
Section 7

Depository and Related Services

7.1 CCASS DEPOSITORY SERVICES

7.1.1 Service Hours of CCASS Depository

The CCASS Depository currently has one physical outlet to cater for the deposit and withdrawal of Eligible Securities by Participants.

The service hour of CCASS Depository is as follows (or such time as HKSCC may determine from time to time):

Monday to Friday (except public holidays)
for the deposit of securities: from 9:30 a.m. to 3:45 p.m.
for the collection of securities: from 9:30 a.m. to 5:00 p.m.

7.1.2 Back-up premises

If the usual premises of the CCASS Depository become unavailable or unsuitable for providing services to Participants, HKSCC will use its back-up premises to continue CCASS Depository Services.

7.1.3 Notification by HKSCC

HKSCC will notify Participants if there is any change to the location of the CCASS Depository, including when the back-up premises of the CCASS Depository are to be used.

7.2 OPERATING PRINCIPLES

7.2.1 Eligibility for services

Not all Participants are eligible to make deposits or withdrawals into or out of the CCASS Depository.

This service is not generally available to Stock Pledgee Participants. Stock Pledgee Participants are not entitled to deposit Eligible Securities into CCASS and only have limited rights of withdrawal of Eligible Securities out of CCASS.

A Stock Pledgee Participant may only withdraw Eligible Securities out of CCASS in the case of a default by its counterparty pledgor Participant. In such a case, a Stock Pledgee Participant wishing to withdraw relevant Eligible Securities must notify HKSCC in advance and must complete a "Stock Pledgee Declaration Form" for submission to HKSCC (see CCASS Terminal User Guide for Participants for the form).

7.2.2 Participant's responsibility for defective Eligible Securities

Participants depositing defective Eligible Securities into CCASS will be held responsible to HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC. Where New Issue Shares are deposited, the Participants to whom they are

allocated will be deemed, unless the context will not admit, to have deposited them into CCASS.

In general, a Participant responsible for depositing defective Eligible Securities will have to replace them. In this connection, HKSCC may take one or more of the following actions where Eligible Securities deposited into CCASS by a Participant are found to be defective:

- (i) HKSCC may debit the Stock Accounts of the Participant concerned in respect of the relevant Eligible Securities found to be defective. This may create a negative balance in the Stock Accounts in which case the Participant will have to replenish its Stock Account immediately. HKSCC may telephone the Participant concerned to remind it to do so;
- (ii) pending replacement of the defective Eligible Securities, HKSCC will usually require the Participant concerned to immediately provide Collateral in such amount as HKSCC considers appropriate. In most cases, the amount of Collateral required will be the market value of the Eligible Securities in question, plus a margin of 30%. HKSCC reserves the right to debit the amount of required Collateral provided in the form of cash from the Designated Bank Account of the Participant;
- (iii) HKSCC may itself arrange for the purchase of the relevant Eligible Securities and the costs and expenses thereof will be charged to the Participant. In this case, HKSCC will notify the Participant;
- (iv) HKSCC may call on any assurance provided by the Participant in respect of its obligations to HKSCC; and
- (v) HKSCC may take any other action permitted by the Rules.

Participants will be asked by HKSCC to provide assurance in respect of their potential liabilities to HKSCC, the Exchange, and a recognized exchange controller which is the controller or HKSCC for defective Eligible Securities deposited into CCASS. The amount of assurance required of a Participant will normally be determined by HKSCC at the end of each calendar month.

In determining the extent of assurance to be provided by a Participant, HKSCC will normally have regard to its assessment of the financial condition of the Participant, the value of Eligible Securities deposited by the Participant (taking into account whether or not registration in the name of the Nominee has been effected). The level of deposits of Eligible Securities by Participants from time to time will also be monitored by HKSCC and where appropriate, HKSCC may require the provision of further assurances by Participants.

7.2.3 Immediate Credit

Subject to security control vetting measures and HKSCC's right to reject a deposit, Eligible Securities deposited by a Participant other than an Investor Participant will normally be immediately credited to that Participant's Stock Accounts. Eligible Securities deposited by an Investor Participant will not be credited to that Participant's Stock Account until re-registration in the name of the Nominee has been completed and new share certificates are received from the relevant share registrar. During the re-registration period, these Eligible Securities may not be withdrawn or transferred to the Stock Accounts of other Participants. However, nominee services from HKSCC will be provided in respect of these Eligible Securities to such extent as HKSCC considers appropriate.

In some cases, for risk management purposes, Eligible Securities deposited by a Participant may not be credited to its Stock Accounts until a later time, eg. upon registration of such securities in the name of the Nominee.

7.2.4 Registration in the name of Nominee

Upon acceptance of Eligible Securities for deposit, such Eligible Securities will normally be submitted to the registrars of the issuers of Eligible Securities for re-registration in the name of the Nominee.

7.2.5 Deposits and Withdrawals of Certificates

Subject as provided below or in the Rules, Participants may, at any time, deposit Eligible Securities in registered form into their Stock Accounts, other than their Stock Collateral Control Accounts, and where the Participants are TSF CCASS Participants, other than their TSF Accounts. An Investor Participant may only deposit Eligible Securities which are in registered form where such Eligible Securities are registered in the name of the Investor Participant concerned or in the name of the Nominee. Deposit of Eligible Securities registered in any other name(s) will not be accepted.

Any Debt Securities in bearer form which are Eligible Securities cannot be deposited into CCASS by Participants, and are only accepted by HKSCC direct from the issuer or the issuer's agent or representative for credit to Participants' Stock Accounts, other than Stock Collateral Control Accounts during the initial issue process. The bearer certificates of Debt Securities credited to Participants' Stock Accounts, other than Stock Collateral Control Accounts if withdrawn from CCASS by Participants, are not allowed to be re-deposited into CCASS at any time thereafter.

Participants may, at any time, withdraw Eligible Securities credited to their Stock Accounts, other than their Stock Collateral Control Accounts and where the Participants are TSF CCASS Participants, other than their TSF Accounts, from CCASS, subject to such conditions and restrictions as HKSCC may from time to time impose. Unless otherwise determined by HKSCC or provided in the Rules, Participants cannot physically deposit into or withdraw from CCASS or an Appointed Depository via HKSCC Eligible Securities which are: (a) uncertificated or issued in global form; or (b) Dual Counter Securities under the stock code of the secondary counter. Accordingly, physical deposit or withdrawal of China Connect Securities into or from CCASS or the relevant China Connect Clearing House is not

available and Rules relating to the physical deposit and withdrawal of securities are not applicable to China Connect Securities.

For the avoidance of doubt, no Eligible Securities can be directly deposited into or withdrawn from any Stock Collateral Control Account and any TSF Account.

7.2.6 Claim procedures for defective Eligible Securities

HKSCC will only entertain claims by Participants in respect of any defects affecting Eligible Securities withdrawn from CCASS.

As soon as it becomes aware that Eligible Securities withdrawn by it may be defective, a Participant must notify HKSCC immediately. Claims must be submitted to HKSCC without delay and will have to be supported by relevant documentation as required by HKSCC (eg. copy of the Stock Withdrawal Receipt). HKSCC reserves the right not to entertain a claim for defective Eligible Securities withdrawn from CCASS by a Participant if the Participant fails to notify HKSCC and/or submit a claim to HKSCC promptly. Claims submitted by Participants for defects affecting Eligible Securities withdrawn from CCASS will be referred to the Risk Management Committee whose decision as to the validity and the extent of any such claims will be final and conclusive.

7.2.7 Compensation for defective Eligible Securities, New Certificates and Old Certificates

In respect of any defects affecting the Eligible Securities withdrawn after 1995 by a Participant, except as provided for in subsection 7.2.6, HKSCC shall be liable to a withdrawing Participant, but not to any other person, immediately upon a claim being established by such Participant to the satisfaction of HKSCC (including, without limitation, the return of the defective certificates to HKSCC), either to replace the defective Eligible Securities or if that is not possible or reasonably practicable, as determined by HKSCC, to make money compensation to the Participant by reference to the value of such Eligible Securities, as determined by HKSCC, at the time of payment of compensation by HKSCC (or the value at such other time as HKSCC shall consider fair and appropriate).

New Certificates represent Eligible Securities which have been submitted for registration, or re-issued, in the name of the Nominee since they were last deposited into CCASS (or Eligible Securities newly issued in the name of the Nominee).

In respect of defects affecting Eligible Securities represented by New Certificates withdrawn by a Participant from CCASS at any time prior to 1996, subject to production of satisfactory evidence to HKSCC that the relevant Eligible Securities are defective and that the relevant New Certificates were withdrawn from CCASS by the Participant, HKSCC will immediately replace the defective Eligible Securities or if that is not possible or reasonably practicable, as determined by HKSCC, to make money compensation to the Participant by reference to the value of such Eligible Securities, as determined by HKSCC, at the time of payment of compensation by HKSCC (or the value at such other time as HKSCC shall consider fair and appropriate).

Old Certificates represent Eligible Securities which have not been registered or re-issued in

the name of the Nominee since they were last deposited into CCASS (noting that Old Certificates may already have been in the name of the Nominee).

In respect of defects affecting Eligible Securities represented by Old Certificates withdrawn by a Participant from CCASS prior to 1996, replacement of defective Eligible Securities, or money compensation by HKSCC, will not be made until such time as HKSCC has recovered from the Participants responsible for depositing the defective securities (or until such time as HKSCC determines, on whatever ground, that recovery is not possible). Again, any replacement of Eligible Securities or money compensation by HKSCC will be subject to production of satisfactory evidence to HKSCC that the relevant Eligible Securities are defective and that the Old Certificates were withdrawn from CCASS by the Participant concerned.

7.2.8 Fungibility

All Eligible Securities of the same kind held in CCASS may be treated as fungible by HKSCC. Eligible Securities will not normally be marked or labelled by HKSCC to a particular Participant or to a particular transaction.

7.2.9 Input error

In the case of an erroneous entry to the Stock Accounts of a Participant, HKSCC may rectify the error by debiting or crediting the Stock Account concerned (or the Stock Clearing Account, if applicable).

Any negative balance so created in the Stock Accounts of the Participant will have to be replenished by the Participant. Pending replenishment, HKSCC may require the Participant to provide Collateral in such amount as HKSCC considers appropriate and if Collateral in the form of cash is provided, HKSCC may debit the Designated Bank Account of the Participant in respect of such amount. In the event that a Participant fails to replenish a negative balance in its Stock Account without undue delay, HKSCC may itself purchase relevant Eligible Securities and the costs and expenses thereof will be charged to the Participant. In such a case, HKSCC will notify the Participant accordingly.

7.2.10 Authorised persons

Participants must provide HKSCC with details of the persons authorised to collect certificates withdrawn from the CCASS Depository on their behalf.

Participants must submit to HKSCC duly completed Stock Collection Authorisation Form (see CCASS Terminal User Guide for Participants for the form) for this purpose.

7.3 PROCEDURES FOR DEPOSIT

7.3.1 Stock Deposit Forms

A Participant must complete a Stock Deposit Form for each type of Eligible Security (other than New Issue Shares) that it intends to deposit. Original Stock Deposit forms, which can be obtained from the CCASS Depository in advance, must be used and must be signed by a person authorised by the depositing Participant and in this case, “signed” includes the authorized person affixing or making a stamped impression of his signature on the Stock Deposit Forms. HKSCC shall not be required to validate the signature of the person authorised by the depositing Participant.

7.3.2 Certificates and transfer documents

Certificates for each Eligible Security must be grouped together and details of the certificate numbers must be completed on the Stock Deposit Form (in the sequence in which they are grouped). A Participant should check that all deposits are accompanied by all certificates or evidence of title (duly endorsed as appropriate), instruments of transfer (duly executed, endorsed and stamped as appropriate) and such other documents, acts or things as may be required by HKSCC.

Eligible Securities deposited by a Corporate Investor Participant must also be accompanied by a certified copy of its board resolution or any other documents as may be required by HKSCC authorizing the re-registration of the Eligible Securities in the name of the Nominee.

7.3.3 Submission of Stock Deposit Forms

A Participant must submit the completed Stock Deposit Forms, together with the relevant certificates and accompanying documents, to the relevant counters at the CCASS Depository.

Upon acceptance, a Participant will be given a copy of the relevant Stock Deposit Forms with details of the certificates deposited printed thereon.

7.4 PROCEDURES FOR WITHDRAWAL

7.4.1 Bulk Withdrawal

If a bulk withdrawal (i.e., withdrawal of 5000 or more share certificates at any one time under a withdrawal order) is to be made, a Participant is required to input a withdrawal order or give instructions for such bulk withdrawal at least one clear Business Day in advance of the collection day of the certificates.

7.4.2 Input or submission of withdrawal orders

A Participant other than an Investor Participant that wishes to withdraw Eligible Securities from the CCASS Depository should input a withdrawal order for each type of Eligible Security via its CCASS Terminal, unless specifically advised otherwise by HKSCC.

An Investor Participant that wishes to withdraw Eligible Securities from its Stock Account

shall submit to HKSCC a completed and duly signed Withdrawal Order Input Request Form as set out in the Operating Guide for Investor Participants (stamped with the company chop, if applicable) at the Customer Service Centre or a duly completed withdrawal form electronically via the CCASS Internet System for processing by HKSCC.

7.4.3 Details of withdrawal orders

The data input/selection fields of a withdrawal order are:

- (i) Stock Account;
- (ii) Stock Code;
- (iii) Number of Shares;
- (iv) Lot Type;
- (v) Settlement/Custody (withdrawal for purpose related to settlement of Exchange Trades or withdrawal from custody) the field is only available for selection when the withdrawal is made for securities issued in registered form;
- (vi) Transfer Deed (number of transfer deeds required) the field is only available for input when the withdrawal is made for securities issued in registered form;
- (vii) Remarks; and
- (viii) Denomination (number of shares covered by one transfer deed) the field is only available for input when the withdrawal is made for securities issued in registered form.

7.4.4 Login withdrawal order number

Each withdrawal order input into CCASS by a Participant will be assigned a unique number, the "Login Withdrawal Order Number". Upon acceptance by HKSCC, a new unique "Withdrawal Order Number" will then be assigned. For ease of identification, the "Withdrawal Order Number" should be quoted by the Participant in all communication with HKSCC relating to that withdrawal order.

7.4.5 Withdrawal of board lots

The share quantity to be withdrawn must be a board lot or a multiple of a board lot.

Once a board lot withdrawal order is authorized and accepted by the system, the Participant's specified Stock Account will be debited automatically by the system with the withdrawal quantity of shares. Once accepted by the system, the withdrawal order cannot be cancelled by the withdrawing Participant.

7.4.6 Withdrawal of odd lots

The share quantity to be withdrawn must not be a board lot or a multiple of a board lot.

Once an odd lot withdrawal order is authorized and accepted by the system, the withdrawn share quantity will be recorded as a "withhold" stock balance in the stock account of the withdrawing Participant. Such "withhold" stock balance may not be utilised by the Participant for any CCASS purposes other than for the odd lot withdrawal order. The "withhold" share quantity will be debited from the withdrawing Participant's Stock Account when the required odd lot share certificate has been received from the share registrar after splitting. The withdrawing Participant may not cancel an odd lot withdrawal order once such order is authorised and accepted by the system.

In respect of the board lot or odd lot withdrawal order, HKSCC reserves the right to offer board lot or odd lot or jumbo certificates or a combination of board lot, odd lot and/or jumbo certificates depending on the availability of certificates.

7.4.7 Withdrawal of bearer Debt Securities issued in global form

For withdrawal of both board lots and odd lots of bearer Debt Securities issued in global form, the withdrawing Participant is required to provide the CCASS Depository with full details of the beneficiary (see Section 7.6(v)). Once the withdrawal order is authorized, the order will be withheld by the system awaiting the provision of the beneficiary details from the withdrawing Participant. When the beneficiary details are received by the CCASS Depository, the order will be accepted by the system, the Participant's specified Stock Account will be debited automatically by the system by the amount of the withdrawn quantity of Debt Securities. The Debt Securities certificate will be available for collection when the certificate has been received by HKSCC from the share registrar or transfer agent appointed by the issuer after splitting/registration.

7.4.8 Collection of share certificates

A Participant other than an Investor Participant can enquire via its CCASS Terminal the status of its withdrawal orders. If the withdrawal order is under "ready for collection" status, the Participant can collect the certificates from the CCASS Depository.

Certificates relating to a withdrawal order input before 2:00 p.m. can normally be collected before 5:00 p.m. on the same day (or such time as HKSCC may prescribe). All withdrawal orders input after 2:00 p.m. will be processed for certificates to be collected on the next Business Day (or such time as HKSCC may prescribe). Participants that fail to collect the certificate relating to any withdrawal order from the CCASS Depository within two Business Days from the date the share certificates are available for collection shall be liable to an administrative charge. HKSCC reserves the right to re-credit any such Eligible Securities which remain uncollected after the two Business Days period to the Stock Account of the relevant Participant and no refund of the withdrawal fee shall be made by HKSCC.

Participants may input a withdrawal order for Eligible Securities up to 2:00 p.m. on the last registration day (or such earlier time as HKSCC may prescribe) and the request will be processed for certificates to be collected thereafter on the same day. Withdrawal orders cannot be input after 2:00 p.m. on the last registration day of any Eligible Securities to effect

withdrawal of such Eligible Securities, withdrawal orders will have to be input on the next Business Day.

It is the responsibility of the Participant to produce the Stock Collection Authorisation Form with the correct "Withdrawal Order Number" stated thereon at the relevant counter of the CCASS Depository in order for the CCASS Depository to release the certificates of the relevant Eligible Securities. The CCASS Depository has the right to reject any request for collection of certificates if the details in the Stock Collection Authorisation Form are not complete and/or accurate.

The authorised representative of the Participant authorised to collect the certificates is required to present his identity card to the HKSCC counter staff for checking. HKSCC will on the basis of the Stock Collection Authorisation Form submitted by the Participant check to ensure that the representative is the authorised person to collect the relevant certificates relating to the withdrawal order. The CCASS Depository will not release any certificates to any person if he is not the authorised person specified on the Stock Collection Authorisation Form.

Upon collection, a Participant's authorised representative will be given a copy of the relevant Stock Withdrawal Receipt with details of the certificate numbers and quantities withdrawn printed thereon. The authorised representative has to sign the Stock Withdrawal Receipt to acknowledge receipt of the relevant certificates of the Eligible Securities withdrawn.

7.5 SECURITY CONTROL

A complete record of details relating to each deposit and withdrawal of Eligible Securities into or out of the CCASS Depository will be retained by the CCASS Depository. The records will include details of :

- (i) the Participant involved in each deposit (except for New Issue Shares) or withdrawal;
- (ii) the date of each deposit or withdrawal;
- (iii) the quantity and the type of Eligible Securities involved; and
- (iv) the certificate numbers of the Eligible Securities concerned.

7.6 FORMS

Various forms are used in connection with the operation of the CCASS Depository. The most commonly used forms are referred to below:

- (i) Stock Deposit Form (see CCASS Terminal User Guide for Participants for the form): this is to be used for each deposit of Eligible Securities into CCASS;

-
- (ii) Stock Collection Authorisation Form (see CCASS Terminal User Guide for Participants for the form): this enables a Participant to notify HKSCC of the persons authorised to collect certificates relating to a withdrawal order from the CCASS Depository on its behalf;
 - (iii) Void Voucher (see CCASS Terminal User Guide for Participants for the form): this will normally be sent by the CCASS Depository to a Participant if an error is detected on the same day of a deposit or withdrawal by the Participant;
 - (iv) Adjustment Voucher (see CCASS Terminal User Guide for Participants for the form): this will normally be sent by the CCASS Depository to a Participant if an adjustment needs to be made subsequent to the day of deposit or withdrawal by the Participant (eg. data entry error); and
 - (v) Beneficiary Details and Registration Authorisation Form for bearer Debt Securities issued in global form (see CCASS Terminal User Guide for Participants for the form): this is to be used for each withdrawal of Debt Securities issued in global bearer form from CCASS. It is to be used to specify the details of the beneficiary of the certificate to be withdrawn.

Stock Collection Authorisation Forms and Beneficiary Details and Registration Authorisation Form for bearer Debt Securities issued in global form are to be signed by the authorised signatories of Participants. Stock Deposit Forms are to be signed by persons authorised by the Participants and "signed", in this case, includes the authorized persons affixing or making stamped impression of their signatures. Void Vouchers and Adjustment Vouchers will be signed by the CCASS Depository.

Stock Withdrawal Receipt will be issued by the CCASS Depository to a withdrawing Participant upon each withdrawal of Eligible Securities (as well as securities entitlements which are not Eligible Securities) from CCASS.

7.7 WITHDRAWAL ORDER FUNCTIONS AVAILABLE FOR USE

Various withdrawal order functions are available for use by Participants other than Investor Participants through their CCASS Terminals. To access the relevant withdrawal order, a Participant will need to key into its CCASS Terminal the "Login Withdrawal Order Number" of such withdrawal order.

The functions available for use by Participants other than Investor Participants are:

- (i) "Change Login Withdrawal Order" function: which allows a Participant to change certain input data of a pending withdrawal order before it is authorised;
- (ii) "Delete Login Withdrawal Order" function: which allows a Participant to delete a pending withdrawal order before it is authorised;

-
- (iii) "Enquire Login Withdrawal Order" function: which provides a list screen for a Participant to see all of its withdrawal orders at any time up to the date of the collection of the certificates relating to the withdrawal order and also enables a Participant to check the details and status of its withdrawal orders;
 - (iv) "Authorise Login Withdrawal Order" function: which allows an Authorised User of a Participant to authorise a pending withdrawal order; and
 - (v) "Cancel Login Withdrawal Order" function: which allows a Participant to cancel an odd lot withdrawal order which has already been authorised, when a Participant does not intend to wait for the splitting of relevant Eligible Securities.

For further details Participants may refer to the relevant section(s) of the CCASS Terminal User Guide.

7.8 PURGING OF WITHDRAWAL ORDERS

Pending withdrawal orders may from time to time be purged from CCASS by HKSCC. The purging of withdrawals is initiated by HKSCC and not by the Participants.

Pending withdrawal orders will be purged from CCASS three Business Days after input.

7.9 RELEVANT CCASS REPORTS

7.9.1 Reports available

Two reports relating to withdrawal orders are available to Participants other than Investor Participants in CCASS, namely:

- (i) the Withdrawal Order Audit Trail Report; and
- (ii) the Withdrawal Order Status Report.

Both reports are available daily from 8:00 a.m. and relate to matters affecting withdrawal orders input on the previous Business Day.

The two reports are prepared in a pre-defined format in CCASS and hard copies of such reports can be printed from CCASS Terminals or Participant Gateways of Participants via the "request download" function.

Withdrawal Orders Audit Trail Report : This report shows details of withdrawal orders input activities (including add, change, delete, authorise, and cancel withdrawal orders) of a Participant on a Business Day, and lists withdrawal orders that are purged by HKSCC on that day in chronological order.

Withdrawal Orders Status Report : This report lists all withdrawal orders of different status (including pending, accepted, withhold, cancel, confirm, ready for collection, shares

collected) of a Participant as at the end of a Business Day.

For detailed explanation of the status, please refer to the CCASS Terminal User Guide.

7.10 EXCHANGE FUND NOTES, GOVERNMENT BONDS, SPECIFIED INSTRUMENTS AND CMU INSTRUMENTS

7.10.1 Custodian services in relation to Exchange Fund Notes and Government Bonds

Exchange Fund Notes and Government Bonds are scripless. They are held in computerized form by Recognized Dealers within the EFCS and are recorded in a Recognized Dealer's CMU Account in book-entry form. HKSCC is a Recognized Dealer and maintains a CMU Account for the purpose of holding and settling transactions in Exchange Fund Notes and Government Bonds belonging to Participants. Physical deposit and physical withdrawal of Exchange Fund Notes and Government Bonds from the CCASS Depository are not available. Accordingly, Rules relating to physical deposit and withdrawal of securities are not applicable to Exchange Fund Notes and Government Bonds.

Exchange Fund Notes may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following a tender for Exchange Fund Notes accepted by the HKMA, (b) clearing and settlement of transactions in Exchange Fund Notes effected on the Exchange, (c) clearing and settlement of Transfer Instructions and (d) the provision of any other CCASS services in relation to Exchange Fund Notes to the Participant.

Government Bonds may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following an application for Government Bonds made through HKSCC and accepted by the HKMA, (b) clearing and settlement of transactions in Government Bonds effected on the Exchange, (c) clearing and settlement of Transfer Instructions and (d) the provision of any other CCASS services in relation to Government Bonds to the Participant.

7.10.2 Custodian Services in relation to Specified Instruments

Specified Instruments are issued in global form and are held for the account of Recognized Dealers in computerized form within the EFCS. Recognized Dealers' interests in Specified Instruments are recorded in the Recognized Dealers' CMU Accounts in book entry form. No physical depository service will be provided by HKSCC in respect of Specified Instruments. In certain limited circumstances which are specified in the terms and conditions of the Specified Instruments, those with interests in the global instruments are entitled to delivery of definitive instruments. If HKSCC receives definitive instruments for the account of Participants, they must withdraw their definitive instruments from CCASS and may not redeposit them into CCASS. Specified Instruments may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following a tender for Specified Instruments accepted by their issuer and/or arranger of the issue, (b) clearing and settlement of transactions in Specified Instruments effected on the Exchange, (c) clearing and settlement of Transfer Instructions, and (d) the provision of any other CCASS services in relation to Specified Instruments to the Participant. HKSCC shall have no obligation to enforce any rights on behalf of Participants under the terms and conditions in respect of the Specified Instruments.

7.10.2A Custodian services in relation to CMU Instruments

CMU Instruments are issued in global form and are held for the account of CMU Members in book entry form within the CMU Service. CMU Members' interests in CMU Instruments are recorded in CMU Members' CMU accounts in book entry form. No physical depository service will be provided by HKSCC in respect of CMU Instruments.

In certain limited circumstances which are specified in the terms and conditions of the CMU Instruments, those with interests in the global instruments are entitled to delivery of definitive instruments. If HKSCC receives definitive instruments for the account of Participants, they must withdraw their definitive instruments from CCASS and may not redeposit them into CCASS.

CMU Instruments may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following an application for CMU Instruments made through HKSCC in accordance with the Prospectus, (b) clearing and settlement of transactions in CMU Instruments effected on the Exchange, (c) clearing and settlement of Transfer Instructions, and (d) the provision of any other CCASS services in relation to CMU Instruments to the Participant. HKSCC shall have no obligation to enforce any rights on behalf of Participants under the terms and conditions in respect of the CMU Instruments.

7.10.3 Legal title of Exchange Fund Notes and Government Bonds and interests in Specified Instruments and CMU Instruments

HKSCC has the legal title to Exchange Fund Notes and Government Bonds, and interest in Specified Instruments credited to its CMU Account. Save as otherwise provided in the Rules, HKSCC has no proprietary interests in those Exchange Fund Notes, Government Bonds and Specified Instruments to the extent that they are credited to the Stock Accounts of Participant.

As long as the CMU Instrument is in global form held within the CMU Service, HKSCC has and holds interest in the CMU Instrument through its CMU Account.

7.11 FOREIGN SECURITIES

7.11.1 Custodian Services in relation to Foreign Securities

Most Foreign Securities are certificated and are physically held by an Appointed Depository. (Those Foreign Securities which are uncertificated or issued in global form are represented by book entries in the records of the Appointed Depository.) HKSCC has an account with that Appointed Depository in order to enable HKSCC to assist the Participant in the holding of Foreign Securities and the settling of transactions relating to Foreign Securities.

Physical deposit of Foreign Securities with the CCASS Depository is not available. Participants that wish to physically deposit Foreign Securities with HKSCC's Appointed Depository will be required to make their own arrangements with a person other than HKSCC who has an account with the Appointed Depository. Foreign Securities which are physically deposited in this manner may be transferred to HKSCC's account with the Appointed Depository if the Participant gives a Cross-Border Transfer Instruction for the securities to be so transferred in accordance with Sections 9.6A and 12.5.

Foreign Securities may be credited to and debited from a Participant's Stock Account as a result of (a) clearing and settlement of Exchange Trades relating to Foreign Securities, (b) clearing and settlement of Cross-Border Transfer Instructions and (c) the provision of any other service by HKSCC in relation to Foreign Securities to the Participant.

Save as otherwise provided in the Rules, HKSCC acknowledges and confirms that it has no proprietary interest in Foreign Securities to the extent they are credited to the Stock Account of a Participant.

HKSCC does not guarantee title to any Foreign Securities which is evidenced by any certificate which is physically withdrawn on the instructions of a Participant and is re-registered in the name of a beneficiary. Participants that wish to withdraw certificated Foreign Securities from an Appointed Depository via HKSCC must submit to HKSCC a completed and signed prescribed form as set out in the CCASS Terminal User Guide for Participants. Physical withdrawal of Foreign Securities which are uncertificated or issued in global form from an Appointed Depository via HKSCC is not available.

In relation to Foreign Securities which are credited to a Participant's Stock Account, that Participant covenants, represents and warrants to HKSCC that :-

- (i) in the case of a certificated security, (a) the certificate is genuine and has not been materially altered; (b) the Participant does not know of any fact that might impair the validity of the security; (c) there is no adverse claim to the security; and (d) there is no restriction on the transfer of such certificated security;
- (ii) in the case of an uncertificated security, (a) there is no adverse claim to the security; and (b) there is no restriction on the transfer of such uncertificated security;
- (iii) in the case of the Foreign Securities held in HKSCC's account with The Depository Trust Company or its successor or assignee, such Foreign Securities are "Eligible U.S. Securities"; and
- (iv) it shall furnish HKSCC with any other information as HKSCC may require in order to comply with any request made of it by any tax authority for information in connection with the preceding representations and warranties in this Section 7.11.1 or any other matter required by applicable law.

In the case of the Foreign Securities held in HKSCC's account with The Depository Trust Company or its successor or assignee (hereinafter referred to as "The Depository Trust Company") on behalf of a Participant, that Participant covenants, represents and warrants to HKSCC that the Participant shall not raise any claims (whether in contract, tort or otherwise) against either HKSCC or The Depository Trust Company based upon the fact that HKSCC will not collect United States tax documentation from the Participant nor forward such documentation to The Depository Trust Company if it is received from the Participant, and that The Depository Trust Company will withhold 30% United States tax

from the gross amount of any distributions made in respect of securities held in the account regardless of whether the Participant or any underlying beneficial owners of the securities are either foreign persons eligible for a lower withholding tax by treaty or United States persons eligible for an exemption from the withholding tax.

If, contrary to the rules and procedures set forth in this Section 7.11.1, any securities other than Eligible U.S. Securities permitted by Section 7.11.1 are actually held in HKSCC's account with The Depository Trust Company, The Depository Trust Company may, in compliance with the relevant United States tax laws and regulations, apply different withholding obligations applicable to these prohibited securities. In such event, the affected Participant covenants, represents and warrants to HKSCC that the Participant shall not raise any claims (whether in contract, tort or otherwise) against either HKSCC or The Depository Trust Company based upon the fact that The Depository Trust Company applied different withholding obligations applicable to these prohibited securities.

7.12 STRUCTURED PRODUCTS

7.12.1 Custodian services in relation to Structured Products issued in global or scripless form

Structured Products issued in global or scripless form are held by HKSCC for the account of Participants recorded in computerized form by CCASS Depository or an Appointed Depository. No physical deposit and withdrawal services will be provided by HKSCC for Structured Products save for the physical deposit of global certificate(s) into CCASS in respect of Structured Products issued with certificate(s) in global form.

Save as otherwise provided in the Rules, Structured Products may be credited to and debited from a Participant's Stock Account as a result of (a) clearing and settlement of Exchange Trades relating to Structured Products; and (b) the provision of any other service by HKSCC in relation to Structured Products to the Participant. HKSCC shall have no obligation to enforce any rights on behalf of Participants under the terms and conditions in respect of the Structured Products. Save as otherwise provided in the Rules, HKSCC acknowledges and confirms that it has no proprietary interest in Structured Products to the extent they are credited to the Stock Account of a Participant.

7.13 PROCEDURES FOR TRANSFER OF MULTI-COUNTER ELIGIBLE SECURITIES

7.13.1 Submission of Multi-counter Transfer Instructions

A Participant other than an Investor Participant that wishes to effect a transfer of Multi-counter Eligible Securities in its Stock Accounts from one stock code of Multi-counter Eligible Securities of an Issuer to another stock code of Multi-counter Eligible Securities of the same Issuer should submit a Multi-counter Transfer Instruction to HKSCC electronically via the Participant's CCASS Terminal or through other means as specified by HKSCC from time to time. Participants are requested to refer to the CCASS Terminal User Guide for further information on the use of the relevant maintenance function.

An Investor Participant that wishes to effect a transfer of Multi-counter Eligible Securities in its Stock Account from one stock code of Multi-counter Eligible Securities of an Issuer to another stock code of Multi-counter Eligible Securities of the same Issuer should submit a duly completed and signed Multi-counter Transfer Instruction Form (as set out in the Operating Guide for Investor Participants) to HKSCC or through other means as HKSCC may

specify from time to time. The Form, stamped with the company chop of the Investor Participant (if applicable), should be submitted to the Customer Service Centre of HKSCC for processing.

7.13.2 Relevant CCASS Report

A report recording both the Multi-counter Transfer Instructions and Parallel Trading Conversion Instructions submitted by Participants other than Investor Participants is available daily from the time the report download function is available. For further details regarding the report, please refer to the CCASS Terminal User Guide.

7.13A PROCEDURES FOR CONVERSION OF HOLDINGS OF ELIGIBLE SECURITIES SUBJECT TO PARALLEL TRADING ARRANGEMENTS

7.13A.1 Submission of Parallel Trading Conversion Instructions

In relation to an Eligible Security which is subject to parallel trading arrangements and which has been assigned with separate stock codes for this purpose, as referred to in Section 8.14, HKSCC may provide conversion service for the Eligible Security.

A Participant other than an Investor Participant that wishes to effect the conversion of its holdings in an Eligible Security subject to parallel trading arrangements in its Stock Accounts from one relevant stock code to another relevant stock code on a one to one basis should, during the period specified by HKSCC, submit a Parallel Trading Conversion Instruction to HKSCC electronically via the Participant's CCASS Terminal or through other means as specified by HKSCC from time to time. Participants are requested to refer to the CCASS Terminal User Guide for further information on the use of the relevant maintenance function.

7.13A.2 Relevant CCASS Report

A report recording both the Multi-counter Transfer Instructions and Parallel Trading Conversion Instructions submitted by Participants other than Investor Participants is available daily from the time when the report download function is available. For further details regarding the report, please refer to the CCASS Terminal User Guide.

7.14 UNCERTIFICATED ELIGIBLE SECURITIES

7.14.1 Custodian Services in relation to Uncertificated Eligible Securities (other than China Connect Securities)

For the purposes of this Section 7.14.1, references to "Uncertificated Eligible Securities" shall not include China Connect Securities.

Uncertificated Eligible Securities are held by HKSCC for the account of Participants recorded in computerized form by the CCASS Depository.

Physical deposit of Uncertificated Eligible Securities with and physical withdrawal of Uncertificated Eligible Securities from the CCASS Depository are not available. Accordingly, Rules relating to the physical deposit and withdrawal of securities are not applicable to Uncertificated Eligible Securities.

Participant that wishes to transfer Uncertificated Eligible Securities from an Overseas Account to its Stock Account with CCASS (or vice versa) will be required to provide a Cross-Border Transfer Instruction in accordance with Sections 9.6A and 12.5.

Uncertificated Eligible Securities may be credited to and debited from a Participant's Stock Account as a result of (a) allocation following a successful application for New Issue Shares in a New Issue in relation to the relevant Overseas Issuer; (b) clearing and settlement of Exchange Trades relating to Uncertificated Eligible Securities; (c) clearing and settlement of Cross-Border Transfer Instructions; and (d) the provision of any other services by HKSCC in relation to Uncertificated Eligible Securities to the Participant.

Save as otherwise provided in the Rules, HKSCC acknowledges and confirms that it has no proprietary interest in Uncertificated Eligible Securities to the extent they are credited to the Stock Account of a Participant.

HKSCC does not guarantee the title to any Uncertificated Eligible Securities held through it in any manner. Further, HKSCC shall have no obligation to enforce any rights on behalf of Participants in respect of Uncertificated Eligible Securities.

Participants confirm and agree that their title or interest in and entitlements to Uncertificated Eligible Securities (whether legal, equitable or otherwise) shall be subject to the applicable law of the relevant jurisdiction.

Where Uncertificated Eligible Securities of Participants are held through HKSCC in any manner, each Participant covenants, represents and warrants to HKSCC that:

- (a) it shall not raise any claims (whether in contract, tort or otherwise) against HKSCC arising from or relating to any form of tax, duty, fine or penalty imposed or levied on or in respect of the Uncertificated Eligible Securities under any applicable law or regulation, whether or not HKSCC is involved in any tax collection, withholding or related arrangement; and
- (b) unless HKSCC otherwise agrees, it shall only give voting or other instructions to HKSCC and not directly to the Overseas Issuer or its principal or branch share registrar (if any).

7.14.2 Custodian Services in relation to China Connect Securities

China Connect Securities are uncertificated securities. Physical deposit of China Connect Securities with and physical withdrawal of China Connect Securities from CCASS or the relevant China Connect Clearing House is not available. Accordingly, Rules relating to the physical deposit and withdrawal of securities are not applicable to China Connect Securities.

China Connect Securities are held by HKSCC for the account of Participants in an omnibus account maintained by HKSCC with the relevant China Connect Clearing House under a Clearing Link (including a central securities depository link) and are recorded in computerized form in CCASS. China Connect Securities may be credited to and debited from a Participant's Stock Account as a result of (a) the clearing and settlement of China Connect Securities Trades, and (b) the provision of any other China Connect Services by HKSCC to the Participant. HKSCC shall not be obliged to open or maintain any sub-account with the relevant China Connect Clearing House for a Participant or any other person in respect of China Connect Securities. However, HKSCC has in place daily reconciliation procedures with the relevant China Connect Clearing House and within CCASS to ensure that the credits and debits of China Connect Securities to and from each Participant's Stock Accounts are accurate.

The China Connect Securities that are credited by the relevant China Connect Clearing House to the omnibus account maintained by HKSCC with such China Connect Clearing House, and the China Connect Securities that are credited by HKSCC to the Stock Account of each Participant within CCASS, shall be held by HKSCC as nominee holder only. HKSCC has no proprietary interest in and is not the beneficial owner of any China Connect Securities held or recorded in such accounts. All proprietary interests in respect of China Connect Securities belong to the Participants or their clients (as the case may be).

As permitted in the Rules, Participants may hold their China Connect Securities in one or more Stock Segregated Accounts within CCASS. In addition, Custodian Participants and General Clearing Participants which are not Exchange Participants may hold their China Connect Securities in Special Segregated Accounts within CCASS.

HKSCC provides services to Participants as set out in Chapters 8, 11 and 41 of the Rules and the related Operational Procedures to enable them and their clients (as appropriate) to exercise their rights as owners of proprietary interests in China Connect Securities, including the right to receive dividends and other distributions and the power to exercise voting rights. Unless specifically provided for in the Rules, HKSCC will not exercise any right arising from or in relation to any China Connect Securities without the instruction of the Participants.

Where any Participant or any of its clients who is the beneficial owner of China Connect Securities decides to bring legal action in Mainland China to enforce its rights in relation to the China Connect Securities, HKSCC will:

- (a) upon the request of the Participant and after receiving the necessary information, documentation and indemnities as HKSCC may reasonably require from the Participant, provide certification to the relevant China Connect Clearing House for the purpose of providing evidential proof of the relevant Participant's or its client's holding in China Connect Securities at the relevant time; and
- (b) upon the request of the Participant, assist the Participant or its client in bringing the legal action in Mainland China in the manner as may be required under Mainland China law, after having regard to its statutory duties and subject to such conditions as HKSCC may reasonably require (including payment of fees and cost up-front and indemnities to the satisfaction of HKSCC).

Participants confirm and agree that their title or interest in and entitlements to the China Connect Securities (whether legal, equitable or otherwise) and their holdings in China Connect Securities shall be subject to the applicable laws of Mainland China and Hong Kong, including any laws which restrict foreign shareholding or impose a disclosure of interest obligation on the holder beyond a specified limit. Participants shall be responsible for ensuring that they comply with such applicable laws.

Where China Connect Securities of a Participant are held through HKSCC in any manner, the Participant covenants, represents and warrants to HKSCC that:-

- (a) it shall not raise any claims (whether in contract, tort or otherwise) against HKSCC arising from or relating to any form of tax, duty, fine or penalty imposed or levied on or in respect of the China Connect Securities under any applicable law or regulation, whether or not HKSCC is involved in any tax collection, withholding or related arrangement; and

- (b) unless HKSCC otherwise agrees, it shall only give voting or other instructions to HKSCC and not directly to the issuer or its authorised agents or representatives (if any).