

**OCBC BANK (HONG KONG) LIMITED**

**SECURITIES MARGIN CLIENT AGREEMENT**

**(Personal / Joint / Corporate Account)**

Registration Status: Registered Institution

CE Number: AAC083

Address: 1/F, 161 Queen's Road Central, Central, Hong Kong

This Securities Margin Client Agreement together with its supplements, amendments and addendum from time to time (“**Agreement**”) set forth the terms and conditions governing the opening and the use of the Securities Margin Account and all related accounts. By signing the Account Opening Form and all related forms and documents, the Client agrees to be bound by this Agreement.

## **1. Definitions & Interpretation**

1.1 In this Agreement, unless the context otherwise requires: -

- "Access Code" means the Client's login identification used in conjunction with his/their personal password and the account number to gain access to the Services.
- "Account" means individually or collectively the Securities Margin Account and all related account(s) (including the Investment Account and Deposit Account), opened and maintained with the Bank by the Client for the purposes of safekeeping and custody of Securities, and/or payment settlements arising from the purchases and sales of Securities and other dealings in Securities through the Bank, in connection with the Services.
- "Agents" means all agents, associate affiliates, nominees, information service providers, providers of EREF (including OCBC Securities Brokerage (Hong Kong) Limited or any other related company or affiliate of the Bank) and providers of other financial products.
- "Authorized Person" means the person(s) authorized by the Client to give Instructions (together with specimen signatures) to the Bank from time to time in such manner as the Bank requires.
- “Bank” means OCBC Bank (Hong Kong) Limited, its subsidiaries and any branch of the Bank wherever situate which provide services or effect transaction, and shall include each such company’s successors and assigns.
- “Bank Group Company” means any direct or indirect holding company of the Bank, any direct or indirect subsidiary of the Bank or of such holding company, or any of their related company (being a company in which an equity interest is held by any of the foregoing), and includes each such company’s successors and assigns.
- "Clearing House" means the subsidiary or division of the Hong Kong Exchanges and Clearing Limited which is responsible for clearing and settlement in respect of the dealing in Securities or any other clearing houses in Hong Kong or overseas.
- "Client" means individually or collectively the following: -  
  
(1) the person(s),  
(2) the corporation,  
(3) the sole proprietor or all the partners of the firm,  
  
named in the account opening form of the Securities Margin Account who has/have applied and been accepted by the Bank to use the Services.
- "Code" means the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, as may be amended, varied and replaced from time to time. All the provisions herein that relate to the obligations of the Bank under the Code shall only cover the obligations that are applicable to the Bank in the conduct of its regulated activities (under the Securities and Futures Ordinance). For the avoidance of doubt, the obligations applicable to

the Bank under the Code shall not include any Code requirements that the Bank is exempt from under paragraph 15 of the Code.

"Corporate Professional Investors"	means the "Corporate Professional Investors" as defined in paragraph 15 of the Code, with regard to whom the Bank has complied with paragraphs 15.3A and 15.3B of the Code and who have given consent for the Bank to be exempt from complying with the requirements set out in paragraphs 15.4 and 15.5 of the Code.
"EREF"	means electronic routing and execution facility provided by the Bank or Agents which enables the Client to give electronic Instructions through the Internet or mobile phone services or other access channel for the purpose of acquisition, subscription, exchange or otherwise disposal of and dealings in any and all kinds of Securities or any investment vehicles and information services.
"eTrading Services"	means services provided by the Bank from time to time via Phone Trading, Mobile Trading, Internet Trading or other electronic access channels.
"Exchanges"	means the limited company with the exclusive right to establish, operate and maintain a stock market or commodity exchange in Hong Kong or otherwise including but not limited to The Stock Exchange of Hong Kong Limited ("SEHK").
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC.
"Hong Kong Regulators"	means the Exchanges in Hong Kong, the SFC, Hong Kong Monetary Authority and/or other governmental authorities or tax authorities in Hong Kong.
"Instruction"	means (a) verbal instruction and/or (b) instruction through various delivery channels acceptable to the Bank and/or (c) instruction given through eTrading Services and/or (d) written instruction given in such form and delivered or transmitted to the Bank by such means as the Bank may from time to time prescribe or accept, in each case subject to the applicable minimum and/or maximum amount as may be prescribed by the Bank from time to time in respect of any particular type of instruction. The instructions may include but not limited to acquisition, subscription, exchange or otherwise disposal of and dealings in any and all kinds of Securities or any investment vehicles to the Bank. The instructions may also include the input of electronic Initial Public Offering (eIPO) applications.
"Institutional Professional Investors"	means the "Institutional Professional Investors" as defined in paragraph 15 of the Code.
"Internet Trading"	means a part of eTrading Services offered by the Bank that enables the Client to access to a range of trading services as specified and provided by the Bank from time to time using Internet.
"Margin"	means such initial and additional assets and/or amounts in such form and currency as security for all obligations of the Client to the Bank under this Agreement as the Bank may require and approve from time to time. Any interest, dividend or other benefit (if any) on any asset (cash or non-cash) deposited with the Bank as Margin (initial or additional) will be added to and form part of the Margin deposited as security for the Client's obligations as aforesaid.

"Mobile Trading"	means a part of eTrading Services offered by the Bank that enables the Client to access to a range of trading services as specified and provided by the Bank from time to time via electronic application using a mobile phone (or such other telecommunication equipment) serviced by telecommunication companies designated by the Bank from time to time.
"Phone Trading"	means a part of eTrading Services offered by the Bank that enables the Client to access to a range of trading services as specified and provided by the Bank from time to time using telephone calls.
"Securities"	means individually or collectively the following: <ul style="list-style-type: none"> <li>(1) "securities" as defined in Part 1 of Schedule 1 of the Securities and Futures Ordinance, Cap.571,</li> <li>(2) Securities traded on the Exchanges,</li> <li>(3) derivative products now being offered and other derivative products to be developed and offered by the Bank from time to time as part of the Services; and</li> <li>(4) such other products as designated by the Bank from time to time for which the Services will be provided,</li> </ul> together with all rights, allotments, offers, benefits, interests, dividends and other distributions in relation thereto and in connection therewith.
"Securities Margin Account"	means the account which the Bank provides the Client with credit facilities in respect of transactions in Securities effected by the Bank on behalf of the Client on Margin basis, for trading, safekeeping and custody of Securities and for settling the purchase price of the Securities and all related costs, fees, charges and expenses arising from the purchases and sales of Securities and other dealings in Securities.
"Services"	means the services from time to time offered by the Bank as described in Clause 2.1.
"SFC"	means the Securities and Futures Commission of Hong Kong.
"Transaction"	means the carrying out of Instructions given by the Client to the Bank in relation to the Services provided herein.

1.2 Reference to the plural shall include the singular and vice versa; words importing a gender shall include every gender; references herein to a "person" shall include individual, firm, body, company, corporate or government, state, agency of a state, any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing. References to "including" or "includes" shall mean including or includes without limitation.

1.3 Clause and Schedule headings are for reference only and all Schedules shall form an integral part of this Agreement. For the avoidance of doubt, the terms and conditions the Schedule(s) shall be cumulative with and in addition to these in this Agreement and the Client agrees to be bounded by all of the terms and conditions of this Agreement.

1.4 Reference to a statute or statutory provision includes a reference to it as amended, extended, replaced, substituted or re-enacted from time to time and shall include any subordinate legislation made under the relevant statute or statutory provision.

1.5 Unless the context otherwise requires, references in this Agreement to (a) an "account" includes without limitation the "Account", (b) an "instruction" include without limitation an "Instruction", (c) a "transaction" includes without limitation a "Transaction", (d) a "service" includes without limitation "Services", and (e) an "agent" includes without limitation "Agents".

## 2. Scope of Services

- 2.1 The Client may use or continue to use any one or more of the following services subject to the terms and conditions of this Agreement:
- (a) Securities trading;
  - (b) Securities custodian service;
  - (c) Provision of margin loan; and
  - (d) Any other services as agreed in writing to be provided by the Bank at its sole discretion from time to time.
- 2.2 Where it is explicitly agreed between the Bank and the Client that the Bank will provide the execution only services in respect of any Securities prescribed by the Bank, the Client understands and agrees that the Bank's services will be limited to the execution of Instructions for such Securities as specified by the Client in accordance with the Client's Instructions pursuant to this Agreement, and the Bank does not provide any investment advice to the Client in relation to such Securities.
- 2.3 All Clients who use or continue to use one or more of the Services shall, as the case may be, open and maintain the Accounts, which shall be subject to this Agreement and other terms and conditions as applicable to the Accounts, for the purpose of effecting Securities trading and Securities custodian services.
- 2.4 The Bank shall be entitled (but not obliged), without prior notice to or consent from the Client, to take or omit to take any steps or actions as it or its Agents may consider necessary or expedient to comply with:
- (a) all applicable laws (including without limitation the laws of Hong Kong) and regulations of government agencies and statutory bodies of competent jurisdiction (including without limitation the Hong Kong Regulators);
  - (b) the constitution, rules, practices and customs of exchange, Clearing Houses or other market in any country where the Transactions are executed; and/or
  - (c) banking regulations, practices and customs in any country in connection with the delivery and settlement of Securities,
- and the Client shall bear all the charges fees or levies which may be imposed and the Bank shall not be liable to the Client for any loss or damage the Client may suffer or sustain arising from or in connection with the taking of or omission to take any such steps or actions by the Bank (or its Agents) notwithstanding that any of the Services may be affected delayed suspended or withheld save and except any negligence or wilful misconduct of the Bank.
- 2.5 If the Bank solicits the sale of or recommends any financial product to the Client, the financial product must be reasonably suitable for the Client having regard to the Client's financial situation, investment experience and investment objectives. No other provision of this Agreement or any other document the Bank may ask the Client to sign and no statement the Bank may ask the Client to make derogates from this Clause 2.5. For the purposes of this Clause 2.5, the term "financial product" means any securities, futures contracts or leveraged foreign exchange contracts as defined under the Securities and Futures Ordinance and "leveraged foreign exchange contract" is only applicable to those traded by persons licensed for Type 3 regulated activity. For any Client who is an Institutional Professional Investor or a Corporate Professional Investor, the Client agrees that the aforesaid obligations of the Bank (including the non-derogation obligations) under this Clause 2.5 are not applicable thereto, and in respect of any Instruction, Transaction or investment in financial products of any kind, the Client will independently and without reliance on the Bank make his own judgments and decisions, and that the Bank is not obliged to assess the suitability of such investment under this Clause 2.5.
- 2.6 **(This Clause 2.6 shall only be applicable if the Client is an Institutional Professional Investor or a Corporate Professional Investor)** The Client agrees that he is not relying on any communication (whether written or oral) of the Bank or any of its affiliates as an investment advice or as a recommendation to make his investments through the Bank (unless otherwise agreed by the Bank in writing) and understands that any information or explanation provided by the Bank shall not (unless otherwise agreed by the Bank in writing) be considered its investment advice or recommendation. In respect of any Instruction, Transaction or investment in Securities of any kind (including financial product as mentioned in Clause 2.5 above) of the Client through the Bank, the Client will independently and without reliance on the Bank make his own judgments and decisions, and that the Bank is not obliged to assess the suitability of such investment.
- 2.7 When the Bank conducts any suitability assessment on any Securities (including financial product as

mentioned in Clause 2.5 above) for the Client, such assessment of the Client shall be based solely on the information provided by the Client to the Bank. The Bank shall not be obliged to take into consideration any information about the Client that the Bank is not actually aware of. The Bank shall also not be responsible or liable for any losses that arise as a result of any false, inaccurate, misleading, incorrect, incomplete, outdated or fraudulent information provided by the Client or misrepresentation of the Client.

- 2.8 In respect of any investment transaction with or on behalf of the Client by the Bank, the Bank is not acting as the Client's investment or financial advisor nor acting in a fiduciary capacity to the Client. The Client should seek his own professional advice, as he considers appropriate. The Bank is not obliged to (i) monitor the performance of the Client's investments held with the Bank nor (ii) provide any investment advice to the Client nor (iii) ensure any Securities which have been solicited or recommended by the Bank remain suitable for the Client on an on-going basis. If the circumstances relating to the Client, the Securities, the issuer thereof, or the general market conditions change, the Securities may no longer be suitable to the Client. Some of the information and documents provided by the Bank are for general circulation to its clients and are not meant to target specifically to the Client, and unless specifically indicated otherwise the preparation of such information and documents has not taken into consideration the individual personal circumstances of the Client, and should not be relied upon as such.

### **3. The Account**

- 3.1 The Client confirms that the information provided in the Account Opening Form, information statement and all related documents and forms, where applicable, is true, complete and accurate. The Client also represents and warrants that the information provided by the Client to the Bank for the purpose of Clause 2.5 is true, accurate, correct, complete and up-to-date. The Client will forthwith inform the Bank of any changes to that information. The Bank is authorized to conduct credit enquiries on the Client to verify the information provided.
- 3.2 The Bank will keep information and documents relating to the Account confidential, but may report, provide or disclose any such information and documents to the Hong Kong Regulators, overseas regulators, Exchanges, Clearing Houses, Agents, the law enforcement or other authorities, tax authorities, any Bank Group Company and/or any person to whom the Bank or any Bank Group Company is under an obligation to make disclosure, whether in Hong Kong or overseas, to comply with (a) their requirements, (b) laws applicable to the Bank or any Bank Group Company, (c) regulations, codes, guidelines and rules (whether or not having the force of law) issued by any legal, regulatory, governmental, tax, law enforcement or other authorities, or self-regulatory or industry bodies or associations of financial services providers with which the Bank or any Bank Group Company are expected to comply, or (d) any contractual or other commitment of the Bank or any Bank Group Company with local or foreign legal, regulatory, governmental, tax, law enforcement or other authorities, or self-regulatory or industry bodies or associations of financial services providers, all of which may be within or outside Hong Kong and may be existing currently or in the future, without any consent from or notification to the Client. The Client agrees that the Bank shall not be liable to the Client in any way for so doing.
- 3.3 The Bank will not issue cheque books and will not accept direct debit Instructions or autopay in respect of the Securities Margin Account. Unless otherwise allowed by the Bank and without prejudice to the Bank's rights under Clause 7.2, the Client shall not be entitled to withdraw money (and/or Securities) from or deposit money (and/or Securities) in the Securities Margin Account except for the purposes as stated in this Agreement by way of transferring money (and/or Securities) to or from the Client's other account(s) maintained with the Bank via channel(s) and subject to requirement(s) as specified by the Bank from time to time in its sole and absolute discretion.
- 3.4 The Client acknowledges that money in the Securities Margin Account will not be regarded as a deposit under the Banking Ordinance (Cap 155 of the Laws of Hong Kong) and the Deposit Protection Scheme Ordinance (Cap 581 of the Laws of Hong Kong). Client is not encouraged to transfer or deposit money into the Securities Margin Account other than for the purposes of fulfilling the duties and obligations under this Agreement.
- 3.5 Where the Client or any one of them is a body corporate, the Client hereby represents and warrants that:
- (a) it is a corporation duly incorporated and is validly existing under the laws of the country of its incorporation;
  - (b) this Agreement has been validly authorized by the appropriate corporate action of the Client and when executed and delivered shall constitute valid and binding obligations of the Client in

- accordance with the terms herein;
- (c) all consents and approvals required by the Client to enter into this Agreement have been obtained;
  - (d) the certified true copies of the Client's certificate of incorporation or registration, charter, statute or memorandum and articles or other instruments constituting or defining its constitution and the board resolutions of the Client delivered to the Bank are true and accurate and still in force;
  - (e) no steps have been taken or are being taken to appoint a receiver and/or manager or liquidator over the assets of, or to wind up, the Client; and
  - (f) this Agreement is a continuing agreement and shall continue to be valid and binding for all purposes upon the corporation's successors and permitted assigns and any liquidator of such corporation.

3.6 Where the Client or any one of them is an individual, the Client hereby represents and warrants that:

- (a) the Client is legally capable of validly entering into and performing this Agreement and that he or she has attained the age of 18 years;
- (b) all consents and approvals required by the Client to enter into this Agreement have been obtained;
- (c) no steps have been taken or are being taken to appoint a receiver and/or manager over the assets of, or to petition for the bankruptcy of, the Client; and
- (d) this Agreement is a continuing agreement and shall continue to be valid and binding for all purposes upon such individual's personal representatives and permitted assigns and any trustee in bankruptcy of such individual.

3.7 Where the Client constitutes two or more persons, the Client and each person comprising the Client agrees, represents and warrants that:

- (a) the liabilities and obligations of each such person hereunder shall be joint and several;
- (b) notwithstanding any Instructions to the contrary (whether given before or after the date of this Agreement), any one of such person shall have full authority to singly give any Instruction and to receive communication or delivery of Securities from the Bank hereunder and there is no need for the Bank to obtain confirmation of Instruction from other such persons, provided that the Bank may insist each such person to give Instruction to the Bank;
- (c) the Bank shall be entitled (but not obliged) to give and/or disclose to any one of such persons any document (including statements, advices, confirmations, contract notes and all correspondences) or matter relating to this Agreement or any Account of the Client, and notification by the Bank of any matter to any one of such persons shall be deemed to be notification to each other persons constituting the Client;
- (d) notwithstanding any other arrangements which may have been made between such persons, the rule of survivorship shall apply on the death of any one of such person, subject to Clause 25 and any claim, right, lien, charge, pledge, set-off or whatever right the Bank may have, the moneys, securities and other properties whatsoever for the time being standing to the credit of the Account and anything held by the Bank (whether by way of security or for sale, custody or collection or any other purpose whatsoever) shall be held to the order of the survivor(s) of such persons; and
- (e) the appointment of the Bank as attorney or agent pursuant to Clause 29 of this Agreement shall be effective to appoint the Bank as attorney or agent for each such person to do any or all of the things referred to in that Clause whether on behalf of the Client or any one of such person or more than one such person.

3.8 The Client understands that the Bank and/or Agents may not be able to provide Services to him if the Client fails to provide any information requested by the Bank and/or Agents.

The Client hereby authorizes the Bank and any recipient of his personal and account information or records from the Bank to disclose to any (a) Agent; (b) financial institutions, service providers, credit reference agencies, collection agencies, agents, contractors; and (c) other person who have established or propose to establish any business relationship with the Bank and any such person or entity may utilize such information in the course of any business carried on by him or it.

- (a) For individuals, sole proprietor and partnerships:  
The Client agrees that all personal data relating to the Client collected by the Bank from time to time may be used and disclosed for such purposes and to such persons (whether in or outside Hong Kong) as may be in accordance with the Bank's policies on use and disclosure of personal data set out in statements, circulars, terms and conditions or notices made available by the Bank to its clients from time to time and such data may be (i) used in connection with matching

procedures (as defined in the Personal Data (Privacy) Ordinance), and (ii) disclosed (by way of credit references or otherwise) to any financial institution with which the Client has or proposes to have dealings to enable such financial institution to conduct credit checks on the Client.

(b) For companies:

The Client authorizes the Bank to disclose any information regarding the Client and its account relationship with the Bank to all or any of (i) any financial institution with which the Client has or proposes to have dealings; (ii) any actual or proposed participant or sub-participant in, or assignee, novatee or transferee of any of the Bank's rights in relation to the Account; (iii) any agent, contractor or third party service provider who provides administrative, telecommunications, computer, payment, securities clearing, credit reference or checking, debt collection or other services or facilities to the Bank in connection with the operation of its business; (iv) any other person under a duty of confidentiality (on such terms as deemed acceptable by the bank) to the Bank; and (v) any Bank Group Company of the Bank (whether in or outside Hong Kong) for whatever purposes (including without limitation designing and providing banking and/or financial services or related products for the Client's use, marketing and promoting services and products to the Client, conducting market research and data analysis, and any purposes relating or incidental thereto.

Any termination of the Account by the Client or the Bank shall not affect or terminate the Client's authorization to disclose information given above in relation to information in the possession of the Bank at termination.

#### **4. Statement of Account**

- 4.1 A statement of account will be sent or made available to the Client every month or at regular intervals as determined by the Bank from time to time. No statements will, however, be sent or made available to the Client for the Account where during the relevant period, there is no transaction or any revenue or expense item in the Account and the Account does not have any outstanding balance or holding of positions or collateral for the entire month. The Bank has the sole and absolute discretion to provide or make available to the Client the statement in whatever form and by whatever means.
- 4.2 Client is required in respect of the Account now or hereafter kept by the Bank to verify the correctness of the transaction details contained in each statement of account received from the Bank and within 90 days after the time when they should have been received to notify the Bank in writing of any alleged omissions from or debits wrongly made to or inaccurate entries in the Account as so stated. At the end of said 90 days the statement of account shall be conclusive and binding on the Client save and except in situations where the Client can prove the statement of account contains (a) unauthorized transactions arising from forgery or fraud and in relation to which the Bank has failed to exercise reasonable care and skill and (b) unauthorized transactions arising from forgery or fraud or negligence of the Bank's agents, officers or employees; however, subject always to the Bank's right to correct any errors contained therein at any time notwithstanding the aforesaid, and the Bank shall be free from all claims in respect of the Account.

#### **5. Instruction**

- 5.1 After taking such practicable steps as the Bank may reasonably consider appropriate, it shall be entitled to accept and execute Instructions of any nature believed by it to be genuine and purporting to be signed, given or issued by the Client or by an Authorized Person, whether or not it is in fact genuine or authorized. Upon the Client's request, a branch may relay Instructions to another branch or head office on behalf of the Client and is only acting as the Client's agent in doing so.
- 5.2 Where the Client requests the Bank to accept verbal Instructions, the following conditions shall apply: -
- (a) After taking such practicable steps as the Bank may reasonably consider appropriate, the Bank shall be entitled (but not be bound) to accept as genuine and act upon any verbal Instruction believed by the Bank in good faith to have been given by the Client or Authorized Person, whether or not it is in fact genuine or authorized. Thus, the Bank shall not be under any obligation to enquire into the genuineness of any verbal Instruction nor into the good faith of the person giving any verbal Instruction and such verbal Instruction shall be binding on the Client.
- (b) The Client shall be fully responsible for all losses and damages reasonably involved in or caused by the operation of the Account by means of verbal Instruction in lieu of the receipt by the Bank of original signed documents. The Bank shall, however be at liberty to require receipt by it of an



original written confirmation of a verbal Instruction from the Client or Authorized Person prior to executing any instructions contained in such verbal Instruction.

- 5.3 Subject to Clause 15.9 herein below, Instructions or Transactions initiated by the Client shall remain valid until the earlier of execution and the end of trading day. If an Instruction or order is taken but not executed within the same day as it was received, the Instruction or order shall be automatically cancelled.
- 5.4 The Client authorizes the Bank to record any telephone conversation between the Bank and him, with or without an audible tone warning devices.
- 5.5 The Client may request the Services by giving Instruction to the Bank provided that the Bank shall be entitled to specify, from time to time, such Services which may be made available to the Client by whatever means or channels the Bank may consider appropriate. For the avoidance of doubt, where this Agreement requires the Instruction of the Client to be given, the Bank is authorized to act on the Instruction of the Authorized Person as if the Instructions were given by the Client personally. The Client confirms that the Bank is under no obligation to ascertain or to inquire into the purpose for which the Service is used and the Transaction is effected.
- 5.6 Any Instruction, once received, may not be rescinded or withdrawn without the consent of the Bank. All Instructions given, as understood and acted on by the Bank in good faith, shall be irrevocable and binding on the Client whether given by the Client or by any other person purporting to be the Client. Apart from taking such practicable steps as the Bank may reasonably consider appropriate, the Bank shall be under no further duty to verify the identity or authority of the person giving any Instruction or the authenticity of such Instruction.
- 5.7 Any Transaction effected pursuant to or as a result of an Instruction shall be binding on the Client in all respects.
- 5.8 Notwithstanding anything herein contained, the Bank shall be entitled, at its absolute discretion, to refuse to act on any of the Client's Instructions or to prescribe any condition for accepting the Client's Instructions and shall not be obliged to give any reason therefor.
- 5.9 Without prejudice to the generality of Clause 5.8 and any other rights of the Bank under this Agreement, if the Bank believes, in its sole discretion, that any Instruction issued by or on behalf of or purporting to be issued by or on behalf of the Client may not have been authorized by the Client or, even if issued or authorized by the Client, may expose the Bank to any claims, suits, losses, expenses, liabilities or damage whether directly or indirectly, the Bank may decline to act on the Instruction or may only act on the Instruction after the Bank has received such confirmation and/or indemnity as required by the Bank in its absolute discretion. Without prejudice to the generality of Clause 24, the Bank may also, without giving any reason to the Client and with or without notice as the Bank determines, regard any mandate it holds as being suspended and may suspend the operation of all or any Account until such time as the Bank in its absolute discretion considers appropriate and shall not be liable therefor, except in respect of reasonably foreseeable and direct loss or damage caused directly and solely by the negligence or wilful default of the Bank.
- 5.10 The Client understands that due to market conditions, physical restraints on any exchange and rapid changes in the prices of Securities or fluctuation in the exchange rates of currencies, the Bank may not be able to act on the Client's Instructions relating to sale and purchase of Securities at any specific time or price. The Bank shall have no obligation to notify the Client immediately if the Client's Instruction is not performed in full or at all, and if the Client require confirmation in this regard, the Client should contact the Bank subsequently. The Bank shall not be liable for loss, damage or expense of any kind which the Client or any other person may incur or suffer arising from or in connection with any Instruction not being performed in full or at all due to market conditions or any other cause save and except any negligence or wilful misconduct of the Bank.

## **6. Communications**

The Client must immediately notify the Bank in writing of any change of address or other pertinent particulars recorded with the Bank. Correspondence sent to the Client by post or courier according to the last address registered with the Bank shall be deemed to have been duly received by the Client on the day following that on which the correspondence is posted or sent.

## 7. Transactions, Margin and Charge

7.1 Unless otherwise agreed by the Bank, the Bank will act as the Client's agent only in executing Transaction but not otherwise. The Bank may act as principal if it is so indicated in the contract note for the relevant Transaction.

7.2 (a) The Bank may, but not obliged to, grant to the Client margin loan up to such percentage and in such currency as stipulated by the Bank of the market value of the collateral maintained with the Bank subject to the terms of this Agreement or such other terms as stipulated by the Bank from time to time in its sole and absolute discretion. Without prejudice to any other rights the Bank may have (including without limitation the Bank's right under Clause 7.6 of this Agreement), the Bank shall have the right, in its sole and absolute discretion (whether with or without notice to the Client) at any time to modify the facility limit of or to cancel or terminate the margin loan and to demand immediate payment of all moneys and sums (including principal, interest or expenses), then due and owing from the Client in respect of the margin loan or any other liabilities under this Agreement. The Bank may at any time and from time to time in its sole and absolute discretion determine that the Margin requirement in respect of the Securities Margin Account be increased and in such event the Client hereby agrees to deposit with the Bank such cash or additional Securities or other securities required by the Bank to comply with the increased Margin requirement.

(b) In consideration of the Bank granting or continuing to make available the margin loan to the Client subject to this Agreement, the Client as beneficial owner CHARGES, PLEDGES AND ASSIGNS to the Bank all the Client's present and future rights, title and interest in and to all Securities and moneys in the Securities Margin Account or other accounts from time to time by way of first fixed charge (including without limitation any further Securities and moneys deposited with the Bank pursuant to any margin call or otherwise), whether registered in the name of Client in the case of Securities, together with all interests, rights and benefits attaching or accruing thereto from time to time, as a continuing security for (i) the satisfaction of margin calls and other payment from time to time required by the Bank to comply with the Margin requirement, (ii) the due and punctual payment and discharge of all indebtedness, liabilities and obligations, whether actual or contingent, now or at any time due, owing or incurred by the Client to the Bank from time to time anywhere in whatever currency, whether alone or jointly and whether as principal or as surety, including all principal moneys, interest at such rates as may from time to time payable by the Client (whether or not payable by the Client in conjunction with any banking facility or other accommodation or services from time to time provided by the Bank, including all costs, expenses, legal costs and other charges) on a full indemnity basis, and (iii) the performance of all of the Client's obligations from time to time under this Agreement.

(c) The Client irrevocably authorizes the Bank, without prior notice to or consent from the Client, to take such steps as it may consider expedient to enable it to exercise or preserve its powers and rights under this security, including without limitation the following:

- (i) to hold and register the Securities charged, pledged or assigned to the Bank, at the discretion of the Bank, in the name of the Bank or its nominee and to do and execute any and all acts and things and documents necessary to transfer, complete and/or vest the title to any such Securities to the Bank or its nominee and to perfect the security over such Securities;
- (ii) to appoint any person as its nominee or Agent to hold or to keep possession and control of the Securities and to establish any account with such person for that purpose provided that the Bank shall not be liable of any act, omission, negligence or default of any such person;
- (iii) to participate in and comply with the rules and regulations of any clearing, settlement and/or depository system which provides central clearing, settlement and/or depository services to the Bank in respect of the Securities; and/or
- (iv) to exercise (or instruct any nominee or Agent to exercise), at its sole and absolute discretion, any rights and powers (including any voting rights) attaching to the Securities as if it were the absolute, legal and beneficial owner thereof.

Notwithstanding anything herein to the contrary, the Bank shall not be obliged to take any steps to exercise or preserve its rights and powers under this security and the Bank shall not be liable for any loss or damage suffered by the Client arising from the Bank's exercise or non-exercise of its rights and powers, particularly under this sub-Clause (c).

(d) The Bank may, at any time without notice to the Client, open fresh accounts for the Client and deposit any Securities and/or transfer moneys into such accounts or continue any existing accounts as it may from time to time consider appropriate. For the avoidance of doubt, all such Securities and/or moneys shall continue to constitute Securities and/or moneys charged, pledged or assigned to the Bank. No moneys from time to time paid into such accounts on behalf of the Client and subsequently drawn out by the Client shall upon settlement of any claim under this security be appropriated towards or have the effect of payment of any part of the moneys due from the Client at the time when this security ceased to be in full force and effect or of interest or other charges in respect thereof.

(e) The security given by the Client to the Bank in this Clause 7.2 shall be in addition to and without prejudice to any other collateral, security, power, right or remedy at any time held by or available to the Bank under this Agreement or otherwise. Such security shall be a continuing security, under which multiple demands may be made by the Bank, notwithstanding the death, bankruptcy, liquidity, winding up, incapacity or any change in the constitution of the Client, or any intermediate or partial payment or settlement in whole or in part of all or any amounts due to the Bank in respect of the margin loan or other indebtedness or obligations of the Client under this Agreement. Any restriction on the right of consolidating securities shall not apply to any security over the Securities charged, pledged or assigned. This security may be enforced without the Bank first having recourse to any other security or rights.

(f) The Client agree that throughout the continuance of this security, the Client shall deposit with the Bank all certificates and other documents of or evidencing title to the Securities together with all transfers, contract notes, powers of attorney and other documents in relation thereto which the Bank may require, completed and executed in such manner as it may direct.

(g) The Bank may at any time, without prior notice to the Client and without consent from the Client, at its sole and absolute discretion, to (i) vary, amend, reduce, increase, extend, renew, modify, change, limit, replace or terminate any banking facility or other accommodation to the Client or any terms and conditions thereof (including the margin loan), (ii) assert or not assert any rights of, hold over, renew, give up or abstain from perfecting or enforcing any other security in whole or in part, (iii) concur in accepting or varying any compromise, arrangement or settlement; (iv) release, realize or not to realize or enforce any of the Bank's rights under this security or other security, (v) generally grant to the Client or any other person any time or other indulgence, (vi) do or not do anything which but for this provision will discharge the Client from liability under this security; and this security shall not be in any way discharged or impaired. For the avoidance of doubt, the Client's liability hereunder shall remain in full force and effect and the terms herein shall remain valid and binding and enforceable against the Client notwithstanding any composition, release or arrangement by the Bank with the Client or any other person liable under any security.

(h) This security shall not be discharged or impaired by any legal limitation, disability, incapacity or want of borrowing or other power of the Client or by reason of any defect in the rights of the Bank against the Client or by any other fact or circumstance whatever whether known to the Bank or not.

(i) Any settlement or discharge between the Client and the Bank shall be conditional upon no security or payment to Bank by the Client or any other person being avoided or reduced by virtue of any laws relating to bankruptcy, liquidation or insolvency for the time being in force and the Bank shall be entitled to recover the value or amount of any such security or payment from the Client subsequently as if such settlement or discharge had not occurred.

(j) The Bank may place and keep any moneys received under or in connection with this security to the credit of a suspense account for so long and in such manner as the Bank may think fit without any immediate obligation to apply such moneys or any party thereof in or towards the discharge of any of the Client's liabilities to the Bank.

(k) If at any time the charge (or any part thereof) herein is regarded as a floating charge, it shall be a first floating charge; and if the Client creates or attempts to create any encumbrance over any part of the Securities or moneys charged hereunder without the prior written consent of the Bank, or any person levies or attempts to levy any distress, execution or sequestration or other process against any of the Securities or moneys charged hereunder, then (and in each case) the charge hereby created over such assets shall automatically and without notice operate as a fixed charge over such assets instantly when such event occurs.

- 7.3 (a) The Client shall at all times maintain the margin loan and the Margin to such level as from time to time determined by the Bank in its sole and absolute discretion to be satisfactory and shall **on demand** from the Bank immediately meet all margin calls and make payments of deposits or Margins in cash, Securities or otherwise in amounts agreed by the Bank.
- (b) The Bank is authorized and entitled to withhold and apply and set-off (without prior notice to the Client) any funds standing to the credit of the Accounts in any currency to the extent necessary against the repayment of any obligations and liabilities secured under this Agreement, including the margin call, margin loan, payment of any sum due or owing to the Bank under this Agreement and performance by the Client of its obligations under this Agreement. The Bank is further authorized to use all or any part of any credit balance in the Accounts to buy such other currencies to effect the application referred to in this sub-Clause (b) and the cost of buying such currencies shall be borne by the Client and shall form part of the Bank's right of set-off described in Clause 18.
- (c) The Bank may make more than one margin call on the same day and a margin call does not constitute a demand on the Client for repayment of the margin loan or the indebtedness owed to the Bank but the Bank's reminder to the Client to take necessary actions so as to avoid or minimize his position being liquidated by the Bank. If the Client fails to meet any margin call, he has to bear the risk of the Bank's exercising its rights to, among others, liquidate his position in accordance with Clause 7.6.
- 7.4 That all credit balances held by the Bank for the Client and moneys received by the Bank for the Client's Account from time to time except those amounts paid to the Client within the time specified in the Rules of the Exchange of the SEHK (or such other time limit specified by the Bank from time to time) after their receipt shall be credited into the Securities Margin Account for the Client or be dealt with in such manner in accordance with the Bank's usual practices. The Client agrees that the Bank shall not pay the Client interest on the credit balances in the Client's Securities Margin Account.
- 7.5 The Client understands and agrees that sufficient Securities shall be ready in the Account before placing a sell order. The Client undertakes to promptly inform the Bank when a sell order is in respect of Securities which the Client does not have i.e. a short sell order. In the event of a short sell order, the Client must comply with all the SFC Rules and all other applicable laws and regulations in respect of short selling. If the Client does not promptly supply the Bank with the Securities to be sold in accordance with the Client's order, the Bank may in its sole and absolute discretion from time to time purchase the Securities required on the Client's behalf and the Client shall reimburse and indemnify the Bank for all losses and damages and reasonable amount of costs and expenses reasonably suffered or incurred by the Bank arising from or in connection with such borrowing or purchase and/or the Bank's failure to make delivery of such Securities and/or such short selling by the Client and/or any breach of any laws or any rules or regulatory requirements of the Hong Kong Regulators as a result of such short selling by the Client. PROVIDED ALWAYS THAT notwithstanding the aforesaid, the Bank shall be entitled to in its sole and absolute discretion refuse to accept or give effect to such short sell order at any time without any liability to the Client.
- 7.6 (a) Without prejudice to any other rights the Bank may have (including without limitation the Bank's rights under Clauses 7.2 and 7.3(b) of this Agreement), the Bank is entitled (but not obliged) to terminate the Services, close out all or any outstanding positions in the Securities Margin Account and/or to close the Securities Margin Account immediately without prior notice to and without consent of the Client if :
- (i) the Client fails to meet any margin call, or fails to pay the deposits or Margin or margin loan or any other sums due and payable to the Bank under this Agreement in the currency and manner as prescribed by the Bank;
  - (ii) the Client fails to deposit cash, any Securities or other additional securities in the manner as prescribed by the Bank;
  - (iii) the Client fails to comply with or commits any breach of or omits to observe any terms or obligations in this Agreement;
  - (iv) the Client (being an individual or partner of a firm) dies or becomes mentally incapacitated or becomes bankrupt;
  - (v) a petition for bankruptcy, winding up or similar relief is filed against the Client either by itself

or by any other party;

- (vi) upon the application for or appointment of a liquidator, receiver, trustee or similar official over all or a material part of the Client's undertaking, property or assets;
- (vii) the Client is unable or admits inability to pay his debts as they fell due;
- (viii) there is any change in law which prohibits or renders illegal the maintenance or operation of the Accounts in whole or in part;
- (ix) all the Services or the margin loan has been terminated by the Bank;
- (x) any third party asserts a claim in respect of any of the Securities and moneys in the Securities Margin Account;
- (xi) any representation or warranty made by the Client to the Bank is incorrect or misleading;
- (xii) the Bank's books and records show a zero balance on the Securities Margin Account for a period of six continuous months or for such period as the Bank may prescribe from time to time in its sole and absolute discretion;
- (xiii) the occurrence of any event which in the sole opinion of the Bank might jeopardize any of the Bank's rights under this Agreement; and/or
- (ix) the Bank in good faith considers that the market conditions are too unstable or unfavourable or abnormal or are likely to expose the Client to unacceptable risk or heavy losses.

(b) Upon exercising any of the power of the Bank under sub-Clause (a) above, all margin loan and all amounts owing by the Client to the Bank under this Agreement shall immediately become due and payable and the Bank shall cease to have any obligations to deal in Securities on behalf of the Client, notwithstanding any Instructions from the Client to the contrary and the Bank shall cease to have any obligation to grant any margin loan to the Client.

(c) As soon as and in so far as is practicable upon exercising of any of the powers of the Bank under sub-Clause (a) above, to the extent permitted by law, the Bank is entitled (and is authorized by the Client but not obliged) to, at any time the Bank absolutely and solely thinks fit and without prior notice to and without consent of the Client, (i) apply, retain, transfer and/or set-off any moneys in the Accounts, and/or (ii) sell, realize, redeem, liquidate or otherwise dispose of any or all Securities charged, pledged or assigned to the Bank and held for or on behalf of the Client at the price available in the prevailing market condition and apply the proceeds thereof in such manner and order as the Bank considers appropriate in its sole and absolute discretion, to pay the Bank all brokerage costs, commission, stamp duties, levies, costs, fees, charges and expenses (including reasonable legal cost) reasonably incurred by the Bank in such sale, realization, redemption, liquidation or disposal and all outstanding indebtedness or balances owing to the Bank, at the Client's sole risk and cost but without the Bank incurring any liability for any loss howsoever arising unless due to negligence or wilful default of the Bank and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly and solely therefrom. Any monies remaining after such application shall be returned to the Client. The Client hereby further acknowledges and agrees that the Bank shall have the right to sell, realize, redeem, liquidate or otherwise dispose the Client's Securities of more quantity of the Securities than is necessary to reduce the margin loan not exceeding the margin requirements as specified by the Bank.

(d) Neither the Bank nor any of its Agents shall be responsible in any way for any loss which may arise in exercising the power of sale, realization, redemption, liquidation or disposal contained in sub-Clause (c) above, and the Bank shall not be liable for any default of any broker or other person employed or engaged by the Bank in or in connection with any such sale, realization, redemption, liquidation or disposal. A declaration made by any of the Bank's officers that the aforesaid power of sale, realization, redemption, liquidation or disposal has become exercisable shall be conclusive evidence of the fact in favor of any purchaser or other person to whom any Securities may be transferred and the Client shall indemnify the Bank and its Agents against any claim which may be made against the Bank and/or its Agents by such purchaser or other person by reason of any defect in the Client's title to any Securities.

(e) Notwithstanding the suspension or termination of any of the Services by the Bank, the Client shall continue to be bound by the provisions of this Agreement to the extent that they relate to any obligations or liabilities of the Client which remain to be performed or discharged.

- 7.7 Unless otherwise agreed, the Client agrees that when the Bank has executed a purchase or sale Transaction on the Client's behalf, the Client will by the due settlement date make payment to the Bank in such currency as required by the Bank from time to time in its sole and absolute discretion against delivery of or credit to the Securities Margin Account for purchased Securities, or make good delivery of sold Securities to the Bank against payment, as the case may be.

Without prejudice to all other rights of the Bank, the Client agrees that should the Client fail to make such payment or delivery of Securities by the relevant due date, the Bank is hereby authorised to, from time to time in its sole and absolute discretion: -

- (a) in the case of a purchase Transaction, transfer or sell any such purchased Securities to satisfy the Client's obligations to the Bank at the price attainable in the prevailing market condition, or
- (b) in the case of a sale Transaction, borrow and/or purchase such sold Securities to satisfy the Client's obligations to the Bank at the price attainable in the prevailing market condition.

The Client hereby acknowledges that the Client will be responsible to the Bank for all losses and damages and reasonable amounts of costs and expenses in connection with the Client's failure to meet the Client's obligations due by settlement dates as described above unless such failure is directly and solely caused by the negligence or wilful default of the Bank or its employees or Agents (other than those contracting with the Bank as independent contractors) in the course of performing the obligations of the Bank under this Agreement.

- 7.8 Unless otherwise agreed, the Client understands and agrees that sufficient cleared funds (in the currency as required) or Securities (as denominated in the currency required) shall be deposited into the Securities Margin Account before placing a purchase/sale order or requiring the exercise of any right attaching to or in respect of the Securities. All necessary Instruction must be received by the Bank within the time prescribed by the Bank in its sole and absolute discretion from time to time as the case may be. The Bank shall be entitled, at its sole and absolute discretion, to execute the Instruction partially or not to execute any Instruction (as any party thereof) if at the material time : (a) there are insufficient cleared funds (in the currency as required by the Bank from time to time in its sole and absolute discretion) or Securities (as denominated in the currency required by the Bank from time to time in its sole and absolute discretion) standing in the Securities Margin Account or (b) there are insufficient buyer(s)/seller(s) to satisfy the Instruction in its entirety at the price as stipulated by the Client or (c) the Instruction is impossible to execute or (d) the Instructions are not given within the time prescribed or (e) the Margin is not maintained at such level as required by the Bank before the Instruction is executed, or as determined by the Bank at its absolute discretion, the Margin will not be maintained at such level as required by the Bank if the instruction is executed or (f) the Bank deems appropriate in its sole and absolute discretion. The Bank shall be under no obligation to notify the Client immediately if any Instruction is not executed or partially executed, and the Client may contact the Bank to enquire. To the maximum extent permitted by law, and not inconsistent with the obligations of the Bank under the Code, the Bank shall not be liable for any claims, costs, losses, damages or liabilities whatsoever, which the Client may suffer, sustain or incur, directly or indirectly, as a result of or in connection with the Bank's failure to accept or give effect to or execute any such Instructions (or any part thereof).
- 7.9 The Client agrees to promptly pay the Bank's prescribed commission, fees, interest and charges, as notified to him, as well as applicable levies imposed by the Exchanges, and all applicable stamp duties on a full indemnity basis (whether or not the same is incurred or suffered by the Bank in perfecting, preserving or enforcing the security or in the exercise or purported exercise of the powers and rights under this security). The Bank may deduct such commissions, fees, charges or other levies and duties from the Accounts. The Client acknowledges that, in some circumstances, the Bank may receive rebates in respect of commission on Transactions. The Client agrees that the Bank is entitled to keep any such rebates received.
- 7.10 The Client will be responsible to the Bank for any losses and reasonable expenses resulting from his failure to settle any Transaction for whatever reason unless such failure is directly and solely caused by the negligence or wilful default of the Bank or its employees or Agents (other than those contracting with the Bank as independent contractors) in the course of performing the obligations of the Bank under this Agreement.
- 7.11 The Clients agrees to pay default interest on all overdue balance (including interest at the same rate arising after a judgment debt is obtained against him) at the Prime Lending Rate of the Bank plus such percentage as determined by the Bank from time to time in its sole and absolute discretion calculated on a daily basis from the date of default and such interest may be compounded at such intervals as the Bank may from time to time determine in its sole and absolute discretion, and payable on such other terms as

the Bank notifies him from time to time.

- 7.12 The Client agrees that the Bank is authorized to deposit such quantity of the Securities purchased from time to time in the Securities Margin Account. The Client undertakes and agrees to pay all prescribed or agreed fees, commission and charges payable to and/or which is chargeable by the Bank in respect of all Transactions and the maintenance of the Accounts.
- 7.13 The net proceeds of sale after deducting all brokerage, commission, stamp duty, Exchange levies, other fees and expenses incurred in selling the relevant Securities as instructed shall first be applied towards payment and discharge (whether in full or part) of all indebtedness (if any) due and owing to the Bank under this Agreement and the surplus (if any) shall be credited into the Securities Margin Account or be dealt with in such manner in accordance with the Bank's usual practices.
- 7.14 The Bank shall not be obliged to exercise any of its rights under this Agreement which shall be without prejudice and in addition to any other rights, powers and remedies (including, without limitation, any rights of sale, realization, redemption, liquidation, disposal, set-off, combination of accounts or lien) to which the Bank is at any time otherwise entitled (whether by operation of law, contract or otherwise).

## **8. RMB Denominated Securities**

- 8.1 Without prejudice to this Clause 8, other provisions in this Agreement shall apply to such Securities denominated in Renminbi ("**RMB Denominated Securities**").
- 8.2 The Client understands and agrees that all subscriptions, purchases, acquisitions or otherwise of the RMB Denominated Securities which are listed on the Exchange are required to be settled in Renminbi ("**RMB**"). All payments of RMB payable by the Client shall be made solely through the Securities Margin Account subject to the applicable laws and regulations and the applicable terms and conditions of the Securities Margin Account. The Bank will not accept any payments of RMB by any other means.
- 8.3 Before the Client gives any Instruction to trade the RMB Denominated Securities in the Exchange or otherwise, the Client must ensure that there are sufficient funds in RMB in the Securities Margin Account at the material time for completion of such Transaction. The Client understands that there is a maximum daily exchange limit of RMB in local banks.
- 8.4 If the Client fails to provide sufficient RMB funds as required at the material time, the Bank shall be entitled not to accept or give effect to any Instructions (or any part thereof) of the Client and the Bank shall not be liable for any claims, costs, losses, damages or liabilities whatsoever, which the Client may suffer, sustain or incur, directly or indirectly, as a result of or in connection with the Bank's failure to accept or give effect to any such Instructions (or any part thereof).
- 8.5 The Client understands and agrees that in the event of any corporate action requiring the exercise of any right attaching to or in respect of the RMB Denominated Securities held by the Bank on the Client's behalf, the Client shall give the Bank all necessary Instructions which must be received by the Bank within the time prescribed by the Bank from time to time as the case may be, and shall provide sufficient funds in RMB in the Securities Margin Account at the material time, so as to allow the Bank to give effect to such Instructions. If the Client fails to do so, the Bank shall, in addition to Clause 8.4 above, not be liable for any claims, costs, losses, damages or liabilities whatsoever, which the Client may suffer, sustain or incur, directly or indirectly, as a result of or in connection with (a) the Bank's failure to accept or give effect to any Instruction; and/or (b) the Client's failure to participate in and/or benefit from the relevant corporate action.
- 8.6 The Client understands that all subscription or purchase or acquisition or sale or transfer or otherwise of RMB Denominated Securities are subject to payment of brokerage commission, stamp duty, SFC levy, SEHK trading fee, and other fees and charges. The Client understands and agrees that such stamp duty, SFC levy, SEHK trading fee related to RMB Denominated Securities transactions are to be paid by the Bank in Hong Kong dollar, based on an exchange rate determined by the Hong Kong Monetary Authority on the day of the transaction. The exchange rates are published on the Hong Kong Exchanges and Clearing Ltd. Website on each trading date. The Client agrees to use the Securities Margin Account to settle all the relevant brokerage commission, stamp duty, SFC levy, SEHK trading fee, and other fees and charges for all the dealings in RMB Denominated Securities.
- 8.7 In the event that any sum of RMB in relation to the RMB Denominated Securities is receivable by the Client, the Client authorizes the Bank to receive that sum on behalf of the Client, but the Bank shall not be obliged to make available to the Client that sum until it has been able to establish that it has received that sum. The Client understands and agrees that dividends of listed RMB Denominated Securities may

be paid in RMB or other currencies. Due to the exchange controls and restrictions applicable to RMB, the product issuer may not always be able to obtain sufficient amounts of RMB in a timely manner to pay dividends in RMB. As a result, dividends may be paid in currencies other than RMB. In the event that that sum is received by the Bank in other currency, the Client agrees that the Bank will deposit into Client's Securities Margin Account in that currency, if any, or make available to the Client that amount of that currency as actually received by the Bank. The Bank shall not be liable to the Client for any losses, damages, interests costs or expenses which the Client may suffer or incur or sustain, directly or indirectly, arising from or in connection with the fact that any sum of RMB payable to the Client is not actually received by the Bank or any sum of RMB is paid in any other currency.

- 8.8 The scope and eligibility requirements of the Services in relation to RMB Denominated Securities are subject to the applicable laws, regulations, codes, guidelines and the like (whether or not having the force of law) as issued or promulgated by the relevant governmental and regulatory authorities in Hong Kong and Mainland China from time to time, the Bank's respective agreements from time to time signed with Hong Kong Securities Clearing Company Limited or the Exchange or the clearing bank or other parties in relation to the provision of Services regarding the RMB Denominated Securities, and all the terms and conditions from time to time issued by the Bank applicable to such Services and/or RMB Denominated Securities. The Client agrees to comply with all of the above, if applicable. Provided that nothing in any of the said regulations, codes, guidelines and the like shall impose upon the Bank any obligation or duty that the Bank would not otherwise have under this Agreement, notwithstanding any other provision in this Agreement.
- 8.9 Notwithstanding anything in this Clause 8 to the contrary, the Bank shall, at its sole and absolute discretion at any time and from time to time, **without liability to the Client**, have the right, with or without prior notice as the Bank determines except as may be otherwise therein required, (a) to refuse, terminate, suspend, withdraw, modify, cancel or vary the provision of any Services (or any part thereof) to the Client ; and/or (b) not to accept or carry out or give effect to any Instructions (or any part thereof) of the Client; and/or (c) to amend, revise, add, vary, supplement or otherwise change this Clause 8; and/or (d) to freeze, suspend, close, cancel the Accounts.
- 8.10 To the maximum extent permitted by applicable law and not inconsistent with the applicable obligations of the Bank under the Code in respect of the Services provided under this Agreement, and subject to Clause 2.5 (if applicable), the Client shall indemnify and keep the Bank on full indemnity basis from and against any and all claims, demands, actions, proceedings, losses, liabilities (actual or contingent), damages, risk, charges, costs (including legal costs reasonably incurred), expenses of whatsoever nature which may be incurred or sustained by the Bank arising out of or in connection with (a) any breach or non-performance by the Client of any of this Clause 8; (b) any representations, warranties, information or documents provided to the Bank from time to time by or on behalf of the Client being found or reasonably suspected to be untrue or incorrect or misleading or deceptive; (c) any misuse or improper use of the Accounts; (d) the Bank's provision of or refusal to provide any Services to the Client in accordance with this Clause 8; (e) any acts or omission to act by the Bank in accordance with this Clause 8; and/or (f) the exercise or preservation of the Bank's powers, rights and remedies; save and except to the extent directly due to the gross negligence, fraud or wilful misconduct of the Bank. This indemnity shall be an obligation of the Client independent of and in addition to its other obligations to the Bank.

## 9. **China Connect Service**

This Clause 9 contains specific terms and conditions governing Transactions of trading Securities through the China Connect Service.

- 9.1 (a) Terms defined and references construed in this Agreement have the same meaning and construction under this Clause 9, unless the context otherwise requires.

(b) In this Clause 9:

**"Affiliate"** means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For the purpose, "control" of any entity or person means ownership of a majority of voting power of the entity or person.

**"China Connect Service"** means the Securities trading and clearing links programme developed by the Exchange in Mainland China, The Stock Exchange of Hong Kong Limited, China Securities Depository and Clearing Corporation Limited and HKSCC, through which (i) The Stock Exchange of Hong Kong Limited and/or its Affiliates provides order-routing and other related services for certain eligible Securities traded on the Exchange in Mainland China and (ii) China Securities Depository and Clearing Corporation Limited and HKSCC provides clearing, settlement, depository and other services



in relation to such Securities.

“**Exchanges**” shall have the meaning as per Clause 1.1 of this Agreement, which shall include the Shanghai Stock Exchange or any other exchange accepted by The Stock Exchange of Hong Kong Limited, as the case may be, for the provision of the China Connect Service. For the avoidance of doubt, this definition shall not restrict in any way the interpretation of Clause 1.1 of this Agreement.

“**Relevant Rules**” means all laws, rules, regulations, codes, guidelines, circulars, requirements and the like (whether or not having the effect of law) as issued or promulgated from time to time by the relevant governmental authorities or tax authorities in Mainland China and Hong Kong, regulators in Mainland China, the Hong Kong Regulators, Exchanges and its subsidiaries, and any other relevant entities as applicable to the China Connect Service.

9.2 (a) Margin trading of Securities through the China Connect Service will only be available to the Client on such days and in such manner as advised by the Bank from time to time and the Client must comply with the Relevant Rules in order to trade through the China Connect Service. The list of eligible Securities for margin trading through the China Connect Service and the scope of the China Connect Service shall be determined by the Exchanges from time to time. The Exchanges may suspend and resume margin trading activities in accordance with the Relevant Rules and prescribe conditions and restrictions from time to time, including, without limitation, trading and settlement restrictions, quota restrictions, requirements to comply with certain shareholding thresholds and disclosure obligations, restrictions on foreign ownership limits, conditions in conducting margin trading, stock borrowing and lending and short selling activities, restrictions in conducting off-exchange transactions, requirements in disgorgement of profits as a result of the short swing profit rule, etc. The Exchanges may, among others, suspend, restrict or terminate the China Connect Service, force the Client to sell any Securities, or request the Client to disgorge any profit or unwind any Transactions in accordance with the Relevant Rules, without prejudice to any other rights of the Exchanges.

(b) In addition to any other rights that the Bank has whether under this Agreement or otherwise, the Bank shall be entitled to take (or not to take) such action as the Bank determines in its sole and absolute discretion in order to comply with any of the Relevant Rules.

(c) Without limiting the generality of Clause 9.2(b), the Bank shall have the absolute right, without reference to the Client, to suspend, cancel, reject or not to carry out any Instruction of the Client upon request by the Exchanges or in accordance with the Relevant Rules, without prejudice to the Bank’s any other rights under this Agreement or under law or equity, including without limitation to suspend or terminate any of the Services or to close the Accounts.

(d) The Client is deemed to irrevocably authorise the Bank to sell, transfer or carry out any other action in relation to the Securities owned by the Client if the Bank is instructed to do so by any Exchanges, regulators of Mainland China and any other regulator, agency or authority with jurisdiction, authority and responsibility in respect of the China Connect Service, or if the Bank otherwise determines in its absolute discretion that it is necessary or desirable to do so in order to comply with the Relevant Rules.

(e) To the maximum extent permitted by applicable law and not inconsistent with the applicable obligations of the Bank under the Code in respect of the Services provided under this Agreement, the Bank has no obligation to inform or update the Client of the trading and settlement requirements, the list of eligible Securities and any other details of the Relevant Rules in relation to the China Connect Service and it is the duty of the Client to understand thoroughly and to comply in all respects with the requirements of the Exchanges and the Relevant Rules. The Client understands that when trading via the China Connect Service, the Client shall not only be subject to the legal and regulatory requirements in Mainland China but also in Hong Kong and the breach of either of which will have regulatory or criminal penalties.

(f) The Client represents that it is eligible under the Relevant Rules for margin trading through China Connect Service, and has complied or will comply with all the Relevant Rules, including, without limitation, the pre-trade checking requirements, forced sale requirements, substantial shareholding thresholds, disclosure and reporting requirements, etc.

9.3 (a) Without limiting the generality of Clause 9.2(b), the Client agrees that the Exchanges or the relevant regulators shall have the right to force the Client to sell any of the Securities within any time period and/or to request the Client to disgorge any profit in accordance with the Relevant Rules and the Client agrees that such sale may be effected without any notification in advance to the Client and/or such profit shall be disgorged accordingly. Without prejudice to all other rights the Bank may have, the

Client irrevocably authorises the Bank, without reference to the Client, to sell or arrange for the sale of the Securities on the Client's behalf at such price and on such terms as the Bank may determine at the Bank's absolute discretion and/or to debit the profits and all relevant fees, charges, costs and expenses from any of the Accounts for the compliance of any request or instruction from the Exchanges and the relevant regulators in relation to the forced-sale and/or request for disgorgement of profit.

(b) Where the relevant Securities that subject to the forced-sale are placed in the custody other than the Bank, the Client is deemed to authorise the Bank to provide instructions to the custodian on the Client's behalf to return the relevant Securities for sale in accordance with the requested forced-sale and the Client undertakes to inform the custodian on such authorisation and, where required, the Client undertakes to instruct the custodian to act accordingly.

(c) The Bank shall not be liable for any losses and damages the Client may suffer directly or indirectly as a result of the forced-sale and/or disgorgement of profit and the Client agrees to indemnify the Bank for all costs and expenses in complying with the request of forced-sale and/or disgorgement of profit.

9.4 (a) The Client must comply with the disclosure obligations and all the related requirements as stipulated in the Relevant Rules.

(b) Without prejudice to the generality of any applicable law, the Client expressly consents to the disclosure by the Bank or its Affiliates to the Exchanges, the relevant regulators and authorities in the jurisdiction of the incorporation or organisation of the issuer of the Securities in relation to a Transaction under the China Connect Service, the jurisdictions in which the Exchanges are located, a jurisdiction of tax residence of the issuer or any jurisdiction as the Bank reasonably considers appropriate, information relating to any Transaction, including the name, any account or confidential information, personal data of the Client in order for the Bank or any of its Affiliates to comply with the laws and regulations of any of the jurisdictions mentioned above, to comply with the Relevant Rules and/or to assist any surveillance and investigation of any of the Exchanges, regulators or authorities.

(c) The Client acknowledges that the Bank will be required under the Relevant Rules in Mainland China to keep records of all orders and trades executed on the Client's behalf, any instructions received from the Client and the Client's account information in relation to trading via the China Connect Service for a period not less than 20 years or any other period as determined by the Bank as appropriate.

9.5 (a) The Client understands and agrees that, subject to the Relevant Rules, sufficient Securities must be ready in the Account before commencement of trading on a trading day if the Client intends to sell the Securities during a trading day.

(b) Short selling will only be allowed to eligible Securities subject to the requirements set out by the Exchanges and the Client must comply with all the Relevant Rules in respect of short selling. The Client understands that the Exchanges may without notice suspend short selling activities at any time and the list of eligible Securities for short selling may be changed from time to time. Notwithstanding the aforesaid, the Bank shall be entitled to refuse to accept or give effect to any short sell order at any time without any liability to the Client.

9.6 The Client will ensure that the Client understands fully the nature and all the risks of trading of Securities via the China Connect Service (including without limitation, trading and settlement risk, liquidity risk, currency rate risk, currency conversion risk, equity risk, fundamental risk, legal and regulatory risk, market risk, event risk, political risk, economic risk, credit risk, processing and clearing risk, shareholder or bondholder risk and any other risks as the case may be). In particular, the Client understands the risks listed in the Additional Risk Disclosure Statement of this Agreement is not an exhaustive list of such risks and will decide on his own whether trading Securities via the China Connect Service is suitable for the Client in the light of his circumstances, and acknowledges that the decision to do such trading is his, and will bear all risks connected with trading Securities via the China Connect Service.

9.7 (a) The Client shall be liable or responsible for all taxes, stamp duties, levies, imposts, tariffs, commissions, fees, charges, interests, costs and expenses arising out of or in connection with trading of the Securities, as well as all penalties, fines, losses or damages for any non-compliance or breaches of the Relevant Rules. The Client agrees that the Bank may without any notice to the Client withhold any amount in order to satisfy any demand or potential demand for the payment of any of the above items on the Client's behalf and/or deduct any amount from any account maintained with the Bank for the payment of any of the above items.

(b) The Bank is authorised to convert any such amount to any currency as the Bank considers appropriate at the prevailing rate of exchange in accordance with the Bank's usual practice without reference to the Client and the Client shall be responsible for any loss arising from such conversion, the cost of exchange and any other related costs. The Client agrees that the Bank may deduct any such amount (or the converted amount, all loss and costs arising from such conversion, as the case may be) from the Account as soon as it becomes payable.

9.8 (a) To the maximum extent permitted by applicable law and not inconsistent with the applicable obligations of the Bank under the Code in respect of the Services provided under this Agreement, and, subject to Clause 2.5 (if applicable), except to the extent directly due to the fraud, negligence or wilful misconduct of the Bank, the Bank, its directors, employees and agents shall not be responsible or held liable for any losses or damages directly or indirectly suffered by the Client arising from or in connection with any trading of Securities via the China Connect Service including without limitation the following:

- (i) the exercise of any of the rights of the Bank under this Agreement (including without limitation Clause 9.2(b));
- (ii) any action, decision, inaction, failure or default on the part of any third party (including without limitation, The Stock Exchange of Hong Kong Limited, the HKSCC and the Exchanges);
- (iii) a suspension, restriction or cessation of the China Connect Service or any inability to access or use the China Connect Service;
- (iv) any special arrangement put in place or any action, step or measure taken or not taken to deal with an emergency or contingencies such as the hoisting of the Typhoon Signal number 8 in Hong Kong, including but not limited to the cancellation of any or all orders input by the Bank via the China Connect Service;
- (v) any suspension, delay, interruption or cessation of trading of any Securities on the Exchange in Mainland China;
- (vi) any delay or failure to route any orders, any delay or failure to send any order cancellation requests or to provide the China Connect Service due to system, communication or connection failure, power outage, software or hardware malfunction or events beyond the Bank's control or the control of the Exchange;
- (vii) in the event that an order which the Bank or its agent has requested to be cancelled is not cancelled for any reason whatsoever;
- (viii) in the event that the Exchange requires the Bank to reject any order for the China Connect Service;
- (ix) any delay, failure or error of any system related to the China Connect Service or any system upon which the Exchange is reliant in providing the China Connect Service; and
- (x) any delay or failure to execute, or any error in matching or executing any order due to reasons beyond the control of the Exchanges or its subsidiaries, including but not limited to any action or decision taken or made, or not taken or made, by the regulators in Mainland China, the Exchanges, the Hong Kong Regulators, or any other relevant governmental or regulatory body.

(b) The Exchanges and their subsidiaries and their respective directors, employees and agents shall not be responsible or held liable for any losses or damages directly or indirectly suffered by the Bank, the Client or any third parties arising from or in connection with the trading of Securities via the China Connect Service, the making, amending or enforcing of the Relevant Rules, or any action taken by the Exchanges in the discharge of its supervisory or regulatory obligations or functions (including without limitation any action taken to deal with abnormal trading conduct or activities). The Client further acknowledges that any trading via the China Connect Service shall not be protected by the Investor Compensation Fund established in Hong Kong nor any protection fund in Mainland China.

(c) Notwithstanding any provisions in this Agreement, nothing in the Relevant Rules shall impose upon the Bank any obligation or duty that the Bank would not otherwise have under this Agreement. The Bank will not assume any obligation towards the Client other than those expressly and specified herein, and without limiting the generality of the foregoing, the Client agrees and acknowledges that:

- (i) the Client shall be responsible for complying with any disclosure of interest rules under the Relevant Rules and shall arrange for any filings;
- (ii) the Client shall be fully responsible for any tax in respect of Securities trading through the China Connect Service (including, without limitation, any tax on capital gain and dividend distribution or any other taxes, duties, levies or imposts), and the Bank assumes no responsibility for advising on or handling any tax issues, liabilities and/or obligations in connection therewith;
- (iii) to the maximum extent permitted by applicable law and not inconsistent with the applicable

obligations of the Bank under the Code in respect of the Services provided under this Agreement, the Bank is not obligated to and cannot ensure (and the Bank hereby expressly disclaims all warranties as to) the accuracy, reliability or timeliness of any corporate actions or announcements relating to any Securities covered by the China Connect Service and shall not be liable (whether in tort, contract or otherwise) for any losses or damages arising from any errors, inaccuracies, delays, actions or omissions in connection therewith or arising therefrom, and the Client may not be able to attend meetings by proxy or in person in relation to any issuer of the Securities; and

- (iv) to the maximum extent permitted by applicable law and not inconsistent with the applicable obligations of the Bank under the Code in respect of the Services provided under this Agreement, the Bank assumes no obligation to inform the Client of any change in the Relevant Rules or risks relating to the China Connect Service, including without limitation, any rules relating to operational matters (such as the operational hours of the China Connect Service).

(d) To the maximum extent permitted by applicable law and not inconsistent with the applicable obligations of the Bank under the Code in respect of the Services provided under this Agreement, the Client shall indemnify the Bank for all losses and damages suffered by the Bank arising out of or in connection with (i) any breach of the Relevant Rules by the Client, (ii) any representations, warranties, information or documents provided to the Bank being found incorrect, untrue or misleading, (iii) the Bank's provision or refusal to provide any Service in accordance with this Agreement, (iv) any acts or decisions not to act by the Bank in accordance with this Agreement, (v) any payment or withholding obligation of the Bank in connection with the Client's tax liability incurred in any jurisdiction in relation to holding, trading of or dealing in Securities, (vi) the exercise or preservation of the Bank's powers and rights under this Agreement, and/or (vii) the Client's breach of any provision under this Agreement (including without limitation Clause 3.1), except to the extent directly due to the negligence or wilful misconduct of the Bank.

## **10. Settlement Services**

- 10.1 For a sale of Securities on the Client's behalf, the Client authorizes the Bank to hold Securities from the Account upon receipt of a request from the Client. The Client also authorizes the Bank, upon the settlement due date, to appropriate, withdraw and/or apply the appropriate quantity of the relevant Securities from the Account and deliver or transfer the same to the Bank to enable the Bank to complete the Transaction. For a purchase of Securities on the Client's behalf, the Client authorizes the Bank, upon settlement due date, to debit the entire amount payable for such purchase and related charges and expenses from the Account (less the margin loan, if granted), to enable the Bank to complete the Transaction.
- 10.2 If there are insufficient cleared funds and/or Securities in the Account to meet any purchase /sale orders, the Bank shall be entitled to in its sole and absolute discretion execute the Instructions partially or not to execute the Instruction at all, without any liability to the Client.
- 10.3 Any Securities which are held by the Bank for safekeeping may, at the Bank's sole and absolute discretion: -
  - (a) (in the case of registrable Securities) be registered in the Client's name or in the name of the Bank's nominee; or
  - (b) be deposited in safe custody in an account designated for the Client or be dealt with in such manner in accordance with the Bank's usual practices.

## **11. Pooling**

The Bank shall be entitled to treat the Securities as fungible and to pool the Securities with such other Securities held by the Bank for other clients, any allocation by the Bank of specific Securities of the same class or type as the Securities into the Account shall be binding on the Client. The Bank shall not be liable to return to the Client such of the Securities bearing serial and/or scrip numbers identical to those of the Securities originally deposited. If for any reason all or part of the Securities of a particular class, company or denomination deposited by the Client with the Bank and pooled by the Bank together with other Securities of other clients of the Bank are lost or become unavailable for deliver for any other reason, the reduction in the quantity or amount of such Securities will be shared on a pro-rata basis by the Client and all of the Bank's other relevant clients.

## **12. Client authorization**

- 12.1 The Bank is authorized, in the absence of Instruction from the Client to the contrary: -

- (a) to part with possession and/or control of, transfer, lend, pledge, re-pledge or otherwise deal with all or any of the Client's Securities or deposit them with certain third parties under the Securities and Futures (Client Securities) Rules and the Securities and Futures Ordinance (Cap.571) under a written authorization signed by the Client and its subsequent renewals;
- (b) in its discretion to accept and pay for any or all of the right issue of the Securities and debit such payment to the Account or to renounce or sell any or all of the right issue of the Securities and credit the proceeds of such sale to the Account;
- (c) to request payment of and receive all interest, dividends and other payments or distributions in respect of the Securities, provided that the Bank shall not be obliged to make available to the Client such sum until it has been able to establish that it has received it;
- (d) to surrender the Securities against receipt of the moneys payable at maturity or on redemption if called prior to maturity, provided that where the Securities are called for redemption prior to maturity the Bank shall have no duty or responsibility to present the Securities for redemption unless, after the call is made, the Client requests the Bank in writing so to do;
- (e) where moneys are payable in respect of the Securities in more than one currency to collect them in such currency as may be permissible by law and the Bank may collect the moneys in whatever currency permissible by law as the Bank may in its discretion determine;
- (f) to complete and deliver on behalf of the Client as owner any ownership certificates in connection with the Securities which may be required by law;
- (g) in its discretion to comply with the provisions of any law, regulation or order now or hereafter in force which purport to impose on a holder of any of the Securities a duty to take or refrain from taking any action in connection with any of the Securities or payments or distributions or moneys payable in respect of any of the Securities;
- (h) to exchange any of the Securities in interim or temporary form for securities in definitive form; and
- (i) unless otherwise requested by the Client to dispose of moneys collected as aforesaid or received as proceeds of sales of any of the Securities or otherwise by the Bank by payment thereof to the credit of the Account. An acknowledgment of the receipt of any such moneys by the Bank shall be sufficient discharge of any obligation of it therefor.

12.2 The Bank shall have no duty or responsibility but shall not be precluded from acting in its sole and absolute discretion as regards attendance at meetings or voting in respect of any of the Securities or as regards any subscription, conversion or other rights in respect thereof or as regards any merger, consolidation, reorganization, receivership, bankruptcy or insolvency proceedings, compromise or arrangement or the deposit of any of the Securities in connection therewith or otherwise (except that the Bank shall have no discretion concerning any action relating to Securities which may give rise to any obligation to disclose interest on the part of the Bank or its nominee in compliance with any law), nor shall the Bank be under any duty to investigate or participate therein or take any affirmative action in connection therewith except in accordance with written instructions from the Client and upon such conditions and indemnity and provision for expenses as the Bank may from time to time require in its sole and absolute discretion.

12.3 To the maximum extent permitted by applicable law and not inconsistent with the applicable obligations of the Bank under the Code in respect of the Services provided under this Agreement, the Bank shall not be obliged to monitor any shareholder communications in respect of any of the Securities or to inform the Client of any shareholder communications that it has received.

12.4 The Bank (or its Agent) is still authorized, but not obliged, to make any payments on the Client's behalf even if the Client is in default of paying any amounts due under this Agreement. If the Bank has paid any amounts on the Client's behalf, the Client shall repay the Bank (or its Agent) **on demand** any sum so paid which shall, until repaid in full, be deemed to form part of the amount hereby secured. The Bank (or its Agent) shall not be liable for failing to present any interest coupon, bond or stock which may be due or called for repayment or redemption or to pay any call or instalment or to accept any offer relating to the Securities or otherwise for failing to act or refrain from acting in relation to the Securities or to notify the Client of any of such matters to the maximum extent permitted by applicable law and not inconsistent with the applicable obligations of the Bank under the Code in respect of the Services provided under this Agreement.

### 13. **Payments without Deduction**

All payments to the Bank under or in connection with a margin loan (including without limitation any

outstanding amount on the Securities Margin Account, interest, fees and charges) shall be paid in full without set-off or counterclaim or any restriction or condition and free and clear of any (local or foreign) tax or other deductions or withholdings of any nature. The Client shall not deduct any sums owed by the Client to the Bank from any payments made or to be made by the Client under or in connection with a margin loan. If a reduction on account of tax or a similar charge or any other reason is required by applicable laws or regulations, or the bank is obliged under applicable laws or regulations to return any money received by the Bank in payment of the amount owing, the Client shall make up the payment so that the Bank receive the full amount owing under or in connection with the margin loan. This Clause shall continue to be effective after the termination of the Services or this Agreement.

#### **14. Currency Conversion**

Any proceeds or amount of money from time to time received by the Bank and/or any amount payable by the Client denominated in currency other than the currency of the Client's Securities Margin Account or such other accounts specified by the Client shall be converted by the Bank to the appropriate currency at the prevailing rate of exchange in accordance with the Bank's usual practices without further reference to the Client. The Client shall be responsible for any loss arising from fluctuations in the rate of exchange between the two currencies and all costs of exchange and any other related costs, and the Bank is authorized to deduct all such loss or costs from the proceeds or amount of money received by the Bank or from the Client's Securities Margin Account or such other accounts, as the case may be.

#### **15. eTrading Services**

- 15.1 The Bank is hereby authorized (but not obliged) to accept any Instructions given by electronic means through the use of Access Codes which it and/or Agents may provide, without any inquiry by the Bank or Agents as to the authority or identity of the person making or purporting to give such Instructions or their authenticity unless due to error, fraud or forgery of the Bank or Agents. The Client may give Instruction to it by telephone.
- 15.2 The Client understands and acknowledges that the EREF is a semi-automated facility which enables him to send electronic Instructions and receive information services.
- 15.3 The Client agrees that the Bank may use the Internet, mobile phone or other access channel(s) in the EREF or other media acceptable to the Bank to communicate with or transmit data or documentation to him.
- 15.4 The Client agrees to use the Services only in accordance with the terms of this Agreement. Any additional services relating to the electronic trading facility offered by the Bank in future shall only be used by him in accordance with the terms of this Agreement and any additional terms as the Bank thinks fit.
- 15.5 The Client understands and acknowledges that, except by using the Access Codes in the EREF, the Bank shall not accept any Instruction for dealing in the Account made by him through e-mail sent by him to the e-mail address of the Bank or its employees or Agent, if any.
- 15.6 The Client understands and acknowledges that fraudulent or other unauthorized Instructions may be transmitted via the EREF.
- 15.7 The Bank shall provide the Client with the EREF in order that the Client may give electronic Instructions through Internet, mobile phone service or other access channel(s) for the purpose of acquisition, subscription, exchange or otherwise disposal of and dealings in any and all kinds of Securities or any investment vehicles.
- 15.8 The Bank or Agents shall issue the Access Codes to the Client. The Bank or its Agents shall individually authenticate the Access Codes. All messages sent out via the Internet from the Bank or Agents shall be well encrypted.
- 15.9 The Bank may from time to time set or change the daily cut-off time without notice or responsibility to

the Client, if giving of notice is impracticable for reason beyond its control. Any Transaction done through Internet, mobile phone service or other access channel to EREF after such set or change of cut-off time shall be treated as a Transaction valued at next trading day.

- 15.10 Any electronic Transaction confirmation generated by the Services should be construed as indicative only. An official contract note and/or account statement will be sent or made available by the Bank to the Client for final confirmation of Transactions. The Bank has the sole and absolute discretion to provide or make available to the Client the final confirmation of Transactions in whatever form and by whatever means.
- 15.11 The Client shall be the only authorized user of the EREF under the Account. The Client shall be responsible for the confidentiality and use of the Access Codes. The Client acknowledges and agrees that he shall be solely responsible for all Instructions entered through the EREF using the Access Codes and neither the Bank nor its directors, officers, employees, or Agents shall have any liability to the Client, or to any other person whose claim may arise through him, for any claims with respect to the handling, mishandling or loss of any Instruction unless the handling, mishandling or loss of any Instruction is due to gross negligence, wilful default or fraud of the Bank or its directors, officers, employees or Agents (other than those contracting with the Bank as independent contractors) in the course of performing the obligations of the Bank under this Agreement.
- 15.12 Without prejudice to the rights of the Bank under this Agreement, the Client:
- (a) undertakes to inform the Bank as soon as reasonably practicable if the Client knows, has reason to believe or suspect that any other person knows the Account number and/or the Access Codes or that unauthorized or fraudulent transactions will be or have been taken place and if the Client fails to do so he shall be liable for any unauthorized or fraudulent transactions made; and
  - (b) shall in any event be liable for all his losses and damages if the Client acts fraudulently or with negligence including failing to properly safeguard the Account number/Access Codes.
- 15.13 The Client shall indemnify the Bank against all losses, damages, claims, demands, proceedings, costs (on a full indemnity basis) and expenses which it may suffer as a result of the use to the Access Codes whether by him or by any other person once the Access Codes have been used for the EREF.
- 15.14 The Client acknowledges that the EREF is proprietary to the Bank. The Client warrants and undertakes that he shall not, and shall not attempt to, tamper with, modify, decompile, reverse engineer or otherwise alter, add or erase in any way any part of the EREF. The Client shall not, and shall not attempt, to gain unauthorized access to the EREF.
- 15.15 The Client acknowledges and agrees that, as a condition of using the EREF to give Instructions, the Client shall forthwith notify the Bank if:
- (a) an Instruction has been placed through the EREF but the Client has not received an accurate acknowledgment of the Instruction or of its execution (whether by hard copy, electronic or verbal means); or
  - (b) the Client has received acknowledgment (whether by hard copy, electronic or verbal means) of a Transaction but which did not tally with his instructions or was in conflict with his instructions.
- The Client agrees that if he fails to notify the Bank forthwith when any of the above situations occurs, neither it nor any Agents shall have any liability to him, or to any other person whose claim may arise through him, for any claims with respect to the handling, mishandling or loss of any Instruction unless the handling, mishandling or loss of any Instruction is due to gross negligence, wilful default or fraud of the Bank or its employees or Agents (other than those contracting with the Bank as independent contractors) in the course of performing the obligations of the Bank under this Agreement.
- 15.16 In addition to EREF or if the EREF is unable to operate, whether it is or is not caused by the Bank or its Agent, the Client shall seek alternative forms of communication such as telephone, in person, etc. in order to give Instruction to the Bank. The Client shall also inform the Bank of the difficulty he is experiencing.
- 15.17 The Client acknowledges and agrees the Bank will not usually be possible to cancel an Instruction after it has been given. As stated in Clause 15.16, if the EREF is unable to operate, whether it is or is not caused by the Bank, the Client shall seek alternative forms of communication (including by telephone or in person) in order to give Instruction to the Bank.

- 15.18 The Client authorizes the Bank at any time and its sole discretion for the purpose of obtaining a better execution price and/or reducing the volume of Instructions to consolidate and/or disaggregate Instructions to purchase and/or sell Securities on his behalf with similar Instructions received from other clients, provided that such consolidation or disaggregation shall not result in the execution of his Instructions at a price less favourable than could have been achieved had his Instruction been executed individually, and provided further that, in the event of there being insufficient Securities available to satisfy purchase orders so consolidated, the number of Securities actually purchased shall be divided proportionally between the individual Instructions which were consolidated. The Client acknowledges and agrees that the Bank and/or Agents may at any time prioritize Instructions for best execution pricing.
- 15.19 The Client acknowledges that the real-time quote service available at the EREF is provided by the third party provider appointed by the Bank from time to time. The Client acknowledges and agrees that the Bank shall not be liable to the Client for any losses, costs, expenses, damages or claims which the Client may suffer as a result of or in connection with any aspect of the real-time quote service including the Client's reliance on such service.
- 15.20 The Bank may prescribe such limits in connection with the use of the EREF as the Bank may from time to time consider appropriate. Such limits may include, without limitation, the maximum number of enquiries and/or orders which may be made each day, the number of different Securities which may be dealt with in each enquiry, the minimum transaction amount of each order and the quantity of Securities which may be the subject of each order and the range of prices available.
- 15.21 The Bank reserves the right at any time, at its discretion, to impose service charge for enquiries and/or orders made through the EREF.
- 15.22 All information on Securities prices and Hang Sang stock indexes provided pursuant to the EREF are for the Client's reference only and it is the Client's responsibility to confirm such information at the time of any Transaction.

## **16. Exclusion of Liability**

- 16.1 The Client acknowledges that the Bank will NOT provide him with any legal, tax or accounting advice. The Client also acknowledges that the Bank's officers or employees are not authorized to give any such advice and agrees that the Client shall not solicit or rely on any such advice from the Bank or any of the Bank's officers or employees. The Client agrees that he will make his own judgments and decisions with respect to each Instruction/Transaction or investment, and if the Client is an Institutional Professional Investor or a Corporate Professional Investor, he agrees that such judgments and decisions are made independently and without reliance on the Bank. The Client assumes full responsibility for Transactions in or for the Account and for his investment decisions. To the maximum extent permitted by applicable law and not inconsistent with the applicable obligations of the Bank under the Code in respect of the Services provided under this Agreement, and subject to Clause 2.5 (if applicable), the Bank shall be under no liabilities whatsoever in respect of any information, advice or suggestion rendered by any of its directors, officers, employees or agents irrespective of whether or not such advice and suggestion was given at his request. The Client will seek independent professional advice if necessary.
- 16.2 The Client requests the Bank to contact him concerning trading and investment opportunities that may come to the Bank's attention from time to time and that the Bank believes may be of interest to him. In respect of any investment transaction with or on behalf of the Client by the Bank, the Bank is not acting as the Client's investment or financial adviser nor acting in a fiduciary capacity to the Client. The Client should seek his own professional advice, as he considers appropriate. The Bank is not obliged to monitor the performance of the Client's investments held with the Bank nor provide any investment advice to the Client on an on-going basis. Some of the information and documents provided by the Bank are for general circulation to its clients and are not meant to target specifically to the Client, and unless specifically indicated otherwise, the preparation of such information and documents has not taken into consideration the individual personal circumstances of the Client, and should not be relied upon as such. The Client fully understands and agrees that:
- (a) unless specifically indicated otherwise, all publication provided by the Bank and prepared by third parties including but not limited to the prospectuses, explanatory memoranda, semi-annual and annual reports and accounts, analysis, other promotional and advertising literature and statistical information in relation to the relevant investment are for reference only and that to the extent not inconsistent with the obligations applicable to the Bank under the Code, the Bank is under no obligation to make any such information available to the Client or to provide the Client with any financial market or investment



information;

(b) if the Bank so acts, the Bank is not providing such information or suggestion or documents as a required service, as an investment or financial advisor, and the provision of such information or documents shall not itself make the Bank become an investment or financial advisor and the Client shall not rely on such information or suggestion or documents as such;

(c) the investment is made upon the Client's own judgment and analysis and at the Client's discretion, and if the Client is an Institutional Professional Investor or a Corporate Professional Investor, he agrees that the investment is made solely upon his own judgment and independent analysis and at his discretion notwithstanding any such information, suggestion or documents as the Bank may have provided to the Client;

(d) to the maximum extent permitted by applicable law and not inconsistent with the applicable obligations of the Bank under the Code in respect of the Services provided under this Agreement, and subject to Clause 2.5 (if applicable), the Bank assumes no responsibility for the accuracy and completeness of any information or documents provided by any third party, whether via the Bank or not, (including but not limited to the information of the investment as stated in (a) above); and

(e) to the maximum extent permitted by applicable law and not inconsistent with the applicable obligations of the Bank under the Code in respect of the Services provided under this Agreement, and subject to Clause 2.5 (if applicable), the Bank assumes no responsibility for the performance or outcome of any Transaction or investment made by the Client after receipt of such information or documents or for the performance of the Client's portfolio in part or in whole.

The Client acknowledges and agrees that the Client should seek independent professional advice if necessary.

- 16.3 The Bank shall not be under any obligations or shall not assume any duties (including any fiduciary duties) to or towards the Client other than those for which express provisions are made in this Agreement. Notwithstanding any other provisions contained in this Agreement, the Client agrees and acknowledges that no provision in this Agreement shall incorporate into this Agreement any part or provision of any code, guideline, guidance note, circular or any other communication from time to time issued by any regulator (including, without limitation, the Hong Kong Regulators) which does not have the force of law (including, without limitation, the SFC Rules such as the Code) which for the purpose of this Clause 16.3, includes all provisions of the Code (including those provisions which the Bank is exempt from compliance).
- 16.4 To the maximum extent permitted by applicable law and not inconsistent with the applicable obligations of the Bank under the Code in respect of the Services provided under this Agreement, subject to Clause 2.5 (if applicable), the Client agrees that except in the case of the Bank's negligence or wilful misconduct, the Bank shall not be liable for taking or omitting to take any action in relation to any matter herein including the following:
- (a) the operation of the Account and the Bank's provision of dealing, safekeeping and other services pursuant to the provisions of this Agreement;
  - (b) the Bank's ability to account for any Transaction is restricted or affected for reason beyond its control;
  - (c) any actions or omissions (including any negligence or default unless otherwise required by applicable laws) of any Agents, custodian or counterparty involved in any Transactions;
  - (d) any losses or damages, due to reasons beyond the Bank's control, caused by breakdown in or delay or failure of EREF or any transmission or communication facilities, or external clearing systems; or
  - (e) for any damages to any terminal or related facilities used by the Client or any losses or corruption of any data in connection with the operation of Internet.
- 16.5 The Client understands that each participating securities Exchange or association asserts a proprietary interest in all market data it furnishes to the parties who disseminate such data. The Client understands that no party guarantees the timeliness, sequence, accuracy or completeness of market data or any other market information. None of the Bank, Agents or any disseminating party shall be liable in any way to the Client or any third party for any losses or damages arising from or caused by any inaccuracy, error or delay in or omission from any such data, information or message, or transmission or delivery of the same, or non-performance or interruption of such data, message or information, or any force majeure events, or any other cause beyond their respective reasonable control.

- 16.6 Unless solely and directly caused by the negligence or wilful default of the Bank or its employees or Agents (other than those contracting with the Bank as independent contractors) in the course of performing the obligations of the Bank under this Agreement, the Bank shall not be liable for any delay or failure to perform any obligation on its part or for any losses caused directly or indirectly by any conditions or circumstances over which it does not have direct control including but not limited to government restriction, Exchange or market rulings, suspension of trading, failure of electronic or mechanical equipment or communication lines, telephone or other interconnect problems, unauthorized access, theft, war (whether declared or not), terrorist acts (actual or presumed), severe weather, earthquakes, fires and strikes.
- 16.7 Unless due to the negligence or wilful default of the Bank or its officers or employees and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly and solely therefrom, to the maximum extent permitted by applicable law and not inconsistent with the applicable obligations of the Bank under the Code in respect of the Services provided under this Agreement, and subject to Clause 2.5 (if applicable), the Bank (i) does not assume any liability or responsibility to the Client or any third party, (ii) shall not be liable for taking or omitting to take any action, and (iii) shall not be responsible for any direct or indirect losses, damages, costs and expenses suffered by the Client or any third party, for the consequences arising out of or in connection with :-
- (a) access to the Services by the Client or any other person whether or not authorized;
  - (b) the operation of the Account and the Bank's provision of dealing, safekeeping and other Services pursuant to the provisions of this Agreement (including without limitation any change in the margin requirements in relation to any Securities as the Bank may specify from time to time which may trigger the Bank's exercise of any rights under Clauses 7 or 18);
  - (c) any circumstances or situations restricting or affecting the Bank's ability to account for or carry out any Transaction, including government restriction, imposition or change of any applicable laws or regulations, Exchange or market rulings, market disruption or fluctuation, restriction or suspension of trading, failure of electronic or mechanical equipment or communication lines, telephone or other interconnect problems, unauthorized access, theft, war (whether declared or not), severe weather, earthquakes, strikes, and insolvency or liquidation or bankruptcy of any relevant financial institution, broker, Exchange, clearing house or government;
  - (d) actions or omissions (including any negligence or default) of any Agents, nominees, custodian or counterparty involved in any Transactions;
  - (e) any interruption, suspension, delay, loss, damage, mutilation or other failure or inaccuracy in transmission of instructions or other information howsoever caused;
  - (f) disclosure or leakage of Instruction or information relating to the Client by any telecommunication company, equipment, device or intermediary through which the Instruction or information is communicated to or from the Bank or the Bank's Agents or any other third party;
  - (g) the Bank's inability to execute any Instruction due to prevailing market conditions and the manner and timing of execution of an Instruction;
  - (h) any damage to any terminal or related facilities used by the Client or any loss or corruption of any data in connection with the operation of EREF; and/or
  - (i) any mechanical failure, power failure, malfunction, breakdown, interruption or inadequacy of equipment or installation in connection with the EREF, Acts of God, Government act, flood, fire, civil commotion, public demonstration, strike, war, terrorist activities of any kind, or any other causes beyond the reasonable control of the Bank.

Where statements, confirmations, contract notes or other documents are made available to the Client in electronic form, the Client acknowledges and agrees that the Bank does not warrant the timeliness, security, secrecy or confidentiality of the same electronically transmitted through any applicable internet service provider, network system or other equivalent system in any jurisdiction.

- 16.8 Provision of the Services shall not make the Bank the Client's trustee in respect of any of the Securities save and except those Securities registered in the name of the Bank's nominee and in the capacity of a bare trustee only. The Bank shall have no other obligations in respect of the Client's moneys or assets other than those expressly specified in this Agreement.

- 16.9 The Bank shall have no obligation to examine or verify the validity of the ownership of or title to any Securities. The Bank shall not be responsible for any defect in ownership or title of any Securities purchased or held or to be purchased or held by the Bank on the Client's behalf.
- 16.10 The Bank shall have no obligation to ascertain the nationality of the Client or whether any restriction applies to any Securities, including without limitation restriction on ownership, owner's nationality or foreign exchange control or requirement.

## **17. Third Party Rights**

Nothing in this Agreement is intended to grant to any third party any right to enforce any term of this Agreement or to confer on any third party any benefits under this Agreement for the purposes of the Contracts (Rights of Third Parties) Ordinance and any re-enactment thereof, the application of which legislation is hereby expressly excluded.

## **18. Set-off and Lien**

- 18.1 In addition and without prejudice to any other security or any general lien, right of set-off or similar right to which the Bank may be entitled at law, in equity, under this Agreement or any other agreement between the Client and the Bank, the Bank shall have a lien on all the Client's property (including the Securities) which may now or hereafter be in the Bank's possession whether for safekeeping or otherwise, and the Bank shall also have the right and is hereby authorized (but not obliged to), to the fullest extent permitted by law and without notice to the Client or to any other person, to retain, set-off, appropriate and apply in such manner and order and in respect of such of the Client's obligations and liabilities to the Bank as the Bank at its absolute discretion decide,
- (i) any credit balance on any account (whether subject to notice or not and whether matured or not and in whatever currency(ies)) of the Client or of any other person with the Bank or any other company related to or associated with the Bank to which the Client may be beneficially entitled, and
  - (ii) any other sum due or owing by the Bank to the Client in whatever currency(ies), and
  - (iii) any credit balance on any account opened by the Bank in its name on the Client's behalf with any other financial institutions in Hong Kong Special Administrative Region or elsewhere,
- against or on account of the Client's obligations and liabilities to the Bank whether actual, future or contingent. For the purposes of this Clause 18, an account shall be deemed to have a credit balance if under and pursuant to an overdraft facility funds may be drawn out of that account (even though the account may already be overdrawn but the amount overdrawn is still less than the maximum amount available under the overdraft facility), and the amount of such credit balance shall be equal to the amount which under the overdraft facility is still available. Further, in so far as any of the Client's liabilities are contingent or future, the Bank's liability to make payment of any sum or sums standing to the credit of any of the Client's accounts to the Client shall, to the extent necessary to cover such liabilities, be suspended until the happening of the contingency or future event. This Clause 18 shall apply notwithstanding that any credit balance in question may have been deposited for a fixed period or may be subject to a period of notice and the fixed period or period of notice may not have expired or notice may not have been given.
- 18.2 Without prejudice to all other rights or remedies of the Bank and for the avoidance of doubt, all Securities held in the Client's Account shall be subject to the Bank's first lien. The Bank shall also have the power to sell such property of the Client coming into the possession or control of the Bank for custody or for any reason and whether or not in the ordinary course of business (including without limitation all or any of such Securities in the Account) as security, constituting the lien of the Bank, in such manner and at such price(s) as the Bank considers appropriate in light of the prevailing market conditions, and the Bank shall apply the proceeds of sale after deduction of reasonable expenses in satisfaction of any obligations and liabilities whatsoever of the Client owed to the Bank whether present or future, actual or contingent.
- 18.3 In case of a joint account, the Bank may exercise the right in this Clause 18 and apply any credit balance on such joint account in or towards satisfaction of any indebtedness owed to the Bank by one or more of the holders of such joint account.
- 18.4 The Bank is authorized to carry out any currency conversion as the Bank may consider necessary to effect any right under this Clause 18 at an exchange rate determined by the Bank at the sole and absolute discretion, and the cost of such conversion shall be borne by the Client and shall form part of the obligations and liabilities owed to the Bank for its exercise of any of its right under this Clause 18.

- 18.5 The Client agrees and acknowledges that the Client's obligations and liabilities to the Bank against which the Bank is entitled to retain, set-off, appropriate and apply pursuant to this Clause 18 shall include (i) any time-barred obligations and liabilities (whether or not as a result of the provisions of the Limitation Ordinance) and (ii) any other obligations and liabilities which for any reason(s) are unenforceable.
- 18.6 Upon exercising the rights and powers of the Bank under this Clause 18, the Bank will use its reasonable endeavours, as soon as practicable thereafter, to notify the Client of same and the further performance by the Bank of any of its outstanding obligations to the Client under this Agreement (whether for the payment of money or otherwise) shall be conditional upon the Client having fully discharged all his obligations and liabilities to the Bank under this Agreement.
- 18.7 The Bank undertakes that it shall not (i) apply, permit or suffer any monies, Securities or any other forms of collateral standing to the credit of the Client's ledger accounts to be applied for the benefit of its own trading accounts, accounts of its directors or employees or for the benefit of trading accounts for any other Client, nor (ii) apply, permit or suffer any monies, securities or any other forms of collateral received from Clients to be applied against debts of its own trading account or accounts of its directors or employees.
- 18.8 Without prejudice to all other rights of the Bank, the Client acknowledges and agrees to give the Bank an authorization pursuant to Rule 21(2) of the Securities and Futures (Financial Resources) Rules (Cap 571N) to: -
- (a) set off any amount receivable from, and amount payable to, where such amounts arise from the purchase and sale of Securities by the Client on a cash-against-delivery basis against each other; and
  - (b) dispose of Securities held for the Client for the purpose of settling any of the amount payable by the Client to the Bank.

## **19. Amendments**

It is hereby expressly agreed that the Bank shall be entitled from time to time and at such time in its sole and absolute discretion without the consent of the Client to replace, revise, increase, add, amend and/or delete any or all of the terms and conditions of this Agreement for the time being in force if 30 days' notice is given to the Client by displaying in the Bank's offices, advertisement, mailing to Client at his last address registered with the Bank, posting onto the website of the Bank or other means as the Bank thinks fit and such replacement, revision, increase, addition, amendment and/or deletion shall conclusively and absolutely be binding on the Client as from the effective date as specified on such notice if the Client continues to maintain an Account with the Bank.

## **20. Change of Signature Specimen**

The Client shall inform the Bank of any change to the specimen signature(s), or information provided to the Bank and shall complete a change form for record of the Bank. In the case the Client being an incorporation, a resolution of board of directors should be submitted to the Bank as soon as possible without delay. New specimen signature cards indicating the date from which the new signature will become effective should also be submitted. No new signature shall be used without the consent of the Bank.

## **21. Loss of Chop or Seal of Client**

If a chop or seal is being used as signature by the Client, he shall bear all the risks and losses in respect of such use. Apart from taking such practicable steps as the Bank may reasonably consider appropriate, the Bank shall not be liable for any loss or damage resulting from or in connection with the authorized or unauthorized use of the chop or seal of the Client. In particular, in the event of loss of a seal or chop used for operating the Account, the Client must immediately notify the Bank of the loss in writing and before actual receipt of such written notice, the Bank shall not be responsible for any payment made as a result of using the seal or chop.

## **22. Service Charges, Interest and Fees**

- 22.1 The Bank shall be entitled to prescribe, from time to time, commission, fees, interests and charges payable in respect of the Services herein provided subject to the Bank's reasonable notice for any prescription or variation of the same, which may be given by advertisement, mailing to Client at his last address registered with the Bank or other means as the Bank thinks fit, and such prescription or variation shall be binding on the Client if the Client continues to maintain Account with the Bank after the effective date thereof. Commission, fees, interests and charges already paid are non-refundable notwithstanding early termination of the Services, or as the case may be, closure of the Account.
- 22.2 The Client agrees to pay, such commission, fees, interests and charges as the Bank may from time to time prescribe, details of which may be obtained from the Bank, in consideration of its Services herein and all expenses paid or incurred by the Bank or the depositories with respect thereto. The Bank may deduct any amount due to the Bank from any moneys received by the Bank for the Client or shall be authorized on behalf of the Client to deduct any such amount due from any moneys standing to the credit of the Account with the Bank and further may retain the Securities by way of pledge to secure the payment of such commission, fees, interests, charges and expenses. If the Client fails to pay such commission, fees, interests, charges and expenses within a specified time after a demand of payment is made to the Client, the Bank is authorized from time to time, without notice to the Client or any other person, to have all or any of the Securities registered in the name of the Bank or of others appointed by it and to collect all or any of the Securities, and to sell by public or private sale all or any of the Securities upon such terms and conditions as the Bank may see fit, and to apply the proceeds of any such collection or sale, after deduction of the expenses thereof, in payment or reduction of such commission, fees, interests, charges and expenses. The managing director or manager or secretary of the Bank for the time being is hereby irrevocably and by way of security appointed the attorney of the Client, with full powers of substitution from time to time, for each and all of the foregoing purposes of this Agreement and with power to sign and execute all documents and perform all acts in the name and on behalf of the Client or as otherwise required in connection herewith.

### **23. Collection of Amounts Due**

The Bank shall be entitled to employ outside debt collecting agency and/or institution to collect any or all sums due but unpaid by the Client and the Client shall be obliged to pay the Bank for all reasonable costs and expenses reasonably incurred by the Bank in employing such outside debt collection agency or its nominated agent and all legal fees and disbursements reasonably incurred by the Bank in recovery thereof, however, in some situations such costs, expenses, fees and disbursements can exceed the Client's indebtedness to the Bank.

### **24. Suspension and Termination of Services**

- 24.1 The Bank may, at any time and in any manner at its absolute discretion without being obliged to give any reason to the Client and without liability and with or without notice as the Bank absolutely determines, close the Account or suspend or terminate any of its Service. Without prejudice to the foregoing rights of the Bank, if a notice of closure, suspension or termination is sent to the Client at his last address registered with the Bank, the Bank shall henceforth be released from any further obligations at the effective date as stated in the notice. The Client shall be held solely responsible for any and all consequences resulting or arising therefrom. Any notice sent to the Client by post or courier to his last address registered with the Bank shall be deemed to have been duly received by him on the day following that on which the notice is posted or sent.
- 24.2 The Securities Margin Account may be terminated by the Client by giving not less than 30 days' written notice to the Bank of his intention to terminate the Securities Margin Account provided that the Securities Margin Account shall not be deemed to have been terminated by the Client until the Bank has notified him whether in writing or not (which notice may not be unreasonably withheld) that it accepts his termination notice on the basis that the Client does not have outstanding balances or liabilities in the Account or other account(s) maintained with the Bank. Such notice shall not affect any transaction entered by the Bank prior to its receipt of such written notice and shall be without prejudice to any of the rights, powers or duties of the Bank or the Client prior to such receipt.
- 24.3 Upon termination of the Account pursuant to this Clause 24, without prejudice to all other rights of the Bank, the Bank may convert all monies held in or for such Accounts into Hong Kong Dollars and realize any Securities. Subject to the full payment of all monies owed by the Client to the Bank, the Bank shall:
- (a) credit any balance from sale of Securities to the Account;
  - (b) send by post at the risk of the Client to his last address registered with the Bank a cheque

- representing the outstanding credit balance; or
- (c) deliver to him personally or to his designated bank account or to his duly authorized agent or attorney a cheque representing the credit balance standing in the Account and send to him all documents of title of the Securities.

24.4 Notwithstanding all or any of the Accounts are closed or Services are suspended or terminated, the Client shall continue to be bound by this Agreement to the extent that it relates to any of the Client's obligations or liabilities which remain to be performed or discharged.

## **25. Deceased Client or Mentally Incapacitated Client**

25.1 In the event of the death or mental incapacity of the Client, the Bank shall be entitled to refuse any withdrawal of the credit balance or Securities, if any, from the Account, regardless of whether such Account is held jointly or singly or on trust, until the Bank is satisfied in its sole discretion that (i) there are no outstanding liabilities or indebtedness owed by the Client to the Bank, (ii) the proper disposition of the Client's interest in the Account has been finally and validly determined, and (iii) procedures or steps reflecting good practices generally applicable to the circumstances or specifically required by the Bank (including the opening of a new account in a representative capacity or a committee account, and the giving of an indemnity to the Bank) shall have been performed or taken. The Bank shall be entitled to deduct from any account (including the Account) of the Client all costs and expenses (including legal fees) paid or incurred by the Bank with respect to or relating to any Account or its termination, or the transfer of the credit balance or Securities thereof to any person legally entitled to such balance.

25.2 In the event of the death of the Client, the Bank shall be entitled (but not obliged) to give and/or disclose (including in case of a joint account, without consent of the surviving Client) to any person applying for a grant of probate or letter of administration of the estate of the deceased Client any information or documents or matters relating to the Account including, without limitation, the details and balance of the Account (and, in addition, the name of the surviving Client, in case of a joint account), for the purposes of facilitating such application or any procedures or proceedings incidental to or arising from such application or ascertaining the property comprising the estate of the deceased Client, without any liability to any person deriving an interest from the estate of the deceased Client (and/or the surviving Client, in case of a joint account).

## **26. Ultimate Beneficiary**

Without prejudice to the Bank's rights under this Agreement, the Client undertakes to provide details of the ultimate beneficiary and of the person originating the Instruction for a Transaction to the Bank within one business day or directly to the relevant authorities or bodies as may be specified by it including without limitation Hong Kong Regulators within two business days.

In case that the Client is an individual, the Client declares that the Client is the sole beneficial owner of the Securities in the Securities Margin Account in every Transaction, and not for the benefit of any other person.

In case that the Client is other than an individual, the Client must not effect Transactions for account of other persons or clients, whether on a discretionary or non-discretionary basis, and whether as agent or by entering into matching Transactions as principal with clients of the Client, unless with the prior written consent of the Bank and no margin loan is outstanding. Subject to the preceding, the Client hereby agrees that, in relation to a Transaction where the Bank has received an enquiry from the Hong Kong Regulators, the following provisions shall apply:

- (a) Subject to as provided below, the Client shall, immediately upon request by the Bank, inform the Hong Kong Regulators of the identity, address, occupation and contact details of the client for whose account the Transaction was effected and (so far as known to the Client) of the person with the ultimate beneficial interest in the Transaction. The Client shall also inform the Hong Kong Regulators of the identity, address, occupation and contact details of any third party (if different from the client/the ultimate beneficiary) who originated the Transaction;
- (b) (i) If the Client effected the Transaction for a collective investment scheme, discretionary account or discretionary trust, the Client shall, immediately upon request by the Bank, inform the Hong Kong Regulators of the identity, address, occupation and contact details of the scheme, account or trust and if applicable, the identity, address, occupation and

- contact details of the person who, on behalf of the scheme, account or trust, instructed the Client to effect the Transactions;
- (ii) If the Client effected the Transaction for a collective investment scheme, discretionary account or discretionary trust, the Client shall, as soon as practicable, inform the Bank when the discretion of the Client to invest on behalf of the scheme, account or trust has been overridden and/or cancelled. In the case where the investment discretion of the Client has been overridden and/or cancelled, the Client shall, immediately upon request by the Bank, inform the Hong Kong Regulators of the identity, address, occupation and contact details of the person who has given the Instruction in relation to the Transaction;
- (c) If the Client is aware that the client of the Client is acting as intermediary for its underlying client, and the Client does not know the identity, address, occupation and contact details of the underlying client for whom the transaction was effected, the Client confirms that:
- (i) The Client has arrangements in place with the client of the Client which entitle the Client to obtain the information set out in paragraph (a) and/or (b) from the client of the Client immediately upon request or procure that it be so obtained; and
  - (ii) The Client shall, upon request from the Bank in relation to a transaction, promptly request the information set out in paragraph (a) and/or (b) from the client of the Client on whose instructions the transaction was effected, and provide the information to the Hong Kong Regulators as soon as it has been received from the client of the Client or procure that it be so provided.
- (d) This Clause 26 shall continue in effect notwithstanding the termination of this Agreement or any account.
- (e) For the avoidance of doubt, the Client acknowledges and agrees that where the Client effects any Transaction for any of its clients, whether or not such client is identified to the Bank by the Client or any sub-account is specified for such client, such client shall not under any circumstances be treated as client of the Bank, and the Bank shall not have or accept any responsibility towards such client. The Client acknowledges and agrees that the Client shall be solely responsible for settling all liabilities resulting from such Transaction.

## **27. Employees and Connected Persons**

- 27.1 The Client represents and warrants to the Bank that he is not associated with any of its employees including without limitation as a spouse or a child under 18 years of such employees and agree that if he is or becomes associated with any of such employees, he shall promptly notify the Bank of the existence and nature of such association and acknowledge that the Bank may, upon receipt of such notice, at its absolute discretion, choose to terminate the Account without any liability to the Client.
- 27.2 The Client further represents and warrants to the Bank that he is not a connected person (as defined in the Listing Rules or other relevant applicable laws and regulations) of the Bank the Securities of which he shall place orders or Instructions with the Bank for the purchase or disposal of or otherwise dealings in the Securities unless he specifically notifies the Bank to the contrary prior to the placing of such orders or Instructions.
- 27.3 The Client agrees to indemnify the Bank and its officers, employees and agents on demand for any loss, costs, claim, liability or expense arising out of or in connection with any breach by him obligations in this Clause 27 including any reasonable costs incurred by the Bank in collecting any debts due to it or in connection with the closure of the Account.

## **28. Conflict of Interest**

- 28.1 The Bank and its directors, officers or employees may trade on its own account or on the account of any of the Bank Group Companies.
- 28.2 The Bank may buy, sell, hold or deal in any Securities or take the opposite position to the Client's order whether on the Client's own account or on behalf of its other client(s).

- 28.3 The Bank may match the Client's orders with those of other client(s).
- 28.4 The Bank may effect Transactions in Securities where the Bank or any of the Bank Group Companies has position in the Securities or is involved with those Securities as underwriter, sponsor or otherwise.
- 28.5 In any of abovementioned events the Bank shall not be obliged to account for any profits or benefits obtained.

## **29. Power of Attorney and Delegation**

- 29.1 The Client agrees to and hereby irrevocably and by way of security appoints the Bank with full power as his true and lawful attorney in fact, to the fullest extent permitted by law, to take any action and execute any instrument which the Bank deems necessary or advisable (whose opinion shall be conclusive and binding on the Client) for the purpose of carrying out the provisions of this Agreement or for giving to the Bank the full benefit of all or any of the provisions in this Agreement. The Client covenants that he will ratify and confirm all that the Bank shall lawfully do or cause to be done by virtue of these presents.
- 29.2 The Bank may delegate the performance of its functions or duties to any Agent, broker, nominees, custodian, counterpart or any other parties at the Client's cost.
- 29.3 The Bank is authorized to disclose any information it has concerning the Client, any of his Account and the Services to any such Agent, broker, nominees, custodian, counterpart or any other parties employed by it or to whom the functions or duties are delegated in connection with the performance of all or part of its functions or duties under this Agreement.
- 29.4 The Bank shall not be liable for any act, omission, negligence or default of any such Agent, broker, nominees, custodian, counterpart or any other parties provided that the Bank has exercised such care in employing or delegating to the same as it would employ for its own business.

## **30. Clauses severable**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the other remaining provisions hereof nor the legality, validity or enforceability of such provisions under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

## **31. Governing Law & Jurisdiction**

- (a) This Agreement shall be governed by and construed in accordance with the laws of Hong Kong SAR and the Client hereby irrevocably submits to the non-exclusive jurisdiction of Hong Kong SAR courts.
- (b) Nothing shall limit the right of the Bank to take proceedings against the Client in any other court of competent jurisdiction, nor shall the taking of proceedings in one or more jurisdiction preclude the taking of proceedings in any other jurisdiction, whether concurrently or not.

## **32. Indemnification**

- 32.1 To the maximum extent permitted by applicable law and not inconsistent with the applicable obligations of the Bank under the Code in respect of the Services provided under this Agreement, the Client shall indemnify and keep the Bank indemnified on a full indemnity basis from and against any and all claims, demands, actions proceedings, losses, liabilities (actual or contingent), damages, risks, charges, costs (including legal costs reasonably incurred), expenses of whatsoever nature which may be incurred or sustained by the Bank arising out of or in connection with:
- (a) any failure by the Client to make due and punctual payment of any moneys required to be paid under this Agreement (including the failure to meet margin calls or failure to pay the margin loan);
- (b) any non-performance by the Client of any act required on the part of the Client or any breach by the Client of any provisions under this Agreement;
- (c) any claims of third party against the Securities and/or moneys in the Securities Margin Account;
- (d) any representations, warranties, information or documents provided to the Bank from time to time by or on behalf of the Client being found or reasonably suspected to be untrue or incorrect or



- misleading or deceptive;
- (e) any operation, misuse or improper use of the Account;
- (f) the Bank's provision of or refusal to provide or delay in providing any Services to the Client under this Agreement;
- (g) any acts or omission to act by the Bank (including without limitation the Bank's decision not to process any Instruction or the Bank's delay or failure to act on an Instruction in part or in full for any reason) under this Agreement;
- (h) the exercise or preservation of the Bank's powers, rights and remedies under this Agreement or otherwise allowed by law;
- (i) taxes, imposts, levies, duties, withholdings or other liabilities imposed or assessed against, and any other claims against, the Bank, each of its nominees or Agents by any governmental authority with respect of any payment, collection or other transaction effected under the Account, or of any reclaim or refund of taxes, imposts, levies, duties, withholdings or other liabilities effected by the Bank or any of its nominees or Agents;
- (j) the Bank's accepting Instruction given in electronic, verbal, facsimile or whatsoever as permitted by the Bank from time to time and acting thereon;
- (k) the purchase or holding of Securities;
- (l) any damage to or diminution in value of any of the Securities however arising while the same are in possession, custody or control of the Bank (or its Agents or correspondents);
- (m) any fluctuation in the price of the relevant Securities between the time the Bank receives an Instruction and the time the Bank acts on its; and/or
- (n) the discharge of duties by the Bank, its nominees or Agents and their officers and staff under and pursuant to this Agreement.

32.2 Neither the Bank nor its nominees shall be required to take any legal action on behalf of the Client unless it is fully indemnified by the Client on a full indemnity basis (as a prerequisite to taking such action) against all its costs and liabilities.

32.3 The indemnity in this Clause 32 shall be independent of and in addition to other obligations which the Client may owe to the Bank under this Agreement.

32.4 In respect of the indemnities stipulated in this Agreement, the losses, damages, claims, demands, proceedings, liabilities, obligations, costs and expenses which shall be so indemnified as stipulated therein shall mean such losses, damages, claims, demands, proceedings, liabilities, obligations and reasonable amounts of costs and expenses as may be reasonably incurred or suffered by the Bank and/or its officers, employees and/or agents save and except for those caused directly and solely by the negligence or wilful default of the Bank and/or its officers, employees and/or agents in the course of performing the obligations of the Bank under this Agreement.

32.5 The indemnity under this Clause 32 shall continue after the termination of the Services, the Accounts (including without limitation the Securities Margin Account) or this Agreement.

32.6 The Bank shall be entitled to withhold, retain or deduct such portion from the Securities or such amount from any of the Accounts the Client maintain with the Bank as the Bank determines in its sole and absolute discretion to be sufficient to cover any amount owing by the Client to the Bank under this Clause 32.

### **33. Representations of the Client**

33.1 By applying to the Bank for the provision of Services under this Agreement and unless the Client notifies the Bank in writing otherwise upon such application, the Client (and if the Client is more than one individual each of such individuals) hereby represents, warrants and confirms that:

- (a) he is not a citizen or resident of the United States of America;
- (b) he has not been nor does he anticipate or expect to be present in the United States for a period aggregating 183 or more days during a calendar year;
- (c) the gains from his purchase, switching or redemption transactions carried out pursuant to the unit trust and nominee services are not effectively connected or related to any US trade or business which the Client is engaged in or plans to engage in during the calendar year;
- (d) if any of (a) to (c) above change(s) or appears likely to change, the Client will notify the Bank in writing as soon as reasonably practicable and in any event within 30 days of such change of him becoming aware of the likelihood of such change.

- 33.2 The Client warrants, represents and undertakes to the Bank that:
- (a) unless the Client notifies the Bank in advance, the Client is entering into this Agreement and giving each Instruction under this Agreement as principal and is not acting on behalf of any other person, and the Client has unencumbered and absolute beneficial title to all Securities deposited with or transferred to the Bank whether for sale, safe keeping, or any other purpose, all of which are fully paid and free of and not subject to any charge, lien, trust, hypothecation or other adverse interest or claim;
  - (b) the performance of any obligations contained in this Agreement by the Client and any Instruction given by the Client do not contravene any applicable law, statute, ordinance, rule or regulation, codes or guidelines issued by any regulators (whether or not having the force of law) or any judgment, decree or permit to which the Client is subject, or conflict with or result in any breach of the terms or constitute any default under any agreement or other instrument to which the Client is a party or is subject;
  - (c) the Client is the sole beneficial owner (or where the Client comprises more than one person, such persons are the sole beneficial owners) of the Securities and moneys in the Securities Margin Account and has good title to all such Securities and moneys deposited with or transferred to the Bank or which he has instructed the Bank to deal on his behalf free from all encumbrances or any third party interest and not subject to any charge, lien, trust, hypothecation or other adverse interest or claim;
  - (d) the Client is entering into this Agreement and giving each Instruction under this Agreement as principal and is not acting on behalf of any other person;
  - (e) the Client has and will maintain beneficial ownership of the Securities and moneys charged, pledged or assigned to the Bank free from encumbrances or any third party interest (except in favor of the Bank);
  - (f) the Client has the full power, authority and legal right to charge, pledge and assign the Securities and moneys under this Agreement in favor of the Bank (and in case the Client is a corporation, the Client has obtained all necessary authorizations), and the security of the Bank under this Agreement constitutes and will constitute valid and legal obligations of the Client enforceable in accordance with its terms;
  - (g) at all times during which the margin loan is outstanding, the Client shall not engage other broker to sell or otherwise dispose of the Securities in the Securities Margin Account and all other Securities deposited with the Bank without the prior written consent of the Bank;
  - (h) the Client shall not create or permit to arise any encumbrance or third party rights over any assets in the Securities Margin Account or funds in the Accounts or purport so to do, except in the Bank's favor;
  - (i) the Client shall not take any action (including any action to create, permit or grant any restriction on the ability to transfer or realize all or any part of the Securities) which might prejudice the value of the Securities and/or the effectiveness of the security, rights or interests of the Bank under this Agreement;
  - (j) at any time and from time to time, the Client shall execute and deliver such further charges, authorities and other documents as the Bank may from time to time reasonably requires for perfecting its title to or for vesting or enabling the Bank to vest the full benefit of the security under this Agreement, for which purposes Clause 29.1 shall apply and the Client acknowledges and agrees that the power of attorney thereunder is, among others, given to secure the performance and obligations of the Client under this Agreement; and
  - (k) the Client shall obtain and maintain in full force and effect all governmental and other approvals, authorities, licences and consents required in connection with the security of the Bank under this Agreement, and shall do or cause to do all other acts and things necessary or desirable for the performance of all the obligations of the Client under this Agreement, or for ratifying or confirming anything done by the Bank in the performance of its duties and/or exercise of its rights or powers under this Agreement.
- 33.3 The Client confirms that the Client has read and agrees to be bound by this Agreement.

### **34. Anti-Money Laundering and Sanctions**

- 34.1 The Client agrees that the Bank may delay, block or refuse to process any Transaction without incurring any liability if the Bank suspects that:
- (a) the Transaction may breach any laws or regulations in Hong Kong or any other country;
  - (b) the Transaction involves any person (natural, corporate or governmental) that is itself sanctioned or is connected, directly or indirectly, to any person that is sanctioned under economic and trade sanctions imposed by the United Nations, the United States, the European Union or any country; or
  - (c) the Transaction may directly or indirectly involve the proceeds of, or be applied for the purposes of, conduct which is unlawful in Hong Kong or any other country.
- 34.2 The Client declares and undertakes to the Bank that the processing of any Transaction by the Bank in accordance with the Client's Instructions will not breach any laws or regulations in Hong Kong or any other country.
- 34.3 The Bank may take and instruct any delegate to take any action which it in its sole discretion considers appropriate so as to comply with any applicable law, regulation, request of a public or regulatory authority or any policy of the Bank which relates to the prevention of fraud, money laundering, terrorism or other criminal activities or the provision of financial and other services to sanctioned persons or entities. Such action may include but is not limited to the interception and investigation of transactions on accounts (particularly those involving the international transfer of funds) including the source of the intended recipient of fund paid into or out of accounts. In certain circumstances, such action may delay or prevent the processing of Instructions, the settlement of Transactions over the accounts or the Bank's performance of its obligations under this Agreement. The Bank needs not notify the Client until a reasonable time after it is permitted to do so under such law, regulation or policy of the Bank, or by such public or regulatory authority. Neither the Bank nor any Agent of the Bank will be liable for any loss (whether direct or consequential and including, without limitation, loss of profit or interest) caused in whole or in part by any actions which are taken by the Bank or any delegate of the Bank pursuant to this Clause 34.

### **35. Overriding Right**

Notwithstanding any provisions contained in this Agreement to the contrary, the Bank shall have an **overriding right** at any time to require the Client's immediate repayment **on demand** of all his indebtedness, liabilities and outstanding amounts whether actual or contingent (together with interest and default interest, if any) owing to the Bank, and/or to require cash collateralization of all or any sums actually owing or contingently owing to the Bank and the Client shall immediately deposit such monies, Securities or otherwise and maintain such Securities with the Bank to the Bank's satisfaction. The Client further acknowledges that the Bank may at any time require him to deposit sufficient cleared funds in the account before carrying out any Transaction in respect of any Securities on his behalf.

### **36. Miscellaneous**

- 36.1 The Bank will notify the Client of any material change to its full name and address (including its registration status and the CE number as shown on the cover of this Agreement) or the Services provided by the Bank.
- 36.2 The Bank's rights in relation to this Agreement (whether arising under this Agreement or under the general law) shall not be capable of being waived or varied otherwise than by an express waiver or variation in writing. Any failure to exercise or any delay in exercising any of such rights shall not preclude any other or further exercise of that or any other such right.
- 36.3 Each of the rights, powers and remedies given to the Bank under this Agreement shall be cumulative with and without prejudice to and in addition to all other rights, powers and remedies given to the Bank under or by virtue of any other agreement between the Bank and the Client, statute or rule of law or equity. Without limiting the generality of the foregoing, in the event of any conflict or inconsistency between this Agreement and any other agreement between the Bank and the Client, the Bank shall have the sole and absolute discretion to determine which provision shall prevail.
- 36.4 The Client's rights and obligations in this Agreement, the Securities and/or monies in the Account shall

not without the Bank's prior written consent be assigned or subject to any third party's rights or encumbrances, other than as created under this Agreement. The Bank may assign any of its rights and obligations under this Agreement and/or the Accounts to any person and disclose to its professional advisers and any actual or potential assignee any information in connection with this Agreement, the Accounts and/or any Services.

- 36.5 The Bank's records shall, in the absence of manifest error, be conclusive and binding on the Client as to the amount standing to the debit or credit of the Account and as to the moneys, obligations or liabilities for the time being due, owing or incurred by the Client to the Bank.
- 36.6 No provisions contained herein shall be construed as to remove, exclude or restrict any rights of the Client or obligations of the Bank under the law to the extent that the Bank is precluded thereunder or pursuant thereto from removing excluding or restricting such obligations.
- 36.7 The Client shall, at the request of the Bank, forthwith execute such documents and perform such acts (and irrevocably authorizes the Bank to do the same) as the Bank may consider necessary or expedient for the purposes of or in connection with the provision or exercise of its powers and rights under this Agreement.
- 36.8 In the event of any conflict between any provisions of English version of this Agreement and the corresponding provisions of the Chinese version of this Agreement, the English version shall prevail.

## SCHEDULE: FOREIGN LAW REQUIREMENT

### 1 INTERPRETATION

#### 1.1 Definitions in this Agreement

Terms defined and references construed in this Agreement have the same meaning and construction under this Schedule, unless the context requires otherwise.

#### 1.2 Definitions

In this Schedule:

**“Bank Group Company”** means any direct or indirect holding company of the Bank, any direct or indirect subsidiary of the Bank or of such holding company, or any of their related company (being a company in which an equity interest is held by any of the foregoing), and shall include each such company’s successors and assigns.

**“CRS”** means the Common Reporting Standard for automatic exchange of financial account information in tax matters, developed by the Organization for Economic Co-operation and Development and any associated similar or analogous legislation, treaty, regulation, instruction or other official guidance of any Government Authority in any jurisdiction.

**“FATCA”** means:

- (i) sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (as amended) or any amended or successor version thereof;
- (ii) any intergovernmental agreement, memorandum of understanding, undertaking and other arrangement between governments and regulators in connection with (i) including as entered into by the government of Hong Kong;
- (iii) agreements between the Bank and the IRS or other regulator or government agency pursuant to or in connection with (i); and
- (iv) any laws, rules, regulations, interpretations or practices adopted in the U.S., Hong Kong or elsewhere pursuant to any of the foregoing.

**“Foreign Law Requirement”** means any obligation imposed on the Bank and/or any Bank Group Company pursuant to any future or present:

- (i) foreign laws (including foreign laws in respect of which the Bank and/or the Bank Group Company in its/their sole and absolute discretion considers itself/themselves bound and including laws and regulations of the PRC);
- (ii) Hong Kong laws (including Hong Kong laws whether or not that implement Hong Kong’s obligations under an agreement with a foreign government (including the government of the PRC), regulator, regulatory authority, tax authority or global organization (or among other than one of the above));
- (iii) under agreements entered into between the Bank and/or the relevant Bank Group Company and a foreign government (including the government of the PRC) or regulator; or
- (iv) guidelines, guidance, rules, regulations, demands, codes, notices or circulars issued by any legal, regulatory, government, tax or law enforcement body, or self-regulatory organization within or outside of Hong Kong in respect of (i) to (iii).

For the avoidance of doubt, this definition includes any obligation or requirement applying to the Bank and/or any Bank Group Company pursuant to FATCA and/or CRS and as amended or introduced from time to time.

**“Government Authority”** means any government, government body, government agency or regulator, in or outside of Hong Kong, including the Inland Revenue Department of Hong Kong and the IRS.

**“Hong Kong”** means the Hong Kong Special Administrative Region of the PRC.

**“IRS”** means the U.S. Internal Revenue Service.

**“PRC”** means the People’s Republic of China (excluding Hong Kong, Macau and Taiwan).

**“U.S.”** means the United States of America.

### 2 UNDERTAKING TO PROVIDE INFORMATION

#### 2.1 The Client undertakes and agrees to:

- (a) provide the Bank with all information, documents and supporting materials that the Bank in its sole and absolute discretion requires in order to fulfil its, or a Bank Group Company's, obligations required under any Foreign Law Requirement including information, documents and supporting materials in respect of the Client and any person referred to in Clause 5.1 of this Schedule;
  - (b) notify the Bank in writing promptly of any change of the information, documents and supporting materials provided to the Bank pursuant to (a); and
  - (c) provide updated or additional information of the type described in (a) as required by the Bank in its sole and absolute discretion from time to time to the satisfaction of the Bank.
- 2.2** The Client agrees that confidentiality rights under applicable data protection, secrecy or similar laws will not apply to information that the Bank obtains from the Client for the purpose of the Bank's, or a Bank Group Company's, compliance with any Foreign Law Requirement.

### **3 DISCLOSURE OF INFORMATION**

#### **3.1 Disclosure for the purpose of any Foreign Law Requirement**

The Client agrees that the Bank and any recipient of any personal and account information or records from the Bank in relation to the Client and/or any person referred to in Clause 5.1 of this Schedule may disclose such information or records to any person, entity, government body, agency or regulator, whether or not established under Hong Kong law, considered by the Bank in its sole and absolute discretion as required under any Foreign Law Requirement. Any such person or entity may utilize such information in the course of any business or regulatory functions carried on by him or it.

#### **3.2 Acknowledgment of extent of disclosure**

The Client understands, acknowledges and agrees that where the Bank is required to disclose information about the Client and/or the Client's relationship with the Bank in accordance with any Foreign Law Requirement, this information may include (but is not limited to) the account number of the Client's account(s), the amount of interest or dividends paid or credited to the Client's account(s), the amount of proceeds from the sale or redemption of property (including without limitation the Securities and RMB Denominated Securities) paid or credited to the Client's account(s), the account balance or value, the name, address, country of residence and social security number or employer identification number or taxpayer identification number of the Client and/or any person referred to in Clause 5.1 of this Schedule, and such other information as may be required by the relevant Government Authority or considered by the Bank in its sole and absolute discretion as required under any Foreign Law Requirement.

#### **3.3 Offshore disclosure**

The Client acknowledges and agrees that information and documents may be disclosed to third parties located inside or outside Hong Kong.

### **4 CONSENT TO DEDUCT, WITHHOLD AND BLOCK**

- 4.1** The Client acknowledges and agrees that notwithstanding any other provision of this Agreement:
- (i) any payments by the Bank under this Agreement, will be subject to withholding and deduction considered by the Bank in its sole and absolute discretion as required under Foreign Law Requirements;
  - (ii) any amount withheld under (i) may be held in whatever account or in whatever manner determined by the Bank in its sole and absolute discretion; and
  - (iii) neither the Bank nor any of its affiliates shall be liable for any gross up, loss or damage suffered as a result of the Bank's exercising of its rights under this Clause 4.
- 4.2** The Client acknowledges and agrees that any transaction, payment, instruction, order or service under this Agreement may be delayed, blocked, transferred or terminated where considered by the Bank in its sole and absolute discretion as required for the Bank to meet its obligations including those under any Foreign Law Requirement.
- 4.3** The Client further agrees that the Bank shall have full authority to (i) sell, liquidate and/or otherwise dispose of in any manner and at such prices and on such terms and conditions as the Bank deems fit all or part of any of the assets (including without limitation the Securities and RMB Denominated Securities) in the Client's account(s) that may produce funds to enable the Bank to comply with its obligations considered by the Bank in its sole and absolute discretion as required under any Foreign Law Requirement; (ii) prohibit the Client from effecting any transactions through or under any of the Client's account(s) for such period as the Bank deems

necessary or appropriate; (iii) suspend or close the Client's account(s); and/or (iv) transfer the Client's account(s) to an affiliate of the Bank in another jurisdiction, for the avoidance of doubt including the PRC.

## **5 THIRD PARTIES**

### **5.1 Documents and information**

The Client undertakes to provide the Bank with all documents and information pertaining to:

- (a) the ultimate beneficial owner of any account;
- (b) the person ultimately responsible for giving any instruction or for entering into any transaction;
- (c) any person on whose behalf the Client acts in receiving payment; and/or
- (d) any other person identified by the Bank in its sole and absolute discretion as being connected with the Client,

as requested by the Bank in its sole and absolute discretion in order for it to comply with its obligations under any Foreign Law Requirement.

### **5.2 Change of details**

The Client undertakes to notify the Bank in writing promptly of any change of address or contact telephone number or other personal particulars recorded with the Bank in respect of any person referred to in Clause 5.1 of this Schedule.

## **6 REPRESENTATION AND WARRANTY**

The Client represents, warrants and confirms that any information, documents and supporting materials provided by the Client to the Bank for the purpose of the Bank's, or a Bank Group Company's, compliance with any Foreign Law Requirement are and shall remain true, complete and accurate throughout the period when the Client maintains a contractual relationship with the Bank.

## **7 INDEMNITY**

### **7.1 Indemnity**

Without limitation to any other indemnity provided by the Client to the Bank under any other provisions of this Agreement or any other arrangement or agreement, the Client agrees to indemnify the Bank, its agents, officers and employees against all liabilities, claims, demands, losses, taxes, costs, charges and expenses of any kind which any of the Bank, its agents, officers and employees may suffer or incur, including taxes, interest or penalties, as a result of that party providing misleading or false information or otherwise failing to comply with any requirement under this Schedule or the Bank's use of or reliance on any information, documents and supporting materials provided by the Client to the Bank for the purpose of the Bank's compliance with any Foreign Law Requirement. The Client further agrees that the Bank is entitled to withhold, retain or deduct such portion from the Client's assets (including without limitation the Securities and RMB Denominated Securities) in the possession or control of the Bank or such amount(s) from any of the Client's accounts with the Bank as it determines to be sufficient to cover any amount which may be owed by the Client under this Clause 7.1. This indemnity shall continue notwithstanding the termination of the contractual relationship between the Bank and the Client.

## **8 RIGHTS OF BANK CUMULATIVE**

### **8.1 No limitation on existing rights**

Nothing in this Schedule limits the effect of any term or requirement of this Agreement or any other arrangement or agreement of the Client with the Bank, and the rights of the Bank under this Schedule are in addition and without prejudice to any of its rights under this Agreement or any other arrangement or agreement of the Client with the Bank.

### **8.2 Failure to comply**

Without limiting the generality of Clauses 4.2 and 4.3 of this Schedule, the Client acknowledges and agrees that if the Client fails to comply with any requirement of this Schedule, including failing to provide information, documents and supporting materials as required by the Bank, the Bank may suspend or close the Client's account(s); and/or transfer the Client's account(s) to an affiliate of the Bank in another jurisdiction, for the avoidance of doubt including the PRC.

**9 CONFLICT BETWEEN TERMS**

In case of any conflict or inconsistency between the English and the Chinese versions of this Schedule, the English version shall prevail.



## **Risk Disclosure Statement**

**PLEASE READ THIS RISK DISCLOSURE STATEMENT CAREFULLY. THIS STATEMENT FORMS AN INTEGRAL PART OF THIS AGREEMENT. BY EXECUTING THE ACCOUNT OPENING FORM AND AGREEING TO BE BOUND BY THIS AGREEMENT, I/WE, THE CLIENT, ACKNOWLEDGE THAT I/WE HAVE READ THIS RISK DISCLOSURE STATEMENT AND UNDERSTAND THE RISKS APPLICABLE TO THE BANK'S SERVICES.**

The risk of loss in Securities dealing, including, equity linked notes, or derivatives of any of them, or in the other trading or investment transactions, can be substantial. I/We, the Client, should therefore carefully consider whether such trading or investment whether directly by me/us or through you, the Bank is suitable for me/us in light of my/our financial condition, my/our tolerance to risks and my/our investment experience. This statement cannot, of course, disclose all the risks and other significant aspects of the securities or debt instrument markets, or of other markets in which I/we may elect to trade or other arrangements with the Bank from time to time. Further detailed explanatory Risk Disclosure Statement and product specifications or prospectus are readily available from the Bank at my/our request. I/We should therefore carefully study securities, and/or any relevant trading arrangements before I/we trade. In considering whether to trade or invest, I/we should inform myself/ourselves and be aware of the risk generally, and in particular should note the following:

### **1. Risk disclosure Statement (Securities Trading)**

- 1.1 I/We acknowledge that the price of Securities can and does fluctuate, and any individual security may experience upwards or downwards movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling Securities. I/We also acknowledge that there may be risks in leaving Securities in your safekeeping. For example, if you are holding my Securities and you become insolvent, I/we may experience significant delay in recovering the Securities. These are risks that I/we am/are prepared to accept.
- 1.2 I/We acknowledge that the Internet, mobile phone or other access channel, due to unpredictable traffic congestion and other reasons, an inherently unreliable medium of communication and that such unreliability is beyond the control of you. I/We further acknowledge that, as a result of such unreliability, there may be time lag or delays in the transmission of data and receipt of instructions and other information and that this may result in delays in the execution of Instructions and/or execution of Instructions at prices different from those prevailing at the time the Instruction after it has been given.

### **2. Risk Disclosure Statement (GEM)**

- 2.1 I/We acknowledge that the price of securities traded on GEM of the Stock Exchange ("GEM") can and does fluctuate, and any individual security may experience upwards or downwards movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities traded on GEM. I/We also acknowledge that there may be risks in leaving securities in your safekeeping. For example, if you are holding my securities and you become insolvent, I/we may experience significant delay in recovering the securities. These are risks that I/we am/are prepared to accept.
- 2.2 I/We understand that GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, I/we understand that companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. I/We appreciate that there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate.
- 2.3 I/We am/are aware of the potential risks of investing in such companies and understand that I/we should make the decision to invest only after due and careful consideration. I/We understand the greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.
- 2.4 Given the emerging nature of companies listed on the GEM, I/we understand there is a risk that securities traded on GEM may be susceptible to higher market volatility compared to securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

- 2.5 I/We further understand that the principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Companies listed on GEM are not generally required to issue paid announcements in gazetted newspapers. Accordingly, I/we acknowledge that I/we need to have access to up-to-date information on GEM-listed companies as published on the GEM website.
- 2.6 I/We acknowledge that this risk disclosure statement does not purport to disclose all the risks and other significant aspect of GEM. I/We understand that I/we should undertake my/our own research and study on the trading of securities on GEM before commencing any trading activities.
- 2.7 I/We understand that I/we should seek independent professional advice if I/we am/are uncertain of or have not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of securities on GEM.
- 2.8 I/We understand that the signing of this risk disclosure statement is mandatory under the Rules of the Stock Exchange. I/We understand that you will not be able to effect my/our instructions to deal in securities on GEM if this statement is not signed and acknowledged by me/us.

**3. Risk Disclosure Statement (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. I/We should consult my/our dealer and become familiarized with the PP before trading in the PP securities. I/We 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.

**4. Risk of Providing an Authority to Lend or Deposit Securities with Third Parties**

There is risk if I/we provide you or your Agent with an authority that allows you or your Agent to apply my/our securities or securities collateral pursuant to a securities borrowing and lending agreement, repledge my/our securities collateral for financial accommodation or deposit my/our securities collateral as collateral for the discharge and satisfaction of your settlement and other obligations and liabilities.

If my/our securities or securities collateral are received or held by you or your Agent in Hong Kong, the above arrangement is allowed only if I/we consent in writing. Moreover, unless I/we am/are a professional investor, my/our authority must specify the period for which it is current and be limited to not more than 12 months. If I/we am/are a professional investor, these restrictions do not apply.

Additionally, my/our authority may be deemed to be renewed (i.e. without your written consent) if you or your Agent issue me/us a reminder at least 14 days prior to the expiry of the authority, and I/we do not object to such deemed renewal before the expiry date of my/our then existing authority.

I/We am/are not required by any law to sign these authorities. But an authority may be required by you or your Agent, for example, to facilitate margin lending to me/us or to allow my/our securities or securities collateral to be lent or deposited as collateral with third parties. You or your Agent should explain to me/us the purposes for which one of these authorities is to be used.

If I/we sign one of these authorities and my/our securities or securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on my/our securities or securities collateral. Although you or your Agent (as the case may be) is responsible to me/us for securities or securities collateral lent or deposited under my/our authority, a default by you or your Agent could result in the loss of my/our securities or securities collateral.

A cash account not involving securities borrowing and lending is available from most licensed or registered persons. If I/we do not require margin facilities or do not wish my/our securities or securities collateral to be lent or pledged, I/we can choose not to sign the above authorities and can ask to open a cash account instead.

**5. Risk of Margin Trading**

The risk of loss in financing a transaction by deposit of collateral is significant. I/We may sustain losses in excess of my/our cash and any 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. I/We 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, my/our collateral may be liquidated without my/our consent. Moreover, I/we will remain liable for any resulting deficit in my/our account and interest charged on my/our account. I/We should therefore carefully consider whether such a financing arrangement is suitable in light of my/our own financial position and investment objectives.

## **6. Further Risk Disclosure Statement**

- 6.1 Liquidation may not be possible Under certain market conditions, I/we may find it difficult or impossible to liquidate a position. This can occur, for example, when the market makes a "limit move" or trading is suspended by the relevant exchange. In addition, there may not be a ready market for certain investments and market traders may not be prepared to deal in certain investments. Some investments may have to be held till/on maturity, for instance, some equity linked notes or index options can only be exercised on the expiry date, whilst other investments may be exercised at any time before expiry. Proper information for determining the value of certain investments may not be available.
- 6.2 Issuer or Counter-party Risks If the Issuer of any securities or other instrument or a trading counter-party becomes unable to meet its obligations then such investments may become worthless and any trading costs and profits irrecoverable
- 6.3 Country Risks If an investment is made in any asset or issued by a party subject to foreign laws, recovery of the sums invested and any profits or gains may be delayed or prevented by exchange controls, debt moratorium or other actions imposed by the government or other official bodies.
- 6.4 Currency Risks Where trading contracts or other investments are denominated in currencies other than my/our primary reference currency, or where my/our converted funds from another currency upon making an investment, there is the risk that if the foreign exchange markets move against me/us, then upon maturity or any earlier dealing the net proceeds converted into my/our primary reference currency, or the currency from which the initial funds were converted (as the case may be), may be significantly less than the equivalent figure on the date of contract was entered into or the investment made, and that any income or gains made may be entirely negated.
- 6.5 Off-Exchange Transactions Transactions may be traded off-exchange or on an over-the-counter basis. Non-exchange traded or "non-transferable" instruments may not be readily realized and are not regulated by the rules of any exchange. Situations may arise where no market traders are prepared to deal in them or no proper information may be available to determine their value. Sometimes it may not be possible to obtain a price quotation. Minimum transaction amounts may be imposed and/or changed by traders from time to time.
- 6.6 Taxation Income or profit from trading in any investments may be subject to withholding tax or capital gains tax or other tax of the country of the Issuer or the country in which such investments are traded. In such event, unless the Issuer agrees to gross-up the income or profit received by me/us, I/we will only receive the interest payment or proceeds of sale or redemption of the investment less the withholding tax or capital gains tax or other tax.
- 6.7 Bank has no obligation to make price The Bank has no obligation to make price to me/us if my/our favourable price level cannot be obtained or there is no buyer in the market, nor to buy back any securities or other investment from me/us unless the Bank has written an option requiring it to do so in certain circumstances.
- 6.8 Pre-mature dealings Market movements are unpredictable and unless the debt instrument is held to maturity I/we may not be possible to realize the debt instruments either at a reasonable price or at all.
- 6.9 Limited rights of action In these circumstances, I/we should have no direct right of action against the Issuer, drawer/payer, endorser or guarantor or any other related party of the debt instrument upon any default of either such party.
- 6.10 Liability only to account for what is received The Bank's obligation to pay any principal or other amount to me/us on maturity will only arise if, and to the extent that, payment of principal or such other amount is actually received by the Bank from or on behalf of the Issuer of the debt instrument.
- 6.11 Hold Mail or Direct Mail to Third Party If I/we provide the Bank with an authority to hold mail or to direct mail to third parties, it is important for me to promptly collect in person all contract notes and statements of my/our account and review them in detail to ensure that any anomalies or mistakes can be detected in a timely fashion.

6.12 No Reliance Own Investment Decision I/We confirm that my/our decision to make the investment is based on my/our own judgment I/We have not received any assurances concerning of the expected net returns on the investment. If we are an Institutional Professional Investor or a Corporate Professional Investor, we confirm that our decision is made without relying upon any communication (written or oral) of the Bank as investment advice or recommendation to place the investment.

6.13 Independent advice If I/we am/are in any doubt on the risks involved in any trading or investment arrangements or I/we am/are uncertain of or have not understood any aspect of Risk Disclosure Statement, I/we should seek independent professional advice.

## 7 Exchange Traded Derivative Products and/or Structured Products

### 7.1 General risks of Derivative Products and/or Structured Products traded in Exchange

**Issuer default risk:** In the event a structured product becomes insolvent and defaulted on its 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 structured product issuers.

**Uncollateralised product risk:** Uncollateralised structured products are not asset backed. In the event of issuer bankruptcy, investors can lose their entire investment. Investor should read the listing documents to determine if a product is uncollateralised.

**Gearing risk:** Structured products such as derivative warrants and callable bull/bear contracts 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 a structured product may fall to zero resulting in a total loss of the initial investment.

**Expiry considerations:** Structured 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.

**Extraordinary price movements:** The price of a structured 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.

**Foreign exchange risk:** Investors trading structured 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 structured product price.

**Liquidity risk:** The Exchange requires all structured 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.

### 7.2 Additional risks of Derivative Products and/or Structured Products traded in Exchange

#### A Equity derivatives traded in the Exchange Derivative Warrants

Exchange traded derivative warrants fall under the category of derivative investment instruments or structured products. They have a life of six months to five years. The underlying assets of derivative warrants include ordinary shares, market indices, currencies and baskets of shares. Derivative warrants are issued by a third party, generally an investment bank, independent of the issuer of the underlying assets. The issuer of derivative warrants may not be the issuer of the underlying assets but should hold or have a right to hold the underlying assets.

Exchange traded derivative warrants can be linked to a single security or a basket of securities, stock indices, currencies, commodities or futures contracts (like crude oil futures). Almost all derivative warrants currently traded in Hong Kong are cash-settled. Warrants linked to a basket of securities, stock indices or securities listed in other jurisdiction will always be settled by cash. Similar to other securities,

investor can buy or sell derivative warrants anytime during the securities market's trading hours.

When a physically settled call derivative warrant on a single stock is exercised, the warrant holder will receive the underlying stock from the issuer. Unlike equity warrants, no new shares will be issued.

### **Risks involved in trading Derivative Warrants**

**Issuer Risk:** Derivative Warrant holders are unsecured creditors of the issuer and have no preferential claim to any assets an issuer may hold.

**Gearing Risk:** Although derivative warrants often cost less than the price of the underlying assets, a derivative warrant may change in value to a much greater extent than the underlying assets. Although potential return on derivative warrants may be higher than that on the underlying assets, it should be noted that in the worst case the value of derivative warrants may fall to zero and holders may lose their entire investment amount.

**Limited Life:** Unlike stocks, derivative warrants have an expiry date and therefore a limited life. Unless the derivative warrants are in-the-money, they become worthless at expiration.

**Time Decay:** So long as other factors remain unchanged, the value of derivative warrants will decrease over time. Therefore, derivative warrants should never be viewed as products that are bought and held as long term investments.

**Market Forces:** In addition to the basic factors that determine the theoretical price of a derivative warrant, derivative warrant prices are also affected by the demand for and supply of the derivative warrants. This is particularly the case when a derivative warrant issue is almost sold out and when there are further issues of an existing derivative warrant.

**Turnover:** High turnover should not be regarded as an indication that a derivative warrant's price will go up. The price of a derivative warrant is affected by a number of factors in addition to market forces, such as the price of the underlying assets and its volatility, the time remaining to expiry, interest rates and the expected dividend on the underlying assets.

**Volatility:** Prices of derivative warrants can increase or decrease in line with the implied volatility of underlying asset price. Investors should be aware underlying asset volatility.

**Obligation of liquidity providers:** The listing document lists the exact obligations of the liquidity provider. In normal circumstances, liquidity providers should provide liquidity for derivative warrant issues through continuous quotes or in response to quote requests from five minutes after the market opens until the market closes. The liquidity provider should provide liquidity for at least a certain number of board lots of the derivative warrant. An issuer must specify the maximum spread between the bid and offer price for its derivative warrants in the listing document. Under the quote request system, investors may request a quote from the liquidity provider. 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.

### **Callable Bull/Bear Contracts ("CBBC")**

Exchange traded CBBC are a type of structured 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 Exchange and of the underlying asset. Similar to other securities, investors can buy or sell CBBC anytime during the securities market's trading hours.

Exchange traded CBBC are issued with 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. They specified expiry date from the listing document will no longer be valid.

For Bull contracts, the Call Price must be either equal to or above the Strike Price. For Bear contracts, the Call price must be equal to or below the Strike Price. If the underlying asset's price reaches the Call Price at any time prior to expiry, the CBBC will expire early. The issuer must call the CBBC and trading of the CBBC will be terminated immediately. Such an event is referred to as a Mandatory Call Event

(“MCE”).

CBBC may be issued with a lifespan of 3 months to 5 years and are settled in cash only. There are two categories of CBBC, namely Category N CBBC and Category R CBBC.

- i) A Category N CBBC refers to a CBBC where its Call Price is equal to its Strike Price, and the CBBC holder will not receive any cash payment once the price of the underlying asset reaches or goes beyond the Call Price.
- ii) A Category R CBBC refers to a CBBC where its Call Price is different from its Strike Price, and the CBBC holder may receive a small amount of cash payment (called “Residual Value”) upon the occurrence of an MCE but in the worst case, no residual value will be paid.

### **Risk involved in trading CBBC**

**Mandatory call:** CBBC are not suitable for all types of investors and investors should consider their risk appetite prior to trading. In any case, one should not trade in CBBC unless he/ she understands the nature of the product and is prepared to lose the total amount invested since a CBBC will be called by the issuer when the price of the underlying asset hits the Call Price and trading in that CBBC will expire early. Payoff for Category N CBBC will be zero when they expire early. When Category R CBBC expire early, the holder may receive a small amount of Residual Value payment, but there may be no Residual Value payment in adverse situations. The Bank may charge their clients a service fee for the collection of the Residual Value payment from the respective issuers.

In general, the larger the buffer the Call Price and the Spot Price of the underlying asset, the lower the probability of the CBBC being called since the underlying asset of that CBBC would have to experience a larger movement in the price before the CBBC will be called. However at the same time, the larger the buffer, the lower the leverage effect will be. Once the CBBC is called, even though the underlying asset may bounce back in the right direction, the CBBC which has been called will not be revived and Investors will not be able to profit from the bounce-back.

Besides, the MCE of a CBBC with overseas assets as underlying may be triggered outside the Exchange’s trading hours.

**Gearing effects:** Since a CBBC is a leveraged product, the percentage change in the price of a CBBC is greater compared with that of the underlying asset. Investors may suffer higher losses in percentage terms if they expect the price of the underlying asset to move one way but it moves in the opposite direction.

**Limited life:** A CBBC has a limited life, as denoted by the fixed expiry date, with a lifespan of 3 months to 5 years. The life of a CBBC may be shorter if called before the fixed expiry date. The price of a CBBC fluctuates with the changes in the price of the underlying asset from time to time and may become worthless after expiry and, in certain cases, even before the normal expiry if the CBBC has been called early.

**Movement with underlying asset’s price:** Although the price of a CBBC tends to follow closely the price of its underlying asset, but in some situations it may not (i.e. delta may not always be close to one). Prices of CBBC are affected by a number of factors, including its own demand and supply, funding costs and time to expiry. Moreover, the delta for a particular CBBC may not always be close to one, in particular when the price of the underlying asset is close to the Call Price.

**Liquidity:** Although CBBC have liquidity providers, there is no guarantee that investors will be able to buy/sell CBBC at their target prices any time they wish. 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.

**Funding costs:** The issue price of a CBBC includes funding cost and issuers are required to specify the formula for calculation the funding cost of their CBBC at launch in the listing documents. The funding cost of a CBBC includes the issuer’s financing/stock borrowing costs after adjustment for expected ordinary dividends of the shares (if the underlying assets are dividend-paying shares) and the issuer’s profit margin. These items fluctuate from time to time, therefore the funding costs are not fixed throughout the tenure of the contracts. In general, the longer the duration of the CBBC, the higher the funding costs. The funding costs decline over time as the CBBC moves towards expiry. Investors are advised to compare the funding costs of different issuers of CBBC with similar underlying assets and features.

When a CBBC is called, the CBBC holder (investors) will lose the funding cost for the full period since the funding cost is built into the CBBC price upfront at launch even though with the MCE, the actual period of funding for the CBBC turns out to be shorter.

In any case, investors should note that the funding costs of a CBBC after launch may vary during its life and the Liquidity Provider is not obliged to provide a quote for the CBBC based on the theoretical calculation of the funding costs for that CBBC at launch.

**Trading of CBBC close to Call Price:** When the underlying asset is trading close to the Call Price, the price of a CBBC may be more volatile with wider spreads and uncertain liquidity. CBBC may be called at any time and trading will terminate as a result.

However, the trade inputted by the investor may still be executed and confirmed by the investors after the MCE since there may be some time lapse between the MCE time and suspension of the CBBC trading. Any trades executed after the MCE (i.e. Post MCE Trades) will not be recognized and will be cancelled. Therefore, investors should be aware of the risk and ought to apply special caution when the CBBC is trading close to the Call Price.

Issuers will announce the exact call time within 1 hour after the trigger of MCE, and the Exchange will also send the list of Pose MCE Trades to the Bank, and the Bank will inform the clients accordingly.

**CBBC with overseas underlying asset:** Investors trading CBBC with overseas underlying assets are exposed to an exchange rate risk as the price and cash settlement amount of the CBBC are converted from a foreign currency into Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets which are affected by various factors.

Besides, CBBC issued on overseas underlying assets may be called outside the Exchange's trading hours. In such case, the CBBC will be terminated from trading on Exchange in the next trading session or soon after the issuer has notified Exchange about the occurrence of the MCE. There will be no automatic suspension of the CBBC trading.

## **B Exchange Traded Funds("ETFs") and Future-based ETFs traded in the Exchange**

ETFs are passively managed and open-ended funds. All listed ETFs on the Exchange securities market are authorized by the Securities and Futures Commission as collective investment schemes.

Similar to other securities, investors can buy or sell ETFs anytime during the securities market's trading hours.

ETFs can be broadly grouped into three types:

### **Physical ETFs (i.e. traditional or in-specie 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). However, some only buy a portion of the assets needed to replicate the benchmark or assets which have high degree of correlation with the underlying benchmark but are not part of it.

Some physical ETFs with underlying equity-based indices may also invest partially in futures and options contracts. Lending the shares they own is another strategy used by some physical ETFs. Investors should read the ETFs prospectus carefully to ensure they understand how the fund operates.

### **Synthetic ETFs**

These ETFs do not buy the assets in their benchmark. Instead, they typically invest in financial derivative instruments to replicate the benchmark's performance. The ETFs are required to have collateral when investing in derivatives (details of the net and gross counterparty exposure and types and composition of the collateral are published on the ETF's website). An ETF's net risk exposure to any single counterparty (i.e. net of the value of any collateral provided) cannot be more than 10 per cent of its Net Asset Value ("NAV"). Investors should read the ETF prospectus carefully to ensure they understand how the fund operates.

### **Futures-based ETFs**

Futures-based ETFs are passively-managed index funds traded on an exchange which aim to replicate the performance of an underlying index by investing in futures contracts.

## Excess return index and total return index

A futures-based ETF may track a spot market index or a futures index. Typically, a futures index tracked by a futures-based ETF is either an excess return index or a total return index.

- An excess return index measures the changes in the prices of the underlying futures contracts during the period that they are held by the ETF as adjusted by, the gain or loss incurred from rolling the futures contracts as they approach maturity.
- A total return index measures the changes in prices of the futures contracts and the gain or loss incurred from rolling the futures contracts, as well as the notional interest earnings from the ETF's cash holding and margin deposits based on various assumptions.

## Benefits and risks of investing in futures-based ETFs

As one of the different types of ETFs, futures-based ETFs have the key benefits of a typical ETF, such as easy to trade, diversified, transparent and cost-effective. At the same time, it also benefits from the use of futures contracts in gaining exposure to a wide range of underlying assets including commodities (such as precious metals and other physical commodities), fixed income securities and equities. However, investing in futures-based ETFs is subject to common risks of ETFs as well as relevant risks involved in futures funds.

## Risk involved in trading ETFs

**Marker risk:** ETFs are typically designed to track the performance of certain indices, market sectors, or groups of assets such as stocks, bonds, or commodities. ETF managers may use different strategies to achieve this goal, but in general they do not have the discretion to take defensive positions in declining markets. Investor must bear the risk of loss and volatility associated with the underlying index/assets.

**Tracking errors:** Tracking error refer to the disparity in performance between an ETF and its underlying index/assets. Tracking error can arise due to factors such as the transaction fees and expenses incurred to the ETF, changes in composition of the underlying index/assets, and the ETF manager's replication strategy. (The common replication strategies include full replication/representative sampling and synthetic replication which are discussed in more details below.)

**Trading at discount or premium:** An ETF may be traded at a discount or premium to its NAV. This price discrepancy is caused by supply and demand factors, and may be particularly likely to emerge during periods of high market volatility and uncertainty. This phenomenon may also be observed for ETFs tracking specific markets or sectors that are subject to direct investment restrictions.

**Foreign exchange risk:** Investors trading ETFs 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 ETF price.

**Liquidity risk:** Securities Market Makers ("SMMs") are Exchange Participants that provide liquidity to facilitate trading in ETFs. Although most ETFs are supported by one or more SMMs, there is no assurance that active trading will be maintained. In the event that the SMMs default or cease to fulfill their role, investors may not be able to buy or sell the product.

## Specific risk involved in trading Futures-based ETFs

**(I) Risk of rolling futures contracts:** Futures contracts are binding agreements that are made through futures exchanges to buy or sell the underlying assets at a specified time in the future. "Rollover" occurs when an existing futures contract is about to expire and is replaced with another futures contract representing the same underlying but with a later expiration date. When rolling futures contracts forward (ie. selling near-term futures contracts and then buying longer-term futures contracts) in a situation where the prices of the longer-term futures contract are higher than that of the expiring current-month futures contract, a loss from rolling (ie. a negative roll yield) may occur. Under such circumstances, the proceeds from selling the near-term futures contracts will not be sufficient to purchase the same number of futures contracts with a later expiration date which has a higher price. This may adversely affect the NAV of the futures-based ETF.



**(II) Risk of statutory restrictions on number of futures contracts being held:** There is a statutory position limit restricting the holding of futures contracts traded on the recognized exchange company to no more than a specific number of such futures contracts. If the holding of such futures contracts of a futures-based ETF grows to the limit, this may prevent the creation of units of the ETF due to the inability to acquire further futures contracts. This may lead to differences between the trading price and the NAV of the ETF units listed on the exchange.

**(III) Key Risks involved in futures and options funds:**

**(a) Futures contracts/options risk**

**Basis risk:** The prices of futures contracts/options may not always go in line with/be perfectly correlated to the value of the underlying assets in the spot markets. For example, an increase in the spot price of the underlying asset may not cause the NAV of the futures and options fund to rise by the same magnitude. In fact, the NAV of the futures and options fund may not change at all or may even fall.

**Volatility risk:** With substantial investment in futures contracts and options, the funds' prices may be subject to the risk of very volatile price movements of futures contracts and options. Futures contracts/options price movements may be caused by other factors such as changes in government policies, supply and demand, changes in interest rates and economic conditions. Futures contracts/options' prices are highly volatile, and so are prices of the futures and options funds. Furthermore, many futures and options funds may invest in futures contracts/options with underlying asset classes such as commodities and foreign currencies which are generally more volatile. Besides, some futures exchanges may impose limits on daily futures price movement. In this case, even if a futures and options fund tries to close out its futures position to limit loss, the orders may not be executed due to such limits.

**Margin risk & liquidity risk:** If the market moves against the futures position, the futures and options funds may be required to pay additional margins, to maintain the trading positions on short notice. The fund may need to liquidate its assets at unfavorable prices in order to meet these margin calls and suffer substantial losses. Some futures and options funds can only be redeemed at limited intervals (e.g. monthly). If you invest in such a fund, you may not be able to cash in on your investment at your desired price or when you are in need of cash.

**(b) Leverage risk:**

Trading of futures contracts and options may carry a high degree of risk. The amount of initial margin/premium for entering into futures contracts/options is small relative to the value of futures contracts/options so that transactions are leveraged. In this way, a small change in contracts prices may result in magnified profit or loss, depending on the extent of leverage employed by the funds. A futures and options fund may or may not be leveraged. Although a futures and options fund may not invest all of its assets in futures contracts/options, where a futures and options fund is leveraged, the fund may lose all of its assets in its entirety due to the leverage effect of futures contracts/options. You should pay attention to the leverage level of a futures and options fund in which you invest, as well as the attendant risks.

**(c) Model risk**

The performance of futures and options fund depends mainly on success of its investment strategy, which is generally model-based. However, the use of model does not guarantee positive performance and any unexpected changes in market could hurt the model's performance. Moreover, it is not guaranteed that the model can be fully executed in an accurate and timely fashion.

**(d) Performance fee risk**

The manager of a futures and options fund may charge a performance fee, which is payable to the manager annually if a pre-determined net appreciation of the fund's NAV is achieved. As the performance fee usually accrues on a daily basis and if payable, is deducted from the fund's net assets value on a daily basis, this gives rise to the risk that an investor redeeming his/her units may still need to

bear a performance fee in respect of those units, even though a loss in the investment capital has been suffered by such redeeming investor.

#### **(e) Counterparty risk**

When a futures and options fund invests in options or other derivative instruments that are traded over-the-counter, the fund will be subject to the risk of default of its counterparties in performing any of their obligations. It may result in losses to the fund.

### **Counterparty risk involved in ETFs with different replication strategies**

#### **(a) Full replication and representative sampling strategies**

An ETF using a full replication strategy generally aims to invest in all constituent stocks/ assets in the same weightings as its benchmark. ETFs adopting a representative sampling strategy will invest in some, but not all of the relevant constituent stocks/assets. For ETFs that invest directly in the underlying assets rather than through synthetic instruments issued by third parties, counterparty risk tends to be less of concern.

#### **(b) Synthetic replication strategies**

ETFs utilising a synthetic replication strategy use swaps or other derivative instrument to gain exposure to a benchmark. Currently, synthetic replication ETFs can be further categorized into two forms:

##### **i) Swap-based ETFs**

Total return swaps allow ETF managers to replicate the benchmark performance of ETFs without purchasing the underlying assets.

Swap-based ETFs are exposed to counterparty risk of the swap dealers and may suffer losses if such dealers default or fail to honor their contractual commitments.

##### **ii) Derivative embedded ETFs**

ETFs managers may also use other derivative instruments to synthetically replicate the economic benefit of the relevant benchmark. The derivative instruments may be issued by one or multiple issuers.

Derivative embedded ETFs are subject to counterparty risk of the derivative instruments' issuers and may suffer losses if such issuers default or fail to honour their contractual commitments.

Even where collateral is obtained by an ETF, it is subject to the collateral provider fulfilling its obligations. There is a further risk that 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 loss to the ETF.

## **C Listed Equity Linked Instruments (“ELI”)**

Exchange traded ELI are structured products which are marketed to retail and institutional investors who want to earn a higher interest rate than the rate on an ordinary time deposit and accept the risk of repayment in the form of the underlying shares or losing some or all of their investment. Similar to other securities, investors can buy or sell exchange traded ELI anytime during the securities market's trading hours.

When an investor purchases an ELI, he is indirectly writing an option on the underlying shares. If the market moves as the investor expected, he earns a fixed return from his investment which is derived mainly from the premium received on writing the option. If the market moves against the investor's view, he may lose some or all of his investment or receive shares worth less than the initial investment.

### **Risk involved in trading ELI**

**Exposure to equity market:** Investors are exposed to price movements in the underlying security and the stock market, the impact of dividends and corporate actions and counterparty risk. Investors must also be prepared to accept the risk of receiving the underlying shares or a payment less than their original investment.

**Possibilities of losing investment:** Investors may lose part or all of their investment if the price of the underlying security moves against their investment view.

**Price adjustment:** Investors should note that any dividend payment on the underlying security may affect its price and the payback of the ELI at expiry due to ex-dividend pricing. Investors should also note that issuers may make adjustments to the ELI due to corporate actions on the underlying security.

**Interest rates:** While most ELI offer a yield that is potentially higher than the interest on fixed deposits and traditional bonds, the return on investment is limited to the potential yield of the ELI.

**Potential yield:** There are fees and charges related to purchase and sale of ELI and payment/delivery at expiry. The potential yields disseminated by Exchange have not taken fees and charges into consideration.

**Obligation of liquidity providers:** Obligations of liquidity providers for an ELI are specified in the listing document, including, among other things: (1) circumstances under which liquidity will and will not be provided; (2) the minimum quantity of the ELI (at least 10 board lots) for which liquidity is provided; and (3) the maximum bid/ask spread per quote. 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.

## **D Leveraged and Inverse Product (“L&I Products”) traded in the Exchange**

L&I Products are issued in the form of Exchange traded Funds (“ETFs”) as a type of collective investment schemes but they are in fact derivative products.

Leveraged Products typically aim to deliver a daily return equivalent to a multiple of the underlying index return that they track. Inverse Products typically aim to deliver the opposite of the daily return of the underlying index that they track. In overseas markets, they are commonly known as Leveraged and/or Inverse ETFs.

To produce the specified leveraged or inverse return, L&I Products have to rebalance their portfolios, typically on a daily basis. As such, they do not share the buy-to-hold characteristics of conventional ETFs. 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 and its compounding effect. They should be aware that any small variation in the underlying index return may have a large effect on the value of the product you hold.

Investors should note the following salient features about L&I Products:

- It is not advisable to hold L&I Products for longer than the rebalancing interval, typically one day;
- L&I Products are designed as a trading tool for short-term market timing or hedging purposes, and are not intended for long term investment;
- L&I Products are only suitable for sophisticated trading-oriented investors who constantly monitor the performance of their holdings on a daily basis; and - the performance of L&I Products, when held overnight, may deviate from the underlying indices.

The risk of loss in trading in L&I Products is substantial. In particular, they are not suitable for investors who are unfamiliar with the features and risks of L&I Products, as they are designed for daily investment results, and/or investors who are looking for a long-term investment and cannot actively monitor their holdings.

Therefore, L&I Products are normally not suitable for many members of the public who wish to invest in collective investment schemes or ETFs as a low risk exchange-listed product in order to diversify their investment risks. The regulatory authorities have, taking into account their special risk profile, prohibited and/ or discouraged the use of margin finance for investment in L&I Products. Investors must carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

Whilst they are listed, there is no assurance that a liquid market always exists for the L&I Products concerned. A higher liquidity risk is involved if the product involves derivatives which do not have an active secondary market. Wider bid-offer spreads in the price of the products may result in losses. Therefore, they can be more difficult and costly to unwind early, when the instruments provide access to a restricted market where liquidity is limited.

There may be disparity between the performance of the L&I Product concerned and the performance of the underlying indices due to, for instance, failure of the tracking strategy, currency differences, fees and expenses.

L&I Products may currently be traded, cleared and settled in Hong Kong dollars, Renminbi and/or US dollars. Investors trading 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 product price.

Like ETFs, the risk of L&I Products can include counterparty risk, market risk, tracking errors, trading at discount or premium, and liquidity risk.

The specific risks presented by L&I Products necessarily depend upon the terms of the issued product and your circumstances. In general, however, they all involve some combination of market risk, credit risk, funding risk, operational risk, risk of rebalancing activities and intraday investment risk.

1. Market risk is the risk that the value of a transaction will be adversely affected by fluctuations in the level or volatility of or correlation or relationship between one or more market prices, rates or indices or other market factors or by illiquidity in the market for the relevant transaction or in a related market.
2. Credit risk is the risk that a counterparty will fail to perform its payment or other obligations when due.
3. Funding risk is the risk that, as a result of mismatches or delays in the timing of cash flows due from or to the counterparties in the relevant transaction in question or related hedging, trading, collateral or other transactions, the parties or a party to the relevant transactions will not have adequate cash available to fund current obligations.
4. Operational risk is the risk of loss arising from inadequacies in or failures of the issuer's and/or your internal systems and controls for monitoring and quantifying the risks and contractual obligations associated with the transaction in question, for recording and valuing the portfolio and related transactions, or for detecting human error, systems failure or management failure.
5. Risk of rebalancing activities: There is no assurance that L&I Products can rebalance their portfolios on a daily basis to achieve their investment objectives. Market disruption, regulatory restrictions or extreme market volatility may adversely affect the rebalancing activities.
6. Intraday investment risk: Leverage factor of L&I Products may change during a trading day when the market moves but it will not be rebalanced until day end. The L&I Product's return during a trading day may be greater or less than the leveraged/opposite return of the underlying index.

Although L&I Products are listed as ETFs, the Hong Kong Stock Exchange does not endorse any product or bear any responsibility and/or liability for any of their existence or performance.

Unconventional return pattern (for inverse products only): Inverse products aim to deliver a daily return that is a multiple of the opposite of the underlying index return. If the value of the underlying index increases for extended periods, or where the exchange rate of the underlying index denominated in a currency other than the inverse product's base currency rises for an extended period, inverse products can lose most or all of their value.

Inverse products vs short selling (for inverse products only): Investing in inverse products is different from taking a short position. Because of rebalancing, the performance of inverse products may deviate from a short position in particular in a volatile market with frequent directional swings.

You should therefore study and understand L&I Products before you trade and carefully consider whether such trading is suitable in the light of your own financial position and investment objectives.

This brief statement does not disclose all of the risks and other significant aspects of trading in L&I Products. 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. You should not construe this generic disclosure statement as business, legal, tax or accounting advice or as modifying applicable law. You should consult your own business, legal, tax and accounting advisers with respect to proposed L&I Product transactions and you should refrain from entering into any transaction unless you have fully understood the terms and risks of the transaction, including the extent of your potential risk of loss.

The information in relation to this Clause 7 "Risk Disclosure Statement – Exchange Traded Derivative Products and/or Structured Products" is quoted from, including but not limited to the website of Hong Kong Exchange and Clearing Limited ("HKEx"). For further information, please refer to the website of

HKEx (<http://www.hkex.com.hk/eng/index.htm>), Hong Kong Monetary Authority (<https://www.hkma.gov.hk/eng/>) and Securities and Futures Commission (<https://www.sfc.hk/web/EN/index.html>).

## 8 Risk Disclosure (RMB)

**Currency Risk:** In general, a non-Mainland (include Hong Kong) investor who holds a local currency other than RMB will be exposed to currency risk if he/she invests in RMB Denominated Securities. This is because RMB is a restricted currency and subject to exchange controls. The investor may have to convert the local currency into RMB when the investor invests in RMB Denominated Securities. When the investor redeems / sells his/her investment, he/she may also need to convert the RMB received upon redemption/ sale of his/her investment product into the local currency (even if redemptions/ sale proceeds are paid in RMB). During these processes, the investor will incur currency conversion costs and will also be exposed to currency risk. In other words, even if the price of the RMB Denominated Securities remains the same when the investor purchases it and when the investor redeems/ sells it, the investor will still incur a loss when he/she convert the redemption/ sale proceeds into local currency if RMB has depreciated.

Like any other currency, the exchange rate of RMB may rise or fall. Further, RMB is subject to conversion restrictions and foreign exchange control mechanism.

**Investment /market risk:** like any investments, RMB Denominated Securities are subject to investment risk and may not be principal protected i.e. the assets that the RMB Denominated Securities invest in or referenced to may fall as well as rise, resulting in gains or losses to the RMB Denominated Securities. This means that you may suffer a loss even if RMB appreciates.

**Liquidity risk:** RMB Denominated Securities are also subject to liquidity risk as RMB Denominated Securities are new types of product and there may not be regular trading or an active secondary market. Therefore the investor may not be able to sell his/her investment in the product on a timely basis, or the investor may have to sell the product at a deep discount to its value.

**Issuer /counterparty risk:** RMB Denominated Securities are subject to the credit and insolvency risk of their issuers. The investor should consider carefully the creditworthiness of the issuers before investing. Furthermore, as RMB Denominated Securities may invest in derivative instruments, counterparty risk may also arise as the default by the derivative issuers may adversely affect the performance of the RMB Denominated Securities and result in substantial loose.

Depending on the nature of the RMB Denominated Securities and its investment objective, there may be other risk factors specific to the RMB Denominated Securities which you should consider. Before making an investment decision, always read the risk factors as set out in the offering documents and seek professional advice where necessary.

Presently, investors can make a claim against the Investor Compensation Fund if that RMB Denominated Securities is traded on the Stock Exchange of Hong Kong Ltd. or Hong Kong Futures Exchange Ltd., and the investors suffer pecuniary losses as a result of default, e.g., misappropriation of that RMB Denominated Securities held in the custody of a licensed broker firm or bank that provides securities and futures contracts trading services.

## 9. China Connect Service Investing in Shanghai–Hong Kong Stock Connect and in Shenzhen–Hong Kong Stock Connect Northbound Trading Service

*All orders submitted to or executed on the Shanghai Stock Exchange (“SSE”) or Shenzhen Stock Exchange (“SZSE”) through the Northbound Trading Service will be subject to the rules and procedures of the relevant exchanges and the applicable law and regulations of Mainland China. All references to “I/we” and their derivatives in this Additional Risk Disclosure Statement shall refer to the Client.*

### Key risks

- (1) Not protected by Investor Compensation Fund

I/We note that any Northbound or Southbound trading under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect will not be covered by Hong Kong’s Investor

Compensation Fund. As far as Hong Kong investors participating in Northbound trading are concerned, since I/we am/are carrying out Northbound trading through securities brokers in Hong Kong and these brokers are not Mainland brokers, therefore I/we am/are not protected by China Securities Investor Protection Fund in the Mainland.

(2) Quotas used up

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

(3) Differences in trading day

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

(4) Restrictions on selling imposed by front-end monitoring

If I/we keep my/our A-shares outside of the designated broker of the Bank and want to sell certain A-shares I/we hold, I/we must transfer those A-shares to the respective accounts of the designated broker of the Bank before the market opens on the day of selling (T day). If I/we fail to meet this deadline, I/we will not be able to sell those A-shares on T day.

(5) The recalling of eligible shares

When a share is recalled from the scope of eligible shares for trading via Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the share can only be sold but restricted from being bought. This may affect my/our investment portfolio or strategies. I/We should therefore pay close attention to the list of eligible shares as provided and renewed from time to time by SSE, SZSE and The Stock Exchange of Hong Kong Limited.

(6) Restrictions on day trading

Day trading is not allowed for Mainland A shares market. If I/we buy SSE or SZSE Securities on T day, I/we can only sell the shares on and after T+1.

(7) No manual trade or block trade

All trading must be conducted on SSE or SZSE, no manual trade facility or block trade facility are allowed.

(8) Short selling

Naked short selling is not allowed. However, covered short selling of SSE or SZSE Securities which are eligible for both buy orders and sell orders through Northbound trading will be allowed subject to a number of requirements set by SSE or SZSE respectively.

(9) Short-swing profit

Under Mainland China's Securities Law, if I/we hold 5% or more shares of a listed issuer and sells (or buys) shares and make a profit (a 'short-swing profit') within 6 months of the acquisition (or sale), I/we shall be required to disgorge the profit made from such sale (or purchase).

(10) Orders cancellation under contingency

The Bank shall have right to cancel my/our orders in case of contingency such as hoisting of Typhoon Signal No 8 in Hong Kong.

The Bank may not be able to send in my/our order cancellation requests in case of contingency such as when SEHK loses all its communication lines with SSE or SZSE, etc and I/we should still bear the settlement obligations if the orders are matched and executed.

(11) Account information of beneficial owner

The Bank have right to disclose my/our identity to SEHK which may on-forward to SSE or SZSE for surveillance and investigation purposes. Besides, SSE or SZSE has the power to require the Bank to assist in its investigation.

(12) Currency risks

Northbound trading will be traded and settled in RMB. If I/we am/are a non-mainland PRC investor who holds a local currency other than RMB, I/we will be exposed to currency risk due to the need for the conversion of the local currency into RMB. During the conversion, I/we will also incur currency conversion costs. Even if the price of the RMB asset remains the same when I/we purchase it and when I/we redeem / sell it, I/we will still incur a loss when I/we convert the redemption / sale proceeds into local currency if RMB has depreciated.

(13) Amendments to the Securities Margin Client Agreement

In Clause “9 : China Connect Service” of the Securities Margin Client Agreement containing specific terms and conditions governing transactions of trading securities through the China Connect Service, the Bank shall have the right to suspend, restrict or terminate the China Connect Service, force me/us to sell any Securities, or request me/us to disgorge any profit or unwind any Transactions upon request by the SSE, SZSE or other Exchanges or in accordance with the Relevant Rules, without prejudice to all other rights the Bank may have.

Please be informed that the above may not cover all risks related to Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and any above mentioned laws, rules and regulations are subject to change.