



## **Important Notice of Trading China A Shares and A Shares Margin Trading via Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect**

Please be informed that the followings are applicable to any transactions in relation to trading of A shares listed on Shanghai Stock Exchange (“SSE”) (“A shares”) via Northbound Trading of Shanghai-Hong Kong Stock Connect (“SH Northbound Trading”) and listed on Shenzhen Stock Exchange (“SZSE”) via Northbound Trading of Shenzhen-Hong Kong Stock Connect (“SZ Northbound Trading”) through Chiyu Banking Corporation Limited (the “Bank”). Customers must also observe relevant laws, regulations and regulatory requirements of the Mainland China and Hong Kong as well as the rules of the exchanges. Customers must accept and agree the aforesaid and the risks concerned in SH Northbound Trading and SZ Northbound Trading, including but not limited to being liable or responsible for breaching the relevant rules such as the SSE Listing Rules (“SSE rules”) , SZSE Listing Rules (“SZSE rules”) and other applicable laws, regulations and regulatory requirements.

### **1) Only eligible A shares can be traded**

Customers can only trade eligible A shares. The list of eligible A shares is provided by the Hong Kong Exchanges and Clearing Limited (“HKEx”) from time to time. If a share ceases to be an eligible A share but continues to be a SSE or SZSE listed share, customers will only be allowed to sell but restricted from buying the share.

### **2) Quota restriction**

A shares transactions are limited by Daily Quota Once the Daily Quota is used up during a continuous auction session, no further buy orders will be accepted for the remainder of the day (buy orders already accepted will not be affected by Daily Quota being used up). Quota information will be released on HKEx website.

### **3) Arrangement of trading days and trading hours**

Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect allows trading only on the days when both Hong Kong and China markets are open for trading, and banking service are available in both markets on the corresponding settlement days. Customers should note that A shares trading will follow the SSE’s or SZSE’s trading hour. Also, Customers should note the closing call auction period, please refer to SZSE website for details)

For the arrangement of trading days and trading hours, including the arrangement under severe weather conditions, please refer to the announcement of HKEx.

#### **4) Trading and Settlement Currency**

The trading and settlement currency of A shares are in RMB. Customers need to have sufficient RMB funds for trading A shares.

#### **5) Only Limited order is available**

Only limited order is accepted for A shares transaction.

#### **6) Arrangement of order amendment**

If a customer wants to amend an A shares order which has been issued, he/she has to cancel the existing order and place a new order subject to the quota balance at that moment and queue up again.

#### **7) Price Limit**

Customers should pay attention to the price limit of SSE and SZSE. All orders input for A shares must be at or within the price limit, i.e, cannot exceed +/- 10% of the previous closing price. (+/- 5% for A shares in the risk alert board)

Also, HKEx will 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) for a certain percentage will be rejected. HKEx intends to set the dynamic price checking at 3% during the initial phase of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. The percentage may be adjusted from time to time subject to market conditions.

#### **8) Day (turnaround) Trading**

Customers are not allowed to carry out A shares day trading. A shares bought on trade day (T-day) can only be sold on or after T+1 day.

#### **9) Restriction on selling**

Pre-trade checking is applicable to SH Northbound Trading and SZ Northbound Trading. If customers want to sell A shares via the Bank, the A shares must be transferred to the securities accounts held by the customers in the Bank before the market opens on the day of selling (T-day). Otherwise, customers cannot sell the A shares on T-day.

#### **10) OTC and restriction on naked short selling**

All trading must be conducted on SSE or SZSE, i.e. no over-the-counter (OTC) or manual trades are allowed. Also naked short selling is not allowed.

#### **11) Shareholding restriction and disclosure obligation**

According to the rules of the Mainland China, single foreign investor's shareholding in a listed company should not exceed 10% of the total issued shares. All foreign investors' shareholding in

the A shares of a listed company is not allowed to exceed 30% of its total issued shares. Customers should make sure the shareholding percentage complies with the related restriction. The Mainland China also requires investors to report to the relevant authorities when the percentage of shares held or controlled by the investor reaches certain level. Customers have to conform to the relevant rules themselves. Also customers should understand fully the Mainland rules and regulations in relation to short-swing profits, disclosure obligations and follow such rules and regulations accordingly.

#### **12) Force-sell arrangement**

The Bank has the right to force-sell client's shares upon receiving the forced-sale notification from HKEx.

#### **13) Stock and money settlement arrangement**

For A shares trading, stock settlement will be conducted on T-day. The Bank will settle the money (including the transaction amount as well as the related fees and levies) on T+1 day. Moreover, customers should also note the listing date of bonus shares Shenzhen Stock Exchange would be on the following day of the record date.

#### **14) General meetings arrangement**

SH Northbound Trading and SZ Northbound Trading investors will not be able to attend general meetings in person or by means of proxy, as opposed to what they can do in Hong Kong if they hold Hong Kong stocks.

#### **15) A shares depository**

Since A shares are issued in scripless form, customers cannot withdraw A shares in physical form.

#### **16) Service charges of A Shares Trading Services**

For details of the service charges of A Shares trading, please refer to the "General Banking Services Charges" posted in the branch hall of the Bank or browse the Bank's website ([www.chiyubank.com](http://www.chiyubank.com)).

#### **17) Circuit Breaker Mechanism for Index**

SSE and SZSE announced the implementation of the circuit breaker mechanism. Such mechanism may be adjusted from time to time subject to market conditions. Please visit the related Stock Exchange website for latest information.

#### **18) Arrangement under severe weather conditions**

If the typhoon signal no.8 is announced after Shanghai SSE or SZSE market opens, customers can only cancel orders and enquire transaction order status via channels other than branches (for instances, Internet Banking, manned investment trading hotline). Also the Bank shall have the right to cancel customer's orders without prior notice in case of contingency such as hoisting of

Typhoon Signal No 8. Also, if SSE or SZSE suspends SH Northbound Trading or SZ Northbound Trading due to severe weather conditions, customers will not be able to trade A shares.

#### **19) Restricting Mainland investors from Northbound Trading under Stock Connect**

According to the Implementation Measures for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect of SSE and SZSE respectively with effect from 25 July 2022, Mainland investors will be prohibited from buying or selling A shares through SH Northbound Trading and SZ Northbound Trading. From 24 July 2023, the Bank will no longer accept Mainland investors who have securities accounts proactively buy any A shares through SH Northbound Trading and SZ Northbound Trading (including subscription for right issues), but excluding obtaining A shares passively as a result of corporate actions (such as distribution of stock dividends).

#### **20) Others**

The Bank may not be able to send in customer's order cancellation requests in case of contingency such as when HKEx loses all its communication lines with SSE or SZSE, etc and customers should still bear the settlement obligations if the orders are matched and executed.

The Bank has the rights to forward the client's identity to HKEx which may on-forward to SSE or SZSE for surveillance and investigation purposes. If the SSE Rules or SZSE Rules are breached, or the disclosure and other obligations referred to in the SSE Rules or SZSE Rules are breached, SSE or SZSE has the power to carry out an investigation, and may, through HKEx, require the Bank to provide relevant information and materials and to assist in its investigation.

HKEx may upon SSE's or SZSE's request, require the Bank to reject orders from the client. The Bank has the rights to execute the request.

Also, SSE or SZSE may request HKEx to require the Bank to issue warning statements (verbally or in writing) to their clients, and not to extend SH Northbound Trading and SZ Northbound Trading service to their clients. The Bank has the rights to execute the request.

The Bank, HKEx, Stock Exchange of Hong Kong Limited (SEHK), SEHK Subsidiary, SSE, SSE Subsidiary, SZSE, SZSE Subsidiary and their respective directors, employees and agents shall not be responsible or held liable for any loss or damage directly or indirectly suffered by the customers arising from or in connection with SH Northbound Trading, SZ Northbound Trading or the order routing system (China Stock Connect System (CSC)).

Apart from the aforesaid, please be informed that the followings are applicable to any transactions in relation to margin trading of Eligible A shares via SH Northbound Trading and SZ Northbound Trading through the Bank ("margin trading"). Customers must also observe relevant laws, regulations and regulatory requirements of the Mainland China and Hong Kong as well as the rules of the

exchanges. Customers must accept and agree the aforesaid and the risks concerned in SH Northbound Trading or SZ Northbound Trading, including but not limited to being liable or responsible for breaching the SSE Rules, SZSE Rules and other applicable laws, regulations and regulatory requirements.

### **1) A Shares Marginable List**

The Bank will announce the A Shares Marginable List and its margin ratio from time to time. Since investors can only conduct margin trading in certain A shares that has been determined by the SSE or SZSE to be eligible for margin trading. Therefore, the A Shares on the Marginable List must be the A Shares on the “List of Eligible SSE Securities for Margin Trading” or “List of Eligible SZSE Securities for Margin Trading”.

A List of Eligible SSE Securities or a list of Eligible SZSE Securities for Margin Trading, the scope of which will be determined by SSE or SZSE from time to time, will be posted on the HKEx website for reference by the investing public. Only those SSE or SZSE Securities which are eligible for both buy orders and sell orders through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect will be included in the List. The A Shares Marginable List of the Bank will be changed from time to time by reference to the list of Eligible SSE Securities and the list of Eligible SZSE Securities.

### **2) The volume of margin trading activities in specific A shares exceeds the threshold determined by SSE or SZSE**

Customers should be aware that SSE or SZSE will suspend further margin trading in a stock eligible for margin trading on the following trading day after the “margin trading indicator” for the stock reaches 25%. When the “margin trading indicator” drops below 20%, SSE or SZSE will allow margin trading to resume on the following trading day.

### **Key risk disclosures**

The following risk disclosure statements cannot disclose all the risks involved. You should undertake your own research and study before you trade or invest. You should carefully consider whether trading or investment is suitable in light of your own financial position and investment objectives. You are advised to seek independent financial and professional advice before you trade or invest. You should seek independent professional advice if you are uncertain of or have not understood any aspect of the following risk disclosure statements or the nature and risks involved in trading or investment.

#### **1. Risk Disclosure of Securities Trading**

The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities.

## **2. Risk Disclosure of Securities Margin Trading**

The risk of loss in financing a transaction by deposit of collateral is significant. You may sustain losses in excess of your cash and any other assets deposited as collateral with the licensed or registered person. Market conditions may make it impossible to execute contingent orders, such as "stop-loss" or "stop-limit" orders. You may be called upon at short notice to make additional margin or interest payments. If the required margin or interest payments are not made within the prescribed time, your collateral may be liquidated without your consent. Moreover, you will remain liable for any resulting deficit in your account and interest charged on your account. You should therefore carefully consider whether such a financing arrangement is suitable in light of your own financial position and investment objectives.

## **3. Risk of trading A shares via Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect**

### **Not protected by Investor Compensation Fund**

Investors should note that any SH Northbound Trading or SZ Northbound Trading under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect will not be covered by Hong Kong's Investor Compensation Fund. Also, China Securities Investor Protection Fund will not protect any SH Northbound Trading and SZ Northbound Trading as well.

### **Quotas used up**

When the daily quota is used up, acceptance of the corresponding buy orders will also be immediately suspended and no further buy orders will be accepted for the remainder of the day. Buy orders which have been accepted will not be affected by the using up of the daily quota, while sell orders will be continued to be accepted.

### **Trading day difference**

As mentioned above, Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect will only operate on days when both markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Mainland China market but Hong Kong investors cannot carry out any A-share trading. Investors should take note of the days Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect is open for business and decide according to their own risk tolerance capability whether or not to take on the risk of price fluctuations in A-shares during the time when Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect is not trading.

### **Restrictions on selling imposed by front-end monitoring**

For investors who usually keep their A-shares outside of their brokers, if they want to sell certain A-shares they hold, they must transfer those A-shares to the respective accounts of their brokers before the market opens on the day of selling (T day). If they fail to meet this deadline, they will not be able to sell those A-shares on T day.

### **The recalling of eligible stocks**

When a stock is recalled from the scope of eligible stocks for trading via Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect for above-mentioned reasons, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of investors. Investors should therefore pay close attention to the list of eligible stocks as provided and renewed from time to time by both Exchanges.

### **Risks of client assets received or held outside Hong Kong**

Client assets received or held by the licensed or registered person outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdiction which may be different from the Securities and Futures Ordinance (Cap.571) and the rules made thereunder. Consequently, such client assets may not enjoy the same protection as that conferred on client assets received or held in Hong Kong.

### **Restrictions on trading Shenzhen ChiNext shares (Only eligible for Shenzhen-Hong Kong Stock Connect)**

Trading Shenzhen ChiNext shares limited to institutional professional investors.

## **4. Risks of trading of listed RMB products**

### **Investment / Market Risk**

Like any investments, RMB equity products are subject to investment risk. The price of the RMB equity products in the secondary market may move up or down. Losses may incur as a result of investing in the products even if the RMB appreciates against HKD or other currencies.

### **Currency Risk**

If you are a non-Mainland investor who holds a local currency other than RMB, you will be exposed to currency risk if you invest in RMB equity products. You will incur currency conversion costs, being the spread between buying and selling of RMB, at the time of conversion between your local currency and RMB for the purchase or sale of an RMB equity product. Even if the price of the RMB equity products you are holding remains unchanged, you may not receive the same amount of HKD when you sell the products due to the spread between buying and selling of RMB. RMB is a restricted currency and is subject to foreign exchange controls. Although the Chinese Central Government has relaxed the restrictions by allowing banks in Hong Kong to conduct RMB business in a specified scope, RMB is still not freely convertible in Hong Kong. You may not be able to convert RMB at your preferred time and/or in your preferred amount or conversion cannot be made, which may lead to investment losses. The policies of the Central Government of the PRC on foreign exchange control are subject to change, and your investment may be adversely affected.

### **Liquidity Risk**

RMB equity products are a new type of investment product in the Hong Kong market. Regular trading or an active secondary market of these products may not be available. Therefore, customer may not be able to sell his/her holdings of RMB equity products on a timely basis, or customer may have to offer them for sale at a deep discount to their value in order to find a buyer. If the Central Government of the People's Republic of China tightens foreign exchange controls, the liquidity of RMB funds and RMB equity products in Hong Kong

### **Exchange Rate Risk**

RMB equity products that are traded and settled in RMB are exposed to exchange rate risk. The fluctuation in the exchange rate of RMB may result in losses in the event that the customer converts RMB into HKD or other foreign currencies. Moreover there is no guarantee that RMB will not depreciate. Any devaluation of RMB could adversely affect the value of your investment in the RMB equity products. RMB equity products are not an investment instrument for speculating on RMB/HKD exchange rate movements.

### **Default Risk & Credit Risk**

In general, RMB equity products are exposed to the usual kind of default risks that might be associated with equity products denominated in other currencies. The performance of RMB equity products is affected by the underlying business performance and a variety of other factors in connection with the issuers, and is subject to the credit risks associated with the special profile or special business strategy that the issuers may have.

### **Emerging Market Risk**

RMB equity products associating with the market of the Mainland of China are particularly subject to risks that may arise from the relevant market/industry/sector and other factors such as change in government policies, taxation and political development in the Mainland.

### **Conversion Limitation Risk of RMB (Only applicable to Individual Investors)**

RMB investments are subject to exchange rate fluctuations which may provide both opportunities and risks. The fluctuation in the exchange rate of RMB may result in losses in the event that the customer converts RMB into HKD or other foreign currencies. RMB is currently not fully freely convertible. Individual customers can be offered CNH rate to conduct conversion of RMB through bank accounts and may occasionally not be able to do so fully or immediately, for which it is subject to the RMB position of the banks and their commercial decisions at that moment. Customers should consider and understand the possible impact on their liquidity of RMB funds in advance.

### **Conversion Limitation Risk of RMB (Only applicable to Corporate Customers)**

RMB investments are subject to exchange rate fluctuations which may provide both opportunities and risks. The fluctuation in the exchange rate of RMB may result in losses in the event that the customer converts RMB into HKD or other foreign currencies. RMB is currently not fully freely

convertible. Corporate customers that intend to conduct conversion of RMB through banks may occasionally not be able to do so fully or immediately, for which it is subject to the RMB position of the banks and their commercial decisions at that moment. Customers should consider and understand the possible impact on their liquidity of RMB funds in advance.

Should there be any discrepancy between the English and Chinese versions of this document, the Chinese version shall prevail.