Dieses Dokument enthält von der Securities and Futures Commission ("SFC") of Hong Kong bereitgestellte Auskünfte zu Risiken in Bezug auf den Handel mit bestimmten Produkten.

4041 | 1/28/2021

# HONG KONG RISK DISCLOSURE STATEMENT

1. RISK 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 OF TRADING IN GROWTH ENTERPRISE MARKET STOCKS

   - Growth Enterprise Market (GEM) stocks involve a high investment risk. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. GEM stocks may be very volatile and illiquid.
   - You should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.
   - Current information on GEM stocks may only be found on the internet website operated by The Stock Exchange of Hong Kong Limited. GEM Companies are usually not required to issue paid announcements in gazetted newspapers.
   - You should seek independent professional advice if you are uncertain of or have not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of GEM stocks.

3. RISK OF PROVIDING AN AUTHORITY TO REPLEDGE YOUR SECURITIES COLLATERAL ETC.

- There is risk if you provide the licensed or registered person with an authority that allows it to apply your securities or securities collateral pursuant to a securities borrowing and lending agreement, repledge your securities collateral for financial accommodation or deposit your securities collateral as collateral for the discharge and satisfaction of its settlement obligations and liabilities.
- If your securities or securities collateral are received or held by the licensed or registered person in Hong Kong, the above arrangement is allowed only if you consent in writing. Moreover, unless you are a professional investor, your authority must specify the period for which it is current and be limited to not more than 12 months. If you are a professional investor, these restrictions do not apply.
- Additionally, your authority may be deemed to be renewed (i.e. without your written consent) if the licensed or registered person issues you a reminder at least 14 days prior to the expiry of the authority, and you do not object to such deemed renewal before the expiry date of your then existing authority.
- You are not required by any law to sign these authorities. But an authority may be required by licensed or registered persons, for example, to facilitate margin lending to you or to allow your securities or securities collateral to be lent to or deposited as collateral with third parties. The licensed or registered person should explain to you the purposes for which one of these authorities is to be used.
- If you sign one of these authorities and your securities or securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on your securities or securities collateral. Although the licensed or registered person is responsible to you for securities or securities collateral lent or deposited under your authority, a default by it could result in the loss of your securities or securities collateral.
- A cash account not involving securities borrowing and lending is available from most licensed or registered persons. If you do not require margin facilities or do not wish your securities or securities collateral to be lent or pledged, do not sign the above authorities and ask to open this type of cash account.

4. RISK OF TRADING NASDAQ-AMEX SECURITIES AT THE STOCK EXCHANGE OF HONG KONG LIMITED

   The securities under the Nasdaq-Amex Pilot Program ("PP") are aimed at sophisticated investors. You should consult the licensed or registered person and become familiarized with the PP before trading in the PP securities. You should be aware that the PP securities are not regulated as a primary or secondary listing on the Main Board or the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

5. RISK OF FUTURES AND OPTIONS TRADING

   The risk of loss in trading futures contracts or options is substantial. In some circumstances, you may sustain losses in excess of your initial margin funds. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily avoid loss. Market conditions may make it impossible to execute such orders. You may be called upon at short notice to deposit additional margin funds. Your position maybe liquidated in order to satisfy margin requirements without prior notice. You will remain liable for any resulting deficit in your account. You should therefore study and understand futures contracts and options before you trade and carefully consider whether such trading is suitable in the light of your own financial position and investment objectives. If you trade options you should inform yourself of exercise and expiration procedures and your rights and obligations upon exercise or expiry.

This brief statement does not disclose all of the risks and other significant aspects of trading in futures and options. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. Trading in futures and options is not suitable for many members of the public. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

**Futures**

1. Effect of 'Leverage' or 'Gearing'

Transactions in futures carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract so that transactions are 'leveraged' or 'geared'. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit: this may work against you as well as for you. You may sustain a total loss of initial margin funds and any additional funds deposited with the firm with which you deal to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit.

2. Risk-reducing orders or strategies

The placing of certain orders (e.g. "stop-loss" orders, or "stop-limit" orders), which are intended to limit losses to certain amounts, may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as 'spread and 'straddle' positions may be as risky as taking simple 'long' or 'short' positions.

**Options**

3. Variable degrees of risk

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a futures contract, the purchaser will acquire a futures position with associated liabilities for margin (see the section on Futures above). If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the- money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling ('writing' or 'granting') options generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably against him. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the options in cash or to acquire or deliver the underlying interest. If the option is on a futures contract, the seller will acquire a position in a futures contract with associated liabilities for margin (see the section on Futures above). If the option is 'covered' by the seller holding a corresponding position in the underlying interest or a futures contract or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

**Additional Risks Common to Futures and Options**

4. Terms and conditions of contracts

You should ask the firm with which you deal about the terms and conditions of the specific futures or options which you are trading and associated obligations (e.g. the circumstances under which you may become obliged to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

5. Suspension or restriction of trading and pricing relationships

Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or 'circuit breakers') may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying interest and the future, and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge "fair" value.

6. Deposited cash and property

You should familiarize yourself with the protections given to money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy.

The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

7. Commission and other charges

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

8. Currency risks

The profit or loss in transactions in foreign currency-denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

9. Trading facilities

Electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or participant firms. Such limits may vary: you should ask the firm with which you deal for details in this respect.

10. Electronic trading

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or is not executed at all.

11. Off-exchange transactions

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off- exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarize yourself with applicable rules and attendant risks.

6. DISCLOSURE REGARDING HONG KONG OPTIONS

Hong Kong options are treated as normal premium options in that IBKR will not post changes in variation margin (profits or losses) for such options. The profit or loss will be determined at the time a position is closed and will be the difference between the opening and closing transaction prices. You should note that the end profit or loss calculation result remains identical. It is important to note that positions resulting from strategies with combined futures and options legs may require additional collateral to maintain. This is because commodity accounts must maintain a positive cash balance and adverse market movements may cause the futures portion of the strategy to generate negative cash which will not be offset by options price changes.

7. RISK OF TRADING IN LEVERAGED FOREIGN EXCHANGE CONTRACTS

The risk of loss in leveraged foreign exchange trading can be substantial. You may sustain losses in excess of your initial margin funds. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily limit losses to the intended amounts. Market conditions may make it impossible to execute such orders. You may be called upon at short notice to deposit additional margin funds. Your position may be liquidated in order to satisfy margin requirements without prior notice.  You will remain liable for any resulting deficit in your account. You should therefore carefully consider whether such trading is suitable in light of your own financial position and investment objectives.

IBHK only offers Spot Foreign Exchange ("FX") contracts which use spot exchange rates. IBHK is quoting the rate at which it will exchange currencies with you on the settlement date, which is typically 2 business days after the trade date. You are required to have sufficient equity in your account to enter into a Spot FX contracts.

You will not be able to execute a transaction, if doing so it would cause your account to go into deficit or cause a margin deficiency. If your account goes into margin deficit, then IBHK may, at its sole discretion but is not obligated to, liquidate all or part of the assets held in your account, or otherwise close your open positions to eliminate the deficiency. You are responsible to all losses resulting from closing out your positions that will be debited to your account and you may be required to provide additional funds to IBHK to cover any shortfall.

IBHK acts as riskless principal on FX contract and earns a commission on such FX contracts. IBHK may effectuate the transaction by entering into an offsetting transaction with one of IB affiliates, with another customer that enters quotes into IB's system, or with a third party bank ("FX Providers"). The FX Provider may make a market or otherwise buy or sell instruments similar or related to the contracts entered into by you.

Prices quoted on IBHK's system reflect changing market conditions and can change rapidly. As such, when your order is received and processed by the IBHK system, the quote may be different from the quote displayed at the time when the order was sent by you. This change in price is commonly referred to as "slippage". If the requested price is no longer available, IBHK will not execute the order but will place it in limit order book in accordance with your time-in-force instructions. IBHK may execute the order if it becomes marketable based on prices received from IBHK's FX Providers. If the current price of a Spot FX contract is more favourable, the order will generally be executed at the available better price.

You are reminded to observe the features and operation of different order types that IBHK provides on our website.

Other Risks associated with trading in Spot FX with IBHK:

- FX Markets can be volatile and are subject to a host of factors, including economic conditions, government regulations, legislation, market sentiment, local and international political events, environmental and technological issues.
- Exchange rates between foreign currencies can change rapidly due to a wide range of economic, political and other conditions, exposing you to risk of exchange rate losses in addition to the inherent risk of loss from trading the underlying financial product.
- Spot FX is an OTC product, so it may involve greater risk than investing in exchange traded products because there is no exchange market on which to close out an open position. IBHK acts as the counterparty to your transaction and you may be subject to IBHK's credit risk.

Spot FX can be traded in margin if you have a margin account with IBHK. It is your responsibility to actively monitor and manage your open positions and ensure that you are aware of any changes in margin obligations and we recommend that you monitor your positions continuously. This means that sufficient cleared funds must be on deposit in your account to enable you to meet margin requirements immediately as and when they fall due.

8. RISKS OF TRADING EXCHANGE TRADED DERIVATIVE PRODUCTS

1. Issuer default risk

In the event that an exchange traded derivative product issuer becomes insolvent and defaults on their listed securities, investors will be considered as unsecured creditors and will have no preferential claims to any assets held by the issuer. Investors should therefore pay close attention to the financial strength and credit worthiness of exchange traded derivative product issuers.

2. Uncollateralised product risk

Uncollateralised exchange traded derivative products are not asset backed. In the event of issuer bankruptcy, investors can lose their entire investment. Investors should read the listing documents to determine if a product is uncollateralised.

3. Gearing risk

Exchange traded derivative products such as derivative warrants and callable bull/bear contracts (CBBCs) are leveraged and can change in value rapidly according to the gearing ratio relative to the underlying assets. Investors should be aware that the value of an exchange traded product may fall to zero resulting in a total loss of the initial investment.

4. Expiry considerations

Most of the exchange traded derivatives products have an expiry date after which the issue may become worthless. Investors should be aware of the expiry time horizon and choose a product with an appropriate lifespan for their trading strategy.

5. Extraordinary price movements

The price of an exchange traded derivative product may not match its theoretical price due to outside influences such as market supply and demand factors. As a result, actual traded prices can be higher or lower than the theoretical price.

6. Foreign exchange risk

Investors trading exchange traded derivative products with underlying assets not denominated in Hong Kong dollars are also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value, also affecting the exchange traded product price.

7. Liquidity risk

The Exchange requires all exchange traded product issuers to appoint a liquidity provider for each individual issue. The role of liquidity providers is to provide two way quotes to facilitate trading of their products. In the event that a liquidity provider defaults or ceases to fulfill its role, investors may not be able to buy or sell the product until a new liquidity provider has been assigned.

**Risks of Trading Derivative Warrants**

Derivative warrants are an instrument that gives an investor the right to "buy" or "sell" an underlying asset at a pre-set price prior to a specified expiry date. At expiry, settlement is usually made in cash rather than a purchase or sale of the underlying asset.

Derivative warrants can be issued over a range of assets, including stocks, stock indices, currencies, commodities, or a basket of securities. They are generally divided into two types: calls and puts. Holders of call warrants have the right, but not obligation, to purchase from the issuer a given amount of the underlying asset at a predetermined price (also known as the exercise price) within a certain time period. Conversely, holders of put warrants have the right, but not obligation, to sell to the issuer a given amount of the underlying asset at a predetermined price within a certain time period.

- The value of a derivative warrant will decay over time as it approaches its expiry date. Derivative warrants should therefore not be viewed as long term investments.
- Prices of derivative warrants can increase or decrease in line with the implied volatility of underlying asset price. Investors should be aware of the underlying asset volatility.

**Risks of Trading Callable Bull/Bear Contacts ('CBBCs')**

CBBCs are a type of exchange traded derivative product that tracks the performance of an underlying asset without requiring investors to pay the full price required to own the actual asset. They are issued either as Bull or Bear contracts with a fixed expiry date, allowing investors to take bullish or bearish positions on the underlying asset. CBBC are issued by a third party, usually an investment bank, independent of HKEX and of the underlying asset.

CBBC are issued with the condition that during their lifespan they will be called by the issuers when the price of the underlying asset reaches a level (known as the " Call Price ") specified in the listing document. If the Call Price is reached before expiry, the CBBC will expire early and the trading of that CBBC will be terminated immediately. The specified expiry date from the listing document will no longer be valid.

- Investors trading CBBCs should be aware of their intraday "knockout" or mandatory call feature. A CBBC will cease trading when the underlying asset value equals the mandatory call price/level as stated in the listing documents. Investors will only be entitled to the residual value of the terminated CBBC as calculated by the product issuer in accordance with the listing documents. Investors should also note that the residual value can be zero.

- The issue price of a CBBC includes funding costs. Funding costs are gradually reduced over time as the CBBC moves towards expiry. The longer the duration of the CBBC, the higher the total funding costs. In the event that a CBBC is called, investors will lose the funding costs for the entire lifespan of the CBBC. The formula for calculating the funding costs are stated in the listing documents.

9. RISKS OF TRADING EXCHANGE TRADED FUNDS (ETF)

Exchange Traded Funds (ETFs) are passively-managed and open-ended funds, which are traded on the securities market of Hong Kong Exchanges and Clearing Limited (HKEx). All listed ETFs are authorised by the Securities and Futures Commission (SFC) as collective investment schemes. ETFs can be broadly grouped into two types: Physical ETFs (ie traditional or in-specie ETFs) and Synthetic ETFs. Many of these ETFs directly buy all the assets needed to replicate the composition and weighting of their benchmark (eg constituents of a stock index). Some physical ETFs with underlying equity-based indices may also invest partially in futures and options contracts. Synthetic ETFs do not buy the assets in their benchmark. Instead, they typically invest in financial derivative instruments to replicate the benchmark's performance. Investors should read the ETF prospectus carefully to ensure they understand how the fund operates.

1. Counterparty risk

Synthetic ETFs are subject to counterparty risk associated with the derivatives issuers and may suffer losses if the derivatives issuers default or fail to honour their contractual commitments. Further, potential contagion and concentration risks of the derivative issuers should be taken into account (eg since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty of a synthetic ETF may have a "knock-on" effect on the other derivative counterparties of the synthetic ETF). Although synthetic ETFs are fully collateralised from their counterparties, this may not completely remove the counterparty risk. For instance, when the right against the collateral is exercised, the market value of the collateral could be substantially less than the amount secured, resulting in significant losses to the ETF.

2. Market risk

ETFs are exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the index that it is tracking. ETF managers do not have the discretion to take defensive positions in declining markets. Investors must be prepared to bear the risk of loss and volatility associated with the underlying benchmarks.

3. Tracking error risk

Tracking error is the difference between the performance of an ETF and its underlying benchmark. Tracking error can arise due to factors such as the impact of the Total Expense Ratio (TER), changes in the composition of the underlying benchmark and type of ETF (physical vs synthetic). The TER of an ETF may include management fee and other fees and costs (eg transaction costs, stamp duties, costs for preparing financial reports and other prescribed documentation, legal and auditing fees, insurance costs, fees for custody services, etc) - there is no universal definition. An ETF's estimated TER is stated in the prospectus. The estimated TER of an ETF does not necessarily represent the fund's tracking error because the fund's NAV may be affected by other factors, i.e. dividends and other income from the portfolio, and in the case of a synthetic ETF, the indirect costs borne by the fund may only be reflected in the market value of the derivatives it holds.

4. Risk in trading at discount or premium

The market price of an ETF may be at a discount or premium to its NAV. This price discrepancy is caused by supply and demand factors and may be more likely to emerge during periods of high market volatility and uncertainty. This phenomenon may also be observed in ETFs tracking specific markets or sectors that are subject to direct investment restrictions. As a result, investors who buy at a premium may suffer losses even if the NAV is higher when they sell and they may not fully recover their investment in the event of termination of the ETF.

5. Liquidity risk

Although ETFs usually have one or more market makers (known as Securities Market Makers, or SMMs) to help provide liquidity, there is no assurance that active trading will be maintained at all times. In the event that the SMMs are unable to fulfil their obligations, investors may not be able to buy or sell the ETF through the trading system or may find the market price of the ETF is at a discount or premium to its NAV.

## 10. RISKS OF TRADING LEVERAGED AND INVERSE PRODUCTS (L&I PRODUCTS)

L&I Products offer a new world of opportunities for active investors who want to pursue short-term market views. L&I Products, structured as Exchange Traded Funds (ETFs), seek to achieve short term investment results that correspond to the daily magnified or daily inverse performance of their underlying benchmarks on a daily basis.

Like ETFs, the risk of L&I Products can include counterparty risk, market risk, tracking errors, trading at discount or premium, and liquidity risk. In addition, investors should understand how the performance of L&I Products is likely to be affected when they are held for more than one trading day.

## 11. RISK OF TRADING OUTSIDE THE HONG KONG MARKET

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade, you should enquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask the firm with which you deal for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

You should only consider trading outside the Hong Kong market if you fully understand the nature of the relevant foreign market and the extent of your exposure to risks. You should carefully consider whether such trading is appropriate for you in light of your experience, risk profile, and other relevant circumstances and seek independent professional advice when you are in doubt.

In the event that the transaction is being executed outside Hong Kong, you must recognize that such transactions will be subject to the applicable local laws, or rules and regulations of the overseas jurisdiction, which may be different to the jurisdiction of Hong Kong. Particularly, you should also get familiar with the rules and regulations in relation to shareholding restrictions and disclosure obligation and to comply with such rules and regulation.

You must also accept where IBKR arranges for the execution of orders on various exchanges and market centers; such transaction will be cleared and settled by the relevant market participant or its nominated clear agent, which maybe one of the affiliates of IBKR.

All transactions executed in pursuance of your instructions on an oversea market will be subject to a transaction levy and any other costs that the relevant exchange may impose from time to time. IBKR is authorized to collect such levies and costs in accordance with the rules prescribed by the relevant affiliate or exchange.

IBKR will determine the amounts required to meet your obligations (including without limitation for settlement, premium payments, initial or maintenance margins required by either of the relevant exchange or the market participant, and amounts to which you may be entitled (in relevant foreign currencies. You should closely monitor your positions, as in some unforeseeable market conditions we may be unable to contact you and forced liquidation may be necessary.

You should also recognize that, without limitation, for the transaction executed on any exchanges outside the Hong Kong market will not be subject to a right to claim under the Investor Compensation Fund established under the Securities and Futures Ordinance, and may be marked with different level or type of protection compared to the protection afforded by the laws of Hong Kong.

12. RISK 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.

13. RISK DISCLOSURE REGARDING TRADING VIA CHINA CONNECT

The following describes some of the risks and other significant aspects of trading the Shanghai Stock Exchange ("SSE") and Shenzhen Stock Exchange ("SZSE") securities via China Connect through Interactive Brokers Hong Kong Limited. In light of the risks, clients should undertake such transactions only if they understand the nature of China Connect trading and the extent of their exposure to risk. Clients should carefully consider (and consult their own advisers where necessary) whether trading is appropriate for clients in light of clients' experience, objectives, financial resources and other relevant circumstances.

Clients must observe the relevant laws and regulations of Mainland China and Hong Kong as well as the rules of the exchanges. Clients must accept and agree the aforesaid and the risks related to China Connect, including but not limited to being liable or responsible for breaching the SSE Listing rules, SSE Rules, SZSE Listing Rules, SZSE Rules and other applicable laws and regulations before giving instructions. Detailed information on trading via China Connect can be referred to on HKEX's website.

1. Day trading

You 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.

2. OTC trading and restriction on naked short selling

No over-the-counter ("OTC") or manual trades are allowed. All China Connect trading must be conducted on relevant participating China Connect exchanges (i.e. currently the participating exchanges are Shanghai Stock Exchange ("SSE")/Shenzhen Stock Exchange ("SZSE")). In addition, naked short selling is currently not allowed under the rules.

3. Restriction on selling

Pre-trade checking is applicable to the Northbound China Connect, so if you want to sell A shares through IBKR, the A shares must be transferred to, and received in, your account at IBKR prior to market open on the day you are looking to sell the A shares, unless a Special Segregated Account ("SPSA") arrangement is in place.

4. Shareholding restriction and disclosure obligation

a. Under Mainland China laws and regulations, a single foreign investor's shareholding in a single Mainland China listed company shall not exceed 10% of the total issued shares. All foreign investors' shareholding in the A shares of a Mainland China listed company is not allowed to exceed 30% of its total issued shares. You should ensure that the shareholding percentage complies with the relevant restriction. IBKR have the right to "force-sell" clients' shares upon receiving the force-sale notification from the Hong Kong Stock Exchange ("SEHK").

b. Mainland China laws also require investors to report to the relevant authorities when the percentage of shares held or controlled by the investor reaches certain level. You have to conform to the relevant rules.

c. You should also ensure that you fully understand the Mainland China rules and regulations in relation to short-swing profits as well as other disclosure obligations and ensure that they follow and complies with such rules and regulations accordingly.

5. Trading day difference

You can only trade China Connect Securities on a Hong Kong business day, and only if both markets in Hong Kong and Mainland are open for trading (T-day) and bank services are available in the Hong Kong and Mainland markets on the corresponding money settlement days (T+1). This arrangement is essential in ensuring that proper banking support is available to settle money obligations. So it is possible that there are occasions when it is a normal trading day on the Mainland but Hong Kong investors cannot carry out any A-shares trading through China Connect.

6. Arrangement under severe weather conditions and in cases of contingencies

In the case of any contingency, such as typhoon signal no. 8 or above or Black Rainstorm warning issued in Hong Kong resulting in any suspension or delay of service, IBKR shall have the right to cancel your orders in response to the above contingencies. Also, IBKR may not be able to send in your order cancellation requests in case of contingency such as when SEHK losses all its communication lines with SSE/SZSE. You should still bare the settlement obligation if the orders are matched and executed.

7. Northbound trading regulations and risks

a. You must understand and to fully comply the applicable laws and regulation of Mainland for Northbound trading and the applicable laws and regulation in Hong Kong. IBKR provides executing and clearing service and shall not be under any obligation, or responsibly to provide advices on trading rules or market requirements on northbound trading. You are advised to refer to the SEHK and the SFC website for detailed information in relation to China Connect to understand the relevant requirement (including the relevant quotas and etc) and consult professional advisors if there is any query.

b. You must accept the risks concerned in Northbound trading, including but not limited to prohibition of trading certain SSE Securities, being liable or responsible for breaching the SSE/SZSE Listing Rules, SSE/SZSE Rules and other applicable laws and regulations.

c. IBKR has the right forward your identification information to SEHK, who may transfer the relevant data to SSE/SZSE, for supervision and surveillance.

d. If the SSE/SZSE Rules are breached, or the disclosure and other obligations referred to in the SSE/SZSE Listing Rules or SSE/SZSE Rules are breached, SSE/SZSE has the power to carry out an investigation and may, through SEHK, require IBKR to provide the relevant information and materials (including your identification information) to SSE/SZSE through SEHK.

e. SSE and/or SZSE may request SEHK to require IBHK to issue warning statements (verbally or in writing) to you and/or other client, and not to extend SSE and/or SZSE trading service to you and/or any other clients.

f. HKEX may upon SSE's or SZSE's request, require IBHK to reject orders from you. IBHK has the rights to execute the request.

g. IBHK, HKEX, 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 you or any third parties arising from or in connection with China Connect Northbound Trading or the order routing system (China Stock Connect System ("CSC")).

8. Restrictions on trading Shenzhen ChiNext shares (Only eligible for Shenzhen-Hong Kong Stock Connect) and Shanghai Star shares (Only eligible for Shanghai-Hong Kong Stock Connect).

Trading Shenzhen ChiNext and Shanghai Star shares are limited to institutional professional investors.

14. RISK OF 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 deposits or interest payments. If the required margin deposits 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.

15. RISKS ASSOCIATED WITH ORDER PLACEMENT

1. Important Characteristics and Risks of Using Stop Orders

A Stop Order - i.e., a Stop (Market) Order - is an instruction to buy or sell at the market price once your trigger ("stop") price is reached. Please note that a Stop Order is not guaranteed a specific execution price and may execute significantly away from its stop price, especially in volatile and/or illiquid markets. Stop Orders may be triggered by a sharp move in price that might be temporary. If your Stop Order is triggered under these circumstances, you may buy or sell at an undesirable price. Sell Stop Orders may make price declines worse during times of extreme volatility. If triggered during a sharp price decline, a Sell Stop Order also is more likely to result in an execution well below the stop price. Placing a limit price on a Stop Order may help manage some of these risks. A Stop Order with a limit price - a Stop (Limit) Order - becomes a limit order when the stock reaches the stop price. By using a Stop (Limit) Order instead of a regular Stop Order, you will receive more certainty regarding the execution price, but there is the possibility that your order will not be executed at all i f your limit price is not available in the market when the order is triggered.

2. Important Characteristics and Risks of Using Market Orders

Please note that a Market Order is an instruction to execute your order at any price available in the market. A Market Order is not guaranteed a specific execution price and may execute at an undesirable price. If you would like greater control over the execution prices you receive, please submit your order using a Limit Order, which is an instruction to execute your order at or better than the specified limit price.

16. RISKS OF RIGHTS ISSUE

A rights issue is a one-time offering of shares in a company to existing shareholders, allowing them an opportunity to maintain their proportional ownership without being diluted by buying additional new shares at a discounted price on a stated future date. Until the date at which the new shares can be purchased, investors may trade the rights to the market the same way they would trade ordinary shares. If the investors do not exercise their rights within the specified period of time, the rights will expire. If the investors do not intend to exercise their rights, they can sell them on the open market. Once exercised, the rights cannot be used again.

- It is easy to be enticed by shares offered at a discount, but you should not assume that you are getting a bargain. An informed decision should be made by looking at the rationale behind the fund raising exercise.
- A company may use a rights issue to cover debt, especially when they are unable to borrow money from other sources. You should be concerned with whether or not the management is addressing any underlying problems.
- If you decide not to take up the rights your overall shareholdings in the company will be diluted as a result of the increased number of shares in issue.
- If you do not participate in the rights issue within the specified time-frame your nil-paid rights will lapse. The company will sell these entitlements and distribute any net proceeds after deduction of the offer price and costs. The amount of lapsed proceeds, if any, will not be known until the offer has closed. Lapsed proceeds are not guaranteed.
- Investments and income arising from them can fall in value and you may get back less than you originally invested.