

## **Key Risks of Investing in Shanghai Connect / Shenzhen Connect**

### **Quotas Used Up**

Once the daily quota is used up, acceptance of the corresponding buy orders will 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. Buying services will be resumed on the following trading day.

### **Difference in Trading Day**

Shanghai Connect and / or Shenzhen Connect will only operate on days when both markets (Shanghai and Hong Kong / Shenzhen and Hong Kong) 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 market but Customer cannot carry out any A-share trading. Customer should take note of the days Shanghai Connect / Shenzhen 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 Connect / Shenzhen Connect is not trading.

### **Restrictions on Selling Imposed by Front-end Monitoring**

For Customer who usually keeps their A-shares outside of their brokers, if he / she / it wants to sell certain A-shares he / she / it hold, he / she / it must transfer those A-shares to the respective accounts of his / her / its broker before the market opens on the day of selling (T day). If he / she / it fails to meet this deadline, he / she / it 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 Connect / Shenzhen Connect, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of Customers. Customers should therefore pay close attention to the list of eligible stocks as provided and renewed from time to time by SSE, SZSE and SEHK.

### **Currency Risk**

Customer who holds a local currency other than RMB will be exposed to currency risk if he / she invests in a RMB product due to the need for the conversion of the local currency into RMB. During the conversion, currency conversion costs will be incurred. Even if the price of the RMB asset remains the same when Customer purchases it and when Customer redeems / sells it, it will still incur a loss or affect the profits when Customer converts the redemption / sale proceeds into local currency if RMB has depreciated.

## Mainland Market Related Risks

Customer who invests in PRC, an emerging market, may faces special risks including but not limited to differences in regulatory framework, political and social stability, macroeconomic factors and greater price volatility with his / her / its home country.

## Mainland Rules and Regulations

When investing in SSE Securities / SZSE Securities through Shanghai Connect / Shenzhen Connect, Customer should take note of and comply with SSE / SZSE Rules, SSE / SZSE Listing Rules and other applicable laws and regulations of Mainland China relating to Northbound trading, including but not limited to prohibition of trading SSE Securities / SZSE Securities and disclosure obligations. Customer is liable and responsible for breaching those laws and regulations. Customer is advised to obtain independent professional advice if there is any question on Mainland rules and regulations.

Source: HKEx