



**Central China International Securities Co., Limited  
(C.E. Number BFI947)**

**Room 1304, 13/F, Admiralty Centre Tower 1, 18 Harcourt Road,  
Admiralty, Hong Kong**

**(a corporation licensed to carry on Regulated  
Activities Type 1 (Dealing in Securities) and Type 4  
(Advising on Securities) under the Securities and  
Futures Ordinance)**

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**Terms and Conditions (Securities)**

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## Table of Contents

<b>Schedule</b>	<b>Content</b>
1	General Terms and Conditions
2	Risk Disclosure Statement
3	Special Terms and Conditions for Securities Trading (Cash)
4	Special Terms and Conditions for Securities Trading (Margin)
5	Special Terms and Conditions for Internet Facilities
6	Special Terms and Conditions for E-Statements Service
7	Special Terms and Conditions for China Connect Service
8	Risk Disclosures and Other Information of China Connect Service
9	Risk Disclosures and Other Information Of IPO
10	Notice to Customers Relating to the Personal Data (Privacy) Ordinance
11	Disclosure on Best Execution

## Schedule 1

### General Terms and Conditions

#### 1. Application, Definitions and Interpretation

- 1.1 In these Terms and the Agreement, the following expressions, unless the context requires otherwise, shall have the following meanings:

"**Account**" means any one or more accounts from time to time opened and maintained in the name of the Client with the Company for the purposes of obtaining services or effecting Transactions subject to the provisions of the Agreement;

"**Account Opening Form**" means any and all account opening forms and documents completed and signed by the Client from time to time in such form as the Company may prescribe or accept including any notes and statements relating to or accompanying any account opening form or document, as may be amended from time to time in accordance with the Agreement;

"**Affiliated Company**" means in relation to the Company, any company that is the Company's subsidiary or holding company or a subsidiary of any holding company of the Company;

"**Agreement**" is comprised of these Terms, the Special Terms attached as Schedules (to the extent they are applicable), the Account Opening Form, and the Miscellaneous Documents;

"**Applicable Regulations**" means any law, regulation or order, or any rule, direction, guideline, code, practice, procedure or custom and any amendment or supplement thereof (whether or not having the force of law) of any regulatory authority, governmental agency, Exchange, Clearing House, Clearing System or professional body in Hong Kong or elsewhere to which the Company is subject;

"**BCAN**" means a Broker-to-Client Assigned Number tagged to the Client's orders of Transaction for Securities or China Connect Securities (as the case may be);

"**Business Day**" means a day (other than Saturday and Sunday) on which banks are open for business in Hong Kong;

"**CCASS**" means the Central Clearing and Settlement System operated by HKSCC;

"**CID**" means the client identification data collected for Transactions of Securities or China Connect Securities (as the case may be);

"**Clearing House**", in relation to any Market, means the entity (including HKSCC) which provides clearing and/or settlement services from time to time for any Securities or Options traded on the relevant Exchange;

"**Clearance System**", in relation to any Market, means the clearance system (including CCASS and DCASS) from time to time used in connection with transactions in Securities or Options traded on the relevant Exchange and includes any depository for such clearance system;

"**Client**" means each and all of the persons who have signed the Account Opening Form and where the Account is opened in the name of more than one person means each and all of such persons singly and collectively and includes any legal personal representative or executors or successor in title thereof and any permitted assign thereof;

"**Commodity**" means any commodity acceptable to the Company for the purposes of the Agreement whether or not capable of being delivered, including currencies, shares, interest rates, or financial contracts, and where the context requires includes an Option Contract in respect of any of the above;

"**Company**" means Central China International Securities Co., Limited (Company No. 2118687) and its successors and assigns including, where the context requires, its agents, nominees, representatives, officers and employees;

"**Compliance Rules**" means all rules, regulations, sanction regimes, guidance, directives, directions, guidelines, policies or procedures of the Hong Kong Regulators;

"**DCASS**" means the Derivatives Clearing and Settlement System operated by the Futures Clearing House and the SEHK Options Clearing House Limited;

"**Deficit**" means the negative balance in any Account whatsoever and howsoever arising from time to time;

"**Device**" means any device (including any digital or electronic

certificate or encrypted software), equipment, machine or computer provided (whether by the Company or not) to or otherwise employed by the Client for giving an instruction to the Company in connection with any Account or any service provided by the Company to the Client from time to time;

**"Dissolution"** of a person also includes the dissolution, winding-up, liquidation or bankruptcy of that person, and any equivalent or analogous procedure under the law of any jurisdiction in which that person is incorporated, domiciled, or resident or carries on business or has assets and **"dissolved"** shall be construed accordingly;

**"Encumbrance"** means any mortgage, charge, pledge, debenture, lien, assignment by way of security, financial lease, deferred purchase, sale-and-repurchase or sale-and leaseback arrangement, hypothecation, retention of title by a vendor, third party right or interest, or other encumbrance or security interest of any kind given or arising in respect of any assets, or any arrangement the effect of which is to prefer any creditor or any agreement over any other creditor or agreement, and includes any agreement or obligation to create or grant any of the above;

**"Exchange"**, in relation to any Market, means the exchange (including SEHK and HKFE) on which Securities or Options are traded;

**"Futures Clearing House"** means the body appointed by or established and operated by HKFE to provide clearing services;

**"HKCC"** means HKFE Clearing Corporation Limited and its successors and assigns including, where the context requires, its agents, nominees, representatives, officers and employees;

**"HKFE"** means Hong Kong Futures Exchange Limited and its successors and assigns including, where the context requires, its agents, nominees, representatives, officers and employees;

**"HKFE Rules"** means the rules, regulations and procedures of HKFE, as may be amended or supplemented from time to time;

**"HKIDR"** means the Hong Kong investor identification regime introduced by the SEHK and the SFC.

**"HKSCC"** means the Hong Kong Securities Clearing Company Limited and its successors and assigns including, where the context requires, its agents, nominees, representatives, officers and employees;

**"Hong Kong"** means the Hong Kong Special Administrative Region of the People's Republic of China;

**"Hong Kong Regulators"** means the SEHK (including the relevant Clearing House), HKFE (including the relevant Clearing House), SFC, the Hong Kong Monetary Authority and/or any other regulator in Hong Kong having jurisdiction over the Company or Transactions;

**"Liabilities"** means all monies, liabilities and obligations, whether actual or contingent, present or future, primary or collateral, secured or unsecured, due, owing or incurred from or by the Client to the Company, or any of its Affiliated Companies or associated companies in connection with any Account and the Agreement or for which the Client may otherwise be or become liable to the Company on any account or in any manner or currency whatsoever (whether alone or jointly with any other person and in whatever name, capacity, style or form), together with interest (from the applicable due date or otherwise the date of demand up to and including the date on which the Company receives actual and unconditional payment in full), legal costs and all other costs, charges and expenses incurred by the Company, or any of its Affiliated Companies or associated companies in connection with the recovery or attempted recovery of such monies, liabilities and obligations or the enforcement of the Company's rights and powers under the Agreement;

**"Market"** means any market for Securities or Options provided by any Exchange, applicable association of dealers or corporation, whether within or outside Hong Kong;

**"Miscellaneous Documents"** means the forms, letters, notices, statements, confirmations and other documents signed, accepted or given by the Client or the Company to the other party in connection with any matter arising from or contemplated by the Agreement, as may be from time to time amended or supplemented;

**"Option" or "Option Contract"** means an option contract as defined under the Rules of the relevant Exchange and/or a contract executed between one party (the "**first party**") and another party (the "**second party**") on the Exchange under which :-

- (a) the first party grants the second party the right, but not the obligation, to buy an agreed Commodity, or quantity of a Commodity, from the first party at an agreed price on or before an agreed future date or on an agreed future date as the case may be and, in the event that the second party exercises his right to buy :-

- (i) the first party is obliged to deliver the Commodity at the agreed price; or
  - (ii) the second party receives a payment referable to the amount (if any) by which the Commodity is worth more than the agreed price, such payment being determined in accordance with the Rules of the Exchange in which the contract made; or
- (b) the first party grants to the second party the right, but not the obligation, to sell an agreed Commodity, or quantity of a Commodity, to the first party at an agreed price on or before an agreed future date or on an agreed future date as the case may be and, in the event that the second party exercises his right to sell :-
  - (i) the first party is obliged to take delivery of the Commodity at the agreed price; or
  - (ii) the second party receives a payment referable to the amount (if any) by which the agreed price is worth more than the Commodity, such payment being determined in accordance with the Rules of the Exchange in which the contract is made;

**"Order of Priority"** means the order of priority of documents from which the CID should be collected as prescribed under the applicable rules and regulations promulgated by the SFC from time to time;

**"OTCR"** means the over-the-counter securities transaction reporting regime introduced by the SEHK and the SFC;

**"Rules"**, in relation to any Market, means the general rules, operational procedures and other applicable rules, customs, practices, procedures and regulations of the relevant Exchange, Clearing House or Clearing System, as may be amended or supplemented from time to time;

**"Rules of the Exchange"** means the Rules of the Exchange in effect or as may be amended, supplemented, modified and/or varied by the SEHK from time to time;

**"Securities"** means any shares, stocks, debentures, loan stocks, funds, bonds, notes, unit trusts, over-the-counter derivatives, certificates of deposit or other commercial paper or securities or other similar instruments of any kind whatever or howsoever, of or issued by any body, whether incorporated or unincorporated, or any government authority for

the time being traded in a Market and acceptable to the Company for the purposes of the Agreement and may include, in the absolute discretion of the Company, (a) rights, options or interests (whether described as units or otherwise) in or in respect of any of the foregoing; (b) certificates of interest or participation in, or temporary or interim certificates for, receipts for or warrants to subscribe for or purchase, any of the foregoing; or (c) any instruments commonly known as securities;

"**SEHK**" means The Stock Exchange of Hong Kong Limited and its successors and assigns including, where the context requires, its agents, nominees, representatives, officers and employees;

"**SFC**" means Securities and Futures Commission of Hong Kong and its successors and assigns;

"**SFO**" means the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);

"**Special Terms**" means the terms and conditions applicable specifically to any service or Transaction or any type of service or Transaction as may be from time to time prescribed, amended or supplemented by the Company, the current terms and conditions being annexed as Schedules to these Terms;

"**These Terms**" means these General Terms and Conditions as may be from time to time amended or supplemented;

"**Transaction**" means any transaction, dealing, agreement, action, service contemplated by, provided for or made, effected or conducted pursuant to the Agreement; and

"**U.S. person**" includes any natural person who is a citizen of or resident in the United States; a corporation, partnership or other business organisation organised or incorporated under the laws of the United States or any political subdivision thereof, any estate or trust which is administered by an executor or trustee who is a U.S. person or the income of which is subject to U.S. federal income taxation regardless of its source; any account (other than any estate or trust) held by a dealer or fiduciary for the benefit of a U.S. person and any partnership or corporation organised and incorporated under the laws of any foreign jurisdiction which was formed by a U.S. person principally for the purpose of investing in securities not registered under the United States Securities Act of 1933. "U.S. person" shall not include any branch or agency of a United States bank or insurance company that is operating outside the United States for valid business reasons as a locally regulated



branch or agency engaged in the banking or insurance business and not formed primarily for the purpose of investing in securities not registered under the United States Securities Act of 1933. For the purposes of this definition, the "United States" includes the United States of America, its states, territories and possessions and the District of Columbia.

1.2 In these Terms and the Agreement:

- (a) "include(s)" and "including" mean respectively "include(s) but not limited to" and "including but not limited to";
- (b) "subsidiary" shall bear the meaning given by the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) and "associated company" means, in respect of any person, any company (not being a subsidiary of that person) of which that person shall beneficially own twenty per cent (20%) or more of the issued share capital or in respect of which that person is entitled to appoint one or more directors or, in relation to any company, any company which is a subsidiary of a holding company of that first mentioned company;
- (c) reference to a Clause, Sub-clause or Schedule is to a clause, sub-clause or Schedule of these Terms and reference to the Account Opening Form is to the Account Opening Form as completed by or on behalf of the Client and where such information has been amended by subsequent notice to the Company means the Account Opening Form as amended by such notice;
- (d) reference to an Ordinance is to an Ordinance or law of Hong Kong and any subsidiary legislation related thereto as from time to time amended, supplemented, extended, codified or re-enacted;
- (e) reference to the masculine gender includes the feminine and neuter gender and reference to the singular includes the plural and vice versa and reference to a person includes an individual, a company, institution, firm, partnership or other entity or body (whether incorporated or not); and
- (f) the headings to the Clauses are for convenience only and do not affect their interpretation.

1.3 The contractual relationship between the Client and the Company (including all Accounts and Transactions) shall be governed by the Agreement.

- 1.4 In case of any inconsistency, the terms shall prevail, insofar as a service, product, facility or Transaction is concerned, in the following order: (i) any form or document signed, provided or accepted by the Client in connection with it, (ii) any specific terms and conditions governing it, and (iii) any general terms and conditions applicable to it.
- 1.5 Apart from the Agreement, all services, products, facilities and Transactions shall be subject to any Applicable Regulations and Rules to the extent that they are applicable.

## **2. Appointment and Scope of Agency**

- 2.1 Company as Agent. The Client appoints the Company and the Company agrees to act as the Client's agent to effect Transactions on its behalf unless the Company indicates (in the contract note for the relevant Transaction or otherwise) that the Company is acting as principal. Nothing herein contained shall constitute the Company as trustee for the Client or a partnership between the Company and the Client.
- 2.2 Company's Right to Decline. Notwithstanding that the Company is acting as the Client's agent in effecting any Transaction, the Company may, in its absolute discretion, decline to accept instructions for any Transaction without giving any reason therefor if there are reasonable grounds in the Company's opinion to decline. The Company shall not be liable to the Client for any loss whatsoever arising out of or in connection with its not accepting or acting on such instructions or omitting to give notice of the non-acceptance of any instructions.
- 2.3 Cancellation or Variation of Instruction. The Company shall not be obliged to act on any instruction for cancellation, variation or amendment of any instruction already given by or on behalf of the Client to the Company nor be responsible or liable to the Client for any loss or expense suffered or incurred by the Client if the original instruction has already been completed by the Company in good faith or it is not reasonably practicable for the Company to act on such instructions to cancel, vary or amend the original instruction.
- 2.4 Independent Third Party. The Client is an independent third party not connected with or acting in concert with any directors, chief executive, or substantial shareholders of the Company and/or any of their respective subsidiaries or an associate of any of them. The Client does not hold any interest in the Company.
- 2.5 Delegation by Company. The Company may appoint any other person, whether in Hong Kong or elsewhere, as its nominee, custodian, broker,

depository agent or other agent for the purpose of or in connection with the provision of services to the Client and may delegate any of its duties under this Agreement to such person. The Company is authorized by the Client to disclose any personal data and other information relating to the Client, its authorised signatories, the Accounts and Transactions to any person appointed by the Company pursuant to this Clause 2.5.

### 3. **Instructions**

3.1 **Giving Instructions.** The Client shall give instructions in relation to Transactions, Accounts or the Company's services direct to the Company by the Client or on behalf of the Client by authorised signatories and, subject to this Clause 3, the Client may give instructions by telephone, facsimile transmission, or other means of communication. If an instruction is given in writing, the signatures of such signatories shall comply with the signing arrangement and conform to the specimen signatures provided to the Company in the Account Opening Form (the "**Agreed Signing Arrangement**"). If instructions are given by telephone or other means not accompanied by the signatures of the authorised signatories, the Company is entitled to rely upon and act in accordance with such instructions given by any one of the authorised signatories singly and any Agreed Signing Arrangement will not apply. The Company is entitled to prescribe any cut-off time for receiving instructions in general or instructions of any particular nature or type, which may differ from any usual cut-off time in any Market or prescribed by any Exchange or Clearing House. The Client acknowledges and agrees that the Company is not liable for any delay or failure in effecting any instruction which is received by the Company after the applicable cut-off time.

3.2 **Company's Reliance on Instructions.** The Company shall be entitled to treat an instruction given in accordance with this Clause 3 as fully authorised by the Client. The Company shall be entitled (but not bound) to act on or take such steps in connection with or in reliance upon such instruction as the Company may in good faith consider appropriate for the purpose of executing the Transaction in accordance with such instruction (whether it be an instruction to acquire, purchase, sell, dispose of or otherwise deal with Securities or Option Contracts or transfer Securities or other assets) and shall have authority to bind the Client to any agreement or other arrangement with the Company or with any other person or to commit the Client to any other type of Transaction or arrangement whatsoever for the purpose of executing such instruction, regardless of the nature of the Transaction or arrangement or the value, type and quantity of the Securities, Option Contracts or assets involved. Apart from verifying the signature of each of the relevant authorised

signatories (where an instruction is signed by the authorised signatories) against the Agreed Signing Arrangement or verifying the relevant designated number, password and/or any other information relating to the identity of the Client and/or any authorised signatories (where an instruction is given by any other means), the Company shall have no obligation to verify the identity or authority of the person giving any instruction by any means or the authenticity of such instruction. The Company may rely and act on instructions believed by the Company in good faith to be genuine and any Transaction effected by the Company for the Client on that basis shall be binding on the Client, whether or not the instruction for such Transaction is made or authorised by the Client.

3.3 Telephone Instructions. If the Company has agreed in writing to accept instructions which are given or transmitted by telephone, the Client shall give and shall procure its authorised signatories to give instructions in compliance with such procedures (including the applicable telephone number) prescribed by the Company from time to time. The Company shall be entitled to require the Client to enter into any further agreement or document if the Client wishes it to act on telephonic instructions.

3.4 Electronic Instructions. If the Company has agreed in writing to accept instructions which are given or transmitted by electronic means, the Client shall give and shall procure its authorised signatories to give instructions in compliance with such procedures prescribed by the Company from time to time including the following:

- (a) only by such means of telecommunication and in such manner as the Company may from time to time designate for the relevant type of Transaction;
- (b) by use of the suitable Device (if applicable) to obtain access to the designated computer or other systems of the Company for the relevant type of Transaction; and
- (c) at the request of the Company (such request may be made or represented by electronic image or digitized voice or other electronic form, as the case may be), by inputting the designated number and/or the relevant password and any other information relating to the identity of the Client and/or any authorised signatory as may be required by the Company, as well as the information and details with respect to the Transaction.

The Company shall be entitled to require the Client to enter into any further agreement or document if the Client wishes it to act on instructions given through electronic means.

- 3.5 Risks in Communications. The Client recognizes the risks in giving instructions by telephone, facsimile, electronic mail or other electronic means including the risk of any instruction being unauthorized or given by an unauthorized person or intercepted by a third party. If the Client chooses to give instructions by any electronic means, the Client accepts the risks in full and authorise the Company to act on any instructions received by it through such means. The Company does not assume any responsibility for any delay, failure, error, interruption or suspension in the transmission or communication of instructions or information on prices or the mistaken communication of instructions or information to any other party, or for any claim, liability or loss which the Client may suffer or incur as a result of the use of any particular means for giving or receiving instructions or of the Company acting on such instructions, unless due to the gross negligence, fraud or willful default of the Company or any of its officers, employees or Affiliated Companies and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly and solely therefrom.
- 3.6 No change in instructions. Once an instruction is given by or on behalf of the Client, it may not be amended, rescinded or withdrawn without the Company's written consent.
- 3.7 No Responsibility to Procure Compliance. The Company shall have no responsibility to procure compliance by the Client with any law or regulation governing the Client's conduct as a fiduciary (if applicable).
- 3.8 Currency Conversion. Without prejudice to the generality of Clause 2.2, the Company reserves the right to decline any instruction of the Client to effect any sale or purchase of Securities or Option Contracts requiring an exchange into or from one currency to another, or otherwise to refrain from effecting a currency exchange for other purposes (including for the purpose of effecting a dividend distribution), without giving any reason therefor. If the Company accepts any instruction of the Client to effect any such sale or purchase of Securities or Option Contracts or effects any currency exchange for any other purpose, the costs of effecting the relevant currency exchange and any profit or loss arising as a result of fluctuation in the exchange rate of the relevant currency will be entirely for the account of the Client. The Company may convert monies in any Account into and from any currency at such rate of exchange as the Company shall in its sole discretion determine as being the then prevailing money market rate. Such conversion may be made for the purpose of any Transaction or for the calculation of any debit balance due from the Client or credit balance owed to the Client or for any other purpose relating to the Agreement.

- 3.9 Aggregating Orders. Subject to any Applicable Regulations, the Company may without notice to the Client aggregate the Client's order with its own orders or with those of persons connected with the Company or with those of other clients of the Company. Such aggregation may on some occasions operate to the Client's disadvantage and on other occasions to the Client's advantage.
- 3.10 Client As Agent. Where the Client is acting as agent for and on behalf of any other person when giving instructions to the Company pursuant to the Agreement, the Company shall be entitled to treat the Client (rather than any such other person) as its customer for all purposes and in relation to all obligations, and the Client will be liable as such. This applies even if the Client is acting on behalf of a person whom the Client has notified to the Company and the Company is not obliged to treat any such person as a customer or indirect customer.
- 3.11 Indemnity by Client. The Client agrees that it will be responsible for and will indemnify and keep indemnified the Company and its officers, employees and agents for any claims, suits, actions, proceedings, losses, damages, obligations, liabilities, costs, fees and expenses arising directly or indirectly out of or in connection with the Company's acting upon any instructions given or purported to be given by or on behalf of the Client by any means selected by the Client, unless due to the gross negligence, fraud or willful default of the Company or any of its officers, employees or Affiliated Companies and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly and solely therefrom.

#### **4. Transactions**

- 4.1 Instructing Brokers. The Client authorises the Company to instruct such executing brokers, agents, custodians, nominees and dealers (including branches or associates of the Company) (whether in Hong Kong or elsewhere) as the Company may in its absolute discretion deem fit to execute any Transactions and acknowledges that the terms of business of such persons and the applicable Rules of any relevant Exchange, Clearing House and/or Clearance System on and through which such Transactions are executed and settled shall apply to such Transactions.
- 4.2 Relevant Laws. All Transactions which the Company effects on the Client's instructions shall be effected in accordance with all Applicable Regulations and Rules applicable to the Company and/or the Client. All actions taken by the Company in accordance with Applicable Regulations and Rules shall be binding on the Client.

- 4.3 Delay in Dealing. The Client acknowledges that by reason of market conditions or physical restraints on any Market and rapid changes in the prices of Securities and/or fluctuation in currency exchange rates, on occasions and despite the reasonable endeavours of the Company, executing brokers or dealers (whether in Hong Kong or elsewhere), the Company may not be able to execute the Client's instructions in full or at the specific prices or time specified by the Client. The Company shall not be liable if any instruction is not performed in full due to market conditions or any other cause beyond the Company's control, and the Client shall accept and be bound by dealings effected by the Company.
- 4.4 Partial Performance of Order and Limit Order. Where the Company or any persons instructed by the Company are unable to perform any instruction of the Client in full, the Company or such persons are entitled to effect partial performance only without prior reference to or consent from the Client. Without prejudice to the generality of the aforesaid, unless at the time of giving an instruction with respect to Securities the Client expressly instructs the Company to immediately make the entire order public in the relevant Market, the Company is entitled not to do so having regard to the prevailing market conditions and market practice, in particular, where the Company is of the reasonable view that the order is not immediately executable in full under the prevailing market conditions.
- 4.5 Lapse of Order. Unless the Client gives specific instructions to the Company to the contrary, the Client acknowledges that all instructions received by the Company on a trading day are valid for that trading day only and that, to the extent any instruction is unfulfilled, it will lapse at the close of the official trading hours on that trading day of the Market in respect of which they are given.
- 4.6 Short Selling. The Client acknowledges that the Company will not accept an instruction to sell for short account on behalf of the Client. The Company shall not be responsible to the Client for identifying whether or not an instruction is to sell for short account. The Client undertakes that it will not give any instruction to sell for short account and will notify the Company whenever any sale order relates to a short sale of Securities and such notification shall be given at the same time as notification of the sale order. In case of a "covered" short selling order, the Client must inform the Company where the Client places a "covered" short selling order and it is the absolute discretion of the Company whether or not to accept instruction to effect such order.
- 4.7 Indemnity by Client. The Client agrees that it will be responsible for and will indemnify and keep indemnified the Company and its officers,

employees and agents for any claims, suits, actions, proceedings, losses, damages, obligations, liabilities, costs, fees and expenses arising directly or indirectly out of or in connection with the Client's failure to meet its obligations for settlement of Transactions by the applicable settlement dates or to pay any other sum due to the Company under the Agreement.

- 4.8 Interest. The Client shall pay interest on all overdue balances on any Account or any amount otherwise owing to the Company at any time (including interest arising after a judgment debt is obtained against the Client) at such rates and on such other terms as the Company notifies to the Client from time to time. Interest shall accrue from the applicable due date or otherwise the date of demand up to and including the date on which the Company receives actual and unconditional payment in full and shall be payable on the last day of each calendar month or forthwith upon demand by the Company.
- 4.9 Recording and Tapes. The Client acknowledges that all telephone conversations between the Client and the Company may be taped without an automatic tone warning device in order to enable the Company to verify the instructions of the Client. The Client agrees that the recordings on relevant tapes or a transcript of the recording certified by any authorized officer of the Company may be used as final and conclusive evidence of the contents of the instructions in case of dispute unless and until the contrary is established. Whilst such tapes will always remain the property of the Company, the Company will, subject to any Applicable Regulations, provide to the Client, on the Client's request and at the Client's expense, a copy of such tapes.
- 4.10 Books and Records. The Client acknowledges that the books and records of the Company in respect of any instruction or Transaction shall be conclusive evidence (except for manifest error) against the Client in all courts of law and for all purposes. Without prejudice to the generality of the foregoing, a certificate signed by an authorized officer of the Company certifying the amount of any outstanding liabilities owing by the Client at any time, save for manifest error, shall be conclusive and binding against the Client.
- 4.11 Option Contracts and Options. The parties may (but neither is obligated to) enter into Option Contracts for the purchase and sale of currency, of such type and quantities, at Option Contract prices and for settlement dates as may be agreed, and for the purchase and sale of Options for currency, of such type, class and style, at exercise prices and expiration dates, and for such premium prices as may be agreed. Such transactions shall be effected pursuant to and subject to the provisions of the Agreement.



- 4.12 Operation of Accounts. The Client acknowledges that it will personally (or through its authorised signatories) operate any Account opened by the Company for the Client in relation to the Agreement and, in particular, in respect of entering into Option Contracts and Options with the Company. In the event that the Client intends to appoint a third party to act in any way on behalf of the Client in relation to the Agreement, the Client shall appoint such third party by providing the Company with such letter of authorization or other form as prescribed by the Company, the terms and conditions of which shall be in addition to and shall be deemed to form a part of the Agreement. The Client shall ensure that any appointed third party trading representative also promptly provides to the Company a completed and signed Client Information Statement as prescribed by the Company.
- 4.13 Breach of Security, etc. Where the Company knows or suspects of a breach of security or other suspicious circumstances in respect of or in connection with the operation of any Account or any service to the Client generally, the Company may, in its absolute discretion and without any liability, refuse to act on or delay acting on the relevant instruction and in that event, the Company will inform the Client of such refusal or delay to the extent and as soon as reasonably practicable.
- 4.14 Account Statements and Transaction Records.
- (a) The Client shall examine each statement of account and record issued by the Company in relation to any Account or Transaction.
  - (b) If the Client alleges that any statement of account contained any unauthorised transaction, omission or error, the Client shall notify the Company in writing within 14 days after the date of the statement. Where a transaction record is issued by the Company, the Client shall notify the Company in writing of any unauthorised transaction, omission or error alleged by the Client relating to such transaction record as soon as reasonably practicable and within 7 days after the date of such transaction record unless otherwise provided in this Agreement.
  - (c) If the Company does not receive any notification from the Client within the applicable period, any statement of account or transaction record issued by the Company shall, in the absence of any manifest error and without prejudice to the Company's right to correct any error, be conclusive and binding on the Client.
  - (d) In the event of non-receipt of any statement of account or

transaction record from the Company, the Client shall notify the Company in writing within 7 days after of the time when the statement or record would normally have been received in the ordinary course of business.

- (e) The Client confirms that the Company may issue contract notes, transaction confirmations, statements of accounts and other advices in electronic form and agrees to receive them by electronic means, provided that the Company may deliver the same to the Client by post or any other means without further notice to or consent from the Client if the Company is unable to transmit the same by electronic means for any reason beyond the reasonable control of the Company.

4.15 Prices. The actual bid and offer prices of any Transaction shall be determined at the time when the Transaction is effected and any figures which may be quoted or provided to the Client by the Company or its representatives at any time are for reference only and are not binding on the Company or the Client. For the avoidance of doubt, the Company is entitled to act on any instruction of the Client to effect Transaction even if the price has altered to the disadvantage of the Client between the time of receipt of such instruction and the time at which the Company or its agent actually effects the Transaction.

## **5. Charges and Expenses**

5.1 Commission and Charges. The Client shall pay commissions, fees, charges, brokerage or other remuneration for the Company's services as specified by the Company in the fee schedules provided by the Company or otherwise notified to the Client from time to time. The Company reserves the right to revise its fee schedules from time to time.

5.2 Maintenance Fee. Without prejudice to the Company's right to terminate any Account in accordance with the Agreement, the Company may charge a monthly maintenance fee to be notified by the Company to the Client on any Account with no trading activity for six months or more.

5.3 Fees and Expenses. The Client shall be liable on a full indemnity basis for all fees and expenses incurred by the Company in connection with the Transactions, the Accounts and/or provision of its services including fees payable to any brokers, agents and nominees, stamp duties, transfer fees, registration fees, stock settlement fees, levies imposed by relevant Exchange, Clearance House or Market, interest and other handling costs or expenses.

5.4 Deduction from the Account. The Company is authorised by the Client, at any time without prior notice to the Client, to charge to or debit from any Account any commissions, fees, charges, brokerage, remuneration, levies, duties and other costs and expenses payable by the Client.

5.5 Rebate or Reallowance. The Client agrees and authorises the Company, without prior notice to the Client, to accept from any brokers and dealers engaged in the purchase or sale of, or other dealing with, Securities and/or Option Contracts for the account of the Client any rebate or reallowance or soft commission (such as goods and services) as may be allowed from time to time by the Applicable Regulations provided always that:-

- (a) the Company and/or its nominee may enter into soft commission arrangements with brokers or dealers through which Transactions are executed for the Client only where the goods or services are of demonstrable benefit to the customers of the Company. In allocating business to a broker or dealer, the Company and/or its nominee has to ensure that such broker or dealer will execute the Transaction consistent with best execution standards and that brokerage rates are not in excess of customary full-service rates in the relevant Market. For this purpose, such goods and services may include research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications;
- (b) the Company and/or its nominee may receive cash or money rebates on Transactions executed for the Client only if brokerage rates are not in excess of customary full service rates in the relevant Market. Such rebates will be retained by the Company and/or its nominee for their own benefit absolutely; and
- (c) the Company shall provide the Client with a statement relating to rebates, reallowances and soft commissions containing such information and at such intervals in compliance with the Applicable Regulations.

## 6. Client's Money

6.1 Transactions Executed Outside Hong Kong. For Transactions executed outside Hong Kong, the Client authorizes and directs the Company to pay into any trust account maintained by the Company with any financial

institution, which may or may not be a licensed bank, all amounts (less all brokerage and other proper charges accruing thereon) from time to time received by the Company for and on behalf of the Client from the Transactions, notwithstanding that any such amounts may be reinvested in further Transactions for or on behalf of the Client.

6.2 Interest on Client's Money. The Client agrees that the Company shall be entitled to receive and retain for its own benefit absolutely all sums derived by way of interest from the payment into and retention of:

- (a) all amounts in any trust account and
- (b) all amounts received for or on account of the Client in connection with Transactions in any segregated account maintained by the Company under section 149 of the SFO.

The Client expressly waives any or all of its rights, claims and entitlements whatsoever to such interest. Notwithstanding the aforesaid, the Company may at its discretion pay interest on any Client's money at such rate as the Company may notify the Client from time to time.

## 7. Lien

7.1 General Lien. Until any amount owed to the Company or any Affiliated Company has been paid in full, the Company has the right to retain by way of lien all money, Securities and other property of the Client held from time to time by the Company or any Affiliated Company, whether held for safe-keeping or otherwise, and the Company shall have the power to collect, sell or realise all or any part of such money, Securities and property at such price as the Company may think fit and to apply the proceeds, after deduction of expenses, to satisfy any amount owed by the Client to the Company or any Affiliated Company. The Client shall upon the request of the Company and at the Client's cost and expense execute all transfers and do all things necessary for vesting the legal title in such money, Securities and property to the Company or any other person as the Company may specify.

7.2 The Client shall not, without the Company's prior written consent, assign, transfer, mortgage, pledge, charge, or create or permit to arise or exist any lien or other Encumbrances of any nature on or over its right, title, interest and claim in or to any money, Securities and/or other property held by the Company for the account of the Client.

## 8. Client's Representations and Warranties

8.1 General. The Client represents and warrants for so long as the Client maintains any Account with the Company and on the giving of each instruction to the Company in relation to a Transaction that:-

- (a) the Client is the person ultimately responsible for originating the instruction in relation to each Transaction and stands to gain the commercial or economic benefit of each Transaction and/or bear its commercial or economic risk, and deals on its own account as principal and beneficial owner of the relevant Securities, Option Contracts and Account and that no one other than the Client has any right or interest in the relevant Securities, Option Contracts or Account save that where an Account is opened by the Client acting as an agent and the same is disclosed by the Client in the Account Opening Form, the Client represents and warrants that the principal and beneficial owner and person ultimately responsible for originating the instruction in relation to each Transaction and stands to gain the commercial or economic benefit of each Transaction and/or bear its commercial or economic risk (the "**ultimate beneficiary**") is the person specified as such in the Account Opening Form, and the Client shall provide such information and data relating to each ultimate beneficiary as the Company may require;
- (b) the information provided by or on behalf of the Client in the Account Opening Form or otherwise in relation to the Agreement from time to time is true, complete and correct in every material respect;
- (c) the Client has or will have valid and unencumbered title as beneficial owner to all Securities and other assets which the Client instructs the Company to sell or otherwise dispose of pursuant to the Agreement save that where the relevant Account is opened by the Client acting as an agent and the same is disclosed in the Account Opening Form, the Client represents and warrants that the person specified in the Account Opening Form as the ultimate beneficiary is the beneficial owner having valid and unencumbered title;
- (d) all necessary consents or authorisations which may be required by the Client for the signing of the Agreement, carrying out of any Transaction on any Market and performance of its obligations under the Agreement have been obtained and are in full force and effect;
- (e) the Client has the authority and power and legal capacity to open

and operate each Account, to effect each Transaction and to perform its obligations under the Agreement and the Agreement constitutes valid and legally binding obligations of the Client enforceable in accordance with its terms;

- (f) the Client has read and understood the risk disclosure statements provided by the Company to the Client, and accepts in full the risks relating to Securities, Option Contracts and Transactions; and
- (g) the Client is not a U.S. person and will not acquire or hold Securities or other assets beneficially owned by or for a U.S. person or in violation of any applicable law.

8.2 Client's Information. The Client shall provide the Company with such information and documents relating to the identity of the Client and each authorised signatory, the Client's financial condition and source of funds or other related matters as the Company may require from time to time for the purposes of opening, maintaining, operating and/or closing any Account. The Client agrees that the Company may rely on information provided in the Account Opening Form until the Company has actually received written notice from the Client of any changes therein. The Client shall promptly notify the Company in writing of any material changes in the information provided by or on behalf of the Client pursuant to the Agreement or any agreement entered into pursuant to the Agreement or relating to any Account.

8.3 Execution of Documents. The Client undertakes to the Company to do or execute any act, deed, document or thing which the Company requires the Client to do being in the reasonable opinion of the Company necessary or desirable in connection with the implementation and enforcement of the Agreement including the execution by the Client of an irrevocable power of attorney appointing the Company as the lawful attorney of the Client to do and execute all such acts, deeds, documents or things on behalf of the Client.

8.4 Necessary Action. The Client agrees to do such acts and things and to execute such documents as are necessary or are in the reasonable opinion of the Company desirable to ratify or confirm anything done by the Company, or any of its nominees or Affiliated Companies, or any other entity instructed by any of them in the proper exercise of any right or power conferred on any of them by the Agreement or any agreement entered into pursuant to the Agreement or relating to the Account.

8.5 Corporate Client. If the Client is a corporation, the Client represents and

warrants that it is duly incorporated and validly existing under the laws of its place of incorporation and has full power and legal capacity to enter into the Agreement and perform its obligations under the Agreement according to the terms of the constitutional document(s) by which the Client is established or constituted; and that the certified copy of resolutions provided by the Client to the Company approving the execution of the Agreement were duly passed at a meeting of its directors duly convened and held on or prior to the date of the Agreement in accordance with its constitutional documents and were entered in its minutes book and are in full force and effect.

8.6 Disclosure of Client Information. The Client authorises the Company to disclose and transfer any personal data, identity information and/or other information relating to the Client and any of the Accounts, Transactions and (where applicable) any ultimate beneficiary (including alias(es), address(es), occupation(s) and contact details of the Client or any ultimate beneficiary) to any Hong Kong Regulators in compliance with the Applicable Regulations. Without prejudice to the generality of the aforesaid, the Client agrees that where the Company has received an enquiry from any Hong Kong Regulators, the Client shall, upon request by the Company (which request shall include the contact details of the relevant Hong Kong Regulator), provide to the Company or such Hong Kong Regulator directly such information relating to the Client and/or any ultimate beneficiary in compliance with such Hong Kong Regulator's request or demand and within such period specified by such Hong Kong Regulator or the Company. In addition, the following provisions shall apply where applicable:-

- (a) if the Client effects a Transaction for a collective investment scheme, discretionary account or discretionary trust, the Client shall immediately upon request by the Company (which request shall include the contact details of the relevant Hong Kong Regulators), inform such Hong Kong Regulators of the name of the relevant scheme, account or trust and, if applicable, the identity, address, occupation, contact and other details of the person who, on behalf of the scheme, account or trust, ultimately originates the instruction to effect relevant Transaction;
- (b) if the Client acts as an investment manager for any collective investment scheme, discretionary account or discretionary trust, the Client shall immediately inform the Company of any Transactions in respect of which its investment discretion to invest on behalf of the scheme, account or trust is overridden. In each case where the Client's investment discretion is overridden, the Client shall immediately upon request by the Company (which

request shall include the contact details of the relevant Hong Kong Regulators) inform such Hong Kong Regulators of the identity, address, occupation and contact and other details of the person(s) who has or have ultimately originated the instruction to effect the relevant Transaction;

- (c) if the Client is aware that its client is acting as intermediary for its underlying clients, and the Client does not know the identity, address, occupation and contact and other details of the underlying clients for whom the relevant Transaction was effected, the Client confirms that:-
  - (i) it has arrangements in place with its client which entitle the Client to obtain the information set out in this Clause 8.6 regarding ultimate beneficiaries from its client immediately upon request or procure that it be so obtained; and
  - (ii) it will, on request from the Company in relation to a Transaction, promptly request the information set out in this Clause 8.6 regarding ultimate beneficiaries from its client on whose instructions the Transaction was effected, and provide the information to the relevant Hong Kong Regulators as soon as it is received from its client or procure that it be so provided;
- (d) notwithstanding any client secrecy or personal data protection laws, the Client expressly consents to the disclosure of information relating to the Client in accordance with this Clause 8.6;
- (e) the Client confirms that where necessary, it has obtained all relevant consents or waivers from its clients or ultimate beneficiaries to enable disclosure of information relating to such clients and/or ultimate beneficiaries in accordance with this Clause 8.6 notwithstanding any client secrecy or personal data protection laws in any relevant jurisdiction, or that agreements have been entered into by such clients and/or ultimate beneficiaries to give consent or waive the benefit of the relevant client secrecy or personal data protection laws to enable disclosure of information in accordance with this Clause 8.6; and
- (f) the Company and the Client agree that the provisions of this Clause 8.6 shall continue in effect notwithstanding completion of any Transaction or the termination of the Agreement.



## **9. HKIDR AND OTCR CONSENT**

- 9.1 The Client acknowledges and agrees that the Company may collect, store, process, use, disclose and transfer personal data relating to the Client (including the Client's CID and BCAN(s)) as required for the Company to provide services to the Client in relation to Securities listed or traded on SEHK and for complying with the rules and requirements of SEHK and the SFC in effect from time to time. Without limiting the foregoing, it includes: -
- (a) disclosing and transferring the Client's personal data (including CID and BCAN(s)) to the SEHK and/or the SFC in accordance with the rules and requirements of SEHK and the SFC in effect from time to time;
  - (b) allowing the SEHK to (i) collect, store, process and use the Client's personal data (including CID and BCAN(s)) for market surveillance and monitoring purposes and enforcement of the Rules of the Exchange; and (ii) disclose and transfer such information to the relevant regulators and law enforcement agencies in Hong Kong (including, but not limited to, the SFC or SEHK) so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets; and (iii) use such information for conducting analysis for the purposes of market oversight; and
  - (c) allowing the SFC to (i) collect, store, process and use the personal data belonging to the Client (including CID and BCAN(s)) for the performance of its statutory functions including monitoring, surveillance and enforcement functions with respect to the Hong Kong financial markets; and (ii) disclose and transfer such information to the relevant regulators and law enforcement agencies in Hong Kong in accordance with the Applicable Regulations.
- 9.2 The Client also agrees that despite any subsequent purported withdrawal of consent by it, the personal data belonging to the Client may continue to be stored, processed, used, disclosed or transferred for the purposes specified in Clause 9.1 of Schedule 1 hereto after such purported withdrawal of consent.
- 9.3 The Client acknowledges and confirms that failure to provide the Company with the personal data belonging to the Client or consent as described above may mean that the Company will not, or will no longer be able to, as the case may be, carry out the Client's trading instructions

or provide the Client with services (other than to sell, transfer out or withdraw the Client's existing holdings of Securities, if any).

- 9.4 The Client confirms that the type of identity document(s) provided to the Company for the purpose of establishing the Client's CID is in accordance with the Order of Priority and further undertakes to provide the Company with certified true copies of any updated version(s) of the Client's identity document(s) from time to time hereafter as soon as they are available.

## **10. Rights and Remedies of the Company**

- 10.1 Default of Client. In the event that (i) the Client or any guarantor or security provider of the Client's obligations under the Agreement becomes bankrupt or insolvent by reason of its inability to pay its debts as they fall due, or enters into liquidation whether voluntarily or compulsorily, or a receiver is appointed for all or any part of its assets, or initiates or suffers the filing of a petition for its winding-up or similar action, or becomes (voluntarily or involuntarily) the subject of any equivalent or analogous procedures under any law, or (ii) if, in the opinion of the Company, the Client has breached any material terms of the Agreement, or (iii) the Client or any guarantor or security provider of the Client's obligations under the Agreement defaults in performing its obligations or liabilities whether or not in respect of any Transaction , or (iv) any representation or warranty given by the Client to the Company is or becomes untrue in any material aspect when made or repeated, or (v) any warrant or order of attachment or distress or equivalent or analogous order is issued, or any judgment is levied, enforced or executed, against any of the Client's assets or Account or, (vi) where the Client is an individual, the Client dies or becomes mentally incapable, the following provisions shall apply:-

- (a) all amounts owing by the Client to the Company shall become immediately payable on demand, and interest will accrue, on the amounts outstanding from time to time in the manner specified in Clause 4.8;
- (b) further performance by the Company of any of its outstanding obligations to the Client under the Agreement (whether for payment of money or otherwise) shall be conditional upon the Client having fully discharged all its obligations to the Company under the Agreement; and
- (c) the Company shall be entitled at its absolute discretion, without further notice or demand to the Client, to forthwith:-

- (i) satisfy any Liabilities of the Client (either directly or by way of guarantee or other security) by selling, realizing or otherwise dealing with, in such manner as the Company in its absolute discretion may determine and at the Client's sole risk and cost and without incurring any liability on the part of the Company for any loss or damage incurred by the Client, all or part of any money, Securities and other property of the Client held by the Company, and applying the proceeds (after deducting of expenses) in satisfaction of all or part of the Liabilities of the Client;
- (ii) set-off, combine or consolidate any of the Client's accounts (of any nature) maintained with the Company (including the Accounts) or any Affiliated Company and any liabilities and obligations owing by the Company to the Client under the Agreement against any Liabilities of the Client;
- (iii) suspend or terminate all or any of the Company's services; and/or
- (iv) cancel all or any unexecuted instructions of the Client.

10.2 Application of Proceeds. The Company may at its absolute discretion apply the net proceeds (after deduction of all fees, costs and expenses incurred in connection with the exercise of the powers conferred on the Company by this Clause 10) actually received by the Company in satisfaction of the Client's then outstanding Liabilities in such order or manner as the Company considers fit.

10.3 Company's Discretion. The Company shall have absolute discretion in all matters relating to the exercise of its rights under this Clause 10, and may sell any Securities, Options or other assets of the Client on a single or collective basis. The Company shall not be liable for any loss howsoever caused arising from the exercise by the Company of its rights and powers conferred by this Clause 10, whether in relation to the timing or manner of the exercise of such rights or powers or otherwise, unless due to the gross negligence, fraud or willful default of the Company or any of its officers, employees or Affiliated Companies and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly and solely therefrom.

10.4 Termination of Agreement. In the event that any of the events set out in Clause 10.1 occurs, the Agreement may be terminated by the Company forthwith without prior notice to the Client.

- 10.5 Obligations of Client. The Client shall be liable for any Deficit that may exist after the Company has exercised its rights under the Agreement, and any related cost and expense (including legal costs on a full indemnity basis) incurred by the Company.
- 10.6 Debt Collecting Agent(s). The Company shall be entitled at any time and from time to time to employ debt collecting agent(s) to collect any sum due but unpaid by the Client in connection with the Agreement and in doing so, the Company is authorised by the Client to disclose to such agent(s) any or all personal and other information in relation to the Client, its authorised signatories, the Accounts and the Transactions, and the Company shall not be howsoever liable or responsible (whether in contract or tort) for such disclosure or for any default, negligence, act, conduct, misconduct and/or deeds of such agent(s). The Client shall indemnify and keep indemnified the Company and its officers, employees and agents on a full indemnity basis against all reasonable costs and expenses which the Company may reasonably incur in employing debt collecting agent(s) and in closing any Account.

## **11. Client's Responsibility for Disclosure of Interests**

- 11.1 Corporate and Family Interests. The Client acknowledges that it is the Client's sole responsibility to discharge any obligations imposed on the Client by any Applicable Regulations to disclose interests of any nature (whether personal, corporate, family or otherwise) to any applicable Exchanges, regulatory authorities or other persons.
- 11.2 No Responsibility to Advise as to Disclosure. The Client acknowledges and agrees that the Company is not responsible for advising the Client of any disclosure obligations whether arising generally or as a result of any Transaction effected by the Company for the Client or of any holding of Securities or Options or otherwise by or on behalf of the Client. Such obligations of disclosure are personal obligations of the Client. The Company shall not be obliged to give notice of holdings by or on behalf of the Client in any form or by any time limit save for any notice or statement to be issued by the Company as expressly set out in the Agreement. The Company shall not be liable for any loss, cost or expense of the Client arising from any failure or delay by the Client or any other person to disclose interests in accordance with any Applicable Regulations and the Client shall indemnify the Company for any loss, cost or expense arising from any such failure, delay or default which may be suffered or incurred by the Company.

## **12. Client Information Statement**

- 12.1 Submission of Statement. The Client shall complete and submit a client information statement in a form prescribed by the Company at the time of opening an Account and from time to time at the request of the Company. The Client shall provide in the client information statement such information, including financial data concerning the Client as the Company may request.
- 12.2 Client to Supply Information. The Client agrees promptly upon reasonable request by the Company (i) to furnish financial statements of the Client to the Company; (ii) to disclose to the Company any material change in the financial position of the Client; (iii) to furnish such other information concerning the Client as the Company may reasonably request; (iv) to notify the Company in writing if any of the representations or warranties given by the Client to the Company in connection with the Agreement ceases to be true, complete, up-to-date or accurate in any respect; and (v) to notify the Company of the occurrence of any event specified in Clause 10.1 upon its occurrence.

### **13. Use of Client Information**

- 13.1 Compliance with Laws. The Client acknowledges that the Applicable Regulations, regulatory authorities and/or Exchanges of any relevant jurisdictions may require or request disclosure of personal and other information relating to the Client, its authorised signatories and/or the Accounts. The Client irrevocably authorizes the Company and its Affiliated Companies, without notice or consent from the Client, to disclose and provide to the relevant authorities or persons (including the Hong Kong Regulators) all such information and documents relating to the Client, its authorised signatories and/or the Accounts as may be required or requested by them pursuant to Applicable Regulations. The Client shall not hold the Company or its Affiliated Companies liable for any consequences arising from such disclosure, and the Client shall reimburse the Company and its Affiliated Companies on demand for all costs and expenses (including legal costs on a full indemnity basis) incurred by the Company and its Affiliated Companies in complying with requests for such disclosure.
- 13.2 Disclosure in Other Cases. Subject to the extent specified in Clause 13.1, the Company will keep information relating to the Client and the Accounts confidential, but is authorized by the Client to disclose any such information (i) to any person as the Company considers appropriate for conducting credit enquiries on the Client and/or to verify the information provided, (ii) to the Company's auditors, legal advisers or other professional advisers, or any brokers, dealers or other service

providers appointed by the Company on behalf of the Client, (iii) any of the Affiliated Companies, and (iv) any actual or potential assignee of all or any of the Company's rights or obligations (whether under the Agreement or otherwise). The Company shall not be liable to the Client for any consequences arising from any disclosure made pursuant to this Clause 13.2.

13.3 Personal Data (Privacy) Ordinance. Where the Client is an individual, the Client acknowledges that he has read and accepts in full the provisions in the Company's "Notice to Customers relating to the Personal Data (Privacy) Ordinance" (including the use of his personal data in the manner specified in such notice), a copy of which is available with the Agreement.

13.4 Duty to Report. Immediately upon the happening of any material breach, infringement or non-compliance of market misconduct provisions set out in the Application Regulations that the Company reasonably suspects may have been committed by the Client, the Company has a duty to report to relevant authorities or persons (including the Hong Kong Regulators), giving particulars of the suspected breach, infringement or non-compliance and relevant information and documents. The Client shall not hold the Company or its Affiliated Companies liable for any consequences arising from such reporting.

#### **14. Liability and Indemnity**

14.1 Exclusion of Liability. The Client agrees that the Company, insofar as relevant and to the extent permitted by the Applicable Regulations, shall not be liable for any claims, suits, actions, proceedings, losses, damages, obligations, liabilities, costs, fees and expenses which the Client may incur (including those resulting from Transactions executed by any brokers and dealers appointed by the Company, by reason of market conditions or other circumstances specified in Clause 4.3 or 20.1, or any acts, omissions, fault, default or negligence of the custodians, executing brokers, agents, nominee, depository agent or other agent (whether in Hong Kong or elsewhere) so appointed, engaged or instructed by the Company for the provision of services) arising out of or in connection with the Transactions or the Agreement, unless due to the gross negligence, fraud or wilful default of the Company or any of its officers, employees or Affiliated Companies. Without prejudice to the generality of the above, the Company shall not be liable for any taxes (including any withholding tax), duties, levies or imposts arising out of or in connection with any Transactions or the Agreement.

14.2 General Indemnity. The Client shall indemnify and keep indemnified the

Company and its officers, employees and agents from and against any and all liabilities, obligations, losses, damages, penalties, actions, claims, proceedings, judgments, suits, costs, legal expenses (on a fully indemnity basis) and other expenses and disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Company or any of its officers, employees and agents in connection with performing its services under the Agreement or as a result of the default or breach by the Client of its obligations under any provision of the Agreement, unless due to the gross negligence, fraud or willful default of the Company or any of its officers, employees or Affiliated Companies and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly and solely therefrom.

- 14.3 Further Indemnity. Without prejudice to the generality of Clause 14.2, the Client shall indemnify the Company against any claim which may be made against the Company by a purchaser or any other person by reason of any defect in the title of the Client to any Securities or other assets.
- 14.4 Investor Compensation Fund. If the Company or any of its officers, employees or Affiliated Companies fails to meet its obligations to the Client under the Agreement, the Client acknowledges and accepts that its right to claim compensation (i) under the Investor Compensation Fund established pursuant to the SFO is restricted to the extent provided in the SFO, and (ii) in any Market outside Hong Kong is subject to the Applicable Regulations in the relevant Market.

## **15. Company's Interests**

- 15.1 Company's Material Interests in Transaction. When effecting any Transaction for the Client, the Company and/or any of its nominees or Affiliated Companies may have an interest, relationship or arrangement that is material in relation to the Transaction or the Securities or Options concerned and, subject to any Applicable Regulations, neither the Company nor its nominees or Affiliated Companies are obliged to disclose to the Client such interest, relationship or arrangement (including the nature or extent thereof). The Client agrees that the Company may, notwithstanding any such interest, relationship or arrangement, effect Transactions for the Client with or through any of its nominees or Affiliated Companies, and the Company or any of its nominees or Affiliated Companies may:-

- (a) be the counterparty as principal for its own account in respect of any Transactions effected for the Client;
- (b) effect Transactions in circumstances where it has a position in the

Securities or Options or acts as underwriter, sponsor or otherwise of the relevant Securities; or

- (c) match the Client's orders with those of its other clients.

The Client acknowledges and agrees that the Company may solicit, accept and retain for its own benefit absolutely any commissions, fees and/or benefits from fund issuers, fund managers and other persons in consideration of the Company distributing or promoting their products to the Client or any other clients of the Company.

- 15.2 No Claim to Profit. In the absence of fraud or wilful misconduct on the part of the Company or any of its nominees or Affiliated Companies, the Company shall not be liable to the Client for any claims by the Client against the Company or any of its nominees or Affiliated Companies in relation to any Transaction referred to in Clause 15.1 including any claim to account for any emoluments, commissions, profits or any other benefits whatsoever earned or received by the Company or any of its nominees or Affiliated Companies in connection with such Transaction.

## **16. Suitability**

- 16.1 No Warranty as to suitability. Unless the Company expressly agrees in writing to the contrary, no representation or warranty, express or implied, is given by the Company as to the profitability or suitability for the Client of any Transaction effected by the Company for the Client.

- 16.2 Information to Client. The Company may from time to time provide the Client with general market commentaries and information about share prices or currencies. The Client acknowledges that any such commentaries and information are provided by the Company to the Client for its information and reference only and are not intended as investment advice or for trading or other purposes. They may be supplied to the Company by other persons or compiled by the Company from information and materials supplied by other persons. The Company does not warrant, represent or guarantee the sequence, accuracy, truth, reliability, adequacy, timeliness or completeness of any commentaries or information or whether it is fit for any purpose. Nor does the Company assume any liability (whether in tort or contract or otherwise) for any reliance on any commentaries or information by the Client or any other person.

- 16.3 Client's Own Decision. The Client shall make its own judgment and decision with respect to any Transaction which it instructs the Company to effect. The Company is not obliged to give any investment advice or



recommendation to the Client, and any comment or information which may be provided by any representatives of the Company shall not be treated or relied upon by the Client as investment advice, unless the Company has expressly agreed otherwise. The Client understands that the Company or any of its Affiliated Companies may purchase or sell or have a position in the Securities or Options which are the subject matter of any commentaries or information furnished to the Client by the Company which may or may not be consistent with the commentaries or information furnished to the Client by the Company.

## **17. Joint and Several Liability/Successors**

17.1 If the Agreement is signed by more than one person or is signed by one person for itself and on behalf of others (whether a partnership or otherwise):

- (a) the expression "Client" shall include each such person (a "**Joint Client**") and the liability of Joint Clients under the Agreement shall be joint and several;
- (b) any demand for payment on any one or more of the Joint Clients shall be treated as a valid demand on each and all of the Joint Clients;
- (c) the Company may release or discharge any one or more of the Joint Clients from liability under the Agreement or compound with, accept compositions from, or make any other arrangement with, any of Joint Clients without releasing or discharging or otherwise prejudicing or affecting its rights and remedies against any other Joint Client;
- (d) the Agreement shall not be affected by the death, incapacity or dissolution of any Joint Client;
- (e) termination of the Agreement pursuant to Clause 19 by any one or more of the Joint Clients or his or their personal representatives shall not affect the continuing liability of the other Joint Clients;
- (f) the Company shall have a lien on the property of each Joint Client. The Company's lien shall be additional to the rights and remedies of the Company pursuant to the Agreement;
- (g) each of the Joint Clients singly and severally shall have the authority to give instructions to the Company or exercise all the rights, powers and discretions of the Client pursuant to the

Agreement on behalf of the other Joint Clients so as to bind all the Joint Clients. The Company is authorised to act on the instructions of any one of the Joint Clients and shall not be required to give notice to, or obtain authorization from, the other Joint Clients in respect of such instructions;

- (h) the Company shall be under no duty whatsoever (including any duty to inquire or monitor) in respect of the application of any monies or properties in any Account by any of the Joint Clients;
- (i) the Joint Clients have entered into the Agreement with a right of survivorship;
- (j) in the event of death of any Joint Client, the estate of the deceased Joint Client or the surviving Joint Client(s) shall immediately notify the Company in writing of the death of the relevant Joint Client. The Company shall hold the Client's assets to the order of the surviving Joint Client(s) under the terms of the Agreement subject to the surviving Joint Client(s) producing and delivering to the satisfaction of the Company evidence of death of the relevant Joint Client and evidence of compliance of all applicable requirements under law (including all obligations regarding payment or clearance of estate duty), and the Company may take such steps and require such documents and/or indemnities as the Company may reasonably specify to protect the interests of the Company with respect to any tax, liability, penalty or loss under any applicable law;
- (k) each of the Joint Clients shall be bound by the Agreement regardless of the arrangement or agreement among the Joint Clients and notwithstanding that the Agreement may be invalid or unenforceable against any one or more of the Joint Clients (whether or not the defect is known to the Company); and
- (l) any notice or communication from the Client shall be effective on the Company only if given by each of the Joint Clients or the surviving Joint Client(s) to the Company, and shall be effective on all Joint Clients if given by the Company to any of the Joint Client.

## **18. Single and Continuous Agreement**

- 18.1 The Agreement and all its amendments shall be continuous, and shall apply to each and all of the Accounts and Transactions individually and collectively. The Client acknowledges that all Transactions executed by the Company for the Client shall be executed by the Company in reliance

upon the representations and warranties given by the Client to the Company in Clause 8 as if they were repeated before each such Transaction.

## **19. Termination**

19.1 Notice. Either party may terminate the Agreement at any time by giving to the other party at least 7 Business Days' notice in writing.

19.2 Termination on Other Grounds. Notwithstanding Clause 19.1:

(a) the Company reserves the right, without giving any notice or reason, to suspend or terminate at any time all or any of its services where the Company is required to do so by any Applicable Regulations or otherwise has reasonable grounds for doing so; and

(b) the Company reserves the right to terminate this Agreement at any time with immediate effect upon the occurrence of any event specified in Clause 10.1.

19.3 Debts. Upon termination of the Agreement for any reason, all amounts due or owing by the Client to the Company shall become immediately due and payable. The Company shall cease to have any obligation to effect any Transaction on behalf of the Client and shall be entitled to cancel all or any unexecuted instructions of the Client, notwithstanding any instructions from the Client to the contrary.

19.4 Client's Securities and Assets. The Company shall be entitled, at any time after termination of the Agreement to sell, realise, redeem, liquidate or otherwise dispose of all or part of the Client's Securities or other assets held by the Company for such consideration and in such manner as the Company shall in its absolute discretion consider appropriate, at the Client's sole risk and cost and without incurring any liability on the part of the Company for any loss or damage incurred by the Client, and apply the proceeds (after deducting of expenses) in satisfaction of all or part of the Liabilities.

19.5 Cash Proceeds. Any cash proceeds remaining after satisfaction of all Liabilities of the Client shall be credited to any Account, or be returned to the Client as soon as practicable. Any Securities or other assets of the Client which are not realised or disposed of together with any relevant documents of title in the Company's possession shall be delivered to the Client at the Client's sole risk and expense. The Company shall have no liability for any loss or damage incurred by the Client arising from such delivery.

- 19.6 Deficit after Sale Proceeds. If there is a Deficit after application of the sale proceeds pursuant to Clause 19.4, the Client shall immediately pay to the Company on demand an amount equal to such Deficit together with the Company's cost of funding such amount and interest at such rates and on such other terms as the Company notifies to the Client from time to time from the date of demand up and including to the date of actual receipt of full and unconditional payment by the Company (after as well as before any judgment).
- 19.7 Consequences of Termination. The suspension or termination of any of the Company's services or the Agreement shall be without prejudice to the Company's rights and remedies in respect of any obligations or liabilities of the Client including the Company's right to settle any Transactions entered into or liabilities incurred by or on behalf of the Client under the Agreement prior to such suspension or termination. Notwithstanding the suspension or termination of any of the Company's services or the Agreement, the Client shall continue to be bound by the provisions of this Agreement to the extent that they relate to any obligations or liabilities which remain to be performed or discharged.
- 19.8 Return of Client Assets. Any notice given by the Client to terminate the Agreement shall specify the name(s) of the person(s) to whom the Company shall return any Securities, monies or other assets to which the Client is entitled. If notice of termination is given by the Company, the Client shall, within 7 days or such longer period as the Company may agree following the giving of such notice, notify the Company in writing the name(s) of the person(s) to whom the Company shall return any Securities, monies or other assets to which the Client is entitled. In either case, the Company shall deliver such Securities, monies and assets to the person(s) so specified. If after 7 days or such longer period as the Company may agree following the giving of a notice of termination by the Company, the Company does not receive from the Client any written notification as aforesaid, the Company shall continue to hold such Securities, monies and assets at the costs and expenses of the Client until the Company has received written instructions from the Client to dispose of the same.

## **20. Force Majeure**

- 20.1 Neither of the parties shall be liable for any loss sustained by the other, directly or indirectly, if it is prevented from acting as a direct or indirect result of any government restrictions, imposition of emergency procedures or suspension of trading by any relevant Exchange, Clearing House or Market, civil disorder, acts or threatened acts of terrorism,

natural disasters, war, strikes or other circumstances beyond its control.

## **21. Combination and Set-Off**

- 21.1 Combine and Consolidate Accounts. The Company is authorized by the Client to combine and consolidate at any time without notice to the Client any or all of the Client's accounts held with the Company and its Affiliated Companies, in order to set-off, transfer or apply monies, Securities or other property in such accounts in satisfaction of the Liabilities of the Client. When such combination, consolidation, set-off or transfer requires the conversion of one currency to another, such conversion shall be at a rate of exchange determined conclusively by the Company on the basis of the then prevailing exchange rates in the relevant market.
- 21.2 Segregated Accounts. Subject to the Special Terms, all money or other property received by the Company from the Client or from any other person for the account of the Client shall be segregated from the Company's own assets and paid into a segregated account and handled in accordance with any Applicable Regulations.
- 21.3 Company As Principal. The Client acknowledges that in respect of any account of the Company or any Affiliated Company maintained with any Clearing House, whether or not such account is maintained wholly or partly in respect of any Transaction effected by the Company on behalf of the Client and whether or not money paid by the Client has been paid to such Clearing House, as between the Company or any Affiliated Company and such Clearing House, the Company or Affiliated Company (as the case may be) deals as principal.

## **22. Communications and Notices**

- 22.1 Unless otherwise specified in the Agreement, any communication or notice to be made or given by either party to the other under the Agreement shall be in writing and addressed to the last known address, telex number, facsimile number or email address of the other party (as the case may be) and shall be deemed to have been received by the Client (i) two days (if local) or seven days (if international) after posting if delivered by mail, it being sufficient to prove that the communication or notice was properly addressed and posted, or (ii) the next Business Day following the day on which it was dispatched if delivered by telex, or (iii) the date of transmission if transmitted by facsimile or email, and shall be deemed to have been received by the Company on the day of actual receipt.

**23. Time of the Essence**

23.1 Time shall be of the essence in relation to all matters arising under the Agreement.

**24. Automatic Postponement**

24.1 The parties agree that if any day on which the Company has agreed or obliged to do, take or conduct any matter, action or Transaction (the "**Action Date**") shall fall on a day which is not a Business Day, the Action Date shall automatically be postponed to the next Business Day.

**25. Severability**

25.1 Each of the provisions of the Agreement is severable and distinct from the others. Any provision of the Agreement which is illegal, invalid or unenforceable for any reason in any jurisdiction shall be ineffective only to the extent of such illegality, invalidity or unenforceability and shall not affect the legality, validity or enforceability of the remaining provisions or the legality, validity or enforceability of such provision in any other jurisdiction.

**26. Assignment**

26.1 The Client shall not assign or transfer its rights and/or obligations under the Agreement without the prior written consent of the Company. The Company may assign or transfer any of its rights and/or obligations under the Agreement without the prior consent of the Client.

**27. Successors and Assigns**

27.1 The Agreement shall enure for the benefit of the Company, its successors and assigns notwithstanding any absorption or amalgamation of the Company by or with any other person. The Agreement shall be binding upon the Client and its heirs, executors, administrators, personal representatives, successors and permitted assignees, as the case may be.

**28. Miscellaneous Provisions**

28.1 Amendments. The Company shall notify the Client promptly in writing of any material changes to the name, address or licensing information relating to the Company or the Company's services, interest charges, fees and other charges provided in or in connection with the Agreement. To the extent permitted by law, the Company may from time to time amend or supplement (whether by the addition of schedules to this Agreement

or otherwise) any of the terms and conditions of this Agreement by notifying the Client in accordance with clause 22 of Schedule I of this Agreement, or by any other means, including but not limited to uploading such changes to the Company's website or any such other means to be unilaterally determined by the Company in its absolute discretion. If the Client does not accept the same, the Client may terminate this Agreement by notifying the Company in writing within 7 Business Days from the Client's receipt or deemed receipt of the notice in accordance with clause 22 of Schedule I of this Agreement. If the Client does not terminate this Agreement within such time or if the Client continues to operate the Account after receipt or deemed receipt of notice of the amendment or supplement, the Client shall be deemed to have accepted such amendment or supplement and shall continue to be bound by this Agreement as so amended or supplemented.

- 28.2 Complaint. Any complaint about the performance of the Company under the Agreement shall be made in writing and addressed to the complaints officer or other relevant officer c/o the Company, who will investigate the complaint. The Client agrees to provide the complaints officer or other relevant officer with all such information as the complaints officer or other relevant officer may reasonably request to enable the Complaints Officer to investigate the complaint.
- 28.3 English and Chinese Versions. The English version and the Chinese version of the Agreement are of the same legal effect. However, in the event of any inconsistency between the English version and the Chinese version, the English version shall prevail.
- 28.4 Change of Client's Particulars. The Client undertakes to notify the Company in writing signed in accordance with the Agreed Signing Arrangement of any change of the Client's particulars (including, where the Client consists of any individual, the Client's personal particulars), address(es), telephone number(s), facsimile number(s) and/or email address(es) as soon as practicable after each change.
- 28.5 Remedies are Cumulative. Except as provided in the Agreement, the rights, powers, remedies and privileges of either party under the Agreement are cumulative and not exclusive of any other rights, powers, remedies and privileges provided by law or otherwise.
- 28.6 Derivative Products. The Company undertakes to provide to the Client, upon request, product specifications, prospectus or other offering document covering such Option Contracts and other derivative products in relation to which the Company provides services.

28.7 Limits on Company. The Company does not have authority, without the Client's prior consent, to deposit any of the Client's Securities with any other person as security for loans or advances made by such person to the Company or as collateral for the discharge of the Company's obligations to such person, or to lend or otherwise part with the possession of any Client's Securities for any purpose other than as specified in the Agreement.

**29. Submission to Rules and Regulations**

29.1 SFO. The Agreement shall be subject to the SFO where applicable.

29.2 SEHK. In respect of Transactions effected on SEHK:-

- (a) the Rules of the SEHK and HKSCC shall be binding on the Client and the Company and shall prevail in the event of any conflict between the Rules and the Agreement;
- (b) every Transaction executed on the SEHK will be subject to a transaction charge which shall be borne by the Client; and
- (c) every Transaction executed on the SEHK will be subject to other levies the SEHK may impose from time to time which shall be borne by the Client.

29.3 HKFE. In respect of Transactions effected on HKFE:-

- (a) the Rules of the HKFE and Futures Clearing House shall be binding on the Client and the Company and shall prevail in the event of any conflict between the Rules and the Agreement;
- (b) every Transaction executed on the HKFE will be subject to a transaction charge which shall be borne by the Client; and
- (c) every Transaction executed on the HKFE will be subject to other levies the HKFE may impose from time to time which shall be borne by the Client.

29.4 Other Markets. In respect of Transactions effected in any Markets outside Hong Kong:-

- (a) the Rules of the relevant Exchange, Clearing House or Market shall be binding the Client and the Company and shall prevail in the event of any conflict between the Rules and the Agreement; and



- (b) every Transaction executed on the relevant Exchange, Clearing House or Market will be subject to any transaction charges, levies or other fees imposed by such Exchange, Clearing House or Market from time to time which shall be borne by the Client.

### **30. Confirmation**

- 30.1 The Client confirms that it has read and understood the Agreement, and that the Client agrees to be bound by the Agreement. Where the Client requests, the contents of this Agreement have been fully explained to the Client in a language which the Client understands but the Client acknowledges and accepts that it is the Client's responsibility to seek independent advice from its own advisers as it considers appropriate.

### **31. Anti-money Laundering and Counter-Terrorist Financing**

- 31.1 The Client agrees to provide the Company upon request with all documents, information and authorizations as reasonably required by the Company from time to time for opening and maintaining the Account and as necessary in order for the Company to comply with any anti-money laundering or counter-terrorist financing laws or ongoing customer due diligence requirements or regulations applicable to the Company.
- 31.2 In order to comply with the Applicable Regulations, court judgments, orders and decrees or arbitral awards, the Company may:
  - (a) be unable to provide new or continue to provide all or part of the services under the Agreement to the Account holder(s) and reserve a right to terminate its relationship with the Account holder(s) forthwith;
  - (b) decline the application or refuse to handle or process, or refuse to accept payment in or make payment out in connection with, any order, direction, instruction or transaction contemplated under the Agreement;
  - (c) (if the Company becomes aware that any payment made to, or at the request of, the Client contravenes the Compliance Rules) immediately recoup such payment to or from the Client, irrespective of any other agreement with the Client to the contrary;
  - (d) intercept and investigate any payment messages and other information or communications sent to or by the Client via the Company's systems or other systems;

- (e) make further enquiries as to whether a name which might refer to a sanctioned party actually refers to that party;
- (f) take any action the Company believes to be necessary to comply or, in connection with the matters set out in this Clause 31; and
- (g) block, suspend or terminate the services under the Agreement and/or the Account(s) in whole or in part.

31.3 The Company shall not be liable for any loss the Client may suffer or sustain arising out of any action taken, non-action or any delay or failure by the Company in exercising any of its rights or performing any of its duties or other obligations, caused in whole or in part by any steps taken as set out above.

## **32. Waiver**

32.1 No failure or delay on the Company's part to exercise any power, right or remedy which the Company may have shall operate as a waiver thereof.

## **33. Governing Law**

33.1 Governing Law. The Agreement and all rights, obligations and liabilities of the parties shall be governed by and construed in accordance with the laws of Hong Kong. Each of the parties submits to the non-exclusive jurisdiction of the courts of Hong Kong but the Agreement may be enforced in the courts of any competent jurisdiction.

33.2 Notice of Legal Process. If the Client does not have a place of business or is not a resident in Hong Kong, the Client appoints the person named as process agent in the Account Opening Form to be its process agent to receive and acknowledge on the Client's behalf service of any notice of legal process in Hong Kong. The Client agrees that any legal process shall be deemed to have been sufficiently served on it if delivered to such process agent at the address specified in the Account Opening Form. If for any reason any person ceases to act as process agent, the Client shall promptly appoint a successor process agent and notify the Company of such appointment.

## **Schedule 2**

### **Risk Disclosure Statements**

Each Client should read these risk disclosure statements carefully. These statements form an integral part of the account documentation and terms and conditions governing the Client's account(s) with the Company . By executing the account documentation, the Client acknowledges that the Client has received and read these risk disclosure statements in a language of the Client's choice (English or Chinese) and confirms understanding of the risks which may arise in connection with the investments and transactions relating to the Client's account(s).

These risk disclosure statements do not disclose or purport to disclose all the risks and relevant considerations in connection with all the investments and transactions relating to the Client's account(s). The Client should refrain from making any investment or transaction unless the Client fully understands the risks involved and has obtained independent advice from the Client's own advisers as the Client considers appropriate.

- 1 The Client acknowledges that the prices of securities can and do fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. The Client appreciates that losses may be incurred rather than profit made as a result of buying and selling securities. This is a risk that the Client is prepared to accept.
- 2 The Client further acknowledges that growth enterprise market securities involve high investment risk. In particular, companies may list on the growth enterprise market with neither a track record of profitability nor any obligation to forecast future profitability. Growth enterprise market securities may be very volatile and illiquid.
- 3 The Client is aware that there are potential risks of investing in the companies listed on the growth enterprise market and the Client should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the growth enterprise market mean that it is a market more suited to professional and other sophisticated investors.
- 4 The Client understands that current information on growth enterprise market securities may only be found on the internet website operated by the SEHK. Companies listed on the growth enterprise market are usually not required to issue paid announcements in gazetted newspapers.

- 5 The Client understands that he should seek independent professional advice if he is uncertain of or has not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of securities on the growth enterprise market.
- 6 The Client also acknowledges that there are risks if the Client provides the Company with authority that allows the Company to apply the Client's securities or securities collateral pursuant to a securities borrowing and lending agreement, repledge the Client's securities collateral for financial accommodation or deposit the client's securities collateral as collateral for the discharge and satisfaction of its settlement obligations and liabilities. If the Client's securities or securities collateral are received or held by the Company in Hong Kong, the above arrangement is allowed only if he consents in writing. Moreover, unless the Client is a professional investor, his authority must specify the period for which it is current and be limited to not more than 12 months. If the Client is not a professional investor, these restrictions do not apply.
- 7 The Client is aware that an authority as stated in 6 above may be required by the Company if margin lending facilities are offered to the Client or to allow the Client's securities or securities collateral to be lent to or deposited as collateral with third parties. The Company should explain to the Client the purposes for which the authorities given by the Client will be used.
- 8 The Client acknowledges that if he signs one of the authorities stated above, and the Client's securities or securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on the Client's securities or securities collateral. The Client further understands that although the Company is responsible to the client for the securities or securities collateral lent or deposited under the Client's authority, a default by the Company could result in the loss of the Client's securities or securities collateral.
- 9 The Client acknowledges that an authority referred to above given by the Client to the Company may be deemed to be renewed (i.e. without the Client's written consent) if the Company issues the Client a reminder at least 14 days prior to the expiry of the authority, and the Client does not object to such deemed renewal before the expiry date of his then existing authority.
- 10 The Client is not required by any law to sign these authorities. But an authority may be required by the Company in the case set out in 7 above. A cash account not involving securities borrowing and lending is available from the Company. If the Client does not require margin facilities or does not wish his securities or securities collateral to be lent or pledged, the

Client should not sign these authorities and should ask to open a cash account.

- 11 The Client acknowledges that if he provides an authority to hold mail or to direct mail to third parties, it is important for him promptly to collect in person all contract notes and statements of his account and review them in detail to ensure that any anomalies or mistakes can be detected in a timely fashion.
- 12 The Client acknowledges that any of his assets received or held by the Company (or its nominee) outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdiction which may be different from the Securities and Futures Ordinance (cap. 571) and the rules made thereunder. Consequently, such client assets may not enjoy the same protection as that conferred on client assets received or held in Hong Kong.
- 13 The Client understands that the securities under the NASDAQ-AMEX Pilot Program ("**PP**") are aimed at sophisticated investors. The Client should consult the Company and become familiarised with the PP before trading in PP securities. The Client is also 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 SEHK.
- 14 The profit or loss in transactions in foreign currency-denominated transactions (whether they are traded in the Client's own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.
- 15 The Client should take into account factors that may impact upon the real return of any investments such as inflation and the applicable fees and charges in connection with the transactions before making any trading decisions.
- 16 Trading on one electronic trading system may differ from trading on other electronic trading systems. If the Client undertakes transactions on an electronic trading system, he will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that the Client's order is either not executed according to his instructions or is not executed at all.
- 17 Electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. The Client's ability to recover certain losses

may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or participant firms. Such limits may vary: the Client should ask the Company for details in this respect.

- 18 The Client acknowledges and bears the risk that messages sent over the internet may be delayed due to internet traffic jam or other reasons. The Company is not responsible for any consequences of any delays or failure of communication facilities, or any other failure or events beyond the reasonable control of the Company.
- 19 Access to the internet or other electronic medium may be limited or unavailable during periods of peak demand, market volatility, system upgrades or maintenance or other reasons. Communications and information sent over the internet may be subject to transmission blackout, interruption, interception or access by unauthorised third parties, or incorrect data transmission due to the public nature of the internet or other reasons that are beyond the reasonable control of the Company. Messages sent over the internet cannot be guaranteed to be completely secure and may not be sent to the intended email address at all due to technical limitation and the internet being an inherently unreliable medium of communication. The Client should be aware of and bear the risk of any delay, loss, diversion, alteration, corruption or virus infection of any messages or instructions sent to or from the Company's systems. The Company is not responsible for any losses or damages incurred or suffered by the Client as a result thereof.
- 20 The risk of loss in trading derivatives is substantial. In some circumstances, the Client may sustain losses in excess of his initial margin funds. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily avoid loss. Market conditions may make it impossible to execute such orders. The Client may be called upon at short notice to deposit additional margin funds. If the required funds are not provided within the prescribed time, the Client's position may be liquidated. The Client will remain liable for any resulting deficit in his account. The Client should therefore study and understand derivatives before the Client trades and carefully consider whether such trading is suitable in the light of his own financial position and investment objectives. If the Client trades derivatives the Client should inform himself of exercise and expiration procedures and his rights and obligations upon exercise or expiry if applicable.
- 21 The risk of loss in financing a transaction by deposit of collateral is significant. The Client may sustain losses in excess of the Client's cash and any other assets deposited as collateral with the Company. Market conditions may make it impossible to execute contingent orders, such as "stop-loss" or "stop-limit" orders. The Client 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, the Client's collateral may be liquidated without the Client's consent. Moreover, the Client will remain liable for any resulting deficit in his account and interest charged on his account. The Client should therefore carefully consider whether such a financing arrangement is suitable in light of his own financial position and investment objectives.

## 22 Additional Risk for Over-the-Counter Product

- (a) The Company may effect over-the-counter transaction as a principal with the Client. The Company does not guarantee any capital return of investment, minimum gain and the accuracy of the terms of the over-the-counter product as provided by third-parties.
- (b) It may be difficult or impossible to liquidate an existing over-the-counter position, to assess the value, to determine a fair price or to assess the exposure to risk. Over-the-counter transactions may be less regulated or subject to a separate regulatory regime. Before undertaking such transactions, the Client should familiarize himself with applicable rules and attendant risks.
- (c) Uncollateralized over-the-counter products are not asset backed. In the event of issuer bankruptcy, the Client can lose his entire investment. The Client should read the relevant documents to determine if a product is uncollateralized. In the event that an issuer becomes insolvent and defaults on their securities, the Client will be considered as unsecured creditors and will have no preferential claims to any assets held by the issuer. The Client should therefore pay close attention to the financial strength and credit worthiness of the issuers and/or the guarantors of the products.
- (d) Over-the-counter product and its issuer may not be assessed by any credit-rating agencies, the Client shall pay attention and make own assessment on the real investment value of the over-the-counter product and the ability of the issuer to settle debts. Upon the occurrence of major event by the issuer and/or guarantor of the over-the-counter product, the rating of the over-the-counter product may be downgraded.
- (e) When the country of issuer or exchange or clearing house where the underlying securities of the over-the-counter transaction is conducted experiences any event of emergency, market contingency or is subject to holiday, causing changes to the settlement rules, these will result in suspension or delay of settlement for the over-the-counter product.

## 23 Additional Risk Disclosure For Options Trading

(a) The following brief statement does not disclose all of the risks and other significant aspects of trading in options. In light of the risks, the Client should undertake such transactions only if he understands the nature of the contracts (and contractual relationships) into which the Client is entering and the extent of his exposure to risk. Trading in options is not suitable for many members of the public. The Client should carefully consider whether trading is appropriate for him in light of his experience, objectives, financial resources and other relevant circumstances.

(b) Risk-Reducing Orders Or Strategies

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

(c) Variable Degree Of Risk

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

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

Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss



well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavourably.

The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a futures contract, the seller will acquire a position in a futures contract with associated liabilities for margin. If the option is "covered" by the seller holding a corresponding position in the underlying interest or a futures contract or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

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

(d) Terms And Conditions Of Contracts

The Client should ask the Company about the terms and conditions of the specific options which he is trading and associated obligations (e.g. expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

(e) Suspension Or Restriction Of Trading And Pricing Relationships

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

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

(f) Deposited Cash And Property

The Client should familiarise himself with the protections given to money or other property he deposits for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which the Client may recover his money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as the Client's own will be pro-rated in the same manner as cash for purposes for distribution in the event of a shortfall.

(g) Commission And Other Charges

Before the Client begins to trade, he should obtain a clear explanation of all commission, fees and other charges for which he will be liable. These charges will affect the Client's net profit (if any) or increase his loss.

(h) Transactions In Other Jurisdictions

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose the Client to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before the Client trades he should enquire about any rules relevant to his particular transactions. The Client's local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where his transactions have been effected. The Client should ask the Company for details about the types of redress available in both the Client's home jurisdiction and other relevant jurisdictions before he starts to trade.

(i) Off-Exchange Transactions

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

- (j) The Client acknowledges that due to the volatile nature of securities markets, the purchase of options over securities involves a high degree of risk.

#### (K) Warning To Option Holders

Some options may only be exercised on an expiry day (european-style exercise) and other options may be exercised at any time before expiration (american-style exercise). The Client understands that upon exercise some options require delivery and receipt of the underlying security and that other options require a cash payment.

An option is a wasting asset and there is a possibility that as an option holder the Client may suffer the loss of the total premium paid for the option. The Client acknowledges that, as an option holder, in order to realize a profit it will be necessary to either exercise the option or close the long option position in the market. Under some circumstances it may be difficult to trade the option due to lack of liquidity in the market. The Client acknowledges that the Company has no obligation either to exercise a valuable option in the absence of the Client's instruction or to give to the Client prior notice of the expiration date of the option.

#### (L) Warning To Option Writers

As a writer of an option the Client may be required to pay additional margin at any time. The Client acknowledges that as an option writer, unlike an option holder, it may be liable for unlimited losses based on the rise or fall of the price of the underlying security and its gains are limited to the option premium.

Additionally, writers of american-style call (put) options may be required at any time before expiry to deliver (pay for) the underlying securities to the full value of the strike price multiplied by the number of underlying securities. The Client recognizes that this obligation may be wholly disproportionate to the value of premium received at the time the options were written and may be required at short notice.

### 24 Additional Risk for Derivative Products traded on Specified Stock Exchanges

The Client should carefully consider whether trading in derivatives is appropriate in light of the Client's investment experience, objectives, risk appetite, financial resources and other relevant circumstances. If in doubt, the Client is strongly advised to seek independent and professional advice

from legal, tax, financial and other professional advisers. Whilst care has been taken in the preparation of this document, the Company does not guarantee the completeness, adequacy or accuracy of its contents. To learn more, the Client may visit the websites of Investor Education Centre (<http://www.hkiec.hk/iec/tc/html/section/index.html>) and Hong Kong Exchanges and Clearing Limited (<http://www.hkex.com.hk>) and the Securities and Futures Commission of Hong Kong (<http://www.sfc.hk>).

General risks of trading exchange-traded derivative products include but are not limited to the following:

(a) Issuer Default Risk

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

(b) Uncollateralized Product Risk

Uncollateralized derivative products are not asset backed. In the event of issuer bankruptcy, the Client can lose entire investment. The Client should read the listing documents to determine if a product is uncollateralized.

(c) Gearing Risk

Derivative products are leveraged and can change in value rapidly according to the gearing ratio relative to the underlying assets. The Client should be aware that the value of such derivative products may fall to zero resulting in a total loss of the initial investment.

(d) Extraordinary Price Movements

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

(e) Liquidity Risk

Certain stock exchange requires all derivative 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, the Client may not be able to buy or sell the derivative product until a new liquidity provider has been assigned.

In addition, there are risks pertaining to the particular type of derivative products:

#### Callable Bull/Bear Contracts (“**CBBC**”)

##### (a) Mandatory Call Risk

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

##### (b) Funding Costs

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

#### Derivative Warrants

##### (a) Time Decay Risk

All things being equal, the value of a Derivative Warrant will decrease over time as it approaches its expiry date. Derivative Warrants should therefore not be viewed as long term investments.

##### (b) Volatility Risk

Prices of Derivative Warrants can increase or decrease in line with the implied volatility of underlying asset price. The Client should be aware of the underlying asset volatility.

## Synthetic Exchange-Traded Fund (“Synthetic ETF”)

### (a) Market Risk

The Client is exposed to the political, economic, currency and other risks related to the Synthetic ETF’s underlying referenced assets.

### (b) Counterparty Risk

Where a Synthetic ETF invests in derivatives to replicate the index performance, the Client is exposed to the credit risk of the counterparties who issued the derivatives, in addition to the risks relating to the index. Further, potential contagion and concentration risks of the derivative issuers should be taken into account (e.g. since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty of a Synthetic ETF may have a “knock-on” effect on other derivative counterparties of the Synthetic ETF). Some Synthetic ETFs have collateral to reduce the counterparty risk, but there may be a risk that the market value of the collateral has fallen substantially when the collateral are to be realized.

### (c) Tracking Error

There may be disparity between the performance of the Synthetic ETF and the performance of the underlying index due to, for instance, failure of the tracking strategy, currency differences, fees and expenses.

### (d) Trading at a Discount or Premium

Where the index/market that the Synthetic ETF tracks is subject to restricted access, the efficiency in unit creation or redemption to keep the price of the Synthetic ETF in line with its net asset value (NAV) may be disrupted, causing the Synthetic ETF to trade at a relatively high premium or discount to its NAV. The Client who buys a Synthetic ETF at a premium may not be able to recover the premium in the event of termination.

### (e) Stock lending risk

An ETF which engages in stock lending faces the risk that the borrower may not return the securities lent by the ETF as agreed, and thus the ETF may experience losses due to its stock lending activities.

## Equity Linked Instruments (“ELI”)

### (a) Possibilities of losing investment

The Client may lose part or all of the investment if the price of the underlying security moves against the Client’s investment view.

### (b) Exposure to equity market

The Client is exposed to price movements in the underlying security and the stock market, the impact of dividends and corporate actions and counterparty risks. The Client must also be prepared to accept the risk of receiving the underlying shares or a payment less than the original investment.

### (c) Price adjustment

The Client 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. The Client should also note that issuers may make adjustments to the ELI due to corporate actions on the underlying security.

### (d) Potential yield

The Client should take into account the applicable fees and charges related to the purchase and sale of ELI and payment / delivery at expiry. The potential yields disseminated by the exchange normally do not take fees and charges into consideration.

### (e) Interest rates

While most ELI offers 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 individual ELI.

## 25 Risk of entering into over-the-counter derivative transactions with an unlicensed person

If the Client enters into over-the-counter derivative transactions with the Affiliated Company (the “**Client’s Counterparty**”), it is important for the Client to note that the Client’s Counterparty may not be licensed by the SFC

and hence is not subject to the conduct and prudential supervision by the SFC.

Where, however, the Client's Counterparty is regulated by another regulatory body, the regulation of such regulatory body may be different from the regulation of the SFC, and the protection that the Client may receive under the regulation of that regulatory body might not be the same as the protection that the Client would receive if the Client's Counterparty were licensed by the SFC.

The Client should also note that where the Client's Counterparty is not regulated by any other financial regulator, the Client may not receive any regulatory protection at all.

The Client should cautiously consider whether it would be in the Client's best interest to enter into over-the-counter derivative transactions with the Client's Counterparty instead of a licensed corporation and seek independent professional advice when in doubt.

## 26 Risk for US exchange-listed/over-the-counter (OTC) securities or derivatives trading

### (a) US exchange-listed securities or derivatives trading

The Client should only trade US securities/derivates when the Client fully understands the US laws and regulations applicable to such trading in the relevant markets, the nature of US securities/derivates trading and the extent of the Client's exposure to risks thereof. In particular, US laws could apply in trading conducted in US markets and exchanges irrespective of the laws and regulations applicable in the Client's home jurisdiction, and US securities/derivates trading is not regulated by the SEHK and will not be covered by the SFC's Investor Compensation Fund. The Client should therefore carefully consider whether such trading is appropriate in light of the Client's own experience, risk profile and other relevant circumstances and seek independent professional advice (including but not limited to the Client's tax position on withholding tax and estate duty that might arise from the investment) if the Client is in doubt.

### (b) US OTC securities or derivatives trading

Securities/derivatives transactions conducted through OTC or interdealer markets could be subject to larger spreads between the bid and offer prices than exchange-traded transactions. The Client is exposed to counterparty risk and settlement risk. Settlement risk refers



to the risk where a counterparty does not deliver the securities/derivatives in accordance with the agreed terms after the other counterparty has duly performed its obligations under the agreement. Settlement risk may increase where different parts of an OTC transaction settle in different settlement systems or in settlement systems where it is not possible to exercise netting. Counterparties to over-the-counter transactions may not be subject to the same level of credit evaluation and regulatory oversight when compared to participants in on-exchange transactions. This exposes the Client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of credit or liquidity problems or otherwise, causing defaults.

These risks, where materialized, may cause the Client to suffer a loss due to adverse market movements or when replacement transactions are executed. Such counterparty risk may become more prominent where the transactions are concentrated with a single or small group of counterparties. The replacement value of a securities/derivatives transaction may also be different from the liquidation value of such transaction, and the valuation provided by a counterparty to such transactions may differ from the valuation provided by a third party.

(c) Other risks

The Client is also exposed to other non-exhaustive risks relating to US securities/derivative trading, including but not limited to (i) taxation liability, foreign exchange and currency risks, and transactional expenses that the Client may bear and incur; (ii) political and socio-economic developments that affect US markets; (iii) the suspension or restriction of trading, market conditions and/or the operation of US laws or regulations rendering it difficult or impossible to effect certain transactions or liquidate positions; (iv) the difference in level of investor protection and safeguards that the Client are afforded under US applicable laws and regulations; and (v) the differences between the US and Hong Kong legal systems which may affect the Client's ability to recover his investments.

Securities and derivatives, whether traded on exchanges or over-the-counter, are also exposed to general risk factors associated with its product nature and characteristics.

### Schedule 3

#### Special Terms and Conditions for Securities Trading (Cash) (“Special Terms”)

These Special Terms form an integral part of the Agreement and should be read together with the General Terms and Conditions and other parts of the Agreement.

#### **1. Definitions and Interpretation**

1.1 In these Special Terms, except as the context may otherwise require or provide, all words and expressions defined in the General Terms and Conditions shall have the same meanings when used herein.

1.2 In these Special Terms :

“**Securities Account**” means an Account with the Company for effecting and recording Securities Transactions effected by the Company on the instructions of the Client; and

“**Securities Transactions**” means any Transaction effected by the Company on the instruction of the Client to purchase, invest in, subscribe for, sell, exchange or otherwise deal with or dispose of any Securities including holding Securities in the name of the Company or the Company’s nominee.

#### **2. Settlement**

2.1 The Client shall provide Securities to the Company for delivery against sales or provide funds to the Company for the payment of Securities purchased, by such time and at such place as may be necessary for the Company to make delivery or payment as required by the relevant Exchange or other Market. Unless otherwise agreed or where the Company is already holding cash or Securities on the Client's behalf to settle a Securities Transaction, the Client shall, by such time as the Company may notify to the Client in relation to the relevant Securities Transaction:

- (a) pay or provide to the Company cleared funds or deliver to the Company Securities in deliverable form required for settling that Securities Transaction; or
- (b) ensure that the Company will receive such cleared funds or deliverable Securities on the applicable settlement date or by

such time as the Company may notify to the Client for the purpose of settling that Securities Transaction; or

- (c) pay or provide to the Company an equivalent to the sum of funds or the quantity of Securities required for settling that Securities Transaction.

2.2 If the Client fails to comply with Clause 2.1, the Company shall be entitled, in its absolute discretion and without prejudice to any other rights or remedies of the Company or further notice to or consent from the Client, for the purpose of settling any Securities Transaction: -

- (a) in the case of a Securities Transaction for the purchase or subscription of Securities, to sell or transfer the Securities being the subject matter of such Securities Transaction and/or sell or transfer any other Securities in any Account to satisfy the Client's settlement obligations, at a price the Company believes to be reasonable and charge or debit any related costs, fees and expenses to any Account; or
- (b) in the case of a Securities Transaction for the sale of Securities, to borrow and/or purchase Securities equivalent to the Securities being the subject matter of such Securities Transaction to satisfy the Client's settlement obligations, at a price the Company believes to be reasonable;

and in addition or as an alternative to (a) or (b) above, to have recourse to its rights of combination and set-off or any other rights under the Agreement.

2.3 Notwithstanding any other provisions of the Agreement, the Company is entitled not to:

- (a) execute any instruction for purchase of Securities unless the Client has made available to the Company cleared funds of an amount which is, in the opinion of the Company, sufficient to settle the related purchase price, fees and expenses in connection with such purchase; or
- (b) execute any instruction for sale of Securities unless the Client has deposited the relevant Securities with the Company to settle such sale.

2.4 For the avoidance of doubt, nothing in these Special Terms shall oblige the Company to grant or maintain any margin or credit facilities.

2.5 The Client shall be liable for any Deficit resulting from losses and any cost or expense (including legal costs) incurred by the Company, on a full indemnity basis, in relation to the purchase and/or sale of Securities pursuant to Clause 2.2 hereof.

### **3. Safekeeping of Securities**

3.1 Any Securities held by the Company or the Company's associated entity for safekeeping pursuant to the Agreement may, at the Company's discretion :

- (a) (in the case of registrable securities) be registered in the name of the Client; or
- (b) be deposited in safe custody in a segregated account which is designated as a trust or client account and maintained in the relevant Market by the Company with an institution which is qualified for providing facilities for the safe custody of Securities and documents relating thereto subject to the Applicable Regulations.

3.2 The Client acknowledges and agrees that Securities from time to time acquired and/or held pursuant to the Agreement through or in a Clearance System shall be held subject to and in accordance with the applicable Rules.

3.3 The Client appoints the Company as custodian of all cash and Securities of the Client delivered to and accepted by the Company or any of its sub-custodians subject to the Agreement. The Company shall be entitled to deposit such cash or Securities with such other company or institution and on such terms as it may deem fit. Such cash or Securities may be co-mingled with those of other clients of the Company (but not with cash or Securities held for the Company's own account). The Client acknowledges and agrees that, where the Client's assets are pooled and held collectively with the assets of other persons, the Client's individual entitlements may not be identifiable by separate documents, records or evidence of ownership or title, and the Client and such other persons may have to share any shortfall arising from a default of the company or institution with which the assets are deposited.

3.4 Subject to Clause 3.6 hereof, the Company shall as soon as reasonably practicable after having been required to do so by instructions from the Client:

- (a) procure the registration of any Securities from time to time in the Securities Account in the name of the Client or a person notified by the Client as being the nominee of the Client, or if so instructed, deliver the documents representing or evidencing the Securities to the Client or such nominee whereupon such Securities shall cease to be held in the Securities Account; and
  - (b) transfer any sum specified in the instructions of the Client from the Securities Account to such bank account of the Client as the Client may advise and such transfer shall be deemed to be a good discharge of the Company's obligation to make payment to the Client.
- 3.5 Where Securities are accepted on behalf of the Client in jurisdictions restricting foreign ownership of Securities, the Company shall have no duty to ascertain the nationality of the owner of such Securities or whether such Securities are approved for foreign ownership unless specifically instructed by the Client.
- 3.6 The obligations of the Company in Clause 3.4 hereof shall be subject to the other provisions of the Agreement and in particular Clause 6 hereof and to the right of the Company to require that prior to any withdrawal by the Client, the Client discharges in full all the Liabilities. The Company may, without notice to the Client, discharge any or all the Liabilities out of the monies standing to the credit of the Securities Account prior to any registration or transfer in accordance with Clause 3.4 hereof or otherwise may require payment thereof to be made by the Client prior to any registration or transfer pursuant to Clause 3.4 hereof.
- 3.7 The Client hereby authorises the Company to act on instructions relating to the Client's Securities, including the exercise of voting and other rights attached to the Securities. The Company may decline to act on any instruction in its absolute discretion without giving any reason therefor or any instruction which is incomplete or ambiguous, or which is not received in sufficient time for the Company to act thereon. For avoidance of doubt, the authorisation instruction on exercise of voting shall be duly sent to the Company at least 5 business before the voting date.
- 3.8 The Company will pay all dividends, distributions, interest, coupons or benefits relating to the Securities of the Client into the Securities Account. If the Securities in respect of which the dividends, interest, coupons or distributions or other benefit accrue form part of a larger holding of identical Securities held by the Company for its clients, the Client shall be entitled with other clients of the Company a proportionate share of such dividends, distributions, interest, coupons or benefits.

- 3.9 Where the Client's Securities are registered in the name of the Company or any other person appointed by the Company (but not otherwise), the Company may but is not obliged:
- (a) to notify the Client of information, notices and other communications received by the Company in relation to such Securities (but shall be under no obligation to forward the same to the Client in sufficient time for instructions to be given to the Company with regard to any matters referred to therein nor to investigate or participate or take any affirmative action except in accordance with specific instructions from the Client and upon such conditions, indemnity and provision for reasonable expenses as the Company may require) and, in the absence of or delay in receiving specific instructions from the Client, to refrain from acting and any default option in respect of the relevant matter shall apply; and
  - (b) to subscribe, take up or otherwise dispose of such rights or new issues in relation to the Client's Securities as the Company may think fit which shall be binding on the Client unless the Company has actually received prior instructions to the contrary from the Client (except that the Company 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 Company or its nominee in compliance with the Applicable Regulations).
- 3.10 The Client authorizes the Company and its nominee to take all such actions as may be required to comply with any Applicable Regulations in providing custody services, including withholding and/or making payment of tax or duties payable in respect of cash or Securities in the Securities Account. The Client acknowledges that neither the Company nor its nominee shall be liable in respect of any call, installment or other payment in relation to the Securities held by the Company or its nominee in the Securities Account.
- 3.11 The Company is entitled, upon termination of any safe custody services for whatever reasons, to return to the Client at the sole risk and expense of the Client all the assets held in custody, including returning to the Client Securities which may not have the same serial number or identification as those originally deposited with or received by the Company.
- 3.12 The provision of the safe custody services does not constitute the Company a trustee of the Client or any of the Client's assets except where

any such asset is registered in the name of the Company or a nominee of the Company in which case the Company acts in the capacity of a bare trustee only. The Company shall have no other obligations in respect of the Client's assets except those specified in the Agreement.

#### **4. Account Statements and Contract Notes**

- 4.1 The Company shall in accordance with the Applicable Regulations provide to the Client contract notes or other confirmations relating to any Transactions in Securities and statements of account relating to the relevant Account.
- 4.2 The Client confirms that the Company may issue contract notes, transaction confirmations, statements of accounts and other advices in electronic form and agrees to receive them by electronic means.
- 4.3 Contract notes, transaction confirmations and statements of the account shall be conclusive of the matters stated therein (save for any manifest error) and shall be deemed to have been accepted by and binding on the Client unless the Company has actually received from the Client notice in writing alleging any omission or error within 7 days after the date of a contract note or transaction confirmation or within 14 days after the date of a statement of account.

## Schedule 4

### Special Terms and Conditions for Securities Trading (Margin) (“Special Terms”)

These Special Terms form an integral part of the Agreement and should be read together with the General Terms and Conditions and other parts of the Agreement.

#### **1. Definitions and Interpretation**

1.1 In these Special Terms, except as the context may otherwise require or provide, all words and expressions defined in the General Terms and Conditions shall have the same meanings when used herein.

1.2 In these Special Terms :

**“Charged Securities”** means all Securities, receivables or monies in the Margin Account from time to time and all other monies and Securities of the Client which are now or shall hereafter come into the possession, custody or control of the Company or any of its nominee or subsidiary or associated company for any purpose whatsoever, or demanded by the Company from time to time for compliance with the Rules of Exchanges and/or Clearing Systems, and shall include any additional or substituted Securities, and all dividends or interest paid or payable, rights, interests, monies or property accruing or offered at any time by way of redemption, bonus, preference, option or otherwise on or in respect of such Securities or additional or substituted Securities;

**“Collateral”** means Charged Securities and/or Margin Account Funds and such other monies or assets of the Client charged to the Company upon the terms and conditions contained herein;

**“Margin”** means the amount, whether cash or non-cash Collateral as may from time to time be demanded by the Company from the Client by way of margin (including without limitation the initial margin and additional margin), variation adjustments or cash adjustments or otherwise in relation to the amount drawn under Margin Facilities for the purpose of protecting the Company against any loss or risk of loss on present, future or contemplated obligations arising from Margin Facilities including and not being less than amount of margin required by the relevant Clearing House (if applicable), and **“margin requirements”** means the requirements set by the Company in respect of the collection and specifications of the Margin;



**“Margin Facilities”** means all or any of the credit facilities made or to be made available or granted by the Company to the Client from time to time to facilitate the acquisition of Securities and the continued holding of those Securities under the Margin Account and for other related purposes;

**“Margin Account”** means an Account with the Company for effecting and recording Securities Transactions - Margin effected by the Company on the instructions of the Client by utilising the Margin Facilities;

**“Margin Account Funds”** means (i) all funds standing to the credit of the Margin Account from time to time; (ii) all funds held by the Company for or on account of the Client from time to time; and (iii) all interest (if any) accruing on such funds; and

**"Securities Transactions - Margin"** means any Transaction effected by the Company on the instruction of the Client to purchase, invest in, subscribe for, sell, exchange or otherwise deal with or dispose of any Securities pursuant to these Special Terms including holding Securities in the name of the Company's nominee.

## **2. Settlement**

2.1 Unless otherwise agreed, the Client agrees that when the Company has executed a purchase or sale Securities Transaction – Margin on the Client's behalf, the Client will by the due settlement date (or such other time as may be notified by the Company) make payment to the Company against delivery or credit to the Client's Margin Account for purchased Securities, or make good delivery of sold Securities to the Company against payment (as the case may be).

2.2 If the Client fails to comply with Clause 2.1 as above, the Company shall be entitled, in its absolute discretion and without prejudice to any other rights or remedies of the Company or further notice to or consent from the Client, for the purpose of settling any Securities Transaction - Margin:

(a) in the case of a Securities Transaction - Margin for the purchase or subscription of Securities, to sell or transfer the Securities representing the subject matter of such Securities Transaction - Margin and/or sell or transfer any other Securities in any Account to satisfy the Client's settlement obligations, at a price the Company opines that it is reasonable and charge or debit any related costs, fees and expenses to any Account; or

- (b) in the case of a Securities Transaction - Margin for the sale of Securities, to borrow and/or purchase Securities equivalent to the Securities representing the subject matter of such Securities Transaction - Margin in order to satisfy the Client's settlement obligations, at a price the Company opines that it is reasonable;

and in addition or as an alternative to (a) or (b) above, to have recourse to its rights of combination and set-off or any other rights under the Agreement.

2.3 Notwithstanding any other provisions of the Agreement, the Company is entitled not to:

- (a) execute any instruction for purchase of Securities unless the Client has made available to the Company cleared funds of an amount which is, in the opinion of the Company, sufficient to cover the related purchase price, fees and expenses in connection with such purchase; or
- (b) execute any instruction for sale of Securities unless the Client has deposited the relevant Securities with the Company to settle such sale.

2.4 For the avoidance of doubt, nothing in these Special Terms shall oblige the Company to grant or maintain any Margin Facilities. Where the Company grants any Margin Facilities to the Client to enable the Client to engage in securities margin trading, the charge created in Clause 6.1 hereof over the Collateral shall (without the need for any other documentation signed by the Client) apply to all Liabilities of the Client including all Liabilities arising from or in connection with securities margin trading.

2.5 The Client shall be liable for any Deficit resulting from losses and any cost or expense (including legal costs) incurred by the Company, on a full indemnity basis, in relation to the purchase and/or sale of Securities pursuant to Clause 2.2 hereof.

### **3. Safekeeping of Securities**

3.1 Any Securities held by the Company for safekeeping pursuant to the Agreement may, at the Company's discretion and subject to the Applicable Regulations:

- (a) (in the case of registrable securities) be registered in the name of the Client or the Company's nominee;

- (b) to the extent permitted by the Applicable Regulations, be deposited in safe custody in a segregated account which is designated as a trust account or client account opened and maintained in Hong Kong with an authorized financial institution, a custodian approved by the SFC or another intermediary licensed for dealing in securities and is not subject to a licensing condition which shall not hold client assets; or
  - (c) be deposited in such manner as the Applicable Regulations permits.
- 3.2 The Client acknowledges and agrees that Securities from time to time acquired and/or held pursuant to the Agreement through or in a Clearance System shall be held subject to and in accordance with the Applicable Regulations.
- 3.3 The Client appoints the Company as custodian of all cash and Securities of the Client delivered to and accepted by the Company or any of its sub-custodians subject to the Agreement. The Company shall be entitled to deposit such cash or Securities with such other company or institution and on such terms as it may deem fit. Such cash or Securities may be co-mingled with those of other clients of the Company (but not with cash or Securities held for the Company's own account). The Client acknowledges and agrees that, where the Client's assets are pooled and held collectively with the assets of other persons, the Client's individual entitlements may not be identifiable by separate documents, records or evidence of ownership or title, and the Client and such other persons may have to share any shortfall arising from a default of the company or institution with which the assets are deposited.
- 3.4 Subject to Clause 3.6 hereof, the Company shall as soon as reasonably practicable after having been required to do so by instructions from the Client:
  - (a) procure the registration of any Securities from time to time in the Margin Account in the name of the Client or a person notified by the Client as being the nominee of the Client, or if so instructed, deliver the documents representing or evidencing the Securities to the Client or such nominee whereupon such Securities shall cease to be held in the Margin Account; and
  - (b) transfer any sum specified in the instructions of the Client from the Margin Account to such bank account of the Client as the Client may advise and such transfer shall be deemed to be a

good discharge of the Company's obligation to make payment to the Client.

- 3.5 Where Securities are accepted on behalf of the Client in jurisdictions restricting foreign ownership of Securities, the Company shall have no duty to ascertain the nationality of the owner of such Securities or whether such Securities are approved for foreign ownership unless specifically instructed by the Client.
- 3.6 The obligations of the Company in Clause 3.4 hereof shall be subject to the other provisions of the Agreement and in particular Clause 6 hereof and to the right of the Company to require that prior to any withdrawal by the Client, the Client discharges in full all the Liabilities. The Company may, without notice to the Client, discharge any or all the Liabilities out of the monies standing to the credit of the Margin Account prior to any registration or transfer in accordance with Clause 3.4 hereof or otherwise may require payment thereof to be made by the Client prior to any registration or transfer pursuant to Clause 3.4 hereof.
- 3.7 The Client hereby authorises the Company to act on instructions relating to the Client's Securities, including the exercise of voting and other rights attached to the Securities. The Company may decline to act on any instruction in its absolute discretion without giving any reason therefor or any instruction which is incomplete or ambiguous, or which is not received in sufficient time for the Company to act thereon. For avoidance of doubt, the authorisation instruction on exercise of voting shall be duly sent to the Company at least 5 business before the voting date.
- 3.8 The Company will pay all dividends, distributions, interest, coupons or benefits relating to the Securities of the Client into the Margin Account. If the Securities in respect of which the dividends, interest, coupons or distributions or other benefit accrues form part of a larger holding of identical Securities held by the Company for its clients, the Client shall be entitled with other clients of the Company to a proportionate share of such dividends, distributions, interest, coupons or benefits.
- 3.9 Where the Client's Securities are registered in the name of the Company or any other person appointed by the Company (but not otherwise), the Company may but is not obliged:
- (a) to notify the Client of information, notices and other communications received by the Company in relation to such Securities (but shall be under no obligation to forward the same to the Client in sufficient time for instructions to be given to the Company with regard to any matters referred to therein nor to

investigate or participate or take any affirmative action except in accordance with specific instructions from the Client and upon such conditions, indemnity and provision for reasonable expenses as the Company may require) and, in the absence of or delay in receiving specific instructions from the Client, to refrain from acting and any default option in respect of the relevant matter shall apply; and

- (b) to subscribe, take up or otherwise dispose of such rights or new issues in relation to the Client's Securities as the Company may think fit which shall be binding on the Client unless the Company has actually received prior instructions to the contrary from the Client (except that the Company 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 Company or its nominee in compliance with the Applicable Regulations).

3.10 The Client authorises the Company and its nominee to take all such action as may be required to comply with any Applicable Regulations in providing custody services, including withholding and/or making payment of tax or duties payable in respect of cash or Securities in the Margin Account. The Client acknowledges that neither the Company nor its nominee shall be liable in respect of any call, installment or other payment in relation to the Securities held by the Company or its nominee in the Margin Account.

3.11 The Company is entitled, upon termination of any safe custody services for whatever reasons, to return to the Client at the sole risk and expense of the Client all the assets held in custody, including returning to the Client Securities which may not have the same serial number or identification as those originally deposited with or received by the Company.

3.12 The provision of the safe custody services does not constitute the Company a trustee of the Client or any of the Client's assets except where any such asset is registered in the name of the Company or a nominee of the Company in which case the Company acts in the capacity of a bare trustee only. The Company shall have no other obligations in respect of the Client's assets except those specified in the Agreement.

#### **4. Account Statements and Contract Notes**

4.1 The Company shall in accordance with the Applicable Regulations provide to the Client contract notes or other confirmations relating to any

Transactions in Securities and statements of account relating to the relevant Account.

- 4.2 The Client confirms that the Company may issue contract notes, transaction confirmations, statements of accounts and other advices in electronic form and agrees to receive them by electronic means.
- 4.3 Contract notes, transaction confirmations and statements of the account shall be conclusive of the matters stated therein (save for any manifest error) and shall be deemed to have been accepted by and binding on the Client unless the Company has actually received from the Client notice in writing alleging any omission or error within 7 days after the date of a contract note or transaction confirmation or within 14 days after the date of a statement of account.

## **5. Company's use of Securities as collateral**

- 5.1 The Securities and Futures (Client Securities) Rules provide that a licensed corporation shall neither deposit nor lend a client's securities or securities collateral against loans or advances made to the licensed corporation for any purpose except with the specific written authority of the Client concerned. The Client may give such specific written authority to the Company and, if so, shall do so by signing a form to be specified by the Company in compliance with the Securities and Futures (Client Securities) Rules which requires that, in the case of non-professional investors, any such authority shall specify the period for which it is valid which shall, in any event, not exceed twelve months.
- 5.2 Notwithstanding Clause 5.1 hereof, the Company is authorised by the Client to deposit the Client's Securities with any relevant Clearance System, the Company's nominee, or other entity pursuant to Clause 3 hereof, and to deal with the Client's Securities in any manner as the Company considers appropriate for the purpose of enforcing the security created under these Special Terms (including any sale of Securities permitted by these Special Terms to realise monies to make any payment due from the Client to the Company pursuant to the Agreement).

## **6. Margin Facilities**

- 6.1 The Client shall be granted Margin Facilities from the Company up to a maximum aggregate principal amount determined by the Company in its sole discretion and notified to the Client from time to time. The Client shall from time to time ensure that the debit balance outstanding in the Margin Account shall not be greater than the Margin Facilities granted to the Client.

- 6.2 The Client shall on demand from the Company make payments of deposits or margins in cash, Securities or otherwise in amounts as determined by the Company or which may be required by the rules of any exchange or market of which the Company is a participant. Without prejudice to other rights that the Company may have under these Terms, the Company may decline to accept any instruction to effect transactions in Securities for the Margin Account without any notice to the Client unless and until the foregoing is duly performed by the Client.
- 6.3 Failure to comply with Paragraph 6.2 above shall constitute a default under these Terms and the Company will, without prejudice to any other rights under these Terms or in law, have the right, and without notice or demand, to terminate the Margin Facilities, close the Margin Account, dispose of the Securities and/or Collateral, cancel the Client's open orders for transactions and/or borrow or buy any Securities required for delivery in respect of any transaction effected for the Client. The proceeds of such transactions shall be applied to reduce the liabilities incurred herein and any outstanding liabilities shall be immediately due and payable by the Client to the Company.
- 6.4 For the avoidance of doubt, the Client hereby expressly acknowledges that where any liabilities arise pursuant to the Margin Account, then the Securities held by the Company under these Terms shall be subject to the charge set out in these Terms as security or collateral therefor (without the need for any other documentation signed by the Client) and the same applies to all Liabilities howsoever arising herein.
- 6.5 The Client hereby irrevocably authorises and instructs the Company, at any time without prior notice to the Client, to debit the Margin Account with:
- (a) all advances under the Margin Facilities required by the Company for purchasing Securities on the Client's behalf in accordance with the terms hereof;
  - (b) all transactions, brokerage commissions and custodian fees and all other monies and sums payable to the Company from time to time under these Terms; and
  - (c) all other fees, levies, charges, disbursements, taxes and out-of-pocket expenses which the Company may incur on the Client's behalf whether in connection with the purchase or sale of Securities or otherwise pursuant to these Terms.

6.6 For so long as there exists any amount outstanding to the Company under the Margin Account, the Company shall be entitled at any time and from time to time to refuse any withdrawal of any or all the monies in the Margin Account and/or Securities held by the Company.

6.7 In general, the Company has different maximum margin financing ratios for different kinds of Securities provided that the margin financing ratio of each particular Security is subject to change from time to time at the sole discretion of the Company without prior notice to the Client.

## 7. Charge

7.1 In consideration of the Company granting or continuing to make available the Margin Facilities to the Client, the Client, as beneficial owner hereby charges mortgages and assigns by way of first legal charge (the “**Charge**”) to the Company as continuing security for the punctual payment to the Company on the respective due dates of all amounts outstanding under the Margin Facilities and all other moneys and sums due or owing from the Client to the Company from time to time pursuant to these Terms:

(a) all client rights, title and interest in and to the Securities (together with all rights and benefits attaching thereto and accruing thereon) which shall at any time hereafter and from time to time be purchased or held by the Company or its nominees for or on account of the Client pursuant to the terms hereof, together with all dividends or interest paid or payable on or in respect of any of such Securities and all accretions thereto by way of bonus, distributions, options, rights or otherwise howsoever accruing or offered at any time hereafter; and

(b) all and any funds standing to the credit of the Margin Account and all funds held by the Company for or on account of the Client from time to time.

7.2 The Client hereby represents and warrants to the Company that for so long as any sums are owing by the Client to the Company:

(a) the Client has and will maintain unencumbered an absolute beneficial and legal title to the Charged Securities (subject only to the Charge);

(b) the Client shall deposit with the Company, or to its order, all certificates, instruments and evidence of title to the Charged



Securities, together, where appropriate, with all such necessary forms of transfer as the Company may from time to time require; and

- (c) the Client shall execute and deliver such further assignments, charges, authorities and other documents as the Company may from time to time require for perfecting its title to or for vesting or enabling the Company to vest the full benefit of the Collateral in its favour.

7.3 If at any time the "**Acceptable Value**" of Securities, which for the purposes of these Terms shall mean the discounted market value of the Collateral determined by the Company at its discretion, shall be less than the total debit balance outstanding in the Margin Account (referred to as a "**Margin Call**"), the Client shall forthwith transfer or otherwise deposit with the Company additional Securities to be charged in favour of the Company pursuant to the terms hereof to form part of the Charged Securities or, alternatively, deposit cash in the Margin Account to reduce the aggregate amount outstanding under the Margin Facilities to such a level that the Acceptable Value of Securities is equal to or more than such total debit balance.

7.4 If the Client fails to comply with any demand by the Company for payment of any Liabilities, fails to pay any or all of the Liabilities when due, fails to perform any of its obligations under these Terms, is in breach of any of the terms or conditions of these Terms or is dissolved, or on the occurrence of any of the Events specified in Clause 10.1 of the General Terms and Conditions, then:-

- (a) the Charge shall be immediately enforceable; and
- (b) the Company (or where appropriate the Company 's nominee) may, without notice to the Client:-
  - (i) appropriate, transfer or set-off the whole or any part of any monies comprised in the Charged Securities in or towards payment or discharge of any of the Liabilities; and/or
  - (ii) sell or dispose of the Charged Securities or any part thereof either together or in parcels or in such other manner and for such consideration (whether payable or deliverable immediately or by installments) as the Company may think fit.

- 7.5 The Company and the Company 's nominee shall not be in any way responsible for any loss occasioned by any action taken pursuant to Paragraph 7.4, howsoever such loss may have been caused or arisen, and whether or not a better price could or might have been obtained on such action, by either deferring or advancing the date of taking such action.
- 7.6 Without prejudice to the generality of Paragraph 7.4, the Company (or, where appropriate, the Company 's nominee) shall be entitled to appropriate to the Company or sell or dispose of the Charged Securities or any part thereof at the current market price thereof to any subsidiary, affiliated or associated company of the Company without being:-
- (a) in any way responsible for any loss occasioned thereby howsoever arising; and
  - (b) accountable for any profit made by the Company (or, where appropriate, the Company 's nominee as its agent) and/or any subsidiary, affiliated or associated company of the Company;

and the same shall not be treated as an absolute appropriation of or foreclosure on the Charged Securities to the exclusion of the Client and in extinguishment of its interests therein, unless the Company shall otherwise notify the Client (whether before or after the relevant appropriation or foreclosure has been effected), in which latter event any such appropriation or foreclosure shall be treated as a sale of the Charged Securities at a fair market value and the Liabilities shall be reduced by an equivalent amount.

- 7.7 If there is any deficiency arising after the sale or disposal of Charged Securities, the Client hereby undertakes to make good and pay on demand to the Company such deficiency.
- 7.8 The amounts realised by the exercise or enforcement of the Charge shall be applied against the Liabilities in such order of priority as the Company may in its absolute discretion determine.
- 7.9 The Charge shall be a continuing security notwithstanding any intermediate payment or settlement of account or satisfaction of the whole or any part of the Liabilities. Without prejudice to the foregoing, the Charge shall subsist and continue to have full force and effect after the termination of these Terms until the Client has fully discharged all Liabilities.
- 7.10 The Charge shall be in addition to and shall not affect or be affected by any other encumbrance, guarantee or indemnity which the Company may now or in the future hold or take in respect of the Liabilities and may be enforced by the Company without prior recourse to any such other

encumbrance guarantee or indemnity.

- 7.11 Any monies realised pursuant to the Charge may be placed and kept to the credit of a suspense account for so long as the Company or its nominee may in its absolute discretion determine without any obligation in the meantime to apply the same or any part thereof in or towards discharge of the Liabilities.
- 7.12 The Charge shall not be discharged by any amendment or variation to these Terms or by the dissolution or insolvency of the Client. Where the Client is a firm and there is a dissolution, the Charge shall apply to all indebtedness incurred in the firm's name until receipt of actual notice of dissolution and, if the dissolution is by reason only of the introduction of one or more partners, the Charge shall continue and, in addition to the debts and liabilities of the firm then dissolved, the Charge shall apply to the firm constituted with new partners as if there had been no change in the firm.
- 7.13 The Client covenants with the Company that it will not create or permit to subsist any encumbrance (other than any encumbrance arising by operation of law) over any Charged Securities or the Margin Account or dispose of any Charged Securities, other than as provided for in these Terms.

## **8. Termination of Margin Facilities**

- 8.1 The Margin Facilities are repayable on demand and may be varied or terminated in the absolute discretion of the Company. In particular, the Margin Facilities will be terminated upon any termination in accordance with the terms of this Agreement and any notice of termination for that purposes shall be deemed to be a notice of termination of the Margin Facilities.
- 8.2 Upon termination of the Margin Facilities, any outstanding indebtedness by the Client shall forthwith be repaid to the Company.
- 8.3 Repayment of all or any of the Margin Facilities owed to the Company will not itself constitute cancellation or termination of the Margin Facilities terms. The Client acknowledges and agrees that the Company has provided the Client with the margin policy adopted by the Company and the Client is bound by the terms under the margin policy and its revisions and amendments made by the Company from time to time.

## **9. Separate Accounts**

9.1 The transactions and assets booked under the Margin Account shall not be co-mingled with those booked under the Securities Account except as expressly provided for in the Agreement.

## **10. Repledging**

10.1 The Client acknowledges and agrees that the Company may repledge the Client's Securities (including the Charged Securities) to any other person as collateral for financial accommodation provided to the Company by such other person upon obtaining the written authorization from the Client.

## **11. Risk Disclosure Statement**

11.1 The Client acknowledges that, apart from the risks associated with securities trading in general, additional risks may arise specifically in connection with securities margin trading including:

- (a) The risk of loss in financing a transaction by deposit of Collateral is significant. The Client may sustain losses in excess of his cash and any other assets deposited as Collateral with the Company.
- (b) Market conditions may make it impossible to execute contingent orders such as "stop-loss" or "stop-limit" orders. The Client 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 with the prescribed time, the Client's Collateral may be liquidated without his consent.
- (c) The Client will remain liable for any resulting deficit in his account and interest charged on his account. The Client should carefully consider whether such financing arrangement is suitable in light of his own financial position and investment objectives.
- (d) There is a risk if the Client provide the Company with an authority that allows it to apply the Client's Securities (including the Charged Securities) pursuant to a securities borrowing and lending agreement, repledge the Client's Securities (including the Charged Securities) for financial accommodation or deposit the Client's Securities (including the Charged Securities) as collateral for the discharge and satisfaction of the Company's settlement obligations and liabilities.
- (e) If the Client's Securities (including the Charged Securities) are received or held by the Company in Hong Kong, the arrangement

described in (d) above is allowed only if the Client consents in writing. Moreover, unless the Client is a professional investor, the Client's authority must specify the period for which it is current and be limited to not more than 12 months. If the Client is a professional investor, these restrictions do not apply.

- (f) Additionally, the Client's authority referred to in (e) above may be deemed to be renewed (i.e. without the Client's written consent) if the Company issues the Client a reminder at least 14 days prior to the expiry of the authority, and the Client does not object to such deemed renewal before the expiry date of the Client's then existing authority.
- (g) The Client is not required by any law to sign any of the authorities referred to in (e) above. But an authority may be required by the Company, for example, to facilitate margin lending to the Client or to allow the Client's Securities (including the Charged Securities) to be lent to or deposited as collateral with third parties. The Company should explain to the Client the purposes for which any of these authorities is to be used.
- (h) If the Client signs any of the authorities referred to in (e) above and the Client's Securities (including the Charged Securities) are lent to or deposited with third parties, those third parties will have a lien or charge on the Client's Securities (including the Charged Securities). Although the Company is responsible to the Client for such Securities lent or deposited under the Client's authority, a default by it could result in the loss of the Client's Securities (including the Charged Securities).
- (i) A cash account not involving securities borrowing and lending is available from the Company. If the Client does not require Margin Facilities or does not wish the Client's Securities to be lent or pledged by the Company, the Client should not sign the authorities referred to in (e) above and should ask to open a cash account.

## **12. Set-off under the Securities and Futures (Financial Resources) Rules**

- 12.1 The Client acknowledges and agrees that the Company may, pursuant to rule 11(4)(c) of the Securities and Futures (Financial Resources) Rules (Cap. 571N of the Laws of Hong Kong) (or such other applicable rule(s) as may be amended, supplemented, modified and/or varied from time to time) and for the purpose of computation of assets and liabilities of the Company thereunder, set-off any amounts receivable by the

Company from the Client with any amounts payable by the Company to the Client arising from the provision of services under these Special Terms.

## Schedule 5

### Special Terms and Conditions for Internet Facilities (“Special Terms”)

These Special Terms form an integral part of the Agreement and should be read together with the General Terms and Conditions and other parts of the Agreement.

#### **1. Definitions and Interpretation**

1.1 In these Special Terms, except as the context may otherwise require or provide, all words and expressions defined in the General Terms and Conditions shall have the same meanings when used herein.

1.2 In these Special Terms:

“**Access Code**” means the login name and password of the Client;

“**Biometric Authentication**” means a process which compares the Client’s voiceprint, fingerprint or facial recognition with information stored in that Device or with the Company;

“**Instruction**” means any instruction given through the ITF for the buying or selling of or otherwise dealing in any Securities and/or Options Contract(s) and any instruction to check the portfolio and fund position in the relevant Account(s);

“**ITF**” means the Internet trading service and the relevant facilities provided by the Company;

“**OTP**” means a one-time-password provided by the Company to the Client through different means, and to bind or register the Device with the Company’s trading system so that the Device is recognized as belonging to that Client;

“**Relevant Authentication Information**” means the Access Code, personal identification number, Biometric Authentication, OTP, private and public key exchange codes or any one or more or all thereof;

“**TFA**” means the two-factor authentication mechanism which utilizes any two of the three authentication information, including: (a) Access Code; (b) Biometric Authentication; or (c) OTP.

## **2. Scope of ITF**

- 2.1 At the request of the Client, the Company provides and the Client agrees to use ITF as a medium of communication with the Company to give, transmit or receive instructions, notices, information, data and documents between the Company and the Client. All instructions given by the Client and received by the Company through ITF shall be deemed sent by the Client if given by any person quoting the user identification assigned by the Company to the Client, and providing such other information as may be required by the Company. The instructions shall be carried out by the Company on behalf of the Client in accordance with the Agreement.
- 2.2 ITF are offered for the sole and exclusive use of the Client and only in such jurisdictions and to such extent where and when they may be lawfully offered, used and processed under the Applicable Regulations.
- 2.3 The Company has sole discretion to determine and vary the scope and availability of the services of ITF and the manner in which they are provided or made available from time to time.
- 2.4 The Client's instructions shall not be deemed to have been executed unless so stated in the statements of the Account and/or confirmation of execution given by the Company online and/or by any other means of communications. The Client agrees and acknowledges that it is its sole responsibility to keep records of such statement, confirmation and/or advice given by the Company, and save for manifest error or unless proved to the contrary by the Client to the Company's satisfaction, the Company's record shall be deemed as conclusive and binding on the Client.
- 2.5 Without prejudice to any other terms hereof or other terms applicable to the Account under the Agreement, the Client agrees that the Client is under a duty to promptly check and verify the contents of each of the statements of the Account and/or confirmation of execution given by the Company to the Client online and/or by any other means of communication, and report to the Company any discrepancies alleged by the Client as soon as possible. Such online statement, advice and/or confirmation shall be deemed to be received by the Client after transmission by the Company to the Client. For the avoidance of doubt, the Client agrees that



it is Client's duty to notify the Company immediately if the Client does not receive the statements of the Account or such online confirmation and/or advice given by the Company in respect of any Transactions within the time usually required for transmission and receipt of similar statements, confirmation and/or advice.

- 2.6 For the purposes of ITF each notice and communication sent by post to the last known address of the Client on the Company's record shall be deemed to have been duly delivered to the Client 2 Business Days (in the case of local address) or 7 Business Days (in the case of overseas address) after it has been posted, and if sent by electronic mail or facsimile to the designated electronic mailing address or facsimile number of the Client respectively, upon it being sent unless it is otherwise shown to the contrary by the Company's internal records. For the avoidance of doubt, any notice given by the Company to the Client shall be deemed to have been duly delivered by the posting of such notice on the Website of the Company ("**Website**").
- 2.7 Notwithstanding any provision of the Agreement, the Company reserves the right, at its sole discretion and at any time, by giving prior notice to the Client without providing any reason, to refuse to provide any new service or terminate any or all services under the ITF, or block the Client's access to the ITF or any information or data provided by any information or service provider via the ITF.

### **3. Website Information**

- 3.1 The Client acknowledges that all information and data posted on the Website or otherwise made available on or through ITF and/or the Website are for reference only and shall not in any circumstances be binding or intended for trading or any other purposes. In these Special Terms, the word "information" shall mean all kinds of information including messages, news, quotes, report, computer programs, software, images, illustrations, presentation, opinion, configuration, text and other materials.
- 3.2 The Client acknowledges and agrees that, in addition to these Special Terms and the Agreement, the Company has discretion to impose from time to time other terms and conditions in respect of the use of ITF which may at the

Company's discretion be posted on the Website or mailed or sent to the Client by any other means, and such terms and conditions shall be binding on the Client. The Company has discretion at any time to amend or vary such terms and conditions which amendment or variation shall be deemed to be duly notified to the Client by posting the same on the Website or mailing or sending the same to the Client by any other means, as determined at the Company's discretion. The Client shall be deemed to have accepted the terms and conditions as amended or varied once the Client uses or continues to use ITF after the relevant terms and conditions become effective. In the event of inconsistencies between any terms applicable to the use of ITF and/or to the Account, the Company is entitled to determine which terms prevail as the Company reasonably considers appropriate.

#### **4. Client's Responsibilities**

- 4.1 The Company offers ITF for the Client's convenience only. The Client understands, acknowledges and accepts the risks arising out of or in connection with the ITF and shall take appropriate security measures to control and manage the risks. The core risks include, without limitation, disruption or failure in transmission of the Instructions or directions, accidental or unauthorized disclosure of the Instructions, tampering or interception or breakdown of the electronic services, network or facilities. The Client acknowledges and confirms that the Client shall seek professional advice on the risk associated with the use of the ITF. The Company shall not be liable for any loss or damages incurred or suffered by the Client or any other person as a result of the Company delaying or declining to follow any Instruction or direction transmitted to the Company via the ITF.
- 4.2 The Client is responsible for taking appropriate measures having regard to its own circumstances. The Client will be fully liable for all losses or damages suffered and sustained by the Company if it has acted fraudulently or negligently. The Client will also be held liable for all losses or damages suffered or sustained by the Company if the Client has failed or neglected to inform the Company as soon as reasonably practicable after the Client has notice, knowledge or reasonable suspicion that (i) the Relevant Authentication Information for accessing the ITF have been compromised, lost or stolen; or (ii) unauthorized transactions have been

conducted over the Accounts with the Company via the ITF.

4.3 The Client represents, undertakes and warrants that it shall:-

- (a) avoid accessing or using the ITF via wireless or other network or connection which is public or without any password or protection;
- (b) install anti-virus software and firewall in its information technology system and Devices (whether desk-top, mobile or otherwise). The Client shall not connect its information technology system and Devices to any suspicious computer or other Devices infected by virus. The Client is strictly prohibited from accessing or using ITF via any Devices which is jailbroken or rooted and shall be held liable to all and any loss or damages suffered or sustained by the Company arising out of or in connection with the Client's breach of this provision;
- (c) not use easy-to-guess information, numbers or words as the Relevant Authentication Information for accessing or using the ITF and shall avoid using the same Relevant Authentication Information for accessing other services;
- (d) take appropriate steps and have robust measures in place to keep its Devices (whether desk-top, mobile or otherwise) safe and to prevent the Devices from being hacked. In particular, without limitation, the Client shall:-
  - (i) not allow anyone to use the relevant authentication information;
  - (ii) not write down the Relevant Authentication Information on any Devices for accessing ITF or on anything usually kept with or near it; and
  - (iii) not jot down or record the Relevant Authentication Information without disguising it;
- (e) notify the Company as soon as reasonably practicable if it finds, believes or suspects that the Devices for accessing ITF has been lost or stolen or that any unauthorized transactions have occurred via any of the Devices;
- (f) not allow any other person to use or attempt to access or use the ITF, unless otherwise specified and agreed by the Company; and

- (g) download and install updates and patches for the applications, operating systems and browsers regularly in order to access or use ITF.

## **5. Relevant Authentication Information**

- 5.1 The Client acknowledges that the Client will be the sole authorized user of ITF in relation to its Account. The Client understands and acknowledges that any access to the ITF relies on the TFA to authenticate the Client as the authorized user for the Account. The Client will be responsible for the confidentiality, application and proper use at all times of its Relevant Authentication Information. The Client acknowledges and agrees that, the Client shall be solely responsible for all Instructions entered through the ITF using the Relevant Authentication Information and neither the Company nor directors, officers or employees of the Company, shall have any liability to the Client or to any other person whose claim may arise through the Client, for any claims with respect to the transmission or handling of any Instruction.
- 5.2 The Client shall be solely responsible for all costs and losses, whether directly or indirectly, arising out of or in connection with any unauthorized use of the Relevant Authentication Information assigned to the Client. The Client has a duty to notify the Company immediately of his becoming aware of, or being put on notice of, any loss, theft or unauthorized use of the relevant authentication information.
- 5.3 Any Instruction given via the ITF by the use of the Client's Access Code is valid and binding on the Client. Any changes in the Client's authorized signatories or signing arrangement will not affect the operation by the Access Code. The Client understands that it is required to change its password if it does not wish to allow access to the Account via ITF by way of its existing password under the Access Code.
- 5.4 For Biometric Authentication
  - (a) by registering or using any of the Biometric Authentication, the Client shall be deemed to accept and agree to this Clause 5.4;
  - (b) in order to register for and use the Biometric Authentication provided by the Company, the Client's voice and any of its

telephone conversations with the Company for analysis in order to generate the Client's unique voiceprint which will be used to verify the Client's identity, shall be recorded, and the Client's finger vein data or facial recognition data will be collected by the Company to verify the Client's identity. Upon registration of any of the Biometric Authentication, the Client agrees to such recording, collection and storage by the Company at the time of registration and thereafter;

- (c) by registering for Biometric Authentication, the Client agrees that the Company may treat and consider as valid and binding on the Client any Instruction given to, or agreement made with the Company as authenticated through any means of the Biometric Authentication without the Company making any further inquiry as to the authority or identity of the person making or purporting to give such Instructions or to make such agreement or their authenticity notwithstanding any error, misunderstanding, fraud, forgery or lack of clarity in the authorization. The Client acknowledges and agrees that the Company may still require the Client to authenticate an Instruction by other authentication means even though the Client have authenticated the same by the Biometric Authentication;
- (d) after registering for any of the Biometric Authentication, the Client may choose to access to its Accounts with the Company or authorize Transaction or Instruction by using other authentication means as agreed by the Company from time to time;
- (e) the Company does not represent or warrant that Biometric Authentication could be used at all times or with the Company's ITF services. The scope of use of the Biometric Authentication is subject to the Company's sole and entire discretion. The authentication process may be affected under certain circumstances and the Client may not be able to complete the Biometric Authentication service, and in such event, the Client shall use other authentication means to verify its identity as required by the Company;
- (f) in order to protect the Client's privacy and ensure safe and proper use of the Biometric Authentication, the Client is advised not to register or use Biometric Authentication in public or at noisy places. To facilitate the registration process for voiceprint authentication under the Biometric Authentication, the Client is further advised to use landline or broadband when registering for

the Biometric Authentication and to refrain from using mobile phone or Wi-Fi;

- (g) the Company reserves its right to modify, suspend or terminate any registration or use of the Biometric Authentication by the Client at any time without giving prior notice or reason, if the Company reasonably considers it expedient or advisable to do so including occurrence of the circumstance where there is actual or suspected breach of security;
- (h) by registering and using the Biometric Authentication, the Client agrees and accepts to the collection, use, storage and correction of its biometric data as governed by the Company's "Notice to Customers relating to the Personal Data (Privacy) Ordinance" (the "Notice"). The Company may transfer the Client's biometric data to any of its Affiliated Company for the purpose specified in the Notice; and
- (i) in addition to the verification of the Client's identity, the Client's conversations, voiceprint, finger vein data or facial recognition data may also be used for detecting, investigating and preventing fraudulent or criminal activities. Adverse actions may be taken by the Company or any other parties against the Client consequently.

## **6. Third Party Information**

- 6.1 The Client acknowledges that any information and data provided through ITF relating to Securities and securities markets is obtained from the Exchanges and Markets or from other third party information or service providers appointed by the Company from time to time and that such information and data are or may be protected by copyright and other intellectual property laws, and are provided for the Client's personal non-commercial use only. The Client shall not use, reproduce, re-transmit, disseminate, sell, distribute, publish, broadcast, circulate or commercially exploit any such information or data in any way without the consent of the Company or such information or service providers.
- 6.2 The Client acknowledges that the real-time quote service and the message alert service (to receive message alert when the prices of such Securities and/or Contract(s) as specified by the Client have reached a preset target price) that may be available through ITF is provided by a third party service provider appointed by the Company from time to time. The

Client agrees that the Company shall not be responsible for any losses the Client or any other person may suffer for the failure of sending out the message alert and/or relying on any real-time quote on prices of Securities and/or Contract(s) which may be available to the Client through ITF.

- 6.3 Neither the Company nor any third party information or service provider warrants, represents or guarantees the accuracy, reliability, adequacy, timeliness and completeness of any information or data provided through ITF and/or the Website or whether any such information or data is fit for any purpose. The Company and all such third party information or service providers expressly disclaim all liabilities whatsoever arising from or in connection with any reliance on any such information or data by the Client.

## **7. Intellectual Property**

- 7.1 All copyright and other intellectual property rights of whatever nature in or subsisting in ITF, Website, any other relevant materials or documentation are the exclusive property of and shall vest in the Company. The Client shall not temper with, modify, or otherwise alter in any way, or otherwise access or attempt to gain access to any part of ITF other than as authorized by the Company, and shall notify the Company immediately when it becomes aware of any unauthorized use or access to ITF by any other person.

## **8. Limitation of Liabilities**

- 8.1 To the fullest extent permitted by the Applicable Regulations and subject to the Agreement, and unless due to gross negligence, willful default or fraud of the Company, in no circumstances, shall the Company be held liable for any loss or damages suffered or sustained by the Client directly or indirectly arising out of or in relation to:-
- (a) the cancellation, termination or suspension of all or any part of the services provided under the ITF by the Company;
  - (b) the cancellation, withdrawal, revocation or suspension of the Client's Transactions, Instructions or directions or any failure to transmit, execute or effect Transactions, Instructions or directions from the Client or inaccuracy, error, delay thereof, where it is

attributable to any circumstances or events beyond the Company's control;

- (c) any interruption, suspension, delay, or other failure in providing the ITF or processing information provided through the ITF;
- (d) leakage of Instruction or information relating to the Client by any telecommunication service provider, equipment, device or intermediary through which the Instruction, direction or information is communicated to or from the Company or the Company's agents or any other third party;
- (e) any mechanical failure, power failure, malfunction, breakdown, interruption or inadequacy of equipment or installation in connection with the service, acts of god, government act, flood, fire, civil commotion, strike, war or any other causes beyond the Company's reasonable control; and
- (f) the Client's failure to safeguard his information including, without limitation, its Relevant Authentication Information against any risk of cyberattack, or any unauthorized use.

8.2 Unless the act or omission is due to gross negligence, willful default or fraud on the part of the Company, the Company shall not be liable to or responsible for any loss or damage sustained or suffered by the Client directly or indirectly arising out of any act or omission of any counterparties, professional advisors, third-party service providers or agents, which have been selected by the Company with reasonable care, contracted with or appointed by the Company (as the case may be) for the purposes hereunder. Notwithstanding the above, the Company gives no warranty as to the solvency, fitness and properness of any of such counterparties, professional advisors, third-party service providers or agents.

## **9. Indemnity**

9.1 Without prejudice to any other provision of the Agreement and unless due to the fraud, gross negligence or willful default of the Company, the Client shall fully indemnify and keep indemnified the Company and its Affiliated Companies, officers, employees and agents against all liabilities, claims, demand, losses, damages, costs, charges and expenses of any kind (including legal fees on a full indemnity basis) which may be incurred and all actions or proceedings which may be



brought by or against the Company in connection with the provision of ITF and/or the Website and/or access to the information or data thereon and/or the exercise or preservation of the Company's powers and rights the Company may have.

- 9.2 The Company shall not be liable for the Client's failure in observing the Client's obligations under the Agreement and the Client shall fully indemnify the Company in respect of any direct or indirect loss or cost of whatsoever nature that the Company may suffer or incur as a result thereof. For the avoidance of doubt, it is the responsibility of the Client to take its own initiative to contact the Company to check the status of any instructions given through ITF.
- 9.3 If the Client gives any instruction to the Company from outside Hong Kong, the Client agrees to ensure and represents that such instruction will have been given in compliance with any Applicable Regulations of the relevant jurisdiction from which the instruction is given, and the Client agrees that, in the event of doubt, the Client shall consult its legal advisers and other professionals of the relevant jurisdiction. The Client accepts that there may be taxes or charges payable to relevant authorities with respect to any instruction given by the Client from outside Hong Kong, and the Client agrees to pay such taxes or charges as required.
- 9.4 The Client further undertakes to indemnify the Company, on a full indemnity basis and on demand, for any loss or damage the Company may suffer as a result of the use of ITF by the Client, except to the extent that such loss or damage is beyond the Client's control.

## **10. No Warranty**

- 10.1 The Company does not in any way warrant that (i) any services provided in connection with or any of the Client's use of ITF and/or the Website will be free of errors, interception or interruption; or that (ii) the information, data, or other materials provided, used or accessible in connection with ITF and/or the Website will be free of viruses, disabling devices or other contaminants. The Client acknowledges that the Company's internal records of the Account, Transactions and other information shall be conclusive save for any manifest error or unless the contrary is established by the Client to the

Company's satisfaction. For the avoidance of doubt, the Company may use such updated prices or information as may be available at the time of executing any instructions of the Client for executing any Transactions, and such Transactions shall be binding on the Client notwithstanding different prices or information may have been quoted by the Company via ITF and/or the Website.

## **Schedule 6**

### **Special Terms and Conditions for E-Statements Service (“Special Terms”)**

These Special Terms form an integral part of the Agreement and should be read together with the General Terms and Conditions and other parts of the Agreement.

#### **1. E-Statements Service**

- 1.1 The Client instructs and authorises the Company to provide the E-Statements Service to the Client, and the Client shall use the E-Statements Service, subject to these Special Terms.
- 1.2 By subscribing for or using the E-Statements Service, the Client instructs and authorises the Company to send to the Client statements of account, transaction confirmations, receipts or other records relating to any Account or Transaction by electronic mail ("**E-mail**") at the E-mail address specified by the Client for such purpose from time to time ("**E-Statements**"). The Client acknowledges and agrees that, having sent the E-Statements to the Client by E-mail, the Company will discharge its obligations to provide the relevant statements of account, transaction confirmations, receipts or other records to the Client and the Company is not obliged to send further copies of such statements, confirmations, receipts or records to the Client by post or other means.
- 1.3 In order to use the E-Statements Service, the Client is required to install and maintain such telecommunication equipment, computer terminal, hardware and/or software specified by or acceptable to the Company.
- 1.4 The Company reserves the right to restrict from time to time the number of E-mail address(es) to which the Company is required to send the E-Statements.
- 1.5 The Client understands that the E-Statements Service may be suspended or terminated by the Company with respect to all clients at any time without giving any notice or reason to the Client. The Client agrees that the Company shall not assume any liability or responsibility for any suspension or termination of the E-Statements Service for any reason (including any maintenance, modification, expansion and/or enhancement work initiated by the Company or the Internet service provider(s) or other service provider(s) in connection with their respective systems and network) unless due to the gross negligence,

fraud or willful default of the Company or any of its officers, employees or Affiliated Companies and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly and solely therefrom.

- 1.6 The Company shall use reasonable effort to ensure that the E-Statements Service is secure against access by unauthorized third parties. However, the Client acknowledges that the Company does not warrant the security, secrecy or confidentiality of any information transmitted through any telecommunication channel, Internet service provider, network or system in any jurisdiction.
- 1.7 The Client agrees to notify the Company, in such manner as the Company may from time to time prescribe, of any change in the E-mail address(es) or other particulars provided by the Client in connection with the E-Statements Service including any disconnection or suspension of any E-mail address of the Client. The Client agrees that the Company is entitled to continue to send, and does not assume any liability or responsibility for sending, E-Statements to the Client in accordance with such E-mail address(es) and other particulars provided by the Client until the Company has actually received notice of change from the Client in compliance with this Clause and updated its records.
- 1.8 The Company and/or any of the Company's relevant service provider(s) will not assume any liability or responsibility for any failure, delay or error in transmitting E-Statements to the Client unless caused by the gross negligence, fraud or willful default on the part of the Company or such service provider and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly and solely therefrom. In particular, the Company and/or any such service provider shall not assume any liability or responsibility for any consequences arising from any cause beyond its/their reasonable control including failure of the Client's telecommunication equipment, computer terminal, hardware or software for whatever reason, any telecommunication breakdown, Internet service provider's failure, power failure, malfunction, breakdown, interruption or inadequacy of equipment or installation, act of God, government act, civil commotion, strike, war, fire, flood or explosion.

## **2. Cancellation**

- 2.1 Without prejudice to the generality of Clause 1.5, the Company may cease to provide the E-Statements Service to the Client at any time by giving reasonable prior notice to the Client through E-mail, post or any other means.

2.2 The Client may cease to use the E-Statements Service at any time and revoke its instruction and authorisation to the Company to send E-Statements to the Client by E-mail by giving the Company at least 14 Business Days prior written notice.

## Schedule 7

### Special Terms and Conditions for China Connect Service (“China Connect Special Terms”)

These China Connect Special Terms form an integral part of the Agreement and should be read together with the General Terms and Conditions and other parts of the Agreement.

#### **1. Application, Definitions and Interpretation**

1.1 In these China Connect Special Terms and the Agreement, the following expressions, unless the context requires otherwise, shall have the following meanings:

**"CCASS Rules"** means the General Rules of CCASS and the CCASS Operational Procedures as may be amended, supplemented, modified and/or varied from time to time;

**"ChinaClear"** means China Securities Depository and Clearing Corporation Limited;

**"China Connect"** means the Shanghai Hong Kong Stock Connect and/or the Shenzhen Hong Kong Stock Connect (as the case may be);

**"China Connect Applicable Laws and Regulations"** means (a) the laws and regulations of Hong Kong and PRC imposed on China Connect or any activities arising from or associated with China Connect from time to time; and (b) any policies, codes, rules, regulations or guidelines issued by any China Connect Competent Authority or any China Connect Entity in respect to China Connect or any activities arising from or associated with China Connect from time to time, including but not limited to the SSE Rules and the SZSE Rules;

**"China Connect Competent Authority"** means the regulators which regulate China Connect and activities in relation to China Connect, including the CSRC, SEHK, SFC and any other regulator, agency or authority with jurisdiction, authority or responsibility in respect of China Connect;

**"China Connect Entity"** means any of the exchanges, clearing systems and other entities which provide services relating to China Connect, including the HKEx, SEHK, HKSCC, SEHK Subsidiaries, SSE and its subsidiaries, SZSE and its subsidiaries and ChinaClear;

**"China Connect Market"** means the SSE and/or the SZSE;

**"China Connect Market Operator"** means an exchange that operates a China Connect Market and that has entered into trading links with SEHK, whose name is included in the list of China Connect Market Operators published from time to time under Rule 1409(1)(d) of the Rules of the Exchange;

**"China Connect Market System"** means the system used for the trading of China Connect Securities on a China Connect Market, as operated by the respective China Connect Market Operator;

**"China Connect Service"** means the order-routing services where Northbound orders placed by an Exchange Participant may be transmitted by an SEHK Subsidiary to the corresponding China Connect Market for the sale and purchase of China Connect Securities and any ancillary supporting services;

**"China Connect Securities"** means any A-shares and exchange traded funds (ETFs) listed on any China Connect Market which may be traded under the China Connect;

**"China Connect Order"** means an order input into the CSC for routing to a China Connect Market System to buy or sell China Connect Securities, and the terms "China Connect buy order" and "China Connect sell order" shall also be construed accordingly;

**"ChiNext Shares"** means A-shares and/or any other securities accepted for listing and admitted to trading on the SZSE ChiNext Board which may be traded under the China Connect from time to time trading of which is limited to the Eligible Investors;

**"CSC"** means the China Connect System which receives and routes China Connect Orders to a China Connect Market System for automatic matching and execution;

**"CSRC"** means the China Securities Regulatory Commission;

**"Eligible Investor"** means an "institutional professional investor" defined under paragraphs (a) to (i) of the definition of "professional investors" under section 1, Part 1, Schedule 1 to the SFO;

**"Exchange Participant"** means a person: (a) who, with reference to the Rules of the Exchange, may trade on or through the SEHK; and (b)

whose name is entered in a list, register or roll kept by the SEHK as a person who may trade on or through the SEHK as an exchange participant;

"**HKEx**" means Hong Kong Exchanges and Clearing Limited;

"**Northbound**" means the trading of China Connect Securities through the China Connect;

"**PRC**" means People's Republic of China;

"**Pre-Trade Checking**" means the requirements and procedures under the China Connect Applicable Laws and Regulations pursuant to which a China Connect Competent Authority or China Connect Entity may reject a sell order in the event that an investor does not have sufficient and available China Connect Securities held under its account;

"**Related Person**" means (a) the Exchange Participant, (b) any Affiliated Company of the Company or any associated company of the Exchange Participant, or (c) any director, officer, employee or agent of the Company, the Exchange Participant or any Affiliated Company of the Company or any associated company of the Exchange Participant;

"**RMB**" means the currency used in the PRC called Renminbi;

"**SEHK Subsidiary**" means a wholly-owned subsidiary of the SEHK duly authorised as an automated trading services provider under the SFO and licensed under applicable laws in PRC to provide order-routing service in relation to a trading link with reference to Rule 1403(1) of the Rules of the Exchange;

"**SSE**" means Shanghai Stock Exchange;

"**STAR Market**" means SSE Science and Technology Innovation Board operated by SSE;

"**STAR Shares**" means A-shares and/or any other securities accepted for listing and admitted to trading on the STAR Market which may be traded under the China Connect from time to time and trading of which is limited to the Eligible Investors; and

"**SZSE**" means Shenzhen Stock Exchange.

## 2. China Connect Service



- 2.1 The China Connect Service provided by the Company to the Client shall be subject to and upon these China Connect Special Terms.
- 2.2 The Company may at its sole and absolute discretion vary, modify, reduce or revoke the scope of the China Connect Service in whole or in part from time to time without prior notice or reference to the Client.
- 2.3 Unless otherwise agreed, the Company shall not provide the Client with any margin trading, securities borrowing and lending or short selling services in respect of any China Connect Securities, and the Client shall not place any margin trading, securities borrowing and lending or short selling order in respect of any China Connect Securities and any order placed for any China Connect Securities by the Client shall be deemed to have been made with the representation and confirmation to the Company that such order does not involve margin trading, securities borrowing and lending or short selling.
- 2.4 Where the Client is allowed by the Company to conduct margin trading, securities borrowing and lending and/or short-selling activities in the course of using the China Connect Services, the Client is deemed to be fully aware of all restrictions, requirements and conditions applicable to such activities under the China Connect Applicable Laws and Regulations and those set out under this Agreement. Specifically, the Client acknowledges that China Connect trading services may be suspended, restricted or ceased in circumstances stipulated by the China Connect Applicable Laws and Regulations (including but not limited to where the volume of trading activities exceeds the thresholds prescribed by the relevant China Connect Applicable Laws and Regulations or any abnormal trading activities have or are suspected to have taken place). The Client further acknowledges that margin trading and short-selling activities may only be conducted in respect of eligible China Connect Securities as determined by China Connect Competent Authority from time to time.

### **3. Compliance with Laws and Regulations**

- 3.1 Trading in China Connect Securities will be subject to all China Connect Applicable Laws and Regulations as may be supplemented, amended and revised from time to time. The Clients agrees to be bound by all of the above in force from time to time and at any time.
- 3.2 Without prejudice and in addition to all other rights available to the Company and all other obligations on the part to be performed by the Client, the Company may, in its absolute discretion, refuse to execute any order or instruction given by the Client in the event that:

- (a) any China Connect Applicable Laws and Regulations is not complied with or if in the Company's reasonable opinion any China Connect Applicable Laws and Regulations is not complied with or if the Company is required by the SEHK, the China Connect Competent Authority or such other competent authorities not to accept it;
  - (b) in respect of any instruction to place a Northbound sell order, the Company determine in its sole and absolute discretion that the Client does not have sufficient China Connect Securities to deliver for settlement purpose at the time of such order or instruction or if submission of the order would cause any breach of the Pre-Trade Checking requirements or other applicable requirements (whether legal or regulatory) under China Connect Applicable Laws and Regulations; or
  - (c) in relation to any instruction to place a Northbound buy order, the Company determine in its absolute discretion that the Client does not have sufficient or immediately available funds to honour his payment obligation thereof.
- 3.3 The Company and Affiliated Company shall not be liable for any losses arising out of, in connection with or as a result of, whether directly or indirectly, such refusal under Clause 3.2 hereof.
- 3.4 In the event that SEHK, the relevant SEHK Subsidiary or HKSCC is notified by SSE, SZSE, ChinaClear or any other relevant exchange, clearing house or governmental or regulatory body that there is reasonable belief that the Client has or may have failed to comply with or have breached any China Connect Applicable Laws and Regulations, the Client shall, as per the Company's request, supply such information, data and/or documents in such form as may be reasonably required by the Company to enable the Company to render any assistance to the relevant exchange, clearing house or governmental or regulatory body to determine whether there is any non-compliance or contravention of the China Connect Applicable Laws and Regulations and/or the extent of such non-compliance or breach (if any).

#### **4. Representations, Warranties and Undertakings**

- 4.1 The Client hereby represents and warrants to and undertakes with the Company (representations, warranties and undertaking hereunder are deemed to be repeated on the date upon which the Client places an order or gives an instruction in relation to China Connect Securities

and/or use the China Connect Services) that:

- (a) the Client is not a PRC resident or an entity incorporated or registered under the laws of PRC and if the Client is a PRC resident, the Client, when making investments in China Connect Securities, is using the his own funds and located outside PRC;
- (b) if the Client is an entity duly incorporated or registered under the laws of PRC, his investment of China Connect Securities under this China Connect Service has been conducted through a program or scheme approved by any competent regulator or government authority in the PRC (including but not limited to the qualified domestic institutional investor program);
- (c) the Client's investment in China Connect Securities is not in breach of any PRC laws or regulations, including but not limited to those in respect of foreign exchange control and reporting;
- (d) the Client will not engage in any trading of STAR Shares or ChiNext Shares unless the Client is and, in the case where the Client is an intermediary (including but not limited to a fund manager, asset manager, broker or order placer) trading for or on behalf of underlying client(s) who is(are), an Eligible Investor.
- (e) the Client has read and fully understood the risk disclosure statement set out under Schedule 8 hereof and the Client understands his obligations set out thereunder including but not limited to any consequences of contravention against China Connect Applicable Laws and Regulations;
- (f) trading on China Connect Securities may be suspended or prohibited at any time and the Client's orders to purchase or sell China Connect Securities may be declined without being offered any reason therefor;
- (g) neither the Company nor any Affiliated Company shall be held liable for any loss, liability, proceedings, demand, costs and expenses sustained or suffered by the Client (whether directly or indirectly) arising out of or in connection with any action or inaction by the Company or any Affiliated Company in the course of providing China Connect Service to the Client, including but not limited to, the materialisation of any of the risks set out in this Agreement;
- (h) in the event that any of the SSE Rules and/or the SZSE Rules

is/are breached, or the disclosure and other obligations referred to in any China Connect Applicable Laws and Regulations are contravened, then the relevant China Connect Entity (including but not limited to the SSE and the SZSE) has the power to carry out investigations, and may, through SEHK (or the relevant SEHK Subsidiary or any other governmental or regulatory authority), require the Company or any Affiliated Company to provide relevant information and materials, including but not limited to, in relation to the Client's identity, personal data and trading activity and to assist in the relevant China Connect Entity's investigation, and that the Client may be subject to regulatory investigations and liable to legal and regulatory consequences in the event of his breach or non-compliance of such laws, rules and regulations;

- (i) in the event that a China Connect Competent Authority determines that there is a serious breach of the SSE Rules and/or the SZSE Rules, the Company may be required by a China Connect Competent Authority to issue warning statements (whether verbally or in writing) to the Client and cease to provide the Client with any China Connect Service;
- (j) unless the Company has confirmed to the Client in the manner conclusively determined by the Company that a Northbound buy order placed with it by the Client has been settled, the Client shall not instruct a Northbound sell order in respect of the China Connect Securities which is purchased by the relevant Northbound buy order;
- (k) the Client consents to the Company or any Affiliated Company to provide, process, forward or share information relating to the Client, including his identity, his profile, the type and value of Northbound buy and sell orders and transactions executed on his behalf to a China Connect Competent Authority or a China Connect Entity (which may on-forward the information to other China Connect Competent Authority or China Connect Entity) at such intervals and in such manner as the China Connect Competent Authority or China Connect Entity may prescribe from time to time for investigation and/or surveillance purposes;
- (l) the Client shall be solely responsible for the payment of all fees, charges, levies and taxes and shall comply with all filing or registration obligations as may be required under any China Connect Applicable Laws and Regulations relating to any China Connect Securities and any dividends or entitlements in respect

of such China Connect Securities;

- (m) the Company will be subject to record-keeping requirements under the China Connect Applicable Laws and Regulations and may therefore retain records (including telephone and electronic communications and account information) with respect to the Client's Northbound orders and trading for 20 years or as otherwise required under the China Connect Applicable Laws and Regulations;
- (n) neither the China Connect Entity nor its respective directors, employees and agents shall be responsible or held liable for any loss or damage directly or indirectly suffered by the Company, the Client or any other third parties arising out of or in connection with:
  - (i) the Northbound trading or the CSC, including its operation in respect of China Connect Securities trading;
  - (ii) any amendments, making or enforcement of the China Connect Applicable Laws and Regulations; or
  - (iii) any action taken by a China Connect Competent Authority when performing or discharging its supervisory or regulatory obligations or functions;
- (o) the Client fully understands and shall comply with all China Connect Applicable Laws and Regulations relating to Northbound trading, including but not limited to the rules and regulations in relation to short-swing profits and disclosure obligations;
- (p) the execution of any order placed with the Company shall not cause any breach of any China Connect Applicable Laws and Regulations;
- (q) the Client has assessed and understood all risks associated with China Connect and Northbound trading (including but not limited to the prohibition of trading of China Connect Securities and being liable or responsible for breaching any China Connect Applicable Laws and Regulations) and the Client accepts all the risks in respect thereof;
- (r) the Client does not have notice or knowledge of, and is not aware of any fact or circumstances which might impair the validity of

such China Connect Securities and that the Client has full authority to receive, deal with and give instructions, authorisations or declarations in respect of the same;

- (s) the Company may not be able to send in the Client's order cancellation requests in case of contingency, including but not limited to situations where SEHK loses all its communication lines with the SSE or the SZSE, etc., in which case the Client shall still bear the settlement obligations if the Client's orders are so matched and executed;
- (t) the Company may be required by the SEHK (whether upon the request of the SSE or the SZSE, or any other China Connect Competent Authority or China Connect Entity, or otherwise) to reject the Client's Northbound trading orders;
- (u) there is no adverse claim to such China Connect Securities; and
- (v) there exists no restriction in respect of the transfer of such China Connect Securities other than those expressly provided under the SEHK rules or CCASS rules.

## **5. Personal Data and Information**

5.1 The Client acknowledges and agrees that, in providing the China Connect Service, the Company and its Related Person are required to:

- (a) tag each of the Client's orders submitted to the CSC with a BCAN that is unique and specifically assigned to the Client or the BCAN that is assigned to the Client's joint account with the Company, as appropriate; and
- (b) provide to the SEHK the Client's assigned BCAN and the CID relating to the Client as SEHK may request and require from time to time in accordance with the China Connect Applicable Laws and Regulations.

5.2 Without limitation and in addition to any notification the Company has given to the Client and the Client's consent to the Company to release, disclose, transfer or process his personal data and/or information in connection with the Account and the China Connect Service provided to the Client, the Client further acknowledges and agrees that the Company and the Related Person may collect, store, use, process, disclose and transfer the Client's personal data and/or information with

respect to the China Connect Service which includes, without limitation:-

- (a) to disclose and transfer the Client's BCAN and CID to the SEHK and the relevant SEHK Subsidiaries from time to time, by indicating the Client's BCAN when inputting a China Connect Order into the CSC, which will be routed to the relevant China Connect Market Operator on a real-time basis;
- (b) to allow each of the SEHK and the relevant SEHK Subsidiaries to: (i) collect, use and store the Client's BCAN, CID and any consolidated, validated and mapped the BCANs and CID information provided by ChinaClear or the relevant China Connect clearing house (in the case of storage, by any of them or via HKEx) for the purposes of market surveillance and monitoring and enforcement of the SEHK's rules; (ii) transfer those information to the relevant China Connect Market Operator (whether directly or through ChinaClear or the relevant China Connect clearing house) from time to time for the purposes specified in (c) and (d) below; and (iii) disclose those information to the relevant regulators and law enforcement agencies in Hong Kong to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets;
- (c) to allow ChinaClear or the relevant China Connect clearing house to: (i) collect, use and store the Client's BCAN and the CID for the consolidation and validation of the BCANs and the CID and the mapping of the BCANs and the CID with its investor identification database, and provide such consolidated, validated and mapped the BCANs and CID information to the relevant China Connect Market Operator, the SEHK and the relevant SEHK Subsidiaries; (ii) use the Client's BCAN and CID to perform its regulatory functions of securities account management; and (iii) disclose such information to the PRC regulatory authorities and law enforcement agencies having jurisdiction over it so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the PRC financial markets; and
- (d) to allow the relevant China Connect Market Operator to: (i) collect, use and store the Client's BCAN and the CID to facilitate their surveillance and monitoring of securities trading on the relevant China Connect Market through the use of the China Connect Service and enforcement of the rules of the relevant

China Connect Market Operator; and (ii) disclose such information to the PRC regulatory authorities and law enforcement agencies so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the PRC financial markets.

- 5.3 By instructing the Company in respect of any transaction relating to China Connect Securities, the Client acknowledges and agrees that the Company may use the Client's personal data for the purposes of complying with the requirements of the SEHK and its rules as in force from time to time in connection with the China Connect Service.
- 5.4 The Client further acknowledges that despite any subsequent withdrawal of the Client's consent, the Client's personal data may continue to be stored, used, disclosed, processed and transferred for the specified purposes above, whether before or after such purported withdrawal of consent.
- 5.5 If the Client fails to provide the Company with the Client's personal data or the Client's consent as described above may mean the Company will not, or no longer be able to, carry out the Client's trading instructions or provide the Client with the China Connect Service.

## **6. Practice of Dealing**

- 6.1 All orders of the Client shall be treated equally and fairly. Subject to and insofar as permitted under the China Connect Applicable Laws and Regulations, the Company may aggregate the Client's orders with other clients' orders when processing Northbound orders. The Client understands that his orders placed with the Company may not be executed or may be executed in whole or in part.
- 6.2 All client orders and transactions to be undertaken for clients ("**Client Orders**") which are for submission to the applicable open auction, closing auction (if any) or start of continuous trading session (the "**Sessions**") shall be handled by the Company in such manner as the Company deems fit, such that all Client Orders have a fair and equal opportunity to participate in the Sessions. All such Client Orders shall only be deemed to be received by the Company at the point at which its system submits Client Orders into the Sessions.

## **7. Compliance with Pre-Trade Checking Requirements**

- 7.1 The Client agrees, confirms and acknowledges that:-



- (a) he will comply with all and any requirements in relation to Pre-Trade Checking prescribed by a China Connect Competent Authority, a China Connect Entity or as the Company may notify the Client from time to time; and
- (b) he will deposit sufficient and available China Connect Securities into his account by the cut-off time (as the Company may notify the Client from time to time) to honour his settlement obligations in respect of any proposed sell order placed with the Company on the relevant trading day.

7.2 If the Company reasonably opines that the Client does not for whatsoever reason have sufficient and available China Connect Securities held under his account to settle a sell order by the prescribed cut-off time (as notified to the Client by the Company from time to time), the Company may in its sole and absolute discretion:

- (a) decline the Client's sell order in whole or in part;
- (b) use any China Connect Securities in the designated CCASS stock account(s) which the Company holds for itself or on behalf of its other clients to fulfil the Pre-Trade Checking requirement in relation to the Client's sell order, in which case the Client shall reimburse and indemnify the Company for all costs, losses or expenses suffered or incurred by the Company in full as a result of buying in or otherwise sourcing the amount of China Connect Securities which the Client has failed and/or refused to deliver in respect of his sell order on such terms and at such price (including any associated fees and expenses) and at such time as the Company shall determine in its absolute discretion; or
- (c) perform any other act which the Company deems necessary or desirable to comply with Pre-Trade Checking and/or relevant China Connect Applicable Laws and Regulations to cover the Client's shortfall (including but not limited to applying any other China Connect Securities available to the Company from other sources).

7.3 In the event that the Client places any sell order in respect of any China Connect Securities allocated to any fund managed by the Client, the Client shall ensure that there are sufficient and available China Connect Securities held under his account allocated to such fund by the prescribed cut-off time (as notified to the Client by the Company from time to time) to cover any such proposed sell order on the relevant Trading Day. It is the Client's sole and own responsibility to ensure

that each of the funds managed by the Client complies with all China Connect Applicable Laws and Regulations to which the relevant fund may be subject to.

## **8. Securities Settlement and Currency Conversion**

- 8.1 The Client acknowledges and understands that Northbound trading is executed and settled in Renminbi. If the Company does not receive sufficient Renminbi from the Client before settlement of a Northbound buy order for the purpose of settling such purchase of China Connect Securities, settlement may be delayed and/or fail and the Client may not acquire the title to, or become entitled to sell or transfer the relevant China Connect Securities. When holding any funds on the Client's behalf, the Company is authorized to convert any funds in any such other currency which the Company holds for the Client into Renminbi for settlement purposes thereof if the Client has insufficient Renminbi funds for settlement purpose or honouring any other payment obligations.
- 8.2 Notwithstanding any provisions contained herein, where it is necessary to convert one currency to another pursuant to these China Connect Special Terms, such conversion may be carried out automatically by the Company in a commercially reasonable manner without prior notice to the Client. Any such risk, loss or cost (including fees, charges and/or commissions) arising out of, in connection with or resulting from any conversion of one currency into another currency pursuant to these China Connect Special Terms shall be borne by the Client.
- 8.3 The Client agrees and acknowledges that in the event of the Client failing to honour in a timely manner any payment obligations in relation to a buy order of China Connect Securities, the Company shall have the right, but is not obliged, to forthwith and without prior notice to the Client to take such action as the Company in its sole and absolute discretion deems fit to reduce or eliminate any loss or liability which the Company suffers or may suffer (including but not limited to taking any steps to sell, realize, dispose of or otherwise deal with the relevant China Connect Securities) and that the Client shall indemnify and hold The Company harmless for any liabilities, expenses or other losses which the Company may incur in exercising the foregoing right. The Client further acknowledges and agrees that the Company shall not be liable for any loss, diminution in value or other damages whatsoever for any action or inaction of the Company or the Affiliated Company pursuant to this Clause 8.3.
- 8.4 Notwithstanding anything contrary contained herein, where the

Company determines that there is insufficient liquidity in RMB to settle any buy orders, the Company may, in its sole and absolute discretion, decline the Client's order placed with the Company without being liable to any loss or damage the Client may suffer or sustain arising out of and as a result of its declination.

## **9. Sale and Transfer**

- 9.1 On receipt of a notice from a China Connect Competent Authority or China Connect Entity requiring the Company to sell and liquidate a specified amount of China Connect Securities pursuant to any China Connect Applicable Laws and Regulations (a “**Forced-sale Notice**”), the Company shall have the right to issue a corresponding notice to the Client demanding the Client to sell and liquidate in whole or in part any such China Connect Securities which the Client holds under his account with the Company (as determined by the Company in its sole discretion) within the period prescribed by the relevant China Connect Competent Authority or China Connect Entity (a “**Client Forced-sale Notice**”). The Client undertakes to comply with all Client Forced-sale Notice and waive all and any of his right to challenge the enforceability, legality and validity of the Forced-sale Notice.
- 9.2 In respect of any Forced-sale Notice, the Company is authorised to sell or arrange for the sale of such China Connect Securities on the Client's behalf at such price and on such terms as the Company may in its sole and absolute discretion determine.
- 9.3 Where any of the Client's China Connect Securities subject to a Client Forced-sale Notice have been transferred from the holding of the clearing participant that settled the relevant Northbound buy order (the “**Original CP**”) to another clearing participant or custodian (the “**Recipient Agent**”), the Company is authorized to instruct the Recipient Agent on behalf of the Client to return the relevant China Connect Securities to the Original CP for the purposes of sale and liquidation in accordance with the China Connect Applicable Laws and Regulations. The Client also undertakes to inform the Recipient Agent of such authorisation and, where required, the Client undertakes to instruct the Recipient Agent to act in accordance with the Company's request.
- 9.4 The Company is authorized and empowered to sell or arrange for the sale of any amount of China Connect Securities owned by the Client in the event that the Company receives notice from any China Connect Competent Authority requiring the Client to disgorge any profits as a result of the “short swing profit rule”.

- 9.5 In addition to and without prejudice any provisions contained herein, the Company is authorized to sell, transfer or carry out any other action in relation to China Connect Securities owned by the Client if the Company is instructed so by any China Connect Competent Authority or if the Company otherwise determines in its sole and absolute discretion necessary or desirable in compliance with any China Connect Applicable Laws and Regulations.
- 9.6 Neither the Company nor any Related Person shall have any liability for any losses or risks arising out of, in connection with or result from (whether directly or indirectly) any actions taken by the Client or a Related Person in respect of this Clause 9.

## **10. Client Information and Record Keeping**

- 10.1 Where the Client instructs the Company to effect a Northbound transaction in China Connect Securities on behalf of the Client's client (a "**Client Transaction**"), the Client shall and is obliged to retain for a period of not less than 20 years (or such other period as the Company may instruct the Client in accordance with China Connect Applicable Laws and Regulations) records of any client instructions and account information with respect to the Client Transaction (the "**Client Information**").
- 10.2 (Applicable to intermediary only) The Client undertakes and confirms that he has put in place arrangements which:
- (a) requires its client to retain or procure the retention of the Client Information in relation to the beneficial owner of the Client Transaction for the period specified in Clause 10.1 above; and
  - (b) consents to the Client to obtain and disclose the Client Information with respect to the beneficial owner on demand and/or upon request and within the required time limit specified by the Company, or procure that it be so obtained and disclosed.
- 10.3 If the Company receives an enquiry from any China Connect Competent Authority in relation to a Client Transaction, the Client shall, upon request and within the time limit specified by the Company, disclose to the Company or to the relevant China Connect Competent Authority the Client Information, or procure such disclosure, in relation to the beneficial owner of the Client Transaction.

## **11. Indemnity**

- 11.1 In addition and without prejudice to any of the Company's rights provided in this Agreement, the Client shall indemnify, and keep indemnified, the Company and any Related Person (collectively, the "**Indemnified Parties**") on a full indemnity basis against any claims, demands, actions, proceedings, damages, costs, expenses, losses and all other liabilities whatsoever arising out of, in connection with or as a result of (whether directly or indirectly) the Company or any Related Person providing any services to the Client in respect of his trading or investment in China Connect Securities, including but not limited to:
- (a) any taxation liability arising out of, in connection with or as a result of (whether directly or indirectly) any trading or holding of China Connect Securities;
  - (b) the materialisation of any risk referred to in the risk disclosure statement under Schedule 8 hereof;
  - (c) any legal costs which any of the Indemnified Parties may incur in connection with any instruction given by the Client;
  - (d) any fees or expenses payable to any clearance systems arising out of or in connection with the holding of China Connect Securities; and
  - (e) any costs incurred arising out of, in connection with or as a result of the operation of Clause 9 hereof.

## **Schedule 8**

### **Risk Disclosures and Other Information Of China Connect Service**

This Schedule describes some of the key risk factors concerning China Connect based on the Company's current understanding of the China Connect Applicable Laws and Regulations and the Mainland China stock market. The Company has not verified the accuracy of the Mainland China stock market requirements or rules. This Schedule is not exhaustive and does not disclose all the risks and other significant aspects of Northbound Trading. The Client should ensure that he understands the nature of China Connect and he should consider carefully (and consult his own advisers where necessary) whether trading in China Connect Securities is suitable for the Client in light of his circumstances. It is the Client's decision to trade in China Connect Securities, but the Client should not trade in China Connect Securities unless he fully understands and is willing to assume the risks associated with China Connect.

The Company does not represent that the information set out in this Schedule 8 is up-to-date or complete, nor does the Company undertake to update it from time to time. For further information, please refer to the materials published on the HKEx website, the SFC website and/or the SSE/SZE website applicable to China Connect from time to time and other relevant sources. If in doubt, the Client should seek professional advice.

#### **1. Pre-Trade Checking requirements**

China Connect Applicable Laws and Regulations, SSE/SZE may reject a sell order if the Client does not have sufficient available China Connect Securities in its account. SEHK will apply similar checking on all sell orders of Northbound Trading at the exchange participant level to ensure there is no overselling by any individual exchange participant (i.e. the Pre-Trade Checking). Accordingly, the Client must comply with any requirements relating to Pre-Trade Checking mandated by the China Connect Competent Authorities or as notified to the Client by the Company. The Client must also ensure there are sufficient available China Connect Securities in the Account(s) before the commencement of trading on a trading day if he intends to sell the securities during a trading day, unless an SPSA arrangement is in place.

For the avoidance of doubt, "Special Segregated Account" or "SPSA" means a stock segregated account within the range of account codes specified by HKSCC which is designated by a Custodian Participant (as defined in the CCASS Rules) or a General Clearing Participant (as defined in the CCASS Rules) which is not an exchange participant for one of its clients for the purpose of maintaining holdings of China Connect Securities of this client and for facilitating the determination of the maximum amount of China Connect

Securities that may be bought and/or sold by this client on a particular trading day.

## **2. Settlement arrangements**

Northbound Trading follows the settlement cycle of A-shares listed on SSE/SZE. For settlement of China Connect Securities trades, ChinaClear will debit or credit the securities accounts of its participants (including HKSCC as clearing participant) on the trading day on which the order is made ("T day") free of payment. The Company may have settlement arrangements in place that are different from the ChinaClear settlement arrangements. Unless the Company agrees to prefund, settlement of funds relating to such trading will be effected on the trading day following T day ("T+1 day").

## **3. Quota on Northbound Trading**

Relevant governmental or regulatory bodies may impose quotas on the trading of China Connect Securities from time to time depending on market conditions and readiness, the level of cross-boundary fund flows, stability of the markets and other factors and considerations. The Client should read the relevant details on such quota restrictions, including the quota limit, level of quota utilisation, balance of available quota and the applicable restrictions and arrangements published on the SEHK website from time to time to ensure he has the most updated information.

Purchases of China Connect Securities through China Connect are currently subject to certain quota controls as detailed below. SEHK has absolute discretion to take all such actions, steps or measures as it considers necessary or appropriate to ensure or facilitate compliance with the relevant quota requirements or restrictions including but not limited to, the following:

- (a) restricting or rejecting buy orders for Northbound Trading;
- (b) suspending or restricting the access to or the use of all or any part of the trading services for Northbound Trading; and
- (c) amending the operational hours and related arrangements of Northbound Trading.

As a result, there is no assurance that a buy order for Northbound Trading can be successfully placed through China Connect. The aggregate quota caps the absolute amount of funds inflow into Mainland China under Northbound Trading at a level to be specified by SEHK and SSE/SZE from time to time ("Aggregate Quota"). The daily quota caps the net buy value of cross-boundary trades under China Connect on each Trading Day ("Daily Quota"). The

Aggregate Quota and/or the Daily Quota may change from time to time without prior notice and the Client should refer to the HKEx website and other information published by the HKEx for up-to-date information.

Under SEHK rules, investors may sell their China Connect Securities regardless of whether there is a breach of the Aggregate Quota or the Daily Quota. If there is a suspension of buying China Connect Securities through Northbound Trading as a result of a breach of the Aggregate Quota or the Daily Quota, the Company will be unable to carry out any buy orders and any instruction to buy submitted but not yet executed will be rejected. Please note that buy orders already accepted will not be affected by the Daily Quota being used up and will remain on the order book of SSE/SZE unless otherwise cancelled by the relevant exchange participants.

#### **4. Restriction on day trading**

Day (turnaround) trading is not permitted on China Connect Securities in the China Connect Market. If the Client buys China Connect Securities on T day, he can sell such securities only on or after T+1 day and as a result, the Client will be exposed to the market risk of holding such securities from T day to T+1 day. Due to Pre-Trade Checking requirements, if the Client sends to the Company instructions to sell the China Connect Securities the Client bought on T day, the Company can only accept such instructions on or after the applicable cut-off time (as notified to the Client by the Company from time to time) on T+1 day.

#### **5. Trading methods and insider trading implications**

Trading orders in China Connect Securities in Mainland China must be transmitted by 7.30am (Shanghai time) on the morning of the desired trade. Information about the Client's trade may be accessed and utilized by persons privy to the information to trade for their own benefit. Further, the trading arrangements may not be supported by technological checks and balances, resulting in a risk of human error and/or malfeasance.

#### **6. Client errors**

Neither the Company nor any of the Affiliated Company shall be liable for any loss, damage or expense or consequential loss, damage or expense suffered by the Client as a result of any trading based on the Client's instructions. The Company will not be able to unwind any trade, and the Client should take note of the settlement arrangements in respect of China Connect Securities under China Connect, including but not limited to quota restrictions which may affect the ability to mitigate the consequences of any error trades.



There is a general prohibition on off-exchange trading or transfers under the China Connect Rules, subject to certain exceptions (such as transfers effected to rectify error trades between an exchange participant and its clients in limited circumstances). Currently, there are no detailed rules or guidelines on permissible off-exchange transfers. In addition, SEHK may also suspend the right of a particular exchange participant to conduct non-trade transfers for error trade rectification if the SEHK has reasonable cause to suspect or to believe that the exchange participant may abuse or may have abused such rectification arrangements or may have used such rectification arrangements to circumvent the prohibition against off-exchange trades or transfers. The Company is not obliged to effect any off-exchange transfer for rectification of error trades but has absolute discretion to determine whether to conduct such off-exchange. Neither the Company nor any of the Affiliated Company is liable for any losses which may result directly or indirectly from any error trade or any refusal to conduct a transfer to rectify an error trade.

## **7. Disclosure of interests**

Under China Connect Applicable Laws and Regulations, if the Client holds or controls shares in a Mainland Chinese company which is listed on a Mainland Chinese stock exchange (a "Mainland Chinese Listco") up to a certain threshold as may be specified from time to time by a relevant China Connect Competent Authority, the Client must disclose such interest within the period specified by the relevant China Connect Competent Authority, and the Client must not buy or sell any such shares within the period specified by the relevant China Connect Competent Authority. The Client must also disclose any substantial change in his holding as required by the relevant China Connect Competent Authority. It is the Client's responsibility to comply with any disclosure of interest rules from time to time imposed by the relevant China Connect Competent Authorities and arrange for any relevant filings.

## **8. Short swing profit rule**

Under China Connect Applicable Laws and Regulations, the "short swing profit rule" requires a person to return any profits made from purchases and sales in respect of China Connect Securities of a Mainland Chinese Listco if: (a) such person's shareholding in the Mainland Chinese Listco exceeds the threshold prescribed by the relevant China Connect Competent Authority from time to time; and (b) the corresponding sale transaction occurs within the six months after a purchase transaction, or vice versa. The Client (and the Client alone) is responsible for complying with the Mainland Chinese's rules applicable to "short swing profit rule".

## **9. Prohibition against naked short-selling**

Hong Kong and overseas investors are currently prohibited from naked short selling of China Connect Securities.

## **10. Source of funding**

Although Northbound Trading is designated for Hong Kong and overseas investors, it is unclear whether Mainland Chinese Citizen investors or investors using funds sourced from Mainland China are able to enter into Northbound Trading via their offshore accounts.

## **11. Foreign ownership limits**

Under China Connect Applicable Laws and Regulations, there is a limit as to the number of shares a single foreign investor is permitted to hold in a single Mainland Chinese Listco, and also a limit as to the maximum combined holdings of all foreign investors in a single Mainland Chinese Listco. Such foreign ownership limits may be applied on an aggregate basis (i.e. across both domestically and overseas issued shares of the same listed company, whether the relevant holdings are through Northbound Trading, qualified foreign institutional investor/RMB qualified foreign institutional investor regime or other investment channels). Where the aggregated foreign ownership of a single Mainland Chinese Listco reaches a designated percentage, the HKEx (or its relevant subsidiary) will suspend accepting any purchase order of the relevant China Connect Securities through China Connect until the percentage of foreign ownership of such Listco is reduced to a certain level.

It is the Client's responsibility to comply with all foreign ownership limits from time to time imposed by China Connect Applicable Laws and Regulations. The Client may also be required to report to the relevant authorities when a designated percentage of ownership is reached. If the Company becomes aware that the Client has breached (or reasonably believe that the Client may breach upon execution of further buy orders) any foreign ownership limits, or if the Company is so required by any China Connect Competent Authority, the Client authorizes the Company to sell any China Connect Securities in order to ensure compliance with all China Connect Applicable Laws and Regulations. However, the Company is not obliged to do so and the Client should not rely on such action by the Company to ensure the Client's compliance with any China Connect Applicable Laws and Regulations.

## **12. China Connect Securities Eligible for Northbound Trading**

The SEHK will include and exclude securities as China Connect Securities based on the prescribed criteria under the China Connect Rules. The Client will only be allowed to sell a China Connect Security and be restricted from further buying, if (i) the China Connect Security subsequently ceases to be a

constituent stock of the relevant indices, (ii) the China Connect Security subsequently moves to the risk alert board, and/or (iii) the corresponding H share of the China Connect Security subsequently ceases to be traded on SEHK. According to the rules governing the listing of securities on SSE/SZE (“SSE/SZE Listing Rules”), if any SSE/SZE-listed company is in the delisting process, or its operation is unstable due to financial or other reasons such that there is a risk of being delisted or exposing investors’ interest to undue damage, the SSE/SZE-listed company will be earmarked and traded on the risk alert board. Any change to the risk alert board may occur without prior notice. For details concerning the risk alert board, please refer to the SSE/SZE Listing Rules and the provisional trading arrangement on the risk alert board of SSE/SZE.

### **13. No off-exchange transfers**

Securities trading service companies, securities companies and brokers may not provide any off-exchange services relating to the transfer in any other form of securities traded under China Connect, unless otherwise provided by the CSRC (such as post-trade allocation of securities by a fund manager across the funds and/or sub-funds it manages, and any other situations specified by SSE/SZE and ChinaClear). In other words, all China Connect Securities trading must be conducted on SSE/SZSE, i.e. no over-the-counter (OTC) or manual trades are allowed.

### **14. Offshore RMB exchange rate risks**

Similar to other foreign currencies, the exchange rate of Offshore RMB may rise or fall. There is no guarantee that RMB will not depreciate.

The exchange rate of Offshore RMB will be affected by, amongst other things, foreign exchange control imposed by the Mainland Chinese central government from time to time (for example, there are currently restrictions on the conversion of RMB into other currencies). If RMB is not the Client’s home currency, the Client may have to convert his home currency into RMB when investing in China Connect Securities and vice versa for any payments in RMB from transactions under the China Connect Securities. The Client will be incurring currency conversion costs (being the spread between buying and selling of Offshore RMB) and subject to exchange rate fluctuation risks in any such currency conversion, which may adversely affect the market value of China Connect Securities.

### **15. Limitations on the conversion of RMB**

RMB is currently not freely convertible and subject to foreign exchange control and restrictions by the Mainland Chinese central government. Conversion of

RMB through banks in Hong Kong is currently subject to certain restrictions. In particular, the conversion of RMB by a Hong Kong resident is currently subject to a daily conversion limit. If the Client is a Hong Kong resident and intend to convert an amount of RMB from/to another currency exceeding such daily conversion limit, he should allow sufficient period to enable the conversion of the amount of RMB exceeding such daily conversion limit, taking into account the maximum amount of RMB that he is permitted to convert on each day, such that he can accumulate sufficient RMB to make the relevant payment.

There may be additional rules, regulations and restrictions under contemplation or to be issued by the relevant Hong Kong or Mainland Chinese authorities that may be relevant to the Client's investment in the China Connect. The Client should check for updates and details before he buys or sells his China Connect Securities.

## **16. Placing orders**

Only limit orders with a specified price are allowed for China Connect Securities pursuant to the China Connect Applicable Laws and Regulations, whereby buy orders may be executed at or lower than the specified price and sell orders may be executed at or higher than the specified price. Market orders will not be accepted.

## **17. Price limits for China Connect Securities**

China Connect Securities are subject to a general price limit of  $\pm 10\%$  based on the previous trading day's closing price (and  $\pm 5\%$  for stocks under risk alert based on the previous closing price). The price limit may be changed from time to time. All orders in respect of China Connect Securities must be within the price limit. Any orders with a price beyond the price limit are rejected by SSE/SZE.

## **18. Dynamic Price Check**

To prevent mischievous behavior towards the use of the Aggregate Quota and/or the Daily Quota, SEHK will put in place a dynamic price checking for buy orders. Buy orders with input prices lower than the current best bid (or the last traded price in the absence of current best bid, or the previous closing price in the absence of both current best bid and last traded price) beyond a prescribed percentage will be rejected.

During the opening call auction session, the current bid (or the previous closing price in the absence of the current bid) will be used for checking. Dynamic price checking will be applied throughout each trading day, from the 5-minute

input period before the start of an opening call auction session until the end of the relevant continuous action session in the afternoon. SEHK intends to set the dynamic price checking at 3% during the initial phase of China Connect. Such price checking percentage may be adjusted from time to time subject to market conditions.

## **19. Restrictions on selling China Connect Securities**

Investors are prohibited from using China Connect Securities purchased through China Connect to settle any sell orders placed through channels other than China Connect. Accordingly, there may be a limited market and/or lower liquidity for China Connect Securities purchased through China Connect (as compared to the same shares purchased through other channels). In addition, there are restrictions on any scrip entitlements received by the Client in respect of China Connect Securities. If such scrip entitlements are in the form of Special China Connect Securities, they are only eligible for sale through China Connect (i.e. they cannot be purchased by other parties through China Connect). If such scrip entitlements are not in the form of Special China Connect Securities, they are not eligible for trading through China Connect (i.e. they are only available for trading in the relevant stock market in Mainland China). Accordingly, there is a risk of low (or no) liquidity for such shares received by way of scrip entitlement.

If China Connect Securities involve odd lots, they cannot be purchased through China Connect. A sale of China Connect Securities involving odd lots is allowed if the sale order of such China Connect securities relates to the sale of all, but not part, of the odd lots held in respect of such China Connect Securities. It is common that a board lot buy order may be matched with different odd lot sell orders, resulting in odd lot trades. Accordingly, there may be a limited market and/or lower liquidity for China Connect Securities involving odd lots purchased through China Connect.

## **20. Taxation**

It is uncertain whether Mainland Chinese capital gains tax applies to Northbound Trading. The Client is fully responsible for any Taxes in respect of China Connect Securities including any capital gains tax or other Mainland Chinese taxes, and agrees to indemnify the Company on demand from and against all Taxes which the Company may incur in connection with any China Connect Securities which the Client holds, trades or otherwise deals in.

## **21. Hong Kong client securities and identity rules**

As a general rule, investors participating in Northbound Trading do not enjoy the full protection afforded under the Securities and Futures Ordinance and its

related subsidiary legislation. In particular, as the China Connect Securities traded through China Connect are not listed or traded on SEHK and will be held by non-SFC licensed persons as custodian, the Client will not have protection under the Client Securities Rules or the Client Identity Rules.

## **22. Investor Compensation Fund**

While Northbound trading in China Connect Securities is covered by the protections afforded by the Investor Compensation Fund established under the Securities and Futures Ordinance, the Client trades China Connect Securities at his own risk.

## **23. Ownership of China Connect Securities**

China Connect Securities are un-certificated and are held by HKSCC for its account holders. Physical deposit and withdrawal of China Connect Securities are not available under the Northbound Trading.

The Client's title or interests in, and entitlements to, China Connect Securities (whether legal, equitable or otherwise) will be subject to China Connect Applicable Laws and Regulations, including laws relating to any disclosure of interest requirement or foreign shareholding restriction. This is a complicated area of law and the Client should seek independent professional advice.

## **24. Account information of beneficial owner**

Due to the Pre-Trade Checking requirement, the identity of the beneficial owner of China Connect Securities which are the subject of a sell order must be disclosed to HKSCC and/or relevant Mainland Chinese authorities. The Client Identity Rules do not apply to China Connect Securities (see paragraph 21 above) and therefore, if the Client acts as principal for any trading of China Connect Securities, the Client must provide the Company with information the Company requests about the Client; if the Client acts as agent for any trading of China Connect Securities, the Client must provide the Company with information the Company requests about the Client's principal. In each case, the information must be provided within the timeframe as prescribed by the Company and notified to the Client from time to time.

## **25. No manual trade or block trade**

There is no manual trade facility or block trade facility for Northbound Trading.

## **26. Queue priority**

Consistent with the current practice in Mainland China, if an investor engaged

in Northbound Trading wishes to amend an order, the investor must first cancel the original order and then input a new one. Accordingly, order priority will be lost and, subject to the restrictions on the balance of the Daily Quota and the balance of the Aggregate Quota, any subsequent order may not be filled on the same trading day.

## **27. Difference in Trading Day**

In the initial stage of operation of China Connect, China Connect is open for trading only when (a) each of HKEx and SSE/SZE is open for trading; and (b) banking services are available in both Hong Kong and Shanghai on the corresponding money settlement days. If any of the relevant exchange is not open or if the banks in either Hong Kong or Shanghai are not open for money settlement business, the Client will not be able to conduct any Northbound Trading. The Client should take note of the days on which the China Connect operates and decide according to his own risk tolerance capability whether or not to take on the risk of price fluctuations in China Connect Securities during the time when the China Connect is not available for Northbound Trading.

## **28. Operational hours**

The SEHK has absolute discretion to determine from time to time the operational hours of the China Connect, and will have absolute discretion to change the operational hours and arrangements of the China Connect at any time and without advance notice whether on a temporary basis or otherwise. Neither the Company nor any of the Affiliated Company shall be under any obligation to inform the Client of any such determinations by the SEHK as to the operational hours of the China Connect. The Client should be aware of the risk of price fluctuations in China Connect Securities during the time when the China Connect is not available for Northbound Trading.

## **29. Risk of ChinaClear default**

ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. Pursuant to the CCASS Rules, if ChinaClear (as the host central counterparty) defaults, HKSCC will, in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels and through ChinaClear's liquidation process, if applicable. HKSCC will in turn distribute the China Connect Securities and/or monies recovered to clearing participants on a pro-rata basis as prescribed by the relevant China Connect Competent Authorities. Although the likelihood of a default by ChinaClear is considered to be remote, the Client should be aware of this arrangement and of this potential exposure before engaging in Northbound Trading.

### **30. Risk of HKSCC default**

The Company's ability to provide the services under this Supplement is subject to the due performance by HKSCC of its obligations. Any action or inaction of the HKSCC or a failure or delay by the HKSCC in the performance of its obligations may result in a failure of settlement, or the loss, of China Connect Securities and/or monies in connection with them and the Client may suffer losses as a result. Neither the Company nor any of the Affiliated Company is responsible or liable for any such losses.

### **31. Company announcements on corporate actions**

Any corporate action in respect of China Connect Securities is announced by the relevant issuer through the SSE/SZE website and four officially appointed newspapers (both the printed papers and their websites), namely: the Shanghai Securities News, Securities Times, China Securities Journal and Securities Daily. HKSCC also records all corporate actions relating to China Connect Securities in CCASS and informs its clearing participants of the details via the CCASS terminals as soon as practicable on the announcement date. Investors engaged in Northbound Trading may refer to the SSE/SZE website and the relevant newspapers for the latest listed company announcements or, alternatively, the HKEx website's China Stock Markets Web for corporate actions in respect of China Connect Securities issued on the previous trading day. The Client should note that SSE/SZE-listed issuers publish corporate documents in Chinese only, without any official English translation.

In addition, pursuant to the CCASS Rules, HKSCC endeavours to collect and distribute cash dividends relating to China Connect Securities to clearing participants in a timely manner. Upon receipt of the dividend amount, HKSCC will arrange to distribute it to the relevant clearing participants on the same day, to the extent practicable.

Following existing market practice in Mainland China, investors engaged in Northbound Trading are not entitled to attend meetings by proxy or in person, unlike the current practice in Hong Kong in respect of SEHK-listed shares.

The Company does not verify or warrant the accuracy, reliability or timeliness of any company announcements of corporate actions and the Company accepts no liability (whether in tort or contract or otherwise) for any Loss arising from any errors, inaccuracies, delays or omissions or any actions taken in reliance thereon. The Company expressly disclaims all warranties, expressed or implied, as to the accuracy of any company announcement or as to the fitness of the information for any purpose.

### **32. Rights issuance**



Where the Client receives shares or other types of securities from the issuer of a China Connect Security as entitlements, the Client should note that the Client may not be able to buy or sell such entitlement security through the China Connect in certain circumstances (for example, if such entitlement security is listed on the SSE/SZE but is not traded in RMB or if such entitlement security is not listed on SSE/SZE).

### **33. General market risks associated with investing in China Connect Securities**

Investing in China Connect Securities involves special considerations and risks, including without limitation greater price volatility, less developed regulatory and legal framework, economic, and social and political instability of the stock market in Mainland China. The Client should also note that SSE/SZE trading rules, listing rules, and other applicable laws and regulations may be published in Chinese only, without any official English translation.

### **34. Warning statements and termination of service**

The Company may be required by SEHK and/or SSE/SZE to issue to the Client warning statements (whether verbally or in writing) or terminate the provision of Northbound Trading services to the Client for such period which SEHK and/or SSE/SZE may prescribe.

### **35. Novelty of China Connect**

China Connect is an unprecedented scheme launched jointly between SSE/SZE and HKEx to facilitate cross-border trading of China Connect Securities through HKEx. Trading in China Connect Securities under Northbound Trading is subject to all China Connect Applicable Laws and Regulations. Any change in the China Connect Applicable Laws and Regulations may have an adverse impact on trading of China Connect Securities. Such impact may adversely affect your investment in China Connect Securities. In the worst case scenario, the Client may lose a substantial part of his investments in China Connect Securities under China Connect.

### **36. Risks of ChiNext Shares Trading**

Only Eligible Investors are eligible for Northbound trading of ChiNext Shares. The following are the additional risks of investing in the ChiNext Market:-

- (a) **Regulatory Risks.** The rules and guidance on listing, trading, disclosure and other matters of SZSE ChiNext vary much from those of the SZSE main board and small and medium-sized enterprises board ("SME

Board"). For instance, on the listing requirements, a shorter track record period and lower net profit, revenue and operating cash flow requirements will apply for company seeking initial public offering ("IPO") and listing on the ChiNext market. ChiNext companies may also have a lower post-IPO total share capital than main board and SME board companies. For details of the listing requirements on the ChiNext market, the SZSE main board and SME board, please visit SZSE website.

In addition, ChiNext market adopts disclosure rules that substantially vary from those of the main board and SME board. For instance, ad hoc reports of ChiNext companies are only required to be published on a CSRC designated website and on the issuers' websites. If the Client continues to check information through the usual disclosure channels for main board and SME boards, they may miss out some important information disclosed by ChiNext companies. Therefore, the Client is advised to closely monitor announcements and risk alerts of ChiNext companies, be aware of market risks, and comply with relevant rules and regulations while trading in the ChiNext market.

- (b) Delisting Risks. The delisting standards of the ChiNext market are different from those of the SZSE main board and SME board. There are more situations that will lead to the delisting of ChiNext companies. ChiNext companies have greater exposure to the risk of being delisted, and such delisting process may be speeded up.

Further, the shares of ChiNext companies may be delisted immediately after SZSE determines its delisting. The Client will not be able to trade in delisted shares and may lose all the invested capital in this case.

- (c) Operating Risks. ChiNext companies are generally in an early stage of development and have a shorter history. They are usually smaller in scale, have less stable operations, and are less resilient against market risks and industry risks. Although they may have higher growth potential and leverage more on technical innovations, their future performance particularly those without a profit track record is susceptible to great uncertainty.
- (d) High Share Price Volatility. The share prices of ChiNext companies may fluctuate largely and frequently due to changing market conditions, investor speculations, inconsistent financial results, etc. ChiNext companies with low public float may be vulnerable to manipulations by major shareholders. The unstable financial result also adds the difficulty to the company valuations.
- (e) Technical Risks. It is uncertain whether a ChiNext company is able to

convert its technical innovations into physical products or services. When the industry is experiencing rapid technological development and replacement, its product may be obsolete and may not survive in the market.

### **37. Risks of STAR Shares Trading**

Only Eligible Investors are eligible for Northbound trading of STAR Shares. The following are the additional risks of investing in the STAR Market:-

- (a) Investment and Operating Risks. STAR companies are generally in an early stage of development and have a shorter history. In addition, science and technology innovation requires capital and the development of high-tech enterprises is subject to significant uncertainties. STAR companies are also usually smaller in scale, have less stable operations, and are less resilient against market risks and industry risks. Although they may have higher growth potential and leverage more on technical innovations, their future performance particularly those without a profit track record is susceptible to great uncertainty. As early investors, the innovation capital bears high investment risks.
- (b) Regulatory Risks. The rules and guidance on listing, trading, disclosure and other matters of the STAR Market vary much from those of the SSE main board. For instance, insofar as listing requirements are concerned, lower net profit and revenue requirements will apply for companies seeking initial public offering (IPO) and listing on the STAR Market. In respect of trading arrangements, different trading rules, including daily price limit, minimum order size and maximum order size, will also apply to the trading of STAR Shares. For details on the listing requirements and the trading arrangements of the STAR Market and the SSE main board, please visit the SSE website.
- (c) Delisting Risks. The delisting standards of the STAR Market are different from those of the SSE main board. There are more situations that will lead to the delisting of STAR Market companies. STAR Market companies have greater exposure to the risk of being delisted, and such delisting process may be speeded up.
- (d) High Share Price Volatility. The share prices of STAR Market companies may fluctuate largely and frequently owing to changing market conditions, speculations of investors, inconsistencies in financial results and performances, etc. Unstable financial results may also create difficulties in terms of company valuations of STAR Market companies.
- (e) Technical Risks. There is higher degree of uncertainty in respect of

whether a STAR Market company is capable of converting its technical innovations into physical products or services. Where the industry is experiencing rapid technological development and replacement, the product of a STAR Market company may become obsolete and may not survive in the market.

### **38. Risks of trading exchange-traded funds (ETFs) under the China Connect**

Exchange Traded Funds (“ETFs”) are passively managed open-ended funds traded in a similar manner as stocks on the exchanges. ETFs track, replicate or correspond to the performance of the underlying benchmarks (for example: an index or a specific segment of a market) and offer the investor an indirect access to a wide range of underlying market themes. By investing in an ETF, the Client can replicate (albeit not 100%) the performance of the underlying strategy without actually owning the constituents that comprise the relevant strategy. ETFs may or may not pay dividend to their holders depending on the dividend policy of individual ETFs.

- (a) The Mainland China Market Risks. ETFs are exposed to various economic, political, currency, legal and other risks of a specific sector or market related to the index and the market that it is tracking. In addition, the Mainland China as an emerging market has higher market volatility compared to other developed markets.
- (b) Foreign exchange and Reminbi currency risk. Trading ETFs with underlying assets not denominated in their same local currency may give rise to exchange rate risk. The value of the underlying asset of an ETF, and thus the price of the ETF, may hence be adversely affected by currency rate fluctuations.

The value of the Renminbi against the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the Mainland China and international political and economic conditions and by many other factors. For ETFs in China Connect Securities denominated in Renminbi, the value of the investment in Hong Kong dollar terms may decline if the value of Renminbi depreciates against the Hong Kong dollar.

- (c) Interest rate risks. The Mainland China government’s gradual liberalization on the regulation of interest rates in recent years may increase interest rate volatility. It follows that the return and performance of ETFs in China Connect Securities denominated in Renminbi may be adversely affected by the interest rate fluctuations.
- (d) Tracking error risk. This is the discrepancy between the performance of

the ETF and the performance of the underlying benchmark. Tracking error can be attributed to various factors including changes in the composition of the underlying benchmark and type of ETF (e.g. physical vs synthetic), failure of the ETF's tracking strategy, impact of fees and expenses, foreign exchange differences between the base currency or trading currency of the ETF and the currencies of the underlying investments.

- (e) Risk in trading at discount or premium to NAV. Since the trading price of the ETF is typically determined by the supply and demand factors, the ETF may trade at a price higher or lower than its Net Asset Value (NAV). In the case when the ETF is terminated, the Client who bought at a premium may suffer a loss and would not be able to seek any recovery.
- (f) Liquidity risk. While most ETFs are supported by one or more market makers who help to provide liquidity to facilitate trading in ETFs, there is no assurance that active trading will be maintained. Where the market makers default or cease to perform their role, the Client may not be able to buy or sell the ETF or may find the market price of the ETF is at a discount or premium to its NAV.
- (g) Concentration risk. ETFs may invest in a single country, industry or sector, which may result in concentration risk.

## **Schedule 9**

### **Risk Disclosures and Other Information Of IPO**

Once you have successfully submitted your application, the application details will be sent to you for confirmation. After you have confirmed the details, you will receive a reference number for record. If you do not receive the reference number or have other enquiries, please call our customer service during office hours.

Once you have submitted the application and confirmed the details, you cannot amend any application details or cancel your application. Multiple applications or suspected multiple applications will be rejected. You will receive a confirmation letter by mail for the allotment result of the IPO.

If your application is wholly or partially unsuccessful, on the refund date as announced by the issuers:

- Yellow Form Application: nominee will credit the excess fund to your payment account.

Before IPO's first trading day,

- Yellow Form Application: the allotted shares will be deposited to your securities account so that the shares can be sold on the first day of listing.

### **Over-subscribing to an IPO**

In some cases, IPO may be oversubscribed. The company may go through an allocation process to determine whether an investor will receive any shares and, if so, in what quantity. An investor may be tempted to subscribe for more shares than he intends to, if he thinks he will not receive the full amount in case of an over-subscription. However if the IPO is not oversubscribed, the investor will receive all the quantities applied for and will incur the full cost.

### **Market risk**

There is a risk that the company's share price will drop below its initial IPO price, once the company's share commence trading on the stock market. Share price will fluctuate over time.

### **Company risk**

It is vital to understand the company and business you are investing in. Investors should study thoroughly the prospectus, financial report and even seek professional advice before making the investment decision.

### **Market risk**

There is a risk that the company's share price will drop below its initial IPO price, once the company's shares commence trading on the stock market. Share price will fluctuate over time, your investment in the product may suffer a loss even if the RMB appreciates against HKD or other currencies.

### **Company risk**

It is vital to understand the company and business being invested in. Investors should study thoroughly the prospectus, financial report and even seek professional advice before making the investment decision.

### **Liquidity risk**

RMB equity products are a new type of investment product in Hong Kong. Regular trading or an active secondary market may not develop in these products. Therefore you may not be able to sell your investments in the RMB equity products on a timely basis, or you may have to sell them at a deep discount to their value in order to find a buyer.

Also, should the PRC central government tighten foreign exchange controls, the liquidity of RMB or RMB equity products in Hong Kong will be affected and you may be exposed to greater liquidity risk.

### **Currency risk**

If you are a non-mainland PRC investor who holds a local currency other than RMB, you will be exposed to currency risk if you invest in RMB equity products. You will incur currency conversion costs, being the spread between buying and selling RMB, when you convert between your local currency and RMB during the purchase and sale of an RMB equity product. Moreover, RMB is a restricted currency and subject to foreign exchange controls. Although the PRC central government has relaxed the restrictions by allowing banks in Hong Kong to conduct some forms of RMB business, RMB is still not freely convertible in Hong Kong. You may not be able to convert RMB at your preferred time and/or in your preferred amount or at all, which may lead to investment losses.

### **Exchange rate risk**

As RMB equity products are traded and settled in RMB, they are exposed to exchange rate risk. Even if the RMB/HKD exchange rate remains steady, and the price of the RMB equity products you are holding does not change, you may not receive the same amount of HKD when you sell the products due to the spread between buying and selling RMB. RMB equity products are not an investment

instrument for you to use to speculate on movements of the RMB/HKD exchange rate.

### **Default risk**

In general, RMB equity products are exposed to the usual kind of default risks that might be associated with equity products denominated in other currencies. RMB equity products exposed to the mainland China market are particularly subject to risks that may arise from the relevant market/industry/sector in mainland China.

Subscriptions are subject to a service charge and interest on margin (if any), whether or not they are allocated for the purpose of the listing of the new shares or the listing of the company. HKD Margin: HK \$ 100; HKD Cash: HK \$ 50 ).



## Schedule 10

### Notice To Customers Relating To The Personal Data (Privacy) Ordinance (“PDPO”)

1. From time to time, it is obligatory for you to supply to us on our request your personal data in connection with the opening, operation and maintenance of your securities trading account(s) (the “**Account**”) with Central China International Securities Co., Limited (the “**Company**”) and the establishment, use and continuation of securities trading services, credit facilities and other services and products offered by the Company. Failure to supply such data may result in the Company being unable to open, operate or maintain the Account, or unable to provide or continue any services, facilities or products. Your personal data may also be collected or compiled by the Company in the course of continuing the contractual relationship between you and the Company, for example, when the Company effects transactions on your behalf.
  
2. Your personal data may be used for the following purposes:-
  - (a) opening, operating and maintaining the Account, processing any applications or requests from you for services, facilities and products, and/or providing financial services, facilities and products to you from time to time, whether by the Company and/or by any of the companies in the Company's Group (which includes the parent company and affiliates of the Company) and their respective offices in Hong Kong and elsewhere in the business of provision of financial services (collectively called the “**Group Companies**”);
  - (b) purchasing, investing, or otherwise disposing of and generally dealing in and with all kinds of securities on your behalf;
  - (c) conducting identity and/or credit checks and enquiries on you and ascertaining your financial situation and investment objectives, and enabling or assisting any other financial institutions (including any other Group Companies) to do so;
  - (d) ensuring your ongoing credit worthiness;
  - (e) determine the amount owed to or by you;

- (f) collection or recovery of amounts outstanding from you or any person who has provided security for your obligations, enforcement of security, charge or other rights and interest in favour of the Company and/or any other Group Companies;
- (g) researching, designing, launching, promoting and marketing the Company's and/or other Group Companies' financial services or products;
- (h) meeting any obligations to make disclosure under any law, rules, regulations, codes of practice, guidelines or any other requirements applicable to the Company and/or any other Group Companies or in accordance with any demand or request of any legal, governmental or regulatory bodies or authorities to which the Company and/or any other Group Companies are subject;
- (i) giving effect to your orders relating to transactions, and carrying out your other instructions;
- (j) forming part of the records of the persons receiving the personal data from the Company;
- (k) conducting matching procedures as defined in the PDPO;
- (l) maintaining a credit history of the customer (whether or not there exists any relationship between the customer and the relevant Company or its Group Companies or the recipient of the data) for present and future reference;
- (m) enabling any actual or potential assignee or transferee of the Company, or participant or sub-participant of the Company's rights to evaluate the transaction intended to be the subject of the assignment, transfer, participation or sub-participation;
- (n) compliance of the U.S. Foreign Account Tax Compliance Act and such personal data may be transferred to or used by the U.S. government or the U.S. tax authority; and
- (o) other purposes related or incidental to the ordinary course of business of the Company and/or the other Group Companies and any purposes relating or incidental to the above.

The Company and/or the Group Companies may from time to time transfer your data outside of Hong Kong for any of the above purposes.

3. Your personal data held by the Company will be kept confidential but the Company may provide such data to any of the following persons whether in or outside Hong Kong :-
- (a) any agents, contractors or third party service providers employed by the Company and/or other Group Companies to provide administrative, data processing, financial, telecommunications, computer, payments, dealing, clearing, settlement, custody, depository or other services in connection with the operation of their business;
  - (b) any other persons to whom your personal data is passed who are under a duty of confidentiality to the Company, including but not limited to the Group Companies which have undertaken to keep such data confidential, for various purposes set out in Paragraph 2 hereof;
  - (c) any nominees in whose name your securities or other assets may be registered;
  - (d) any actual or potential assignee, transferee, participant, sub-participant, delegate, successor or person who acquires, undertakes or shares all or any of the rights and obligations of the Company in connection with the Account or other dealings between you and the Company;
  - (e) any financial institution with which you have or proposed to have dealings;
  - (f) any person with your express or implied consent;
  - (g) any individual under a duty of confidentiality, who registered as the customer's agent of the customer's stocks and assets;
  - (h) any person where the interests of the Company require disclosure or where the Company is under an obligation to make disclosure;
  - (i) any person where public interest requires disclosure;

- (j) auditors, legal advisors and/or other professional advisors of the Company and/or the other Group Companies;
- (k) credit reference agencies and, in the event of your default, debt collection agencies;
- (l) any person who requests the Company and/or any other Group Companies to provide references in respect of you upon producing proof of your prescribed consent; and
- (m) any exchange, entity, agency, regulatory or government body in any jurisdiction if required by law or pursuant to any court orders, rules or regulations to which the Company or its Group Companies is subject. In such cases, the Company and/or other Group Companies is usually under a duty of secrecy and will not be able to notify a customer or seek his/her consent in relation to such release of information .

**4.** Under and in accordance with the terms of the PDPO, you have the right:-

- (a) to check whether the Company holds data about you and the right of access to such data;
- (b) to require the Company to correct any data about you which is inaccurate;
- (c) to ascertain the Company's policies and practices in relation to personal data and to be informed of the kind of personal data held by the Company.

**5.** The Company and/or the Group Companies may use your personal data in direct marketing with your consent (which includes an indication of no objection) for that purpose. In this connection, please note that:

- (a) your personal data such as the customer's name, telephone number, email address, correspondence address, account number, products and services portfolio information, transaction pattern and behaviour, risk profile, financial background and investment objectives and experience may be used by the Company and/or other Group Companies in direct marketing;

- (b) the following classes of services, products, facilities and marketing subjects may be marketed:
  - (i) financial, securities, commodities, derivatives, investment, financing, insurance, MPF/ORSO, wealth management, investor education and related services, products and facilities;
  - (ii) reward, loyalty or privileges programmes and related services, products and facilities;
  - (iii) services, products and facilities offered by the Company, other Group Companies and/or the business partners of the Company and/or other Group Companies as referred to in clause 5(ii)(1) above; and
  - (iv) donations and contributions for charitable and/or non-profit making purposes;
- (c) the above services, products, facilities and marketing subjects may be provided or (in the case of donations and contributions) solicited by the Company and/or other Group Companies and/or an of the following persons:
  - (i) any member of the Company and/or other Group Companies;
  - (ii) third party financial institutional and providers of any of the services, products and facilities referred to in clause 5(ii)(1) above;
  - (iii) third party reward, loyalty, co-branding or privileges programme providers; and
  - (iv) business partners of any member of the Company and/or other Group Companies providing any of the services, products and facilities referred to in clause 5(ii)(1) above.
- (d) the Company and/or other Group Companies may, with your written consent (which includes an indication of no objection), also provide the personal data described in clause 5(i) above to any of the persons referred to in clause 5(iii) for use by any of them in direct marketing of the services, products, facilities and marketing

subjects referred to in clause 5(ii) above. The Company and/or other Group Companies may so provide the personal data to such persons for direct marketing purposes for gain.

If a customer wishes the Company to cease to use and provide his/her personal data to other persons in direct marketing, the customer may notify the Company in writing by mailing or faxing a written notification to the postal address, email address or fax number provided in clause 9 below. The Company shall then cease to use and provide his/her personal data for direct marketing purposes without any charge.

6. There may be instances where customers elect to provide personal data to the Company or its Group Companies through electronic means (such as internet or voice recording system). Whilst the Company generally uses best endeavour to maintain the security and integrity of its systems, electronic communication may not be a reliable medium of communication and customers should communicate personal data via electronic means with caution.
7. According to the PDPO, the Company has the right to charge you a reasonable fee for the processing of any data access request.
8. Neither the Company nor any other Affiliated Company shall have any liability to you if any information supplied by you or on your behalf is incorrect or inaccurate.
9. The person to whom requests for ceasing the use of personal data in direct marketing, access to data, correction of data or information regarding policies and practices and kinds of data held are to be addressed as follows:

The Data Protection Officer  
Central China International Securities Co., Limited,

Room 1304, 13/F, Admiralty Centre Tower 1, 18 Harcourt  
Road, Admiralty, Hong Kong

Email: [cs@ccnew.com.hk](mailto:cs@ccnew.com.hk)  
Fax: (852)2250 5133

10. This Notice may be revised, amended or supplemented from time to time by the Company. The most up-to-date Notice can be found in the Company's website or available from the Company upon written request.

11. Nothing in this Notice shall limit your rights under the PDPO.
12. In this Notice wherever the context so requires or admits where the customer comprises two or more persons, all references to the customer shall be construed as references to all or any of such persons, the singular shall include the plural and vice versa, the expression “person” shall mean and include a company, society, corporation, firm or an individual and in the case of an individual his or her executors, administrators, committee, receiver or other person lawfully acting on behalf of every such person. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise requires. All references to “customer” include prospective and existing customers, visitors to the Company’s website and individuals who participate in promotion, contest or game.

## **Schedule 11**

### **Disclosure on Best Execution**

Thank you for choosing Central China International Securities Co., Limited ("Central China" or "We") to execute your order. Central China offers execution service on a variety of financial products. Before we process any order(s) for our clients ("You"), we believe it is essential for you to understand how we execute such order(s) in accordance with local trading rules and regulations as well as internal policies. The information presented here is a summary of our Best Execution Policy ("Policy") and aims to provide you with insight on how such policy applies to your order(s), however, this information is not a full and complete explanation on how an order should be processed/executed.

Central China is obliged to take reasonable steps to achieve the best possible results for your order execution. We take into consideration a number of factors holistically including but not limited to the below when executing order(s) where best execution applies:-

- ▶ Size and Nature of the order(s)
- ▶ Price
- ▶ Cost
- ▶ Speed of execution
- ▶ Likelihood of execution
- ▶ Likelihood of settlement
- ▶ Other relevant factors

In case specific instruction is received from you, Central China will prioritize the specific element(s) as given in your instruction when executing such order(s):-

- ▶ Specific price and/or;
- ▶ Specific broker and/or;
- ▶ Specific counterparty and/or;
- ▶ Specific timeframe and/or;
- ▶ Specific venue etc.

Electronic orders placed by you will be routed directly to an exchange or trading venue via a Direct Market Access platform. In such situation, you will be considered to have provided a specific instruction to us.

In considering clients' specific instruction, Central China may be prevented from executing the order(s) in accordance with the Policy to achieve the best possible results in executing those order(s). In respect of other elements of



the order (if any) that are not covered by the specific instruction, we will still be obliged to provide best execution.

In assessing whether best execution applies, i.e. whether you are relying on us to provide best execution for your order(s), Central China takes into account the following factors where applicable:-

- ▶ Whether the transaction is initiated by you;
- ▶ Whether it is general market practice for clients to “shop around” to obtain quotes from multiple sources/market participants;
- ▶ Whether it is a relatively transparent market;
- ▶ Whether we have disclosed to you that best execution is not applicable

Best execution arrangement might be applied through the exclusive use of our affiliates, connected parties and third parties. When Central China passes its client’s order to another entity for execution, we will take all sufficient steps to achieve the best possible outcome, in accordance with the Policy, taking account of the factors mentioned above and any specific instructions received from the client in relation to that order. When we use our affiliates or connected party to execute a client’s order, we will ensure that any conflicts of interest are managed appropriately to provide the best result for the client.

Please note that best execution may not be applicable in the following non-exhaustive scenarios:-

- ▶ Where you accept a firm price or two-way price provided by us in response to your request for a quote;  
Where you approach us with a request to trade and have provided specific instruction(s) to trade e.g. size, specific price limit and/or other conditions, we shall be deemed to have satisfied our best execution obligation as long as we have executed your order, or a specific part of your order, according to your specific instruction(s);
- ▶ Order in OTC structured investment product(s) which are mostly tailor-made to meet your specific requirements and with pricing generally derived from bilateral negotiations between us where we will give priority to our affiliate(s);
- ▶ In accordance with the terms of a contractual relationship between Central China and the client, we may exercise a power to terminate such relationship upon the occurrence of an event of default in respect of which the client is the defaulting party or a similar event. In exercising this power (including, without limitation, by unwinding or otherwise terminating any client position or enforcing any security), we act for our own account to protect our interests and do not act on the client’s behalf in terms of best execution.

Regardless whether best execution applies or not, we will still be required to treat you fairly and to manage any conflicts of interest that may arise.

If you have any queries after reading this document, please feel free to contact our Account Executives/ Relationship Managers for further clarification.

By continuing to transact with us, you are deemed to have taken notice of and agreed to be bound by the best execution arrangement mentioned above.

This document does not constitute legal or any other form of advice and must not be relied on as such. It is your responsibility to review and conduct your own due diligence on relevant rules and regulations or any documentations provided to you. We will not be liable, in any circumstances, whether in contract, tort, and breach of statutory duty or for any losses or damages that maybe suffered as a result of using this document. We do not owe responsibility or liability for any differences of interpretation of legislative provisions and applicable rules/regulations/circulars on which this document is based.

For and on behalf of,  
Central China International Securities Co., Limited

(This is a computer generated document. No signature is required. In case of inconsistency between the English and Chinese versions, the English version shall prevail.)