INSTRUCTIONS AND BASIS OF DEALING**

- 4.1 **Orders.** Instructions may be given to authorised personnel of us by letter, fax, electronic mail, telephone, or any other form of communication acceptable to us unless we tell you that instructions can only be given in a particular way. Unless an express acknowledgement has been provided, we shall not be deemed to have received an order given by you.
- 4.2 **Dealing.** In addition to clause 3.4 of the General Terms of Business, we shall execute any order on Securities listed in Hong Kong promptly on the best available terms, and in relation to Securities not listed in Hong Kong, in accordance with the Rules of the relevant trading venue on which the Securities are listed.
- 4.3 **Dealing as Principal.** We shall act as your agent at all times when executing any order from you. However, where it is expedient to do so (such as, including but not limited to, cases where order sizes are too small to transact with third parties) we may in our own discretion, arrange for any such Transaction to be executed, either in whole or in part, by the sale to, or the purchase from, you of Securities by us or any of our Associates.
- 4.4 **Disclosure of Information to Third Parties.** In the event we are obliged to disclose any information relating to you, the Services or any Transactions to third parties either by any Applicable Regulations or for the purposes of providing any Service or effecting any Transaction, you agree and acknowledge that you shall be deemed to have waived any duty of confidentiality attaching to such information.
- 4.5 **Introducing Broker.** You may be introduced to us by an introducing broker. The introducing broker will receive orders from you and instruct us to execute and settle Transactions for and on your behalf. For the avoidance of doubt, the relationship between you and us shall be governed by this Agreement.

## 5. **ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS**

- 5.1 **Additional Representations and Warranties.** In addition to the representations and warranties set out in clause 6.1 of the General Terms of Business, you represent and warrant to us, on the date of this Agreement and as of the date of each Transaction, that the persons authorised to use the algorithmic trading systems provided by us, including without limitation, Alternative Crossing Services, are suitably qualified and such persons have a good understanding of (i) the operation of the algorithmic trading systems provided by us including, without limitation, Alternative Crossing Services, and the trading algorithms, and (ii) the compliance and regulatory issues which may arise from the use of the algorithmic trading systems provided by us, including without limitation, Alternative Crossing Services, and the trading algorithms.
- 5.2 **Additional covenants.** In addition to the covenants set out in clause 6.2 of the General Terms of Business, you covenant to us, as of the date of each Transaction, that if you are introduced by an introducing broker, you will immediately notify us in writing if you terminate your relationship with such introducing broker.

## 6. **CONFLICTS OF INTERESTS**

- 6.1 In addition to what is provided in the General Terms, we or one of our Associates may have a Material Interest). In such event, subject to any Applicable Regulations, you consent that in the absence of a Material Interest and disadvantage to you, we may act in any manner that we consider appropriate and we or any of our Associates may retain for our own benefit any related profit, charges, commission or other remuneration.
- 6.2 Neither we nor any of our Associates shall be obligated to disclose to you or take into consideration any fact, matter or finding which comes into our notice or that of any of our Associates or any of their directors, officers, employees or agents in the course of acting in any capacity for any other person.

## 7. **NOTICES**

- 7.1 All Communications from you should be sent to us at Level 38, Three Pacific Place, 1 Queens Road East, Hong Kong and must be addressed to the "Compliance Department".
- 7.2 We shall send you any Communications at the address you have given to us. Communications may be delivered by person or sent by mail, facsimile, electronic mail or any other means. You agree to notify us in writing of any change to your notice details. In the case of sending by electronic mail, we will send any Communication to you to the last known e-mail address on our records and that shall, subject to section 7.4 of this Module, in the absence of manifest error, be conclusive and binding on you unless we receive from you written notice to the contrary within two Business Days of the date on which such document is deemed to have been received.
- 7.3 Any Communication will be deemed to have been given at the time of dispatch in the case of delivery in person or sending by facsimile, electronic mail or any other electronic means. If they are dispatched by prepaid post, a Communication will be deemed given on the day following its posting for local mail or, in the case a recipient address in a country different from that in which the Communication is posted, the seventh day following its posting.
- 7.4 Confirmations of the execution of orders placed with us shall be conclusive and the details of Transactions set out therein shall be deemed to be accepted by you if not objected to by you within twenty-four hours after its deemed delivery. You agree that this provision is intended to give you the opportunity to amend incorrect transaction records and does not grant you a

right to terminate your instructions to us or to otherwise avoid your instructions to us otherwise than in accordance with the Terms of Business.

## 8. **RECEIPT OF MONETARY AND NON-MONETARY BENEFITS**

8.1 We may provide or receive remuneration, fees discounts or other benefits from, or share fees, charges or other benefits with, a third party (including, but not limited to, any Associate, exchange, broker or intermediary) in connection with any business that we may do with you and on any basis that we agree with such a person or soft commission agreements in place from time to time. To the extent permitted by Applicable Regulation, we will not be required to account for any of the aforesaid to you.

## 9. **RIGHTS ON DEFAULT**

9.1 Upon the occurrence of an Event of Default, all amounts owing by you to us shall become immediately payable on demand, and interest will accrue at the rate specified by us on the amounts outstanding from time to time, and we shall be entitled at our absolute discretion, without further notice or demand, forthwith to:

- (a) satisfy any obligation you may have to us (either directly or by way of guarantee or other security) out of the sale or other realisation, in such manner and upon such terms as we may in our absolute discretion decide, of all or any part of any property held by us and/or any Associate for any purpose in any of your accounts;
- (b) cancel any open orders for the purchase and sale of Securities;
- (c) sell any or all Securities long in any of your accounts;
- (d) buy any or all Securities which may be short in any of your accounts; and
- (e) exercise our rights under any other provision of these Terms of Business.

## 10. **TERMINATION**

10.1 Either Party may terminate this Agreement by providing 30 days' written notice at any time with or without cause, such notice to take effect on the date such notice is deemed to be received in accordance with section 7.3 of this Module.

10.2 In addition, we may terminate this Agreement without prior notice to you after the occurrence of any Event of Default or in order to comply with any Applicable Regulations.

10.3 Upon termination, all amounts payable by you to us will become immediately due and payable including, without limitation:

- (a) outstanding fees, costs, charges, commissions and liabilities accrued or incurred under this Agreement up to the time of termination; and
- (b) any additional expenses or other Losses incurred by us in terminating these arrangements.

10.4 Termination of this Agreement will take place without prejudice to the completion of Transactions already initiated between us and you.

## 11. **THIRD PARTY RIGHTS**

The Parties agree that nothing in this Agreement confers or purports to confer on any third party any benefit or any right to enforce any term of this Agreement pursuant to the Contracts



(Rights of Third Parties) Ordinance (Cap. 623 of the laws of Hong Kong), except that persons indemnified under clause 12.7 of the General Terms of Business may enforce that provision in accordance with the terms of this Agreement.

## 12. GOVERNING LAW AND JURISDICTION

- 12.1 This Agreement and any Transaction and any disputes or claims arising under or in connection with this Agreement or any Transaction or their respective subject matter, existence, negotiation, validity, termination and enforceability (including non-contractual disputes or claims) are governed by and shall be governed by and determined only in accordance with Hong Kong law.
- 12.2 Any dispute, claim, difference or controversy arising out of, relating to or in connection with this Agreement or its subject matter, including any dispute as to its existence, negotiation, validity, interpretation, performance, breach, termination, the consequences of its nullity or enforceability shall be referred to and finally resolved by arbitration administered by HKIAC under the HKIAC Rules. The HKIAC Rules are incorporated by reference into this section 12. The arbitral tribunal shall consist of three arbitrators. The seat of arbitration shall be Hong Kong and the language of arbitration shall be English. This arbitration agreement shall be governed by Hong Kong law.
- 12.3 Service of any Notice of Arbitration made pursuant to this section 12 shall be made in accordance with the HKIAC Rules at the address or at the facsimile number or email address nominated by you for this purpose in the account opening documentation.

## 13. TRADING TERMS FOR SPECIFIC MARKETS

### Hong Kong

- 13.1 **Short Selling.** In order to fully comply with the SFO, you must, at the time of placing an order for Hong Kong securities, identify any Short Selling order and provide adequate rights to obtain the securities to which the order relates.
- 13.2 If you wish to adopt the relevant FIX protocol functionality for this purpose, you should inform us, after which you will be deemed to have agreed to the following:
- (a) By inputting "Y" to set the Tag 114 using the relevant FIX protocol functionality, you are representing to us that you do not have a presently exercisable and unconditional right to vest the securities to which the order relates in accordance with the SFO and the order will be rejected.
- (b) By inputting "N" to set the Tag 114 or not setting Tag 114 at all, using the relevant FIX protocol functionality you agree that at the time of the order you are providing the following assurance as a confirmation document to us:
- "This confirmation relates to this order to sell. We (for ourselves or any person for whom we are acting, all referred to as "we" or "us") confirm the following:*
- (1) *our order is a short sale order;*
- (2) *we have a presently exercisable and unconditional right to vest the securities to which the order relates in the purchaser of such securities; and*
- (3) *to the extent that we have (i) borrowed the securities or (ii) obtained a confirmation from the lender that it has the securities available to lend, the lender has the securities available to lend to us."*

- 13.3 **Client identity.** The Client Identity Rules require us to supply the Regulators with information, including details of ultimate persons for whom transactions are processed as well as the identities of the persons who give instructions in relation to particular transactions, within two Business Days. In exceptional market circumstances, the Regulators may require the information shortly after a transaction has occurred.
- 13.4 Unless you notify us otherwise, you confirm that you act as principal when conducting business with or through us. If you act for third party clients when conducting business with or through us, there may be circumstances in which you may not wish to disclose the identities of your clients to us. This has been recognised by the SFC, which allows a licensed or registered person to comply with the Client Identity Rules by allowing its clients to provide identity details to the SFC directly. Details of the Client Identity Rules can be accessed via the SFC's website at <http://www.sfc.hk>.
- 13.5 You agree that, when you effect transactions for your clients' accounts, through us as your broker, you shall:
- (a) Subject to as provided below, subsequent to the SFC's request to us and immediately upon our request to you (which request shall include the relevant contact details of the Regulators), inform the SFC of the identity, address, occupation and contact details of the client for whose account the transaction was effected and (so far as known to you) of the person(s) with the ultimate beneficial interest in the transaction. You shall also inform the SFC of the identity, address, occupation and contact details of any third party (if different from the client/the ultimate beneficiary) who originated the transaction.
  - (b) If you effect the transaction for a collective investment scheme, discretionary account or discretionary trust, subsequent to the SFC's request to us and immediately upon our request to you (which request shall include the relevant contact details of the Regulators), inform the SFC of the identity, address and contact details of the scheme, account or trust and, if applicable, the identity, address, occupation and contact details of the person(s) who, on behalf of the scheme, account or trust, instructed you to effect the transaction.
  - (c) If you effect the transaction for a collective investment scheme, discretionary account or discretionary trust, subsequent to the SFC's request to us and immediately upon our request to you (which request shall include the relevant contact details of the Regulators), inform us when your discretion to invest on behalf of the scheme, account or trust has been overridden. In the case where your investment discretion has been overridden, you shall, immediately upon our request (which request shall include the relevant contact details of the Regulators), inform the SFC of the identity, address, occupation and contact details of the person(s) who has or have given the instruction in relation to the transaction.
  - (d) If you are aware that your client is acting as intermediary for its underlying client(s), and it does not know the identity, address, occupation and contact details of the underlying client(s) for whom the transaction was effected, confirm that:
    - (i) it has arrangements in place with its clients which entitle it to obtain the information set out in section 13.5 (a), (b) and/or (c) of this Module from its client immediately upon request or procure that it be so obtained; and
    - (ii) it will, upon our request in relation to a transaction, promptly request the information set out in section 13.5 (a), (b) and/or (c) of this Module from its client on whose instructions the transaction was effected, and provide the

information to the SFC as soon as it is received or procure that it be so provided.

- 13.6 You confirm that you are not subject to any laws which prohibit your performance of the above requirements or, if you are subject to such law, that you or your clients, as may be the case have waived the benefit of such law or consented in writing to the performance by you of this letter. You confirm that such waivers are valid and binding under the laws of such jurisdiction.
- 13.7 Sections 13.1 to 13.6 of this Module shall continue in effect notwithstanding the termination of this Agreement.

### **Japan**

- 13.8 **Short Selling.** Price restriction is one of the measures relating to Short Selling and will apply to Triggered Stock. The price restriction shall apply through to the end of the following trade day. Short-selling orders on the Triggered Stock placed at a price equal to or below the most recently published price will be rejected by the exchanges. However, if the most recently published price of the Triggered Stock exceeds the execution price of the immediately preceding trade of such Triggered Stock, a short sale at the most recently published price is permitted.
- 13.9 Tokyo Stock Exchange will compile and release a list of Triggered Stocks on a daily basis. The list will be available on the Tokyo Stock Exchange website at approximately 4:30 p.m. Tokyo time each day (weblink to the list of Triggered Stocks: <http://www.tse.or.jp/english/market/trigger/index.html>).
- 13.10 Sellers will be required to report a short position to the Japan regulator once its short position ratio exceeds 0.2% of the outstanding issued shares and over 50 board lots. Once the initial reporting requirement at a short position of 0.2% is triggered, filing of an amended report would be required at every such position change of 0.1% thereafter. When the short position ratio falls below 0.2%, the seller will report the short position once thereafter.
- <http://www.jpx.co.jp/english/markets/public/short-selling/01.html>
- 13.11 If you wish to send a Short Sale order to us via DMA or DSA, you shall provide a notice in the form of the Confirmation as set out in schedule 1 to this Module prior to entering into any such orders.
- 13.12 If you wish to send a Short Sale order to us via a route other than DMA or DSA, you shall notify us via email or telephone, of the identity of the located broker, each time prior to entering into any such orders.
- 13.13 **Limit High/Low Allocation.** We have specific internal procedures for dealing with the allocations of fills from Japanese markets for securities which are in at the "Limit High or Low" price in the closing auction. We reserve the right to change final allocations given to clients in accordance with this procedure after the closing auction is complete. In the event allocations need to be changed we will contact you as soon as practicable after the adjusted allocations have been determined.

### **Australia**

13.14 **Acknowledgments.**

- (a) you acknowledge and agree that the Australia Trading Terms shall govern the Trading Services;

- (b) you acknowledge and agree that the you will not be able to directly transmit, or to instruct us to transmit Orders for Australian Securities to the Alpha-X Crossing System; and
- (c) where you are an Investment Manager, all of the acknowledgements, agreements, consents, representations and warranties made by you under the Australian Trading Terms are for yourself and on behalf of your Underlying Client, except for section 13.21 of this Module.

13.15 **Non-Australian domiciled persons.**

- (a) you acknowledge that we do not offer Trading Services to any Australian Domiciled Person; and
- (b) you represent and warrant on a continuing basis that you are not an Australian Domiciled Person.

13.16 **Trading Services for Australian Securities.** We will provide Trading Services with respect to Australian Securities:

- (a) only by matching and executing Orders for the relevant Australian Securities at the mid-point of the highest Pre-Trade Transparent Bid and lowest Pre-Trade Transparent Offer, for Australian Securities in the same class as the Australian Securities the subject of an Order, available across all Order Books of the ASX Market at the time the Order is matched or executed on the Alpha-X Crossing System; and
- (b) only during the Trading Hours of the ASX Market, and not during a time where there is a Trading Pause or Trading Suspension in the relevant Australian Securities on the ASX Market.

13.17 **Settlement.** You acknowledge that Orders for Australian Securities that are matched or executed on the Alpha-X Crossing System will be settled through the licensed clearing and settlement facility operated by ASX Settlement Pty Ltd, by an Australian participant of that facility.

13.18 **Regulatory Requirements.** You acknowledge that:

- (a) where the Services provided under this Agreement are Trading Services:
  - (i) the term "Applicable Regulations" as it appears in this Agreement shall be deemed to include the Australian Regulatory Requirements; and
  - (ii) the term "Securities" as it appears in this Agreement shall be deemed to include a reference to Australian Securities;
- (b) the provision of Trading Services by us is subject at all times to the Australian Regulatory Requirements;
- (c) Orders in Australian Securities will not be matched or executed on the Alpha-X Crossing System by us where to do so would contravene any applicable Australian Regulatory Requirements, including, without limitation, a direction given by an Australian minister of state or by ASIC in relation to the licensing of financial markets under the Corporations Act;
- (d) we may be required to disclose any information or documents in relation to the Trading Services or the operation of the Alpha-X Crossing System to the SFC or ASIC,

and you hereby consent to such disclosure of any information or documents that may be confidential to you, in accordance with clause 13.1 of the General Terms of Business; and

- (e) ASIC and the SFC may disclose information or documents in relation to the Trading Services or the operation of the Alpha-X Crossing System to each other, and you hereby consent to such disclosure.

13.19 **Suspension or Termination.** You agree and acknowledge that we may, at any time, in our absolute discretion, suspend or cease offering the Trading Services to you.

13.20 **Short Selling.** You represent and warrant, with respect to each Order placed by you, that the Order does not contravene the prohibition on short-selling under section 1020B of the Corporations Act.

13.21 **Wholesale Client.** You represent and warrant that you are a wholesale client within the meaning of the Corporations Act.

## China

13.22 If you satisfy certain eligibility requirements, we may (at our sole and absolute discretion) agree to provide you with China Connect trading services. In such case, you will be subject to our China Connect Terms which will form part of the terms of contract between you and us.

## 14. ELECTRONIC SERVICES

### 14.1 Minimum requirements

For the purposes of ensuring that you satisfy certain minimum requirements established by us as required under Applicable Regulations, we shall categorise you into one of our prescribed categories based on, among other things, your past usage of the Electronic Services.

(a) Category 1: If you:

- (i) have over HK\$ 40 million in assets under management, or are regulated by a recognised local or overseas securities or futures regulator and subject to its supervision; and
- (ii) have 6 months experience using electronic trading systems of other licensed or registered persons in the last 12 months, or have used the Electronic Services at least on an average of once every 4 weeks over the past 6 months,

then we will classify you as a Category 1 client. You will not need to do anything further and may commence using the Electronic Services immediately.

(b) Category 2: If you:

- (i) have 6 months experience using electronic trading systems of other licensed or registered persons in the last 12 months; or
- (ii) have used the Electronic Services once in the last three months,

then we will classify you as a Category 2 client. You will need to review a training pack on the use of the system for the Electronic Services available

on our website [www.execution.socgen.com](http://www.execution.socgen.com) before you can commence using the Electronic Services.

- (c) Category 3: If you:
- (i) have limited experience using electronic trading systems of other licensed or registered persons in the last 24 months; or
  - (ii) have used the Electronic Services once in the last 4 to 6 months,
- then we will classify you as a Category 3 client. You will need to review a training pack on the use of the system for the Electronic Services available on our website [www.execution.socgen.com](http://www.execution.socgen.com) as well as complete a quiz before you can commence using the Electronic Services.

If you place orders manually through another broker and such broker uses the Electronic Services, your broker will be categorised into one of the above mentioned classes.

- 14.2 You agree that our liability and the collective liability of our Associates and the third party service providers selected by you or by us, if any, arising out of any Losses or in any way connected to your use of the Electronic Services will not exceed the sum of the gross commission received in the month where such Losses occur and the immediate preceding month.

## 15. **DIRECT MARKET ACCESS**

- 15.1 In relation to the DMA services provided by us or our Affiliates to you and which are sub-delegated by you to any of Your Clients from time to time, you confirm that:
- (a) you are a person licensed by, or registered with, the SFC, or an overseas securities or futures dealer or an overseas bank subject to regulatory supervision;
  - (b) you have in place appropriate procedures and arrangements to ensure that:
    - (i) the orders of Your Clients will flow through your systems and will be subject to appropriate risk management and supervisory controls;
    - (ii) each of Your Clients meets the minimum client requirements, including that:
      - (A) each of Your Clients has appropriate arrangements in place to ensure that its users are proficient and competent in using the system for our DMA services;
      - (B) each of Your Clients understands and has the ability to comply with applicable regulatory requirements; and
      - (C) each of Your Clients has in place adequate arrangements to monitor the orders entered through our DMA services;
    - (iii) for the purpose of (ii) above, you should from time to time evaluate the minimum client requirements in light of current market conditions and regularly assess whether each of Your Clients continues to meet the minimum client requirements; and
    - (iv) you have in place a written agreement with each of Your Clients that sets out the terms of any DMA services being sub-delegated by you;

- (c) in the event that you are a person licensed by, or registered with, the SFC, you shall comply with any rules relating to the use of Electronic Services issued by the SFC at all times; and
- (d) you have procedures in place conforming to, and exercise all necessary due diligence in compliance with, any applicable rules and regulations relating to the fight against money-laundering and terrorism financing and in particular that it is in compliance with all Applicable Regulations. Without limiting the generality of the foregoing, you must:
  - (i) obtain evidence that you have verified the identity of each of Your Clients and the origin of the funds invested in full accordance with Applicable Regulations; and
  - (ii) if required by us or the SFC, forward certified copies of all relevant documents to us.

## 16. **INVESTMENT MANAGERS**

If you are an investment manager, acting on behalf of Underlying Clients who have been notified to us in writing from time to time:

- 16.1 each Underlying Client warrants and represents at the date of each Transaction that, save as otherwise advised to and agreed by us, the Underlying Client acts as principal and sole beneficial owner (but not as trustee) in entering into this Agreement and each Transaction and that the Underlying Client will be responsible for settling all liabilities resulting from transactions effected pursuant to and in accordance with this Agreement and we will not in any circumstances whatsoever have any responsibility towards any person on whose behalf the Underlying Client may act (unless a separate client relationship has been established between us and that person or we otherwise agree in writing);
- 16.2 you warrant and represent at the date of each Transaction, that you are fully authorised by the relevant Underlying Client to accept this Agreement on their behalf; and
- 16.3 the rights and obligations of this Agreement apply severally to each Underlying Client identified by you to us from time to time.

## 17. **ALTERNATIVE CROSSING SERVICES**

- 17.1 This section 17 sets out the terms on which we offer Alternative Crossing Services.
- 17.2 Subject to you having a good understanding of the operation of the system for Alternative Crossing Services and trading algorithms and the compliance and regulatory issues which may arise from the use of the same, where instructed, we may execute either all or part of each Crossing Order.
- 17.3 You acknowledge that Alternative Crossing Services are only offered to Qualified Users and warrant and represent for each Crossing Order received by us that it is eligible to be classified as orders placed or originated by a person who is a Qualified Investor.
- 17.4 You also acknowledge that the terms of which the Alternative Crossing Services are offered are subject to Applicable Regulations and any terms and conditions imposed by the SFC at any time. We may therefore amend the terms of these services in order to comply with such regulations upon notice to you.

17.5 For the purposes of ensuring that you have a good understanding of the operation of the system for Alternative Crossing Services and trading algorithms and the compliance and regulatory issues which may arise from the use of the same, as required under Applicable Regulations, we shall categorise the Client in accordance with the methodology set out in section 3.1 of this Module.

17.6 **Risk Disclosure.** You acknowledge that since orders are executed on Alternative Crossing Services, such orders may be executed outside an Infrastructure at prices which may be different compared to those quoted on an Infrastructure.

18. **USING INFORMATION ABOUT YOU**

18.1 Notwithstanding that we will treat all information we hold about you or your account or Transactions as confidential, you agree that we may:

- (a) (unless you have notified us in writing that you do not wish for us to do so) use your information to notify you (by post, telephone, email or other medium, using the contact details you have given us) about products and services offered by us or selected third parties which we believe may be of interest to you;
- (b) (unless you have notified us in writing that you do not wish for us to do so) use and disclose your information to third parties for marketing or promotional purposes; and
- (c) include your information in a list of transactions which we use for marketing or promotional purposes, in a summary description of all completed Transactions that we have been involved in and/or the Services which we have provided to you.



**Schedule1 to the Hong Kong Module  
Confirmation**

To: SG Securities (HK) Limited

(Societe Generale Securities Japan Limited as exclusive broker)

From: \_\_\_\_\_

Date: \_\_\_\_\_

In conjunction with Terms of Business:

"I confirm that as of the date of this Confirmation, all Short Sale orders on Japanese Equity Securities we route to SG Securities (HK) Limited via DMA or DSA services will be flagged as Short Sales and that we have arranged, through our prime brokers stated below, to borrow the Securities required to cover the Short Sale orders prior to trading. If we use any other prime broker to settle our Short Sales we will notify SG Securities (HK) Limited prior to routing the orders to you.

I also acknowledge that we are aware that we are required to notify SG Securities (HK) Limited, or any another Japanese securities firm acting as our prime broker, if our total short position ratio either prior to or after execution would exceed 0.2% of the outstanding issued shares and over 50 board lots, the Short Selling Balance Ratio at every 0.1% in excess of the notification threshold of 0.2%, or when such ratio falls below 0.2%".

Prime broker	Type/Content of Agreement

## **Schedule 2 to the Hong Kong Module China Connect Terms**

### **1. APPLICATION**

- 1.1 These China Connect Terms shall apply where you inform or indicate to us that you wish to trade China Connect Securities through China Connect.
- 1.2 These China Connect Terms are supplemental to, and without prejudice to, the applicable existing Terms of Business. Unless otherwise specified, a reference in these China Connect Terms to a section is to a section of this schedule 2. Capitalised terms used in these China Connect Terms and in schedules 3 and 4 to the Hong Kong Module will have the meanings given to such terms in section 15 or otherwise in the Terms of Business.

### **2. ELIGIBLE INVESTORS**

- 2.1 As Northbound trading is available only to Hong Kong and overseas investors, you make the representations set out in section 2.2.
- 2.2 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 place an order or give an instruction in respect of China Connect Securities under these China Connect Terms, that:
- (a) you are not a legal entity incorporated or registered in the PRC;
  - (b) you will use assets located outside the PRC to make investments through Northbound trading; and
  - (c) if you are an individual, (i) you are not a PRC Citizen; or (ii) if you are a PRC Citizen, you have been resident outside the PRC for more than one year.

### **3. COMPLIANCE WITH TRADING RESTRICTIONS AND APPLICABLE CHINA CONNECT LAWS**

- 3.1 These China Connect Terms highlight certain key features of China Connect as of the date hereof. We are not liable for any inaccuracies, misstatements or omissions in the information set out in schedule 3 to the Hong Kong Module. Any trading in China Connect Securities will be subject to the China Connect Rules and all Applicable China Connect Laws, including, without limitation, any applicable requirements and/or restrictions pursuant to China Connect as may be amended from time to time, certain of which are referred to in schedule 3 to the Hong Kong Module. These China Connect Terms do not purport to cover all the rules, requirements and features of China Connect and all Applicable China Connect Laws. You shall be fully responsible for understanding and complying with all Applicable China Connect Laws as amended from time to time and for any consequences of Northbound trading. We will not, and do not intend to, advise you on any of the Applicable China Connect Laws. For further information, please refer to the web pages on the HKEx website, the SFC website, the SSE website, the SZSE website, the CSRC website and the CSDCC website relating to China Connect from time to time and other relevant sources.
- 3.2 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 Applicable China Connect Laws 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.
- 3.3 We may, in our discretion, refuse to execute any instruction given by you for any reason whatsoever, including, without limitation, where:
- (a) such instruction is not compliant with any Applicable China Connect Laws or if we reasonably believe that such instruction may not be compliant with any Applicable China Connect Laws or if we are required by SEHK not to accept such instruction;

- (b) in respect of any instruction to make a Northbound sell order, we determine in our absolute discretion that you do not have sufficient securities at the time of such instruction to settle the delivery obligation; or
- (c) in respect of any instruction to make a Northbound buy order, we determine 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.

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

- 3.4 In the event that SEHK, the relevant SEHK Subsidiary or HKSCC is notified by the relevant China Connect Market, CSDCC 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 Applicable China Connect Laws, you shall, upon our request, 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, the relevant China Connect Market, CSDCC or any PRC governmental or regulatory authority or agency) to assess whether there is any non-compliance or breach of Applicable China Connect Laws and/or the extent of any non-compliance or breach, and, by providing such information, you are deemed to waive the benefit of any bank secrecy laws and data protection laws which may be applicable.

#### 4. **RISK DISCLOSURES AND ACKNOWLEDGEMENT**

By instructing us in respect of any transaction relating to China Connect Securities, you acknowledge:

- (a) that (i) you have read and understood the risk disclosures and other information set out in schedule 3 to the Hong Kong Module; (ii) you understand that there is a risk of prohibition from trading China Connect Securities; (iii) your instructions to trade China Connect Securities may not be accepted; and (iv) you understand your obligations when trading China Connect Securities through China Connect including any consequences of a breach of Applicable China Connect Laws;
- (b) that neither we nor any Related Person shall be liable for any Loss or third party claim or demand that you may suffer or incur 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 schedule 3 to the Hong Kong Module;
- (c) 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 relevant China Connect Market Rules or failed to comply with any China Connect Rules;
- (d) that we and/or any Related Person may provide to a China Connect Authority relevant information and materials relating to you, including, without limitation, in relation to your identity, personal data and trading activities for the purposes of assisting any investigation or surveillance by a China Connect Authority;
- (e) that if the relevant China Connect Market Rules are breached, or the disclosure and other obligations referred to in any Applicable China Connect Laws are breached, (i) the relevant China Connect Market has the power to carry out investigations, and may, through SEHK (or the relevant SEHK Subsidiary or any other governmental or regulatory body), require us and/or any 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 any other information requested by any China Connect

Authority; and (B) 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 the relevant legal and regulatory consequences if you are in breach of, or fail to comply with, such laws, rules and regulations;

- (f) that the SEHK may (for the purpose of assisting the relevant China Connect Market in its regulatory surveillance of the relevant China Connect Market and enforcement of the relevant China Connect Market Rules and as part of the regulatory cooperation arrangement between the SEHK, the relevant SEHK Subsidiary and the relevant China Connect Market), at the request of the relevant China Connect Market, 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;
- (g) that where a China Connect Authority considers that there is a serious breach of the relevant China Connect Market Rules, we may be required by a China Connect Authority to (i) issue warning statements (verbally or in writing) to you; and (ii) cease providing you with any service relating to trading China Connect Securities through China Connect;
- (h) 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;
- (i) and consent to us and/or any Related Person providing information relating to your profile, the types and values of Northbound buy and sell orders and transactions made and executed on your behalf to a China Connect Authority at such intervals and in such forms as such China Connect Authority may specify from time to time;
- (j) and accept responsibility for paying all fees, charges, levies and taxes and shall comply with any filing or registration obligations as may be required by any China Connect Authority or any Applicable China Connect Laws relating to any China Connect Securities and any dividends or entitlements in respect of such China Connect Securities;
- (k) and accept that we will be required under the China Connect Rules to keep records (including telephone records), for a period of not less than 20 years, of (i) all orders and trades executed on your behalf; (ii) any instructions received from you; and (iii) your account information in relation to Northbound trading;
- (l) that the SEHK may upon the relevant China Connect Market's request require an Exchange Participant to reject any order made on your behalf; and
- (m) that none of the China Connect Authorities or their respective directors, employees and agents shall be responsible or held liable for any Loss 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 the discharge of its supervisory or regulatory obligations or functions (including any action taken in respect of abnormal trading activities).

## 5. REPRESENTATIONS

5.1 You make the following representations to us on a continuing basis that:

- (a) you are aware of and shall comply with all Applicable China Connect Laws to which you may be subject;
- (b) the execution of any instruction you give to us shall not result in any breach of any Applicable China Connect Laws; and

- (c) you understand and have assessed the risks relating to China Connect and you are willing to undertake the risks relating to China Connect.
- 5.2 You make the following representations to us on each date you instruct an order to sell China Connect Securities that:
- (a) you do not know of any fact that might impair the validity of such China Connect Securities and that you have full authority to receive, deal with and give instructions, authorisations or declarations in respect of the same;
- (b) there is no adverse claim to such China Connect Securities; and
- (c) 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.
- 5.3 For as long as the Applicable China Connect Laws require a person to be an Institutional Professional Investor in order to transact in ChiNext Securities through China Connect, you make the following representations, warranties and undertakings to us on each date you instruct us in respect of any transaction relating to ChiNext Securities:
- (a) that you are an Institutional Professional Investor; and
- (b) if you are (a) an intermediary (as defined in the SFO); or (b) a person that carries on business outside Hong Kong in an activity in respect of which you are regulated overseas and which, if carried on in Hong Kong, would constitute a regulated activity under the SFO, you shall ensure that only Institutional Professional Investors are allowed to buy ChiNext Securities.
- 5.4 You must immediately inform us if any of the representations set out above are no longer correct or have become misleading or you have not complied, or will not comply, with any of your obligations under the China Connect Terms or under the China Connect Rules, in each case, in a way which may affect the ability of us or any Related Person to comply with all Applicable China Connect Laws.
6. **SHORT SELLING REPRESENTATIONS**
- 6.1 We are not currently able to accept any sell order which would be subject to the China Connect Rules in relation to short selling ("**Short Selling**") set out in Rule 14A17 and Rule 14B17 of the SEHK China Connect Rules. Accordingly, you shall not place, and we will not accept:
- (a) Short Selling orders; or
- (b) Uptick Long Sale orders.
- 6.2 By instructing us to undertake any sell order on China Connect, you represent and undertake on a continuing basis (without prejudice to any rights and remedies which we may have under any existing terms that we have with you relating to China Connect, under any other contract or in law), that:
- (a) any order that you place with us in relation to China Connect Securities is not, and will not be, a Short Selling order or an Uptick Long Sale order; and
- (b) you will immediately inform us if this representation is not correct or has become misleading, or you have not complied, or will not comply, with any of your obligations under these China Connect Terms.
- 6.3 You acknowledge that naked Short Selling is prohibited for Northbound trading. Covered Short Selling of China Connect Securities is permitted subject to certain requirements in the China Connect Rules. However, we will not

facilitate covered Short Selling of China Connect Securities and/or any Uptick Long Sale, until such time as we notify you otherwise.

6.4 If you do instruct us to undertake any Short Selling orders or Uptick Long Sale orders on your behalf, you shall be responsible to us and any Related Person for any risk or Loss resulting from such instruction.

## 7. SETTLEMENT AND CURRENCY CONVERSION

7.1 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 hold on your behalf into Renminbi for the purposes of settlement thereof.

7.2 Notwithstanding any provisions in the Terms of Business, 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 or Loss resulting from any conversion of one currency into another currency pursuant to these China Connect Terms shall be borne by you.

7.3 Notwithstanding any provisions in the Terms of Business, where we determine that there is insufficient liquidity in Renminbi to settle any buy order, we may, in our sole and absolute discretion, reject your instruction to place such buy order.

## 8. ENHANCED PRE-TRADE CHECKING – SPSA ORDERS

To the extent you instruct us to execute an SPSA order on your behalf, the provisions set out in this section 8 apply.

### 8.1 Authorisations and Notifications

(a) Prior to instructing us to execute any SPSA order, you will provide to us the following in any form and within any timeframe as required by us to our satisfaction from time to time:

- (i) confirmation that you have been designated a Special Segregated Account by CCASS with respect to any such SPSA order and that you unconditionally authorise us to execute SPSA orders in respect of that Special Segregated Account on your behalf from time to time;
- (ii) the specific investor identification number in relation to any Special Segregated Account from which you will be instructing us to execute an SPSA order; and
- (iii) any other information and/or documentation as may be required by us from time to time in order for us to place an SPSA order on your behalf.

(b) At the time you instruct us to execute an SPSA order, you will provide the following in writing to us:

- (i) a specific instruction that it is an SPSA order;
- (ii) the relevant investor identification number for that SPSA order; and
- (iii) any other information that may be required by us, SEHK and/or any other China Connect Authority from time to time when placing that SPSA order on your behalf.

- (c) You authorise, and you have appropriate arrangements in place to authorise, the reproduction, replication and transmission of the stock holding records of the Special Segregated Account at any time for the purpose of enabling SEHK and the relevant SEHK Subsidiary to carry out their pre-trade checking procedures.
- (d) In the event that:
  - (i) you instruct us to execute an SPSA order on your behalf and an investor identification number other than your investor identification number is used to execute such order, you acknowledge and confirm that we may settle such SPSA order using China Connect Securities from your Special Segregated Account pursuant to your original instructions; or
  - (ii) your investor identification number is used by us to execute an SPSA order on behalf of another client of ours, you acknowledge and confirm that we may settle such SPSA order using China Connect Securities from the Special Segregated Account of such client pursuant to that client's original instructions.

## 8.2 SPSA Order Representations and Undertakings

- (a) You represent and undertake on a continuing basis, including, without limitation, on the first date that these China Connect Terms are effective and at each time that you place an SPSA order, or otherwise give an instruction, in respect of the China Connect Securities held in a Special Segregated Account, that in respect of any SPSA order which you instruct us to execute, at all relevant times:
  - (i) you have been designated such Special Segregated Account by CCASS and CCASS has assigned the investor identification number to such Special Segregated Account that you have provided to us in respect of such SPSA order, in each case in accordance with the CCASS Rules and any applicable China Connect Rules;
  - (ii) you unconditionally authorise us to execute the sale of the relevant China Connect Securities in the specified Special Segregated Account on your behalf;
  - (iii) (A) there are, and will be, sufficient China Connect Securities in the Special Segregated Account for you to settle the delivery obligations in respect of such SPSA order on the settlement day as required under the China Connect Rules and (B) you will ensure that the China Connect Securities that are the subject of the SPSA order will be delivered to us or to our order and to the account specified by us no later than the cut-off time for delivery as may be specified by us from time to time or, if earlier, as may be specified by any relevant China Connect Authority, on the settlement day specified by us and in compliance with any other requirements for settlement which may be specified by us to you or your agent for settlement from time to time;
  - (iv) the total number of China Connect Securities subject to an SPSA order or SPSA orders, as appropriate, in respect of China Connect Securities in that Special Segregated Account on any relevant Trading Day will not exceed the total stock holding position in respect of the same China Connect Securities as shown against the investor identification number for the relevant Special Segregated Account (A) immediately before the commencement of operation of China Connect on that Trading Day or (B) as at such other time as may be specified by us, SEHK, CCASS or any other relevant China Connect Authority from time to time;
  - (v) if (i) you are a fund manager, and (ii) you aggregate SPSA orders across two or more Special Segregated Accounts (whether they are maintained with one or more Custodian Participants):
    - (A) you have authority from all relevant parties (including the relevant funds or sub-funds) to aggregate such SPSA orders and allocate China Connect Securities across such Special Segregated Accounts at your discretion;



- (B) any such actions taken or to be taken comply with Applicable China Connect Laws including, without limitation, any laws, rules and regulations relating to client assets, the Code of Conduct and the SFC fund manager code of conduct and further, any such action is consistent with the general principle against misappropriation of client assets and you are acting fairly in the interests of all relevant Special Segregated Accounts; and
- (C) where you amend trading instructions already executed by us, you shall not instruct us to (1) allocate a trade to a Special Segregated Account that was not included in the original instruction, or (2) allocate a number of shares to a Special Segregated Account greater than the original number of shares allocated thereto, unless the original instruction contained a mistake and the amendment instruction is made solely to correct such mistake; furthermore, you shall use your best endeavours to ensure that your trading and allocation instructions will not cause trading errors or settlement failures;
- (vi) the relevant number of China Connect Securities recorded in the relevant Special Segregated Account will be used by you for stock settlement of such SPSA order in accordance with the CCASS China Connect Rules and any other relevant China Connect Rules; and
- (vii) if an SPSA order is a Short Selling order, the borrowed Short Selling Securities are held in the relevant Special Segregated Account and the order is in compliance with (i) the China Connect Rules applicable to any SPSA order and (ii) the obligations set out herein. For the avoidance of doubt, you must not place any Short Selling order with us unless we have agreed in writing to provide services to you in relation to Short Selling, including the execution of Short Selling orders.
- (b) You must immediately inform us if any of the representations set out above are no longer correct or have become misleading or you have not complied, or will not comply, with any of your obligations under the China Connect Terms or under the China Connect Rules, in each case, in a way which may affect the ability of us or any Related Person to execute an SPSA order in compliance with the China Connect Rules.

### 8.3 Sellable Balance

- (a) In the event there is a breach of any of the terms of section 8.2 which results in a failure by us or any Related Person to deliver any China Connect Securities held in the relevant Special Segregated Account to CCASS in respect of any SPSA order as required by the China Connect Rules, then, without prejudice to any other terms hereof and any other rights and remedies which may be available to us or any Related Person in law, contract or otherwise:
  - (i) you acknowledge that we or any Related Person are entitled to inform HKSCC that the failure to deliver the relevant China Connect Securities was the result of the failure to deliver from a Special Segregated Account and, as a consequence, any overdue short stock position quantities will be deducted from the sellable balances of the relevant Special Segregated Account; and
  - (ii) you agree to provide any information or any other assistance as may be required and/or requested by us or any Related Person to ensure that SEHK and/or HKSCC is satisfied that the overdue short stock position was a result of a failure to deliver the China Connect Securities from a Special Segregated Account.

## 9. SALE, TRANSFER AND DISGORGEMENT

- 9.1 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 owned by



you, we shall issue a corresponding notice to you requesting you to sell and liquidate such China Connect Securities within the period specified by the relevant China Connect Authority.

- 9.2 In relation to any Forced-sale Notice, you hereby 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 to the extent necessary to comply with all Applicable China Connect Laws.
- 9.3 Where China Connect Securities owned by you that are the subject of a 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 hereby 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 Applicable China Connect Laws. You also undertake to inform the Recipient Agent of such authorisation and, where required, you undertake to instruct the Recipient Agent to act accordingly.
- 9.4 You hereby 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 section 7 of schedule 3 to the Hong Kong Module.
- 9.5 In addition to the above, you hereby 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 Applicable China Connect Laws.
- 9.6 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 any Related Person in respect of this section 9.
- 9.7 If you, or any person for whom you place an order in respect of China Connect Securities, fail to meet the eligibility requirements under any Applicable China Connect Laws for transacting in any China Connect Securities, including, without limitation, where your representations under section 5.3 are untrue or you are in breach of any of the terms of section 5.3, without prejudice to any rights and remedies of ours and/or any Related Person under the Terms of Business, these China Connect Terms and/or any other agreement and/or applicable law, you hereby:
- (a) agree, upon the request of us and/or any China Connect Authority, to sell the China Connect Securities that are the subject of the relevant order as soon as possible in accordance with Applicable China Connect Laws;
  - (b) agree, where you are a person described in section 5.3(ii), upon the request of us and/or any China Connect Authority, to request any person for whom you placed the relevant order to sell the China Connect Securities that are the subject of the relevant order as soon as possible in accordance with Applicable China Connect Laws; and
  - (c) authorise us (and represent and warrant to us that at all relevant times you have authority to authorise us) to sell or arrange for the sale of the China Connect Securities that are the subject of the relevant order on your behalf, and on behalf of any person for whom you placed the relevant order, to sell the China Connect Securities at such price and on such terms as we may determine to the extent necessary to comply with all Applicable China Connect Laws.

## 10. INDEMNITY

- 10.1 In addition and without prejudice to any of our rights under the Terms of Business, you will indemnify us and each Related Person on a full indemnity basis against any Losses whatsoever arising directly or indirectly from our providing any services to you in respect of your trading or investment in China Connect Securities, including without limitation (a) any Taxes resulting from any trading of China Connect Securities pursuant to China

Connect; (b) the materialisation of any risk referred to in schedule 3 to the Hong Kong Module; (c) any legal costs which we may incur in connection with any instruction given by you; or (d) any costs incurred in connection with section 9.

## 11. FEES AND TAXATION

- 11.1 We shall be entitled in our absolute discretion, without further notice or demand, forthwith to satisfy any obligation or potential obligation of ours or any Related Person or you to pay or account for any amounts in respect of any Taxes by selling, realising or otherwise dealing with, in such manner as we in our absolute discretion may determine, all or part of any property held by us or any Related Person for any purpose in any of your accounts with us or any Related Person, and to apply the proceeds in reduction of all or part of your liability to any tax authority or us or any Related Person.
- 11.2 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 any Related Person in connection with the foregoing.
- 11.3 You shall be responsible for paying all fees, charges, levies and taxes, and you shall be required to comply with any filing or registration obligations, in each case as may be required by any China Connect Authority or any Applicable China Connect Laws relating to any trading or investment by you of or in China Connect Securities.

## 12. LIABILITY

Notwithstanding any other provision in these China Connect Terms or in the Terms of Business, neither we nor any Related Person shall be responsible for or have any liability to you for any Loss (including any loss of profit) unless such Loss is a direct result of our fraud, wilful default or gross negligence.

## 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 may become necessary as and when the China Connect Rules are amended 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 or 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. Amongst other things, your failure to comply with this provision may 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 in accordance with section 7 of the Hong Kong Module and clause 16.1 of the General Terms of Business.
- 13.4 Save for section 3, section 4, section 9, section 10 and section 11.2 and/or to the extent the context requires, these China Connect Terms shall automatically terminate upon termination of the Terms of Business.

## 14. MARKET DATA INFORMATION

- 14.1 Where you receive any Market Data Information from us and/or any Related Person, you agree as follows:
- (a) you shall use the Market Data Information only as an end-user and shall not disseminate the Market Data Information to any person or grant any person any access to the Market Data Information, whether free of charge or otherwise;
  - (b) you shall not use or permit the use of the Market Data Information for any illegal purpose;
  - (c) you shall not use the Market Data Information for index computation and compilation or as the basis

for any tradable derivative product;

- (d) subject to section 14.1(c), you shall use the Market Data Information only for your own purposes, in the ordinary course of your own business (which shall not include the dissemination of Market Data Information to any persons or third parties, whether on a for-profit basis or otherwise), or for the purpose of enabling your software system suppliers to develop, connect or apply relevant software solutions;
- (e) you acknowledge that each relevant China Connect Market endeavours to ensure the accuracy and reliability of the information provided but does not guarantee its accuracy or reliability and accepts no liability (whether in tort or contract or otherwise) for any Loss arising from any inaccuracies or omissions;
- (f) you acknowledge that the SEHK, its holding company and/or any subsidiaries of such holding company endeavour to ensure the accuracy and reliability of the information provided but do not guarantee its accuracy or reliability and accept no liability (whether in tort or contract or otherwise) for any Loss arising from any inaccuracies or omissions; and
- (g) by disseminating or making available any Market Data Information received from the SEHK to you, we and/or any Related Person do not warrant or represent the accuracy or reliability of any Market Data Information or accept any responsibility (whether in tort or contract or otherwise) with respect to any Loss caused to you or any third parties arising from any inaccuracy or omission in or of the Market Data Information.

## 15. DEFINITIONS

15.1 **Definitions:** All defined terms have the meaning set out in the Terms of Business. Additionally, for the purposes of these China Connect Terms:

"**A Shares**" means any RMB-denominated shares issued by companies incorporated in the PRC which are listed and traded on the SSE or SZSE and not on the SEHK.

"**Applicable China Connect Laws**" means the laws, regulations, rules and guidelines of Hong Kong and the PRC from time to time including, without limitation, the China Connect Rules.

"**Average Pricing**" means the allocation or application of an average price for the sale or purchase of China Connect Securities to each individual fund managed by you as fund manager or to each client managed by you as asset manager to which you pre-allocate China Connect orders in such China Connect Securities 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.

"**Cautionary Level**" has the meaning given to such term in section 8 of schedule 3 to the Hong Kong Module.

"**CCASS**" means the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on the SEHK and/ or any system established for the purpose of China Connect.

"**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.

"**China Connect**" means a securities trading and clearing links programme developed or to be developed by the SEHK, each relevant China Connect Market, HKSCC and CSDCC for the establishment of mutual market access between the SEHK and the relevant China Connect Market.

"**China Connect Authorities**" means the exchanges, clearing systems and regulators which provide services in relation to and/or regulate China Connect and activities relating to China Connect, including, without limitation, the SEHK, HKSCC, the relevant SEHK Subsidiary, the relevant China Connect Market, CSDCC, CSRC,

PBOC, SAFE, SFC, HKMA and any other regulator, agency or authority with jurisdiction, authority or responsibility in respect of China Connect; and "**China Connect Authority**" means any one of them.

"**China Connect Market**" means SSE or SZSE, as the case may be.

"**China Connect Market Listing Rules**" means the rules governing the listing of stocks on the relevant China Connect Market, as amended, supplemented, modified and/or varied from time to time.

"**China Connect Market Rules**" means, as applicable, the SSE China Connect Rules, the SZSE China Connect Rules and the business and trading rules and regulations of SSE and SZSE, in each case as amended, supplemented, modified and/or varied from time to time.

"**China Connect Market System**" means the system used for the trading of China Connect Securities on the relevant China Connect Market, as operated by the relevant China Connect Market.

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

"**China Connect Securities**" means any securities listed on a China Connect Market 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 relevant SEHK Subsidiary to the relevant China Connect Market for the buying and selling of China Connect Securities and any related supporting services.

"**ChiNext**" means the ChiNext market of SZSE.

"**ChiNext Securities**" means any securities listed on ChiNext which may be eligible for trading by Hong Kong and international investors on China Connect.

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

"**Client Securities Rules**" means the Securities and Futures (Client Securities) Rules (Cap. 571H of the laws of Hong Kong).

"**CSC**" means the China Stock Connect System for receiving and routing China Connect orders to a China Connect Market System for automatic matching and execution.

"**CSDCC**" means the Shanghai branch of China Securities Depository and Clearing Corporation in the case of China Connect Securities traded on SSE and the Shenzhen branch of China Securities Depository and Clearing Corporation in the case of China Connect Securities traded on SZSE.

"**CSDCC China Connect Rules**" means the rules of CSDCC, including without limitation the rules published by CSDCC for the purposes of implementing China Connect, as amended, supplemented, modified and/or varied from time to time.

"**CSRC**" means the China Securities Regulatory Commission.

"**Custodian Participant**" means a person registered as a participant of HKSCC admitted to participate in CCASS as a custodian participant pursuant to the CCASS Rules.

"**Daily Quota**" has the meaning given to such term in section 4 of schedule 3 to the Hong Kong Module.

"**Eligible Margin Trading Securities**" has the meaning given to such term in section 30 of schedule 3 to the Hong Kong Module.

"**Enhanced Pre-Trade Checking**" means the enhanced pre-trade checking undertaken by SEHK and the relevant SEHK Subsidiary in respect of an SPSA order.

"**Exchange Participant**" means (a) us, a person registered as a China Connect Exchange Participant by the SEHK; or (b) where the context requires, any China Connect Exchange Participant (as defined in the SEHK China Connect Rules).

"**Forced-sale Notice**" has the meaning given to such term in section 9.1.

"**H Shares**" means any securities issued by companies incorporated in the PRC and listed on the SEHK.

"**HKMA**" means the Hong Kong Monetary Authority.

"**Institutional Professional Investor**" means any person falling under paragraphs (a) to (i) of the definition of Professional Investor in section 1 of Part 1 of Schedule 1 to the SFO.

"**List of Eligible China Connect Securities for Short Selling**" means the list published by SEHK from time to time setting out the China Connect Securities that are eligible for Short Selling.

"**Market Data Information**" means the market data information referred to in schedule 4 to the Hong Kong Module.

"**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 a China Connect Market.

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

"**Original CP**" has the meaning given to such term in section 9.3.

"**PBOC**" means the People's Bank of China.

"**Permitted Level**" has the meaning given to such term in section 8 of schedule 3 to the Hong Kong Module.

"**PRC**" means, for the purposes of these China Connect Terms, the People's Republic of China (excluding Hong Kong, Macau and Taiwan).

"**PRC Citizen**" means any person holding a resident identification card or other equivalent government- issued identification of the PRC.

"**PRC Listco**" has the meaning given to such term in section 6 of schedule 3 to the Hong Kong Module.

"**Pre-Trade Checking**" has the meaning given to such term in section 1 of schedule 3 to the Hong Kong Module.

"**QFII**" means a Qualified Foreign Institutional Investor.

"**Recipient Agent**" has the meaning given to such term in section 9.3.

"**Related Person**" means (i) the Exchange Participant; (ii) any Affiliate of ours or the Exchange Participant; or (iii) any director, officer, employee or agent of ours, the Exchange Participant or any Affiliate of ours or the Exchange Participant.

"**Renminbi**" or "**RMB**" means the lawful currency of the PRC, deliverable in Hong Kong.

"**RQFII**" means a RMB Qualified Foreign Institutional Investor.

"**SAFE**" means the State Administration of Foreign Exchange of the PRC.

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

"**SEHK Subsidiary**" means any wholly-owned subsidiary of the SEHK duly authorised as an automated trading service provider under the SFO and licensed under applicable laws in the PRC to provide order-routing services under China Connect.

"**Short Selling**" has the meaning given to such term in section 6.1.

"**Short Selling Securities**" means any China Connect Securities which are from time to time included in the List of Eligible China Connect Securities for Short Selling as eligible for Short Selling.

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

"**Special Segregated Account**" has the meaning set out in the CCASS China Connect Rules.

"**SPSA order**" means a China Connect sell order for the sale of China Connect Securities held in a Special Segregated Account.

"**SSE**" means the Shanghai Stock Exchange.

"**SSE China Connect Rules**" means the rules and regulations of SSE applicable to trading of China Connect Securities on SSE through China Connect and the applicable business and trading rules and regulations of SSE, in each case as supplemented, modified and/or varied from time to time.

"**Stock Borrowing and Lending Arrangement**" has the meaning as set out in the China Connect Rules.

"**SZSE**" means the Shenzhen Stock Exchange.

"**SZSE China Connect Rules**" means the rules and regulations of SZSE applicable to trading of China Connect Securities on SZSE through China Connect and the applicable business and trading rules and regulations of SZSE, in each case as amended, supplemented, modified and/or varied from time to time.

"**SZSE Main Board Market**" means the main board market of SZSE.

"**SZSE SME Board Market**" means the small and medium enterprise board market of SZSE.

"**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) you.

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

"**Uptick Long Sale**" means:

- (a) you place a sell order with us for China Connect Securities which is not a Short Selling order;
- (b) you have borrowed other shares of those China Connect Securities pursuant to a Stock Borrowing and Lending Arrangement and such shares are not subject to the sell order referred to in (a);
- (c) you have not returned all of the shares that you have borrowed under the Stock Borrowing and Lending Arrangement; and
- (d) the price requirements set out in the China Connect Rules relating to Short Selling apply to the sell order.

**Schedule 3 to the Hong Kong Module**  
**China Connect Terms – Risk Disclosures and Other Information**

This schedule 3 describes the key risk disclosures and other information concerning China Connect. This schedule 3 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. You acknowledge the risks, and agree to the terms, set out in this schedule 3.

We do not represent that the information set out in this schedule 3 is up to date or comprehensive, and do not undertake to update the information set out in this schedule 3.

Unless otherwise specified, a reference in this schedule 3 to a section is to a section of this schedule 3.

**1. PRE-TRADE CHECKING AND ENHANCED PRE-TRADE CHECKING**

Under PRC law, the relevant China Connect Market may reject a sell order if an investor does not have sufficient available China Connect Securities in its account. In respect of a sell order of China Connect Securities that is not an SPSA order, SEHK will apply similar checking on all Northbound sell orders at the Exchange Participant level to ensure there is no overselling by any individual Exchange Participant ("**Pre-Trade Checking**"). Enhanced Pre-Trade Checking applies in respect of an SPSA order. You will comply with any requirements relating to Pre-Trade Checking or Enhanced Pre-Trade Checking, as applicable, as mandated by the China Connect Authorities and/or as notified to you by us from time to time.

In particular:

- (a) in relation to Pre-Trade Checking, you will ensure there are sufficient available China Connect Securities in your account to cover any proposed sell order; and
- (b) in relation to Enhanced Pre-Trade Checking, you will in addition ensure that you have been designated a Special Segregated Account with a corresponding investor identification number, there are sufficient available China Connect Securities in such Special Segregated Account to cover any proposed SPSA order and that the China Connect Securities applicable to an SPSA order will be delivered within the timeframe and in the manner as required by us on the relevant settlement day to fulfil such SPSA order.

In respect of:

- (a) any sell order that is not an SPSA order, if we consider that you have not (by the commencement of trading on the Trading Day on which you wish to execute a sell order or any other cut-off time specified by us from time to time) transferred sufficient available China Connect Securities to the Exchange Participant's designated CCASS stock account(s) to cover a proposed sell order; or
- (b) any sell order that is an SPSA order, if we consider that:
  - (i) you do not (by the commencement of trading on the Trading Day on which you wish to execute a sell order or any other cut-off time specified by us from time to time) hold sufficient available China Connect Securities in a relevant Special Segregated Account to cover a proposed SPSA order; and/or
  - (ii) the required number of China Connect Securities will not be delivered from the Special Segregated Account as required by us on a settlement day to fulfil an SPSA order,



we may, as applicable, (but shall not be obliged to) in our absolute discretion:

- (a) reject your sell order (in whole or in part);
- (b) where appropriate arrangements are in place and as permitted by Applicable China Connect Laws, use any China Connect Securities in our (or any other Exchange Participant's) designated CCASS stock account(s) which we hold for ourselves 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 Loss 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; and/or
- (c) perform any other act which we consider necessary or desirable to comply with Pre-Trade Checking or Enhanced Pre-Trade Checking, as applicable, and/or any relevant Applicable China Connect Laws and/or to cover your shortfall (including but not limited to applying any other China Connect Securities available to us) from any stock borrowing arrangements (to the extent permitted by Applicable China Connect Laws and available to us) or other sources.

In addition, we may in our absolute discretion reject your sell order, whether it be an SPSA order or otherwise, (in whole or in part) if for any other reason we consider that there is or may be non-compliance with any Applicable China Connect Laws and/or that the execution of such order may result in us or any Related Person failing to comply with our or its obligations to any party or under the China Connect Rules. Any risk or Loss resulting from non-compliance or potential non-compliance with Pre-Trade Checking and/or Enhanced Pre-Trade Checking and the related order requirements and/or any relevant Applicable China Connect Laws by you or, to the extent you have caused our or any Related Person's non-compliance, our or such Related Person, shall be borne by you.

## 2. **SPSA ORDERS – DELIVERY VERSUS PAYMENT**

Notwithstanding that a delivery versus payment mechanism may be offered by SEHK or CCASS for SPSA orders, unless we agree to pre-fund, freely transferable funds may only be credited by the relevant clearing bank to your account with the custodian or settlement agent, as applicable, in accordance with the CCASS operations and procedures after the settlement day upon which the delivery obligations in respect of such SPSA orders are required to be settled. Any risk or Loss resulting from this delay shall be borne by you.

## 3. **SETTLEMENT**

Northbound trades will follow the A Share settlement cycle. For settlement of China Connect Securities trades, CSDCC will debit or credit the securities accounts of its participants (including HKSCC as the clearing participant) on T day free of payment. We may have settlement arrangements in place different from the CSDCC settlement arrangements. Unless we agree to prefund, settlement of funds relating to such trading will be effected on T+1 day. 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 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 China Connect Securities and the cash are settled or, where the purchase was pre-funded, the settlement date would be the date on which the China Connect Securities are released from hold.



#### 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 daily quota limiting the maximum net value of all Northbound buy trades that can be executed by Exchange Participants on each Trading Day (the "**Daily Quota**"). 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. If there is a restriction, rejection or suspension of Northbound buying as a result of the Daily Quota being fully utilised on a Trading Day, we will be unable to execute any further buy orders during that Trading Day.

Under the China Connect Rules, investors may sell their China Connect Securities regardless of whether there is a breach of the provisions relating to Daily Quota.

#### 5. **RESTRICTION ON DAY TRADING**

Unless the SEHK otherwise determines, day (turnaround) trading is not permitted on the PRC 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 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. **DISCLOSURE OF INTERESTS**

Under PRC 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 PRC Listco (as defined below), whether the relevant holdings are through Northbound trading, QFII/RQFII regime or other investment channels) in a PRC incorporated company which is listed on a China Connect Market (a "**PRC Listco**") up to 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.

Under Hong Kong law, where a PRC incorporated company has both H Shares listed on the SEHK and A Shares listed on a China Connect Market, 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 PRC 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 PRC 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 to arrange for any relevant filings.

#### 7. **SHORT SWING PROFIT RULE**

Under PRC 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 PRC Listco if (a) your shareholding in such PRC 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".

#### 8. **FOREIGN OWNERSHIP LIMITS**

Under PRC laws, rules and regulations, there is a limit to how many shares a single foreign investor is permitted to hold in a single PRC Listco, and also a limit to the maximum combined holdings of all foreign investors in a

single PRC 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 Applicable China Connect Laws. 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 believe 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 a China Connect Market, we will sell any China Connect Securities pursuant to section 9 of the China Connect Terms in order to ensure compliance with all Applicable China Connect Laws. In such case, no China Connect Securities buy orders for the relevant China Connect Securities will be accepted until the relevant China Connect Market informs the relevant 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 generally likely to be on a "last-in, first-out" basis), and SEHK's (or the relevant SEHK Subsidiary's) own records shall be final and conclusive.

Moreover, under PRC laws, where the aggregate holding of foreign investors exceeds a specified percentage (the "**Cautionary Level**") of the issued shares of a single PRC Listco, upon notification by a China Connect Market to the relevant SEHK Subsidiary, SEHK and the relevant 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 a specified percentage (the "**Permitted Level**") as advised by the relevant China Connect Market from time to time.

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

If a PRC Listco is a regulated financial institution, there may be other applicable shareholding restrictions.

## 9. **CHINA CONNECT MARKET - LISTED SHARES ELIGIBLE FOR NORTHBOUND TRADING**

The relevant China Connect Market - listed shares which are eligible for Northbound trading under China Connect shall be as specified by the China Connect Authorities and published by the SEHK from time to time.

According to applicable China Connect Market Listing Rules, if any China Connect Market-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' interests to undue damage, the China Connect Market-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 any China Connect Securities which are eligible for China Connect trading at launch of the programme are subsequently moved to the risk alert board, the securities cease to be China Connect Securities and investors under China Connect will be allowed only to sell the relevant China Connect Securities and are prohibited from further buying. For details concerning the risk alert board, please refer to the relevant China Connect Market Listing Rules and the relevant China Connect Market Risk Alert Board Provisional Trading Arrangement and any other relevant sources from time to time.

#### 10. **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 the relevant China Connect Market). 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 be able only to sell, but not to buy, any Special China Connect Securities.

#### 11. **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 a fund manager or an asset manager across the funds and/or sub-funds or clients it manages; and
- (d) any other situations specified by the relevant China Connect Market and CSDCC, including but not limited to any Non-trade Transfer as a result or for the purpose of (i) succession, (ii) divorce, (iii) dissolution, liquidation or winding-up of any company or corporation, (iv) donation to a charitable foundation; and (v) assisting in any enforcement action or proceedings of any court, prosecutor or law enforcement agency.

#### 12. **PLACING ORDERS**

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

#### 13. **CHINA CONNECT MARKET PRICE LIMITS**

China Connect Securities are subject to a general price limit of  $\pm 10\%$  based on the previous Trading Day's closing price (and a price limit of  $\pm 5\%$  where the China Connect Securities are on risk alert). 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 the relevant China Connect Market.

#### 14. **TAXATION**

The trading of China Connect Securities on the relevant China Connect Market under China Connect currently enjoys a temporary exemption from PRC income tax and PRC value added tax. Dividends derived from China Connect Securities are subject to PRC withholding tax. PRC stamp duty is also payable for transactions in, and inheritance and gifting of, China Connect Securities under China Connect (except for the borrowing and returning of China Connect Securities under covered Short Selling). You will be fully responsible for any Taxes in respect of China Connect Securities including, without limitation, any taxes on capital gains or other PRC taxes, and will indemnify us from and against all Hong Kong and/or PRC Taxes which we may incur or be subject to

arising in connection with any China Connect Securities which you hold, trade or otherwise deal in. Neither we nor any Related Person assume any responsibility for advising on or handling any tax issues, liabilities and/or obligations in connection with China Connect, and neither we nor any Related Person will provide any service or assistance in this regard. Prior to investing in China Connect Securities, you are strongly urged to consult your own tax advisers and counsel with respect to the possible tax consequences to you of such investment since such tax consequences may differ in respect of different investors.

In addition and without prejudice to any other right or remedy which we may have, we shall be entitled in our absolute discretion, without further notice or demand, forthwith, to satisfy any obligation or potential obligation of ours or any Related Person or you to pay or account for any amounts in respect of any Taxes by selling, realising or otherwise dealing with, in such manner as we in our absolute discretion may determine, all or part of any property held by us or any Related Person for any purpose in any of your accounts held with us or any Related Person, and to apply the proceeds in reduction of all or part of your liability to us or any Related Person. 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 any Related Person in respect of the foregoing.

**15. 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. Although the China Connect Securities traded through China Connect are not listed or traded on the SEHK, you will nevertheless have protection under the Client Securities Rules to the extent required by the Applicable China Connect Laws.

**16. INVESTOR COMPENSATION FUND**

Trading in China Connect Securities does not enjoy the protection afforded by the Investor Compensation Fund established under the SFO. Accordingly, 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 any SFC licensed or registered person.

**17. OWNERSHIP OF CHINA CONNECT SECURITIES**

China Connect Securities are held in CSDCC. HKSCC is a direct clearing participant in CSDCC and China Connect Securities acquired by investors through Northbound trading will be:

- (a) recorded in the name of HKSCC in the nominee securities account opened by HKSCC with CSDCC and HKSCC will be nominee holder of such China Connect Securities; and
- (b) held in custody under the depository of CSDCC and registered in the name of HKSCC in the shareholders' register of the relevant PRC Listco.

HKSCC will record interests in such China Connect Securities in the CCASS stock account of the relevant CCASS Clearing Participant.

Under Hong Kong law, HKSCC will be regarded as the legal owner of such China Connect Securities and will be regarded as holding the beneficial entitlement to the China Connect Securities on behalf of the relevant Clearing Participant(s). Depending on the custody arrangements between a Clearing Participant and its Hong Kong or overseas clients, such Clearing Participant will in turn generally be regarded as holding the beneficial entitlement for such Hong Kong or overseas clients.

Under current PRC regulations, China Connect Securities will be recorded in a nominee account opened by HKSCC with CSDCC and Northbound investors have rights and interests in China Connect Securities acquired through China Connect according to the applicable laws. The CSRC Securities Registration and Settlement Measures, CSDCC Securities Registration Rules, CSDCC Administrative Rules on Securities Accounts, CSDCC

China Connect Rules and the relevant China Connect Market Rules generally provide for the concept of a "nominee holder" and recognise the Northbound investors as the "ultimate owners" of China Connect Securities.

Northbound investors shall generally exercise their rights in relation to China Connect Securities through HKSCC as the nominee holder. As Northbound investors will have actual control over voting rights in respect of such China Connect Securities (either individually or acting in concert with others), Northbound investors are responsible for complying with disclosure obligations and relevant foreign ownership limits under PRC laws and regulations in relation to China Connect Securities acquired through Northbound trading.

However, the precise nature and rights of a Northbound investor as the beneficial owner of China Connect Securities through HKSCC as nominee is less well defined under PRC law. There is lack of a clear definition of, and distinction between, "legal ownership" and "beneficial ownership" under PRC law and there have been few cases in the PRC courts concerning a nominee account structure. Therefore the exact nature and methods of enforcement of the rights and interests of Northbound investors under PRC law are not free from doubt.

To clarify the position, HKEx has published materials to explain the ownership rights of Northbound investors in China Connect Securities and may publish further information from time to time.

A high level summary of certain aspects of the HKEx published materials in respect of the ownership rights of Northbound investors in China Connect Securities is set out below as an initial reference. You should ensure you read and understand all relevant materials published by the HKEx from time to time including, without limitation, any China Connect FAQ for Investors. We make no representation or warranty in respect of the ownership rights of Northbound investors in China Connect Securities and/or the HKEx published materials. You should also make your own investigation and assessment, including, without limitation, in respect of applicable Hong Kong and PRC laws, after consulting with your legal advisers.

*High level summary of certain aspects of the HKEx published materials*

- (i) It is the Hong Kong and overseas investors as the ultimate investors (rather than any broker, custodian or intermediary through whom such investors hold the China Connect Securities) who would be recognised under PRC laws and regulations as having beneficial ownership in the China Connect Securities. The CCASS China Connect Rules confirm that all proprietary interests in respect of China Connect Securities held by HKSCC as a nominee holder belong to participants of CCASS or their clients, as the case may be, and this is the case whether HKSCC is solvent or insolvent.
- (ii) Certain provisions of PRC law provide a sound legal basis confirming that CSDCC's records (to be reflected in the registers of shareholders of the relevant PRC Listcos) constitute conclusive evidence with respect to a person's holding of securities in a PRC Listco. As HKSCC holds the China Connect Securities as nominee holder only and its holdings are recorded in the registers maintained by CSDCC and PRC Listcos in accordance with PRC Law, the relevant records should serve as good evidence of ownership of China Connect Securities at the HKSCC level.
- (iii) It is HKSCC's understanding that when PRC law refers to "exercising rights" in relation to China Connect Securities, it refers to dealings between shareholders and PRC Listcos covering the right to:
  - (A) call and participate in shareholders' meetings;
  - (B) propose matters for voting at shareholders' meetings;
  - (C) exercise voting rights or control over the PRC Listco through voting at shareholders' meetings;

- (D) subscribe for allocated rights and entitlements; and
  - (E) receive dividends and other distributions declared by the PRC Listco.
- (iv) As set out in the CCASS China Connect Rules, HKSCC, as nominee holder, will (subject to applicable PRC laws) assert or exercise the rights listed in sub-paragraphs (A) to (E) of paragraph (iii) above for or on behalf of participants of CCASS and the underlying beneficial owners of China Connect Securities under the China Connect programme. These cover HKSCC's obligations to distribute company announcements and communications, attend shareholders' meetings and obtain voting instructions and instructions to deal with entitlements, dividends, distributions and various kinds of corporate actions of PRC Listcos. Such obligations are discharged by HKSCC seeking and acting on the instructions of participants of CCASS which, in turn seek instructions from their clients or the beneficial owners.
- (v) HKSCC is not currently aware of any express provision in PRC law which prohibits a beneficial owner or a Hong Kong or overseas investor from taking legal action directly in the PRC courts to enforce its rights, or which provides an express framework for a beneficial owner or Hong Kong or overseas investor to take such legal action. However, HKEx notes that under the PRC Civil Procedure Law a claimant in a legal action shall be a person who has a direct interest in the relevant case, and therefore there are grounds to believe that, if a Hong Kong or overseas investor is able to show that it is the beneficial owner (such as certification of its beneficial ownership) and that it has a direct interest in the matter, it may be able to take legal action in its own name to enforce its rights in the PRC courts directly. HKEx also notes that there are a number of cases where the PRC courts have recognised the rights of beneficial owners based on policy and general legal principles.
- (vi) However, regardless of whether a beneficial owner of China Connect Securities under China Connect is legally entitled to bring legal action directly in the PRC courts against a PRC Listco to enforce its rights, as set out in the CCASS China Connect Rules, HKSCC is prepared to provide assistance to the beneficial owners of China Connect Securities where necessary:
- (A) upon the request of the relevant participant of CCASS and after receiving the necessary information, documentation and indemnities as HKSCC may reasonably require from the participant of CCASS, HKSCC will provide certification to CSDCC for the purpose of providing evidential proof of the CCASS participant's or its client's holding in China Connect Securities at the relevant time; and
  - (B) upon the request of the participant of CCASS, HKSCC will assist the participant of CCASS or its client in bringing the legal action in the PRC in the manner as may be required under PRC law, after having regard to its statutory duties and subject to such conditions as HKSCC may reasonably require (including payment of fees and upfront costs and indemnities to the satisfaction of HKSCC).

HKEx notes that any beneficial owner who decides to take legal action is responsible for seeking its own independent legal advice to satisfy itself and HKSCC that a cause of action exists and the beneficial owner should be prepared to conduct the action and take up all costs in relation to the action, including providing HKSCC with indemnities and legal representation in proceedings.

- (vii) As HKSCC is expressly recognised as the nominee holder of all the China Connect Securities acquired by Northbound trading by the China Connect Rules issued by the CSRC and the CSDCC China Connect Rules, HKEx notes that there is clear support under the China Connect Rules that certification issued by HKSCC as nominee holder would be treated as lawful proof of



a beneficial owner's holdings of the relevant China Connect Securities.

- (viii) HKEx notes that after the clearance and settlement of a buy transaction on China Connect Securities through Northbound trading, such securities are held via book entry at different levels as follows:
  - (A) in an omnibus stock account in the name of HKSCC at the CSDCC level;
  - (B) in the relevant CCASS participant's stock account in CCASS; and
  - (C) depending on the relevant arrangements, in the books and records of participants of CCASS including, as the case may be, as separate client accounts.
- (ix) HKEx notes that on the insolvency of HKSCC, the China Connect Securities will not be regarded as the general assets of HKSCC under Hong Kong and PRC law and will not be available to the general creditors of HKSCC and that CSDCC and the PRC courts will recognise the liquidator of HKSCC, duly appointed pursuant to Hong Kong law, as the rightful entity to deal with China Connect Securities in the place of HKSCC.

You should conduct your own review of the HKEx published materials and the applicable China Connect Rules 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.

**18. NO MANUAL TRADE OR BLOCK TRADE**

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

**19. AMENDMENT OF ORDERS AND LOSS OF PRIORITY**

Consistent with the current practice in the PRC, 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 restrictions (see section 4 above), the subsequent order may not be filled on the same Trading Day.

**20. RISK OF CSDCC DEFAULT**

CSDCC has established a risk management framework and measures that are approved and supervised by CSRC. If CSDCC (as the host central counterparty) defaults, HKSCC 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 CSDCC through available legal channels and through CSDCC's liquidation process, if applicable. As CSDCC 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 CSDCC's positions. HKSCC will in turn distribute 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 only to the extent recovered directly or indirectly from HKSCC. Although the likelihood of a default by CSDCC is considered to be remote, investors should be aware of this arrangement and of this potential exposure before engaging in Northbound trading.

**21. 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 HKSCC or a failure or delay by HKSCC in the performance of its obligations may result in a failure of settlement, or the loss, 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.

22. **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.

23. **COMPANY ANNOUNCEMENTS ON CORPORATE ACTIONS**

Any corporate action in respect of China Connect Securities will be announced by the relevant issuer through the relevant China Connect Market website and certain officially 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 relevant China Connect Market 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 the China Connect Market-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 the PRC, 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 accepts any liability (whether in tort or contract or otherwise) for any Loss 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.

24. **AVERAGE PRICING ACROSS FUNDS FOR FUND MANAGERS**

Where you act as (i) a fund manager (on behalf of more than one fund) or (ii) 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 difference in pricing or any Loss or risk arising from the application of Average Pricing.

25. **DISCLOSURE OF INFORMATION AND PUBLICATION OF TRADE INFORMATION**

The 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.

26. **RETENTION OF INFORMATION**

You acknowledge and accept that we will be required under the China Connect Rules to keep records for a period of not 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).

## 27. **CLIENT ERROR**

Neither we nor any Related Person shall be liable for any Loss 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, which may affect your ability to mitigate the consequences of any error trades.

The China Connect Rules generally prohibit any off-exchange trading or transfers. However, transfers may be permitted between Exchange Participants and their clients to rectify an error trade in limited circumstances, although there is a lack of clarity as to the circumstances in which such transfers may be permitted. Exchange Participants who perform a Non-trade Transfer to rectify an error trade will be required to submit to the SEHK an error trade report together with supporting documents explaining how the error was made and providing details of the Non-trade Transfer. SEHK has the power to disallow a particular Exchange Participant to conduct Non-trade Transfers for error trade rectification if the SEHK has reasonable cause to suspect or to believe that the Exchange Participant may abuse or may have abused such rectification arrangements or may have used such rectification arrangements to circumvent the prohibition against off-exchange trades or transfers. The SEHK may provide error trade reports and related information to the SFC and the relevant China Connect Market. Exchange Participants are warned by the SEHK not to misuse this arrangement to effect off-exchange trades or transfers which are otherwise disallowed under the relevant China Connect Rules. 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 any error trade or any refusal to conduct a transfer to correct an error trade.

## 28. **OPERATION OF CHINA CONNECT SERVICE/NOVELTY OF CHINA CONNECT MARKET SYSTEM**

The SEHK or the relevant SEHK Subsidiary (after consulting with the 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 the SEHK may consider appropriate. You will not be able to buy or sell China Connect Securities on the 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 the relevant China Connect Market. You may remain exposed to fluctuations in the price of China Connect Securities caused by trading on the relevant China Connect Market during the period when trading of such China Connect Securities is suspended by the SEHK.

The 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, the SEHK or the relevant SEHK Subsidiary (with the agreement of the 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 relevant China Connect Market.

Further, the SEHK rules state that, where any H Shares with corresponding A Shares eligible as China Connect Securities are suspended from trading on the SEHK, but the corresponding A Shares are not suspended from trading on the relevant China Connect Market, the service for routing the China Connect sell orders and China Connect buy orders for such A Shares to the relevant China Connect Market for execution will normally remain available. However, the 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.

In addition, the China Connect Market System is a new platform for trading of China Connect Securities under China Connect. We provide trading services based on the China Connect Market System which is operated by the relevant China Connect Market. 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 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, 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 relevant China Connect Market or through the SEHK;
- (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 event beyond the control of the SEHK, us or any Related Person;
- (f) any circumstance in which a China Connect order which a China Connect Exchange Participant has requested to be cancelled is not cancelled for any reason whatsoever;
- (g) any delay, failure or error of any China Connect Market System or any system upon which the relevant SEHK Subsidiary, we or any Related Person is/are reliant on in providing the China Connect Service; and
- (h) any delay or failure to execute, or any error in matching or executing, any China Connect order due to any reason beyond the control of the SEHK, HKEx or the relevant SEHK Subsidiary, us or any Related Person (including, without limitation, any action or decision taken or made, or not taken or made, by the relevant China Connect Market, any China Connect Authority or any other relevant governmental or regulatory body).

If there is any delay or failure to send any order cancellation request in any circumstance described in section 28(e), you shall, in the event such order is matched and executed, remain responsible to fulfil any settlement obligations in respect of such transaction.

## 29. OPERATIONAL HOURS

The 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 determination 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 PRC Listco during a time when the China Connect Service is not in operation, the A Shares of the PRC Listco may continue to trade on the relevant China Connect Market 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.

## 30. 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 relevant China Connect Market 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 relevant China Connect Market and resume margin trading activities when the volume of margin trading activities drops below a prescribed threshold. Where the SEHK is notified by the relevant China Connect Market that a suspension or resumption involves securities 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 Securities shall be suspended and/or resumed accordingly. Each relevant China Connect Market has reserved the right to require (at some point in time, margin trading orders to be flagged as margin trading orders 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.

We do not currently provide any margin trading services to you in respect of China Connect Securities.

## 31. RIGHTS ISSUANCES

Where a Hong Kong or overseas investor receives any form of entitlement securities from the issuer of China Connect Securities, if such entitlement securities:

- (a) are China Connect Securities, Hong Kong and overseas investors will be allowed to buy and sell the entitlement securities through China Connect;
- (b) are not China Connect Securities but are RMB-denominated securities listed on any relevant China Connect Market, Hong Kong and overseas investors may be permitted to sell the entitlement securities through China Connect but will not be permitted to buy such entitlement securities;
- (c) are China Connect Market-listed securities but are not traded in RMB, Hong Kong and overseas investors will not be allowed to buy or sell the entitlement securities through China Connect. HKEx has stated that the relevant China Connect Market and the SEHK will consult each other to agree on the appropriate treatment of the entitlement securities; and
- (d) are not listed on any relevant China Connect Market, Hong Kong and overseas investors will not be allowed to buy or sell the entitlement securities on China Connect unless and until appropriate arrangements (if any) have been provided by HKSCC. It is possible that no such arrangements will be provided.

### 32. **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 RMB 0.01.

### 33. **SHORT SELLING**

We are not currently able to accept any sell order which would be subject to the China Connect Rules in relation to the Short Selling. Accordingly, you shall not place, and we will not accept:

- (a) Short Selling orders; or
- (b) Uptick Long Sale orders.

By instructing us to undertake any sell order on China Connect, you represent and undertake on a continuing basis (without prejudice to any rights and remedies which we may have under any existing terms that we have with you relating to China Connect, under any other contract or in law), that:

- (a) any order that you place with us in relation to China Connect Securities is not, and will not be, a Short Selling order or an Uptick Long Sale order; and
- (b) you will immediately inform us if this representation is not correct or has become misleading, or you have not complied, or will not comply, with any of your obligations under these China Connect Terms.

You should note that naked Short Selling is prohibited for Northbound trading. Covered Short Selling of China Connect Securities is permitted subject to certain requirements in the China Connect Rules. However, we will not facilitate covered Short Selling of China Connect Securities and/or any Uptick Long Sale, until such time as we notify you otherwise.

If you do instruct us to undertake any Short Selling orders or Uptick Long Sale orders on your behalf, you shall be responsible to us and any Related Person for any risk or Loss resulting from such instruction.

### 34. **STOCK BORROWING AND LENDING**

Stock borrowing and lending are permitted for eligible China Connect Securities as specified by the relevant China Connect Market for the purposes of (a) covered Short Selling and (b) satisfying the Pre-Trade Checking requirement. 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). The relevant China Connect Market will determine a list of eligible China Connect Securities for stock borrowing and lending. Stock borrowing and lending of eligible China Connect Securities will be subject to restrictions set by the SEHK and the relevant China Connect Market, including but not limited to the following:

- (a) stock borrowing and lending transactions for the purpose of covered Short Selling shall have a duration of not more than one month;
- (b) stock borrowing and lending transactions for the purpose of satisfying the Pre-Trade Checking requirement shall have a duration of not more than one day (and rollover is not permitted);
- (c) stock lending will be restricted to certain types of persons to be determined by the relevant China Connect Market; and
- (d) stock borrowing and lending activities will be required to be reported to the SEHK.

Only certain persons are eligible to lend China Connect Securities in stock borrowing and lending arrangements concerning China Connect Securities.

An Exchange Participant is required to file a monthly report to the SEHK providing details of its 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.

Where the prescribed proportion of stock borrowing and lending of any China Connect Securities exceeds the limit prescribed by the relevant China Connect Market, the relevant China Connect Market may suspend stock borrowing and lending of such China Connect Securities and require the relevant SEHK Subsidiary to suspend placement of covered Short Selling orders relating to such China Connect Securities. If and when the prescribed proportion of stock borrowing and lending falls below the prescribed limit, the relevant China Connect Market may resume stock borrowing and lending of such China Connect Securities and notify the relevant SEHK Subsidiary that it may resume acceptance of covered Short Selling orders relating to such China Connect Securities.

You are advised to refer to the relevant provisions from time to time governing stock borrowing and lending of China Connect Securities under the SEHK China Connect Rules and the Applicable China Connect Laws. Neither we nor any Related Person shall have any obligation to update you in respect of any suspension of stock borrowing and lending or any change to the relevant SEHK China Connect Rules or Applicable China Connect Laws.

We do not currently provide any stock borrowing and lending services to you in respect of China Connect Securities.

## 35. **RISKS ASSOCIATED WITH INVESTING IN CHINA CONNECT SECURITIES**

### *PRC-related risks*

Investing in the PRC, an emerging market, involves special considerations and risks, including without limitation greater price volatility, less developed regulatory and legal framework, economic, and social and political instability.

### *Market risk*

The market value of China Connect Securities and the income from them may go down as well as up. There can be no assurance that you will achieve profits or avoid losses from trading China Connect Securities, significant or otherwise. The return you receive from China Connect Securities (if any) will fluctuate in response to changes in capital appreciation and/or income relating to such China Connect Securities. Furthermore, China Connect Securities may experience volatility and decline depending on market conditions. Through trading China Connect Securities, you are exposed to various forms of risk, including (for example), interest rate risks (risks of falling China Connect Securities values in a rising interest rate market), income risks (risks of falling incomes from China Connect Securities in a falling interest rate market) and credit risk (risk of a default by an issuer of China Connect Securities).

### *Possible business failure risk*

In the current economic environment, global markets are experiencing very high levels of volatility and an increased risk of corporate failures. The insolvency or other corporate failure of any issuer of China Connect Securities may have an adverse effect on your investment. You may lose money by investing in China Connect Securities.

### *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.

#### *Dividend risk*

Whether an issuer of China Connect Securities will pay distributions is subject to such underlying issuer's dividend policy. Dividend payment rates in respect of China Connect Securities may depend on factors including general economic conditions and the financial positions of the relevant issuers. There can be no assurance that any dividends or distributions in respect of China Connect Securities will be declared or paid.

#### *Liquidity risks*

Although China Connect Securities are listed for trading on the relevant China Connect Market and available for trading through the SEHK by China Connect, there can be no assurance that an active trading market for China Connect Securities will develop or be maintained. If spreads on China Connect Securities are wide, this may adversely affect your ability to dispose of China Connect Securities at the desired price. If you need to sell China Connect Securities at a time when no active market for them exists, the price you receive for your China Connect Securities — assuming you are able to sell them — is likely to be lower than the price received if an active market did exist.

#### *General legal and regulatory risk*

You must comply with all Applicable China Connect Laws. Furthermore, any change in any Applicable China Connect Laws 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.

#### *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.

## 36. RISKS ASSOCIATED WITH INVESTING IN CHINEXT SECURITIES

You should be aware that ChiNext Securities may carry a different and higher risk profile compared with China Connect Securities traded on the SZSE Main Board Market or the SZSE SME Board Market. In particular, and without limitation, you should note the differences listed below.

### *Differences in regulations*

The objective of ChiNext is to promote the development of innovative enterprises and other growing start-ups. Accordingly, the rules and regulations regarding securities on ChiNext are less stringent in terms of profitability and share capital than those in respect of the SZSE Main Board Market or the SZSE SME Board Market.

### *Emerging nature of ChiNext companies*

Given the emerging nature of companies listed and traded on ChiNext, there is a risk that the securities traded on ChiNext may be susceptible to higher market volatility than securities traded on the SZSE Main Board Market or the SZSE SME Board Market.

Listed companies on ChiNext are usually in a preliminary stage of development. They are therefore less mature than companies listed on the SZSE Main Board Market and the SZSE SME Board Market, they have a smaller scale and shorter operating history and their stability and resistance to market risks may be lower. Hence, they are subject to higher fluctuation in stock prices as the performance of these companies changes. They are subject to higher risks and higher turnover ratios than companies listed on the SZSE Main Board Market or the SZSE SME Board Market.

### *Delisting risk*

The companies listed on ChiNext are generally less resistant to market risks and may experience more fluctuations in their performance. It may be more common for listed companies in the ChiNext market than companies listed on the SZSE Main Board Market and the SZSE SME Board Market to delist and such delistings may occur earlier in respect of securities listed and traded on ChiNext than those on the SZSE Main Board Market and the SZSE SME Board Market.

### *Valuation risk*

Conventional valuation methods may not be entirely applicable to companies listed on ChiNext due to the risky nature of the industries in which these companies may operate. There are fewer circulating shares on ChiNext and stock prices may be more susceptible to manipulation and may experience higher fluctuation upon market speculation. Due to the emerging nature of ChiNext and the fact that stocks traded on ChiNext have less of a track record on profitability, such stocks may be overvalued and such high valuation may not be sustainable.



**Schedule 4**  
**China Connect Terms – Market Data Information**

<b>Tag ID*</b>	<b>Tag Description*</b>	<b>General Description of Information in respect of China Connect Securities</b>
2035B	SCTY-CODE	Stock Code
99160	LATEST-TRADE-PRICE	Latest Price
99649	OPENING-PRICE	Opening Price
99509	BEST-BID-PRICE	Current Bid Price
99517	NUM-OF-SHARE-BID	Number of Shares at Current Bid
99510	BEST-ASK-PRICE	Current Ask Price
99518	NUM-OF-SHARE-ASK	Number of Shares at Current Ask
99249	SHARE-TRADED	Shares Traded
99304	TURNOVER	Turnover
99090	HIGHEST-TRADE-PRICE	High Price
99131	LOWEST-TRADE-PRICE	Low Price
99213	PREV-CLOSING-PRICE	Previous Close Price
99560	SUSP-FLAG	Suspend Flag

*\*Tag ID and Tag Description as per China Connect Open Gateway interface specification for the broker supplied system (BSS)*