

DATE: 18 JANUARY 2023

## CHINA CONNECT RISK DISCLOSURES STATEMENT

This Risk Disclosures Statement describes some of the key risk disclosures and other rules, requirements and features of China Connect and Applicable China Connect Laws. This Risk Disclosures Statement 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 Risk Disclosures Statement.

Neither J.P. Morgan nor any Related Person represents that the information set out in this Risk Disclosures Statement is up to date or comprehensive, and does not undertake to update the information set out in this Risk Disclosures Statement. Neither J.P. Morgan nor any Related Person is liable for any inaccuracies or misstatements in the information set out in this Risk Disclosures Statement.

Unless otherwise defined herein, capitalised terms used in this Risk Disclosures Statement will have the meanings given to such terms in the China Connect Terms applicable to you and available at: [www.jpmorgan.com/disclosures/ChinaConnect](http://www.jpmorgan.com/disclosures/ChinaConnect)

### 1. Pre-Trade Checking and Enhanced Pre-Trade Checking

Under PRC law, SSE and/or SZSE (as relevant) 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 a Master SPSA or SPSA Order, the 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 a Master SPSA or 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 J.P. Morgan 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 Master SPSA or SPSA Order and that the China Connect Securities applicable to an Master SPSA or SPSA Order will be delivered within the timeframe and in the manner as required by J.P. Morgan on the relevant settlement day to fulfil such SPSA order.

(A) In respect of any sell order that is not a Master SPSA or SPSA Order, if J.P. Morgan considers that you do not have sufficient available China Connect Securities held with the Exchange Participant to settle a sell order by the applicable cut-off time (as notified to you by J.P. Morgan from time to time); or

(B) In respect of any sell order that is a Master SPSA or SPSA Order, if J.P. Morgan considers that:

(a) you do not by the applicable cut-off time (as notified to you by J.P. Morgan from time to time) hold sufficient available China Connect Securities in a relevant Special Segregated Account to cover a proposed Master SPSA or SPSA Order; and/or

(b) the required number of China Connect Securities will not be delivered from the Special Segregated Account as required by J.P. Morgan on a settlement day to fulfil a Master SPSA or SPSA Order,

J.P. Morgan may, as applicable, (but shall not be obliged to) in its absolute discretion: (i) reject your sell order (in whole or in part); (ii) where appropriate arrangements are in place and as permitted by Applicable China Connect Laws, use any China Connect Securities in the Exchange Participant's (or any other exchange participant's) designated CCASS stock account(s) which J.P. Morgan holds for itself or on behalf of its other customers to fulfil the Pre-Trade Checking requirement in respect of your sell order, in which case you shall reimburse J.P. Morgan for any costs, losses or expenses which J.P. Morgan incurs 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 J.P. Morgan shall determine in its absolute discretion; and/or (iii) perform any other act which J.P. Morgan considers 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 J.P. Morgan) from any stock borrowing arrangements (to the extent permitted by Applicable China Connect Laws and available to J.P. Morgan or other sources).

In addition, J.P. Morgan may in its absolute discretion reject your sell order, whether it be a Master SPSA or SPSA Order or otherwise, (in whole or in part) if for any other reason J.P. Morgan considers 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 J.P. Morgan or any Related Person failing to comply with its obligations to any party or under the China Connect Rules. Any risk, liability, loss or cost 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 the Dealer's or any Related Person's non-compliance, J.P. Morgan or such Related Person, shall be borne by you.

### 2. Settlement

J.P. Morgan has established cut-off times. If you do not provide your trade allocations by J.P. Morgan's applicable cut-off time as notified to you from time to time then your trade may fail. Where you are an agent and you have not, in relation to your transactions in China Connect Securities accepted by J.P. Morgan, provided J.P. Morgan with your trade allocations to your applicable principals by J.P. Morgan's applicable cut-off time, J.P. Morgan will, unless expressly agreed otherwise, allocate such transactions on a pro-rata basis amongst your applicable principals. Where such pro-rata allocation results in odd lots, J.P. Morgan shall allocate such odd lots to the principal(s) with the largest allocation(s).

#### Settlement Arrangements

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 clearing participant) on T day free of payment. J.P. Morgan may have settlement arrangements in place different from the CSDCC settlement arrangements. Unless J.P. Morgan agrees to prefund, settlement of funds relating to such trading will be effected on T+1 day. In the event J.P. Morgan agrees to prefund the settlement of China Connect Securities trades, (a) J.P. Morgan shall retain the funds received from the HKSCC on T+1 day; and (b) you shall reimburse J.P. Morgan with respect to any pre-funding provided by J.P. Morgan.

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

### *Master SPSA or SPSA Orders – Delivery versus Payment*

Notwithstanding that a delivery versus payment mechanism may be offered by SEHK or CCASS for Master SPSA or SPSA Orders, unless J.P. Morgan agrees 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 Master SPSA or SPSA Orders are required to be settled. Any risk, liability, loss, cost or expense resulting from this delay shall be borne by you.

### **3. Quota Restrictions**

Purchases of China Connect Securities through China Connect are subject to certain quota controls. As a result, there is no assurance that a buy order can be successfully placed through China Connect. There are daily quotas limiting the maximum value of all Northbound buy trades that can be executed by exchange participants on each Trading Day ("**Daily Quotas**"). The Daily Quotas 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.

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 Quotas. If there is a restriction, rejection or suspension of Northbound buying as a result of the Daily Quotas being fully utilised, no further buy orders can be carried out.

### **4. Restriction on Day Trading**

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, sell orders in relation to China Connect Securities bought on T day may only be accepted on or after the applicable cut-off time (as notified to you by the J.P. Morgan from time to time) on T+1 day.

### **5. Circuit Breaker**

The China Connect Rules provide for "circuit breaker mechanisms" for the trading of China Connect Securities on SSE and SZSE. Under the Mainland Exchange Rules, the circuit breaker mechanisms will be triggered when a relevant index rises or falls by a certain percentage from its previous close for the first time during a trading day. Depending on when the circuit breaker mechanism is triggered, trading will either be suspended for a set amount of time or for the rest of the trading day.

SSE and SZSE will release announcements on their websites to inform the market of the time of a trading suspension and/or resumption when a circuit breaker mechanism is imposed or activated. You should pay attention to the relevant SSE and/or SZSE announcements to ensure you are aware of the circuit breaker mechanism being triggered. Neither J.P. Morgan nor any Related Person shall be under any obligation to inform you of a circuit breaker mechanism being triggered.

Please note that, as of the date of this Risk Disclosure Statement, the operation of the circuit breaker mechanisms has been suspended by CSRC.

Neither J.P. Morgan nor the any Related Person shall be under any obligation to inform you of any changes relating to circuit breaker mechanisms.

### **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 company which is listed on

a PRC stock exchange (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 company has both H Shares listed on the SEHK and A Shares listed on the SSE or SZSE, if the interest of an investor in any class of voting shares (including A Shares purchased through China Connect) of such company is equal to or greater than a certain threshold (as may be specified from time to time), 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 Listco has not listed any securities 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 or 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 investments in China Connect Securities.

If J.P. Morgan and/or any Related Person becomes aware that you have breached (or reasonably believes that you may breach upon execution of further Northbound buy orders) any foreign ownership limits, or if J.P. Morgan and/or any Related Person is so required by any China Connect Authority, including without limitation, as a result of any Forced-sale Notice issued by the SSE or the SZSE, J.P. Morgan will sell any China Connect Securities pursuant to 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 SSE or SZSE (as relevant) informs the SEHK Subsidiary or the SEHK that the aggregate foreign shareholding has fallen below a certain percentage. The 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 the SEHK's (or the 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 the SSE or SZSE to the SEHK Subsidiary, the SEHK and the SEHK Subsidiary are required as soon as practicable thereafter to suspend accepting China Connect Securities buy orders in respect of the relevant China

Connect Securities. In such circumstances, your buy orders may be rejected until the aggregate shareholding of foreign investors has fallen below a specified percentage (the "Permitted Level") as advised by SSE or SZSE from time to time.

Currently, the single foreign investor limit is set at 10% of the total issued shares of a PRC Listco and the aggregate foreign investor limit is set at 30% of the total issued shares of a PRC Listco (while the Cautionary Level and the Permitted Level are set at 28% and 26% respectively of the total issued shares of a PRC Listco). Such limits and levels are subject to change from time to time. Neither J.P. Morgan nor any Related Person shall be under any obligation to inform you of any such changes relating to foreign ownership limits.

## 9. China Connect Market-listed Shares Eligible for Northbound Trading

The SEHK will include and exclude securities as China Connect Securities based on the prescribed criteria under the China Connect Rules, any adjustments made to the SSE 180 Index and SSE 380 Index, any adjustments made to the SZSE Component Index and SZSE Small/Mid Cap Innovation Index, any relevant A Shares and H Shares being listed on or delisted from SSE, SZSE and/or the SEHK, and any relevant A Shares being placed under or released from risk alert. You should refer to the HKEX website and other information published by the HKEX for up-to-date information. Neither J.P. Morgan nor any Related Person shall be under any obligation to inform you of any changes to the eligibility of share for Northbound trading.

According to the Mainland Exchange 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' interest to undue damage, the China Connect Market-listed company will be earmarked and traded on the relevant risk alert board. Any change to the relevant risk alert board may occur without prior notice. If a China Connect Security which is eligible for China Connect trading at launch of the programme is subsequently moved to a relevant risk alert board, investors under China Connect will be allowed only to sell the relevant China Connect Security and are prohibited from further buying. For details concerning the risk alert board, please refer to the Mainland Exchange Listing Rules and SSE Risk Alert Board Provisional Trading Arrangement and any other relevant sources from time to time.

Additionally, a China Connect Security which is eligible for China Connect trading at launch of the programme subsequently (i) ceases to be a constituent stock of a the relevant indices, and/or (ii) in the case of a China Connect Security listed on the SZSE, is determined to have a market capitalisation of less than RMB 6 billion or such other threshold as the SZSE may prescribe from time to time, investors under China Connect will be allowed only to sell the relevant China Connect Security and are prohibited from further buying.

## 10. Special China Connect Securities

The SEHK will accept or designate securities which cease to meet the eligibility criteria for China Connect Securities as Special China Connect Securities (provided that they remain listed on SSE and/or SZSE). 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 the 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, J.P. Morgan 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 J.P. Morgan 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 (as defined below in paragraph 26) or settlement of instructions in respect of any China Connect Securities in any manner other 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 under the Mainland Exchange Rules 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 SSE, SZSE 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. 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 SSE and/or SZSE.

Additionally, the SEHK has put in place a dynamic price checking for buy orders. Buy orders with input prices lower than the current best bid (or last traded price in the absence of current best bid, or previous closing price in the absence of both current best bid and last traded price) beyond a prescribed percentage will be rejected by China Connect Market System. The price checking percentage, which is currently set at 3%, may be adjusted by the SEHK from time to time.

## 14. Taxation

China Connect Securities traded under China Connect currently enjoy a temporary exemption from PRC "income" tax and PRC business tax. It is uncertain when such exemptions will expire and whether other PRC taxes will be applicable to trading of China Connect Securities under China Connect. Dividends derived from China Connect Securities are subject to PRC withholding tax. PRC stamp duty is also payable for transactions in China Connect Securities under China Connect. You will be fully responsible for any Taxes in respect of China Connect Securities. Neither J.P. Morgan nor any Related Person assumes any responsibility for advising on or handling any tax issues, liabilities and/or obligations in connection with China Connect, nor will any of them 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 J.P. Morgan may have, J.P. Morgan shall be entitled in its absolute discretion, without further notice or demand, forthwith, to satisfy any obligation or potential obligation of J.P. Morgan 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 J.P. Morgan in its absolute discretion may determine, all or part of any property held by J.P. Morgan or any Related Person for any purpose in any of your accounts held with J.P. Morgan or any Related Person, and to apply the proceeds in reduction of all or part of your liability to

J.P. Morgan or any Related Person. Neither J.P. Morgan nor any Related Person shall have any liability for any losses or risks which may result directly or indirectly from any actions taken by J.P. Morgan 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. However, as the China Connect Securities traded through China Connect are not listed or traded on the SEHK, you will not have protection under the Client Securities Rules, unless otherwise specified by the SFC or any other relevant China Connect Authority.

#### **16. Investor Compensation Fund**

Trading in China Connect Securities does not enjoy the protection afforded by the Investor Compensation Fund established under the Securities and Futures Ordinance. Accordingly, 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 intermediaries.

#### **17. Ownership of China Connect Securities**

China Connect Securities are held in CSDCC. HKSCC will become a direct 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 shareholders' register of the relevant PRC Listco.

HKSCC will record interests in such China Connect Securities in the CCASS stock account of the relevant HKSCC 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 and Administrative Rules on Securities Accounts, the CSDCC China Connect Rules and Mainland Exchange Rules generally provide for the concept of a "nominee holder" and recognise the Northbound investors as the "ultimate owners" of China Connect Securities. The nature and rights of a Northbound investor as the beneficial owner of China Connect Securities through HKSCC as nominee has been clarified by the CSRC which has set out that Northbound investors, as the "ultimate owners", shall hold China Connect Securities through HKSCC and are entitled to proprietary interest in such securities as shareholders.

Northbound investors shall 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 under PRC laws and regulations in relation to China Connect Securities acquired through Northbound trading. You should note that, under the CCASS China Connect Rules, HKSCC as nominee holder shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the

investors in respect of China Connect Securities in the PRC or elsewhere.

#### **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 paragraph 3 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 the 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. J.P. Morgan 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**

The provision of services pursuant to the China Connect Terms also depends upon the performance by HKSCC of its obligations. Any action or inaction of the HKSCC or a failure or delay by the HKSCC in the performance of its obligations may result in a failure of settlement, or the loss, of China Connect Securities and/or monies in connection with them and you may suffer losses as a result. Neither J.P. Morgan 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**

Neither J.P. Morgan nor any Related Person shall be responsible for any corporate actions. Any corporate action in respect of China Connect Securities will be announced by the relevant issuer through the SSE and/or SZSE 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 SSE and/or SZSE 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 China Connect Market-listed issuers publish corporate documents in Chinese and English translations may 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.

Neither J.P. Morgan nor any Related Person can ensure the accuracy, reliability or timeliness of any company announcements of corporate actions and they accept no liability (whether in tort or contract or otherwise) for any loss or damage arising from any errors, inaccuracies, delays or omissions or any actions taken in reliance thereon. J.P. Morgan and Related Persons expressly disclaims 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 Average Pricing applies, you will be allocated China Connect Securities (or their proceeds) at the same averaged price across your orders, which may be higher or lower than the price which you would have paid or received had the orders been processed individually and in the order submitted. Neither J.P. Morgan 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 J.P. Morgan 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 J.P. Morgan handled for you at such intervals and in such form as the 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 J.P. Morgan and any Related Person may in accordance with the China Connect Rules 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 J.P. Morgan nor any Related Person shall be liable for any loss, damage or expense or consequential loss, damage or expense suffered by you as a result of any trading based on your instructions. J.P. Morgan will not be able to unwind any trade, and investors should 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 the 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 transfer of beneficial ownership of China Connect Securities which is not conducted through the China Connect Service and executed on the China Connect Market (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. The 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, SSE and SZSE. 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. J.P. Morgan 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 J.P. Morgan 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**

The SEHK or the 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 SSE and/or SZSE. You may remain exposed to fluctuations in the price of China Connect Securities caused by trading on SSE and/or SZSE 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 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 J.P. Morgan's 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 SSE and/or SZSE.

Further, the SEHK China Connect 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 SSE or SZSE, the service for routing the China Connect sell orders and China Connect buy orders for such A Shares to SSE or SZSE 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.

Neither J.P. Morgan nor any Related Person is 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 J.P. Morgan nor any Related Person shall be responsible or held liable for any loss or damage directly or indirectly suffered by you arising from or in connection with the China Connect Service or the CSC through Northbound trading including, without limitation, the following:

(a) a suspension, restriction or cessation of the China Connect Service or the CSC, or any inability to access or use the CSC or the China Connect Service;

(b) any special arrangement put in place or any action, step or measure taken or not taken to deal with an emergency, including but not limited to the cancellation of any or all China Connect orders inputted;

(c) any suspension, delay, interruption or cessation of trading of any China Connect Securities on SSE and/or SZSE 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, J.P. Morgan or any Related Person;

(f) any circumstance that a cancellation of a China Connect order which the 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 SEHK Subsidiary, J.P. Morgan or any Related Person is reliant 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 SEHK Subsidiary or J.P. Morgan or any Related Person (including, without limitation, any action or decision taken or made, or not taken or made, by SSE, SZSE, 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 any circumstance described in paragraph (e) above, 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. Neither J.P. Morgan nor any Related Person shall be under any obligation to inform you of any such determinations by the SEHK as to the operational hours of the China Connect Service.

Where, for example, there is any price sensitive information relating to a 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 SSE and/or SZSE 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 SSE and/or SZSE 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 SSE or SZSE (as relevant) and resume margin trading activities when the volume of margin trading activities drops below a

prescribed threshold. Where the SEHK is notified by SSE or SZSE that a suspension or resumption involves a security on the list of Eligible Margin Trading Securities, the HKEX will disclose such information on its website. In such circumstances, any margin trading (except for margin trading in respect of China Connect Securities buy orders) in the relevant China Connect Security shall be suspended and/or resumed accordingly. SSE and SZSE have 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 J.P. Morgan 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.

## 31. Rights Issuances

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

(a) is a China Connect Security, Hong Kong and overseas investors will be allowed to buy and sell the entitlement security through China Connect;

(b) is not a China Connect Security but is a RMB-denominated security listed on the SSE or SZSE, Hong Kong and overseas investors may be permitted to sell the entitlement security through China Connect but will not be permitted to buy such entitlement security;

(c) is a China Connect Market-listed security but is not traded in RMB, Hong Kong and overseas investors will not be allowed to buy or sell the entitlement security through China Connect. HKEX has stated that SSE, SZSE and the SEHK will consult each other to agree on the appropriate treatment of the entitlement security; and

(d) is not listed on SSE or SZSE, Hong Kong and overseas investors will not be allowed to buy or sell the entitlement security on China Connect unless and until appropriate arrangements (if any) have been provided by HKSCC. It is possible that no such arrangements will be provided.

## 32. Odd Lot Trading and Order Restrictions

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 or units (300,000 shares for stocks on SZSE ChiNext and 100,000 shares for stocks on SSE STAR) and the tick size is uniformly set at RMB0.01 for A shares and RMB0.001 for ETFs.

## 33. Short Selling

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, J.P. Morgan will not facilitate covered Short Selling of China Connect Securities and/or any Uptick Long Sale.

You have confirmed that you will not instruct J.P. Morgan to undertake Short Selling or any Uptick Long Sale on your behalf. To the extent that you do instruct J.P. Morgan to undertake Short Selling or any Uptick Long Sale on your behalf you shall be responsible to J.P. Morgan and any Related Person for any risk, liability, loss, expense or cost resulting from such instruction.

## 34. Stock Borrowing and Lending

Stock borrowing and lending are permitted for eligible China Connect Securities as specified by SSE and SZSE for the purpose 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). SSE and/or SZSE (as relevant) will determine a list of eligible China Connect Securities for stock borrowing and lending for the purposes of the Mainland Exchange Rules. Stock borrowing and lending of eligible China Connect Securities will be subject to restrictions set by the SEHK, SSE and SZSE, including but not limited to the following:

(a) stock borrowing and lending agreements made in accordance with the Mainland Exchange Rules for the purpose of covered short selling shall have a duration of not more than one month;

(b) stock borrowing and lending agreements for the purpose of satisfying the Pre-Trade Checking requirement shall have a duration of not more than one day (and roll-over is not permitted);

(c) stock lending will be restricted to certain types of persons to be determined by SSE and SZSE; 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.

J.P. Morgan will be 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 Security exceeds the limit prescribed by SSE and/or SZSE, SSE and/or SZSE may suspend stock borrowing and lending of such China Connect Security and require the SEHK Subsidiary to suspend placement of covered short selling orders relating to such China Connect Security. If and when the prescribed proportion of stock borrowing and lending falls below the prescribed limit, SSE and/or SZSE may resume stock borrowing and lending of such China Connect Security and notify the SEHK Subsidiary that it may resume acceptance of covered short selling orders relating to such China Connect Security.

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 J.P. Morgan 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.

### **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 the 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 level of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more underlying 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 SSE and SZSE and are 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 denominated securities and the realisation price of the RMB denominated securities. Investors who are trading in RMB denominated 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 denominated 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 the ChiNext market**

#### *Regulatory Risks*

The rules and guidance on listing, trading, disclosure and other matters of SZSE ChiNext vary much from those of the SZSE main board and SME board. For example, on the listing requirements, a shorter track record period and lower net profit, revenue and operating cash flow requirements will apply for company seeking IPO and listing on the ChiNext market. ChiNext companies may also have a lower post-IPO total share capital than main board and SME board companies. For details of the listing requirements on the ChiNext market, the SZSE main board and SME board, please visit SZSE website.

Besides, ChiNext market adopts disclosure rules that substantially vary from those of the main board and SME board. For example, ad hoc reports of ChiNext companies are only required to be published on a CSRC designated website and on the issuers' websites. If you continue to check information through the usual disclosure channels for main board and SME boards, you may miss out some important information disclosed by ChiNext companies. Therefore, you are advised to closely monitor announcements and risk alerts of ChiNext companies, be aware of market risks, and comply with relevant rules and regulations while trading in the ChiNext market.

#### *Delisting risks*

The delisting standards of the ChiNext market are different from those of the SZSE main board and SME board. There are more situations that will lead to the delisting of ChiNext companies. ChiNext companies have greater exposure to the risk of being delisted, and such delisting process may be speeded up.

In addition, the shares of ChiNext companies may be delisted immediately after SZSE determines its delisting. You will not be able to trade in delisted shares, and may lose all the invested capital in this case.

#### *Operating risks*

ChiNext companies are generally in an early stage of development and have a shorter history. They are usually smaller in scale, have less stable operations, and are less resilient against market risks and industry risks. Although they may have higher growth potential and leverage more on technical innovations, their future performance particularly those without a profit track record is susceptible to great uncertainty.

#### *High Share Price Volatility*

The share prices of ChiNext companies may fluctuate largely and frequently due to changing market conditions, investor speculations, inconsistent financial results, etc. ChiNext companies with low public

float may be vulnerable to manipulations by major shareholders. The unstable financial result also adds the difficulty to the company valuations.

#### *Technical Risks*

It is uncertain whether a ChiNext company is able to convert its technical innovations into physical products or services. When the industry is experiencing rapid technological development and replacement, its product may be obsolete and may not survive in the market.

#### *Risk Disclosure Statement*

You should also refer to the standard Risk Disclosure Statement in the Investor Eligibility Implementing Measure of ChiNext Market (in Chinese only) which Mainland investors are required to acknowledge before trading in SZSE ChiNext market. The risk disclosure statements may be updated by HKEX or SZSE from time to time. You are advised to refer to the HKEX and SZSE websites for the latest update.

### **37. Risks associated with the SSE STAR market**

#### *Regulatory Risks*

The rules and guidance on listing, trading, disclosure and other matters of SSE STAR vary much from those of the SSE main board. For example, on the listing requirements, lower net profit and revenue requirements will apply for company seeking IPO and listing on the STAR market. Different trading arrangements will apply for the trading of STAR companies, such as daily price limit, minimum order size and maximum order size. For details of the listing requirements and the trading arrangements of the STAR market and the SSE main board, please visit SSE website.

#### *Delisting risks*

The delisting standards of the STAR market are different from those of the SSE main board. There are more situations that will lead to the delisting of STAR companies. STAR companies have greater exposure to the risk of being delisted, and such delisting process may be speeded up.

#### *Operating risks*

STAR companies are generally in an early stage of development and have a shorter history. They are usually smaller in scale, have less stable operations, and are less resilient against market risks and industry risks. Although they may have higher growth potential and leverage more on technical innovations, their future performance particularly those without a profit track record is susceptible to great uncertainty.

#### *High Share Price Volatility*

The share prices of STAR companies may fluctuate largely and frequently due to changing market conditions, investor speculations, inconsistent financial results, etc. The unstable financial result also adds the difficulty to the company valuations.

#### *Technical Risks*

There is higher degree of uncertainty whether a STAR company is able to convert its technical innovations into physical products or services. When the industry is experiencing rapid technological development and replacement, its product may be obsolete and may not survive in the market.

#### *Risk Disclosure Statement*

Risks set out in this page are for reference only and not exhaustive. You are advised to refer to the standard Risk Disclosure Statement in



the Investor Eligibility Implementing Measure of STAR Market (in Chinese only) which Mainland investors are required to acknowledge before trading in SSE STAR market. The risk disclosure statements may be updated by HKEX or SSE from time to time. You are advised to refer to the HKEX and SSE websites for the latest update.