



**東興證券(香港)有限公司**  
**DONGXING SECURITIES (HONG KONG) CO.,LTD.**

**SECURITIES TRANSACTIONS CLIENT AGREEMENT  
(INDIVIDUAL/CORPORATE/INSTITUTIONAL  
PROFESSIONAL INVESTOR)**

---

Dongxing Securities (Hong Kong) Company Limited is an Exchange Participant of the Stock Exchange of Hong Kong Limited and a Licensed Corporation registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to conduct Type 1 (dealing in securities) regulated activities.

CE Number designated by Securities and Futures Commission – [ BBY779 ]

---

**Dongxing Securities (Hong Kong) Company Limited**

6805-6806A, International Commerce Centre,  
1 Austin Road West, Kowloon  
Hong Kong

**Telephone : 26 555 222**

**Facsimile : 26 555 002**

## CONTENTS

---

### Terms & Conditions

	Page
Part A      General Terms and Conditions .....	1
Part B      Cash Account Terms and Conditions .....	13
Part C      Margin Account Terms and Conditions .....	21
Part D      China Stock Connect Terms and Conditions .....	26
Part E      Additional Terms for Electronic Trading Services .....	55

### Schedules

Schedule 1	Risk Disclosure Statements
Schedule 2	Notice relating to the Personal Data (Privacy) Ordinance

## **IMPORTANT NOTES**

1. A Client who applies for or uses securities trading and related services which Dongxing Securities (Hong Kong) Company Limited of 6805-6806A, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong ("**Dongxing Securities**" or the "**Broker**") may in its absolute discretion provide to the Client from time to time shall sign the relevant parts of this Agreement specified below and any additional documents prescribed by the Broker.
2. An account application form (the "**Account Application Form**") must be completed by or for each Client.
3. Schedule 1 *Risk Disclosure Statements* apply to each Client to the extent that the risks relate to the services provided or to be provided by the Broker to the Client from time to time.
4. Schedule 2 *Notice relating to the Personal Data (Privacy) Ordinance* applies to each Client.
5. The information in this document is directed only at "professional investors" as defined under the SFO.

## PART A

### GENERAL TERMS AND CONDITIONS

#### 1. **Applicability**

This Agreement applies to all services and facilities offered by the Broker to the Client from time to time. The Broker is entitled to prescribe further terms and conditions for specific services and facilities (the “**Specific Terms**”). This Agreement, including the relevant Account Application Form and the Specific Terms, governs the dealings and relationship between the Broker and the Client. If there is any inconsistency between this Agreement and any of the Specific Terms, the Specific Terms shall prevail insofar as the relevant specific service or facility is concerned.

#### 2. **Definitions and Interpretation**

2.1. In this Agreement, the following expressions have the following meanings : -

“**Access Codes**” password(s), and/or form(s) of personal identification (in numeric, alpha-numeric or other format, usually known as login name) prescribed by the Broker from time to time, whether used alone or in conjunction with each other, for gaining access to the Electronic Trading Service;

“**Account**” means each account (in any currency or of any nature or description whatsoever and whether subject to notice or not) maintained by the Client (whether in its sole name or jointly with any other person) with the Broker from time to time;

“**Account Application Form**” means the account application form as required by the Broker to be completed and provided by or on behalf of the Client;

“**Agreement**” means these Terms and Conditions, the Account Application Form completed by or on behalf of the Client and together with any addenda thereto, as amended and/or supplemented from time to time; the written agreement between the Client and the Broker regarding the opening, maintenance and operations of the Account(s) as amended from time to time, including but not limited to the General Terms and Conditions, the Specific Terms, the Account Application Form, Risk Disclosure Statements, Data Privacy Policy and any authority given by the Client to the Broker with respect to the Account(s);

“**Applicable Regulations**” means all laws, rules and regulations in Hong Kong and any other relevant jurisdiction, and all codes, guidelines, judgments, orders and directives (whether or not having the force of law) issued by any regulator, authority, exchange and/or governmental agency in Hong Kong or elsewhere and all customs and practices of any exchange, clearing house or market in Hong Kong or elsewhere, which are applicable to the Broker, the Client, the Accounts and/or the Transactions from time to time;

“**Authorised Person**” means the Client and each person authorised by the Client to give instructions to the Broker, as notified (together with specimen signatures) to the Broker from time to time in such manner it may require, the particulars and specimen signature of each Authorised Person as at the date of this Agreement are set out in the *Third Party Authorisation Form* completed in connection with this Agreement and the Account Application Form of the Client. Such person(s) shall continue to be Authorised Person(s) until such time as the Broker has received from the Client appropriate documents revoking the authority of such person(s);

“**Broker**” means Dongxing Securities (Hong Kong) Company Limited and includes its successors and assigns;

“**Business Day**” means a day (excluding Saturdays and Sundays) on which banks in the relevant jurisdiction are open for the purpose of carrying out the relevant transactions and includes in respect of a type of transactions, the business hours prescribed by the Broker from time to time for the purpose of carrying out that type of transactions;

“**Cash Account**” means any securities cash account as indicated as such in the Account Application Form, opened by the Client with the Broker for trading of securities without Margin Facility granted by the Broker;

“**Charge**” means the charge over the Collateral in favour of the Broker to secure repayment of the secured obligations in accordance with Clause 3 of Margin Account Terms and Conditions, and includes such modification or supplement from time to time;

“**Clearing House**”, in relation to SEHK, means HKSCC or other body appointed by or established and operated by SEHK to provide clearing services to exchange participants of SEHK and, in relation to any other Exchange, means any clearing house providing similar services for such Exchange;

“**Client Money Rules**” means the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong) made by the SFC under section 149 of the Securities and Futures Ordinance as amended from time to time;

“**Client**” or “**you**” means the person or, as the case may be, each person whose name and other particulars are set out in the relevant Account Application Form and includes, where the context permits, any Authorised Person;

“**Client’s Assets**” means such cash and/or non-cash assets (including, without limitation, Securities and precious metals) of the Client accepted by the Broker at its discretion from time to time for the purpose of this Agreement;

“**Client Money Standing Authority**” means the client money standing authority granted by the Client to Broker as amended or supplemented from time to time;

“**Code of Conduct**” means Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission issued by the SFC and as amended from time to time;

“**Collateral**” means all securities, money and any other properties provided by the Client to the Broker or purchased or received by the Broker for the Client or otherwise which come to the possession, custody or control of the Broker or other persons on behalf of the Broker which are charged to the Broker as security under the Margin Account Terms and Conditions; accordingly, “securities collateral” refers to the securities comprised in the Collateral;

“**controlling entity**” has the meaning given to it in Schedule 1 to the Securities and Futures Ordinance (Chapter 571);

“**Data Privacy Policy**” means the Broker's general policy in relation to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and any subsidiary legislation made thereunder as amended, consolidated or substituted from time to time and the policy is set out in Schedule 2 *Notice relating to the Personal Data (Privacy) Ordinance*;

“**Electronic Trading Service**” means any facility and service (including without limitation those

relating to dealing services, information services, e-mail and the software comprised in any of the foregoing) provided or to be provided by the Broker or Broker's contractor or agent or service provider from time to time under this Agreement which enables the Client to give instructions relating to any Transaction in the Account(s) or to obtain quotation on prices of securities or other information through any electronic media.

“**Guarantor**” means any person who provides security and/or assume obligations of a guarantor or indemnifier for any Indebtedness;

“**HKSCC**” means Hong Kong Securities Clearing Company Limited;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Indebtedness**” means all indebtedness, obligations and liabilities of whatever nature and kind owed by the Client to the Broker from time to time, whether present or future, actual or contingent, primary or collateral, in any capacity and whether alone or jointly with any other person together with interest, charges, commissions and other costs and expenses charged or incurred by the Broker;

“**Instruction**” means any instruction given by the Client or any other Authorised Person or any person purporting to be the Client or any other Authorised Person and received by the Broker in such manner as the Broker may prescribe;

“**Loss**” means any losses, damages, proceedings, claims, demands, actions, liabilities, costs, penalties, fines, taxes, fees and expenses whatsoever, including but not limited to any direct, indirect, special or consequential losses (whether or not the possibility of such were known about or reasonably in the contemplation of the relevant parties), any loss of profits, loss of revenue, damage to goodwill or reputation, loss of contracts or business opportunities, loss of use of money, money not recovered, money paid out in error, interest, and any liability to any third party of any nature whatsoever;

“**Margin**” means the amount, whether cash or non-cash collateral as may from time to time be demanded by the Broker 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 Facility for the purpose of protecting the Broker against any loss or risk of loss on present, future or contemplated obligations arising from Margin Facility 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 Broker in respect of the collection and specifications of the Margin, usually the required amount of margin is set to be equal to applicable percentage as notified and determined by the Broker to the Client of the prevailing market value of Collateral;

“**Margin Account**” means any securities margin account, as indicated as such in the Account Application Form, opened by the Client with the Broker for trading of securities with Margin Facility granted by the Broker;

“**Margin Facility**” the credit facility provided by the Broker to the Client to facilitate the acquisition of securities and the continued holding of those securities under the Margin Account and for other related purposes;

“**Person**” includes an individual, sole proprietorship, partnership, trust, corporation and an unincorporated body of persons;

“**Personal Data**” has the meaning as defined in the Personal Data (Privacy) Ordinance (Cap 486

of the Laws of Hong Kong).

“**Related Person**” in relation to the Broker, means (i) any of holding companies, subsidiary companies or affiliated companies of the Broker, or (ii) any director, officer, employee or agent of the Broker or of any holding companies, subsidiary companies or affiliated companies (including appointed executing brokers, dealers and/or institutions by the Broker in Hong Kong or elsewhere) of the Broker.

“**Risk Disclosure Statement**” means the risk disclosure statement provided by the Broker to the Client before the opening of the Account and/or from time to time in form prescribed by the SFC from time to time with the current version set out in Schedule 1 of this Agreement;

“**Secured Obligations**” means all money, obligations or liabilities in any currency (together with any accrued interest) falling due, owing or incurred by the Client to the Broker under the Margin Account, or to a Related Person of the Broker under any other accounts now and in the future, whether actually or contingently, whether solely or jointly with others;

“**Securities**” includes (a) items under the definition of securities in Schedule 1 to the SFO; (b) all investment products listed or traded on Exchanges; and (c) any investment products prescribed by the Broker as such;

“**SEHK**” The Stock Exchange of Hong Kong Limited;

“**Services**” means any and all securities trading and related services and facilities provided by the Broker to the Client from time to time pursuant to this Agreement;

“**Settlement Account**” means each Account designated by the Client for the purpose of settling Transactions and making payments in connection with the Services; and

“**SFC**” means the Securities and Futures Commission of Hong Kong constituted under the SFO;

“**SFO**” means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any subsidiary legislation made thereunder amended, consolidated or substituted from time to time;

“**Transaction**” means the purchase, sale, exchange, disposal of and general dealing (including but not limited to deposit and withdrawal and exercise of call and put options) in securities, the disposition of funds and the drawing and repayment under the Margin Facility on behalf of the Client in connection with this Agreement.

- 2.2. Words importing the singular number shall include the plural and vice versa, and words importing any particular gender shall include any other gender.
- 2.3. References to Clauses, Parts and Schedules are to the Clauses and Parts of and the Schedules to this Agreement. The Schedules to this Agreement form an integral part of this Agreement.
- 2.4. Headings are inserted for ease of reference only and do not affect the interpretation of this Agreement.

### **3. Services**

- 3.1. The Client requests and authorises the Broker to open one or more Accounts which shall be maintained and operated subject to this Agreement.
- 3.2. The Broker is hereby authorised to perform all or any of the following services but reserves

the right to refuse to do so in its sole discretion:

(a) Investment services:

- (i) to purchase or subscribe for any type of Securities in accordance with the Client's Instructions;
- (ii) to sell or otherwise dispose of Securities and to deal with the proceeds in accordance with the Client's Instructions; and
- (iii) to deliver the documents of title and any other instruments relating to such Securities to the Client or to the order of the Client in accordance with the Client's Instructions;

(b) Custodian services:

- (i) to hold or to arrange for Securities to be held in safe custody;
- (ii) to hold bearer instruments in that form and to register other instruments in the name of the Broker or any other person appointed by it;
- (iii) where Securities are registered in the name of the Broker or any other person appointed by it and have been deposited under these General Terms and Conditions, to notify the Client of information received by the Broker which requires action to be taken by the Client in relation to such Securities and to request, collect, receive and make payments or distributions attributable to such Securities arising from acquisition, ownership, disposal, conversion, exchange or otherwise.

3.3. The Client shall sign or execute such further agreement, instrument or document as the Broker may require from time to time for the application, maintenance and use of any of the Services.

3.4. The Services shall be provided to the Client subject to all Applicable Regulations.

3.5. If the Services provided by to the Client relate to derivative products, the Broker shall, upon the Client's request, provide to the Client product specifications and any prospectus or other offering document relating to derivative products and a full explanation of any applicable margin requirements.

3.6. For the avoidance of doubt, the Broker shall provide the Services with reasonable care and skill.

#### **4. Client's Instructions**

4.1. The Client authorises and instructs the Broker to act on Instructions given by any Authorised Person. The Client shall give, and shall ensure that any other Authorised Person gives, clear Instructions for effecting a transaction which must be distinguished from requests for indication of rates or prices.

4.2. Authorised Persons may give Instructions in writing or by telephone, facsimile, e-mail or such other means accepted by the Broker subject to the execution of such documents as the Broker may require. The Broker is authorized, but is not obliged, to accept and act upon Instructions given through telephone or electronic or other means in connection with any securities transaction or for transfer of funds to or from the Account, for any purpose in connection with the Agreement. Instructions shall not be considered to be received by the Broker unless they



are given and actually received in the manner prescribed by the Broker.

- 4.3. The Broker may, at its discretion, accept instructions reasonably believed by it in good faith to have been given by an Authorised Person. The Broker shall be entitled at its sole and absolute discretion to refuse to accept any Instruction and shall not be obliged to give reasons for such refusal and shall not be liable to the Client for any Loss arising out of or in connection with its not accepting or acting on any Instruction or omitting to notify the Client of such refusal. Without prejudice to the generality of the foregoing, the Broker may refuse to act if any Instructions are unclear or if the Broker receives conflicting Instructions, or if the Broker believes, in good faith, that Instructions are fraudulent, forged or unauthorised or that acting on any Instructions may be in breach of any law or regulation applicable to the Client, the Authorised Person and/or the Broker. All Instructions received, as understood and acted on by the Broker in good faith, shall be irrevocable and binding on the Client whether given by an Authorised Person or by any other person purporting to be an Authorised Person, and notwithstanding any error or misunderstanding or lack of clarity in such Instructions. The Broker has no duty to verify the identity or authority of any person giving instruction or the authenticity of any instruction.
- 4.4. The Client acknowledges and agrees that if any Instruction purports or appears on its face to have been signed by an Authorised Person, such Instruction may be treated by the Broker as duly authorised by the Client notwithstanding that it may later be established that such Instruction was not so signed.
- 4.5. Any Instructions given by an Authorised Person in connection with the Account or the Agreement shall be deemed to be proper, valid and binding from the Client if given by any one person quoting or inputting the account number of the Securities Account and such information as may be required by the Broker. The Client recognises and accepts fully the risks in giving instructions by telephone, facsimile, e-mail or other electronic means including, without limitation, the risk of any instruction being unauthorised or given by an unauthorised person. The Client shall fully indemnify the Broker on demand for all liabilities, obligations, actions, suits, claims, demands, losses and damages which the Broker may reasonably incur or suffer, and all costs, charges and expenses of reasonable amount and reasonably incurred by the Broker, as a result of the Broker relying and/or acting on any Instruction, unless due to the negligence or wilful default or fraud of any of the Broker or its officers, employees or agents and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly and solely therefrom. The benefit of this indemnity is held by the Broker for itself and on behalf of its correspondents and agents.
- 4.6. Any Instruction, once given, may not be rescinded or withdrawn without the prior written consent of the Broker.
- 4.7. The Broker shall be entitled to act in accordance with its regular business practice and procedure and will only accept Instructions insofar as it considers practicable and reasonable to do so. The Broker reserves the right to prescribe any conditions subject to which it accepts any Instruction.

## **5. Authorisations**

The Broker is authorised, without prior notice to or consent from the Client, to take such steps as it may consider reasonable and expedient in the circumstances to provide the Services and to exercise its powers under this Agreement including, without limitation, the following:-

- (a) to comply with all Applicable Regulations requiring the Broker to take or refrain from action (including, without limitation, requiring the Broker to provide identity details and/or other information relating to the Client, any Account and/or any Transaction) and

this authorisation shall remain valid and effective notwithstanding the termination of this Agreement;

- (b) on behalf of the Client, to withhold and/or make payment of any taxes, duties or levies payable on or in respect of the Client's Assets;
- (c) to participate in and comply with the rules and regulations of any organisation which regulates the conduct of Securities and/or other business and/or any other system which provides central clearing, settlement, custodian, depository and similar facilities for brokers and/or in respect of Securities and/or other assets but, in each case, without liability for any acts or omissions on the part of the operator or manager of any such organisation or system unless such acts or omissions arise directly as a result of the negligence, wilful default or fraud of the Broker and only to the extent of direct and reasonably foreseeable Loss (if any) arising directly and solely therefrom;
- (d) to aggregate the Client's orders with orders of other persons (including other clients or employees of the Broker) and effect allocation in such manner as the Broker considers appropriate subject to all Applicable Regulations;
- (e) to act on the opinion or advice of its legal advisers, accountants, brokers or other professional advisers but without liability for any act or omission on their part unless such acts or omissions arise directly as a result of the negligence or wilful default of the Broker and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly and solely therefrom; and/or
- (f) generally to do all acts and things which are necessary for or incidental to the provision of the Services.

## **6. Transactions**

- 6.1. The Client authorises and instructs the Broker to effect the necessary credit to or debit from any designated Settlement Account for the purpose of effecting and settling a Transaction.
- 6.2. Unless otherwise agreed, an Instruction will not be acted on by the Broker unless there are sufficient funds in the relevant Settlement Account or securities in the Account to settle the Transaction.
- 6.3. Without prejudice to the generality of Clause 6.2, if the Broker places any order or enters into any transaction for the purpose of effecting an Instruction which is subsequently not effected due to insufficiency of funds or lack of credit, the Broker is entitled (but not obliged) at any time at its discretion to place other order(s) or enter into other transaction(s) to set-off the initial order or transaction. Any resulting loss shall be borne by the Client unless the loss was a result of the negligence or wilful default of the Broker and only to the extent of direct and reasonably foreseeable Loss (if any) arising directly and solely therefrom. Any resulting gain shall belong to the Broker. A certificate issued by the Broker as to the amount of any loss shall be binding and conclusive against the Client unless and until the contrary is established.
- 6.4. The Broker shall act as an agent of the Client and not as a principal in relation to any Transactions undertaken by the Broker under this Agreement except where the Broker gives notice to the Client to the contrary.
- 6.5. The Broker may effect the Client's securities transactions in such manner as the Broker may determine, in its sole discretion, and through any Related Persons, participants of any exchange or clearing house, or brokers in the relevant markets.

- 6.6. The Client undertakes that he will not give any Instruction which involves the sale of securities which he does not own, unless the Client proves to the satisfaction of the Broker that such Instruction for sale is a short selling order. The Client further undertakes to inform the Broker if a sale Transaction is a short sale at the time of giving the Instructions to effect such sale Transaction.
- 6.7. The Client will take reasonable precautions in using any service of the Client through electronic means.
- 6.8. The Client shall comply with all applicable notification requirements established by the relevant market or exchange (including, without limitation, those applicable under the Securities and Futures (Contracts Limits and Reportable Positions) Rules) and shall not exceed the prescribed limit for the relevant options class and type in accordance with the contract limits and reportable position rules established by the relevant market or exchange, if any. The Client acknowledges that the Broker shall not (except to the extent required by applicable laws and regulations) be responsible for any of the Client's transaction notification, filing or reporting obligations (including, where applicable, any filings required pursuant to Part XV of the Securities and Futures Ordinance or equivalent legislation) and undertakes that he shall not rely on the Broker to discharge his transaction notification, filing or reporting obligations pursuant to applicable laws and regulations.
- 6.9. A request to cancel or amend an Instruction is only possible before it has been executed and is subject to acceptance (the Broker shall not refuse to accept such a request unless on reasonable grounds) by the Broker. In the case of full or partial execution of any Instruction before the request for cancellation has been accepted by the Broker, the Client agrees to accept full responsibility for the transactions. Instructions are, unless accepted by the Broker for cancellation or amendment, good for the trading day on which it was accepted by the Broker and shall lapse if not executed by the end of such trading day unless otherwise agreed to by the Broker.
- 6.10. For the avoidance of doubt, the Broker is authorised to deduct all fees, charges, tax, duties, levies, withholdings and other expenses payable by the Client in connection with each Transaction from any proceeds of that Transaction and credit the balance to any designated Settlement Account.

## **7. Client's Representations, Warranties and Acknowledgments**

- 7.1. The Client (whether a corporation or otherwise) represents and warrants that : -
  - (a) the Client shall maintain each Account and enter into each Transaction as principal and not as trustee or agent for any other person, unless the Broker is notified otherwise in writing;
  - (b) the Client's Assets are and will remain to be beneficially owned by the Client and free from any charge, pledge or encumbrance (save as created by the Agreement);
  - (c) the Client is the person ultimately responsible for originating the Instructions in relation to each Transaction in the Account and shall stand to gain the commercial or economic benefit of such transactions and/or bear their commercial or economic risk (except where such other persons or entity has been disclosed to the Broker in the Account Application Form or other written notice to the Broker);
  - (d) the Client has read, understood and accepted in full the provisions of this Agreement which apply to the Services provided or to be provided by the Broker to the Client from time to time;

- (e) the Client has adequate financial expertise and resources to conduct the Transactions and, to the extent applicable to the Services provided or to be provided by the Broker to the Client from time to time, the Client is fully aware of the risks involved in trading in Securities and other investments contemplated in this Agreement and has read, understood and accepted in full the risk disclosure statements set out in Schedule 1 of this Agreement. The Client will enter into securities transactions solely in reliance upon his own judgment and analysis, and not upon advice or recommendations by any director, employee or agent of the Broker;
- (f) all the information in the Account Application Form and other information provided to the Broker in relation to the Client, the Accounts, the Client's Assets and the Transactions or to facilitate the provision and/or maintenance of the Services (including, without limitation, information relating to any Authorised Person) is true, complete and up-to-date and the Client shall notify the Broker as soon as reasonably practicable of any material change in such information;
- (g) all licences, authorisation, registration and/or consents required by the Client under any Applicable Regulations for the execution and delivery of this Agreement and the execution and performance of the Transactions and its obligations under this Agreement have been or will be obtained and will be maintained in full force and effect;
- (h) where the Client is a corporation:-
  - (i) that it is duly incorporated, validly existing and has power to own its assets under the law of its place of incorporation;
  - (ii) that it has full power and authority to execute and deliver this Agreement and perform its obligations under this Agreement;
  - (iii) that all necessary corporate and other action has been taken to authorise the opening and maintenance of each Account, the execution and delivery of this Agreement and the execution and performance of the Transactions and its obligations under this Agreement;
  - (iv) that this Agreement constitutes valid and legally binding obligations of the Client enforceable in accordance with its terms; and
  - (v) that the execution and delivery of this Agreement and the execution and performance of the Transactions and its obligations under this Agreement by the Client will not (i) contravene any existing applicable law, statute, rule or regulation or any judgment, decree or permit to which the Client is subject, (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or arrangement to which the Client is a party or is subject, or (iii) contravene or conflict with any provision of any of the Client's constitutional documents.

7.2. The representations and warranties are given by the Client to and for the benefit of the Broker and shall be true and accurate on the date of execution of this Agreement and on the date on which each Transaction is effected by or on behalf of the Client.

7.3. The Client acknowledges and accepts the responsibility to seek independent professional advice as it considers appropriate regarding taxation or legal matters which may arise from this Agreement, the Transactions or in connection with the Client's Assets.

7.4. All rates and prices quoted by the Broker and its representatives are for information only and not for the purpose of trading unless otherwise specified by the Broker.

## **8. Fees and Expenses**

- 8.1. The Broker shall be entitled to prescribe and vary, from time to time, fees and charges payable in respect of the Services and/or any Transactions subject to the Broker giving to the Client notice of at least 30 days (except for any variation which is beyond the control of the Broker). Paid fees and charges are non-refundable unless otherwise agreed by the Broker.
- 8.2. All expenses of reasonable amounts (legal or otherwise) and reasonably incurred by the Broker in connection with the provision of the Services and/or any Transactions (including exercise or enforcement or any attempted exercise of any power or right of the Broker under this Agreement) shall be borne by the Client.
- 8.3. The Broker is authorised at any time without prior notice to the Client to charge to and/or debit from any Account any fees, charges and expenses payable by the Client.

## **9. Rebate and Commission**

Unless otherwise provided in this Agreement, the Broker shall be entitled, without prior disclosure to the Client, to accept and retain for its own account and benefit absolutely any profit, rebate, brokerage, commission, fee, benefit, discount and/or other advantage arising out of or in connection with any Transactions and/or the provision of the Services to the Client.

## **10. General Lien and Set-Off Right**

- 10.1. The Broker is entitled, at any time and without prior notice to the Client, to apply, combine or consolidate any credit balance in any currency in any Account and set off, debit, withhold and/or transfer it in or towards satisfaction of any Indebtedness.
- 10.2. The Broker is authorised to exercise a lien over all assets of the Client coming into the possession or control of the Broker, for custody or any reason whatsoever, whether or not in the ordinary course of its business, with power for the Broker to sell such assets and apply the proceeds of sale (after deducting reasonable expenses) to satisfy any Indebtedness.

## **11. Advice and Statements**

- 11.1. The Broker is not required to provide the Client with any contract notes, statements of account or receipts under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules where such would otherwise be required, unless the Client instruct the Broker to the contrary.
- 11.2. Where any contract notes, statements of account or receipts is provided upon request of the Client, the Client shall examine each advice, contract note, transaction confirmation and account statement after its delivery to the Client. The Client shall notify the Broker of any alleged error or omission in any account statement within 5 business days after its delivery to the Client and in any advice, contract note or transaction confirmation within such period as the Broker may reasonably prescribe. After the relevant period, the account statement, advice, contract note or transaction confirmation (except for any alleged error or omission notified by the Client to the Broker or where the Broker notifies the Client of any error) shall be conclusively settled between the Broker and the Client to be correct and deemed to be accepted by the Client and no claim to the contrary by the Client shall be admissible. The records maintained by the Broker shall, in all other respects, be conclusive unless and until the contrary has been established.
- 11.3. In providing the Services, the Broker shall maintain records in compliance with the Applicable

Regulations.

## **12. Power of Attorney and Further Assurance**

- 12.1. The Client hereby irrevocably and by way of security for its Indebtedness appoints the Broker and any person appointed by the Broker severally to be the attorney for the Client and in the name and on behalf and as the act or deed of the Client or otherwise, without any reference to or consent from the Client, to execute all documents and to do all things as the Broker may consider expedient for the purpose of providing the Services and/or exercising all or any of its powers and rights under this Agreement. The Client hereby ratifies and confirms and agrees to ratify and confirm any such acts, deeds, documents and things which such attorney may execute or do.
- 12.2. At the request of the Broker, the Client shall execute such documents and perform such acts as the Broker may consider expedient in connection with the provision of the Services and the exercise of its powers and rights under this Agreement.

## **13. Limitations on Liability and Indemnity**

- 13.1. No warranty is given by the Broker as to the performance or profitability of any investments, cash or other assets comprised in the Client's Assets. Nothing in this Agreement shall constitute the Broker a trustee of the Client or any of the Client's Assets.
- 13.2. Except to the extent the same arises solely from the negligence or wilful default or fraud of the Broker or any of its officers, employees or agents and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly or solely therefrom, the Broker does not assume any liability or responsibility to the Client or any other person for any liabilities, claims, actions, suits, proceedings, losses, damages, demand, taxes, costs, charges and expenses of any kind which may be incurred or suffered by the Client or any other person as a result of or in connection with : -
- (a) any loss of opportunity whereby the value of the Client's Assets could have been increased or for any decline howsoever arising in the value of the Client's Assets;
  - (b) any errors of fact or judgment or any action taken (or omitted to be taken) by the Broker in good faith;
  - (c) the Broker acting on any Instructions;
  - (d) the negligence, default, bad faith, fraud, act or omission of any person through whom transactions are effected by the Broker on behalf of the Client or who is the counterparty to any such transaction provided that the Broker has exercised reasonable care and has acted in good faith in the appointment or selection of such person;
  - (e) use of the Services by the Client or any other person whether or not authorised;
  - (f) any interruption, suspension, delay, loss, mutilation or other failure in transmission of any Instructions or other information howsoever caused;
  - (g) its inability or delay in executing any Instructions due to any reasons beyond its reasonable control including, without limitation, non-availability of foreign exchange, exchange control or other government measures or restrictions, adverse market conditions, disruptions in market or exchange, suspension of trading, change in national or international monetary, financial, political or economic conditions, any act of force majeure, war, riot, civil commotion, any breakdown or failure of transmission, communication or computer facilities, postal or other strikes or similar industrial action

and the failure of any exchange, clearing house or market; or

- (h) any mechanical failure, power failure, malfunction, breakdown, interruption or Inadequacy of equipment or installation in connection with the Services.
- 13.3. The Client shall indemnify and keep the Broker, its officers and employees indemnified against all liabilities, obligations, actions, suits, claims, demands, losses and damages which the Broker may incur or suffer, and all costs, charges and expenses (including, without limitation, legal fees on a full indemnity basis and any claims by the Hong Kong Inland Revenue Department on the Broker for tax in respect of any profits or gains attributable to the Client) of reasonable amount and reasonably incurred by the Broker, in connection with the provision of the Services and/or the exercise, enforcement or preservation or attempted exercise of the Broker's powers and rights under this Agreement, even though they may not have arisen or are contingent in nature, unless arising solely from the negligence or wilful default or fraud of the Broker or any of its officers or employees and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly and solely therefrom. The Broker is entitled to withhold, retain or deduct such amounts from the Accounts as it determines to be sufficient to cover any amount which may be owed by the Client under this Clause. The benefit of this indemnity is held by the Broker for itself and on behalf of its officers and employees.

#### **14. Confidentiality**

- 14.1. The Client agrees that the Broker may use, store, disclose, transfer (whether within or outside Hong Kong), and/or exchange personal and other data of the Client or information relating to the Account, the Client's Assets, the Transactions and other dealings between the Client and the Broker to or with such persons as the Broker may consider necessary for the purpose of and in connection with the provision of the Services, and/or in connection with matching for whatever purpose (whether or not with a view to taking any adverse action against the Client), and/or for the purpose of promoting, improving and furthering the provision of other services by the Broker and any other Related Persons to the Client generally, and/or any other purposes in accordance with the Broker's general policies on handling Personal Data as set out in statements, circulars or notices made available by the Broker to the Client from time to time.
- 14.2. Without prejudice to the generality of Clause 14.1 above, the Client irrevocably authorises the Broker to use the data and information described in Clause 14.1 for the purposes, and disclose such data and information to the persons, specified in Schedule 2 *Notice relating to the Personal Data (Privacy) Ordinance*.
- 14.3. The Client further agrees that to enable the Broker to centralise its data processing operations, data and information relating to the Client, the Accounts, the Client's Assets, the Transactions and other dealing between the Client and the Broker may be transferred to and processed by any Related Persons and/or any other persons engaged by the Broker (whether within or outside Hong Kong).

#### **15. Assignment**

- 15.1. This Agreement shall be binding on the Client and the Client's successors and personal representatives. The Client shall not assign or create encumbrance over all or any of the Client's rights and interest under this Agreement without the prior written consent of the Broker.
- 15.2. This Agreement shall be binding on and enure to the benefit of the Broker, its successors and assigns and notwithstanding the absorption or amalgamation of the Broker by or with any other person. The Broker may, at any time after giving to the Client notice of its intention to do so, assign and transfer all or any of its rights and obligations under this Agreement to any person. As from the date specified in such notice, this Agreement shall be read and construed, in all

respects, as if such person had originally been a party to this Agreement and all references to the Broker were references to such person, to the extent that it relates to the rights and obligations so assigned, and to the intent that the Broker shall cease to have any rights in, and shall be released from its obligations under, this Agreement and such person shall be bound by and shall have the benefit of this Agreement as if it were an original party to this Agreement.

## **16. Termination and Withdrawal**

- 16.1. The Broker reserves the right to suspend or terminate all or any of the Services at any time without giving any notice and reason.
- 16.2. Without prejudice to the generality of Clause 16.1, this Agreement may be terminated by the Client or the Broker at any time by giving to the other party not less than 30 days prior written notice or such other period agreed by the Broker and the Client.
- 16.3. Without prejudice to the generality of Clause 16.1 and notwithstanding Clause 16.2, the Broker shall be entitled to terminate this Agreement immediately without prior notice to the Client if:
  - (a) there is any change of law which prohibits or renders illegal the performance of all or any of the Services or all or any of the provisions of this Agreement;
  - (b) the Client commits any breach of or omit to observe any obligations under this Agreement which, in the opinion of the Broker, amounts to a material default on the part of the Client;
  - (c) any representation or warranty given by the Client to the Broker is or becomes untrue when made or repeated;
  - (d) in the case of a Client who is an individual, the Client dies or becomes mentally incapable;
  - (e) an order is made by a competent court, or a petition is presented or a resolution passed for the bankruptcy, winding up or dissolution of the Client, or a receiver, trustee or similar official is appointed over the whole or a substantial part of the assets of the Client, or any attachment is levied against any account of the Client, or any injunction, prohibition order or similar order is declared on any of the assets of the Client, or execution, distress or similar process is levied against any of the assets of the Client;
  - (f) not less than 12 months have elapsed since the date of the last Transaction; or
  - (g) all the relevant Accounts are terminated by the Broker or the Client for whatever reason.
- 16.4. Notwithstanding the suspension or termination of all or any of the Services or this 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 of the Client which remain to be performed or discharged.
- 16.5. The suspension or termination of all or any of the Services or this Agreement for whatever reason shall be without prejudice to the Broker's rights and remedies in respect of any obligations or liabilities of the Client, or to the Broker's right to settle any transactions entered into or any liability incurred by the Client or by the Broker on behalf of the Client under this Agreement prior to such suspension or termination, or to any provision of this Agreement (including, without limitation, the indemnities given by the Client) which is intended to come into force or continue in force on or after such suspension or termination. Further, upon such suspension or termination, the Broker may cancel all or any unexecuted Instructions at its discretion.



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

If there is more than one Client : -

- (a) the liability and obligations of each of them shall be joint and several;
- (b) references to the Client shall, as the context permits, be construed as references to any and each of them;
- (c) each of them shall be bound even though any other Client or any other person intended to be bound by this Agreement is not;
- (d) the Broker shall be entitled to deal separately with any Client on any matter, including the discharge of any liability to any extent, without affecting the liability of any other Client; and
- (e) on the death of any of the Clients, the Broker shall hold the Client's Assets to the order of the surviving Client(s) under the terms of this Agreement subject to the surviving Client(s) producing to the satisfaction of the Broker evidence of death of the relevant Client and evidence of compliance of all applicable requirements under law including, without limitation, all obligations regarding payment or clearance of estate duty.

## **18. Communications**

- 18.1. All communications shall be addressed to the Client at the last address of the Client registered by the Broker. The Broker shall be entitled to prescribe from time to time the form and mode of communication.
- 18.2. Communications delivered personally, sent by post, facsimile transmission or telex shall be deemed to have been delivered to the Client (where delivered personally) at the time of personal delivery or on leaving it at such address, (where sent by post) 2 business days after posting if the address is in Hong Kong and 3 business days after posting if the address is outside Hong Kong or (where sent by facsimile transmission) on the date of dispatch. Items sent to the Client or to the Client's order are sent at the Client's risk.
- 18.3. If there is more than one Client, any communication shall be effective on the Broker only if given by each Client or the surviving Client and on the Client if given by the Broker to any Client.
- 18.4. All communications sent by the Client to the Broker shall be deemed to have been delivered to the Broker on the day of actual receipt.

## **19. No Waiver**

No failure or delay on the part of the Broker to exercise any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise by the Broker of any such power, right or remedy preclude any other or further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies provided in this Agreement are cumulative and are not exclusive of any other rights or remedies provided by law or otherwise.

## **20. Amendments**

- 20.1. The Broker may revise this Agreement and/or introduce additional terms and conditions at any

time and from time to time.

- 20.2. Any revision and/or addition to this Agreement shall become effective subject to the Broker's notice (for a period of 14 days for any variation affecting fees and charges and the liabilities or obligations of the Client which is within the Broker's control or for such reasonable period as the Broker may prescribe in the case of any other variation). Such notice may be given by display, advertisement or other means as the Broker thinks fit. Any variation to this Agreement shall be binding on the Client if the Client continues to maintain any of the Services or any of the Accounts or if any Indebtedness remains outstanding after the effective date of such variation.
- 20.3. The Broker shall notify the Client of any change in the Services or the remuneration payable by the Client under this Agreement or any change to its name, business address or registration status or number with the Securities and Futures Commission.

## **21. Severability**

Each of the provisions of this Agreement is severable and distinct from the others. In the event that any one or more of the provisions contained in this Agreement shall be held invalid, illegal or unenforceable in any respect under the law of any applicable jurisdiction, the validity, legality and enforceability of the remaining provisions under the law of such jurisdiction and of this Agreement under the law of any other jurisdiction shall not in any way be affected or impaired thereby.

## **22. Tape Recording**

The Broker may, and the Client hereby expressly authorises the Broker to, tape record all Instructions given by telephone. The Client expressly agrees that should a dispute arise at any time in relation to the content of any such Instruction, then the relevant tape recording or a transcript of the same certified as being a true transcript by an officer of the Broker, shall be conclusive evidence as between the Broker and the Client as to the contents of such Instruction unless and until the contrary is established.

## **23. Governing Law and Jurisdiction**

- 23.1. This Agreement is governed by and shall be construed in accordance with the laws of Hong Kong.
- 23.2. The Broker and the Client submit to the non-exclusive jurisdiction of the Hong Kong Courts and of any place where the Client may now or hereafter hold assets but this Agreement may be enforced in the Courts of any competent jurisdiction.

## **24. Governing Version**

The Client hereby confirms that he/she has received and read the English/Chinese version of the Agreement and that the Client understands and accepts the terms of the Agreement. In the event of discrepancy between the Chinese version and the English version, the English version shall prevail.

## PART B

### CASH ACCOUNT TERMS AND CONDITIONS

#### **1. Application of Specific Terms**

- 1.1. In connection with the opening, maintenance, operation and closure of a Cash Account, the Client shall complete, sign and be bound by the provisions of such documents as the Broker may prescribe and provide the Broker with such other information and documents as the Broker may require. The provisions in these Cash Account Terms and Conditions apply to Cash Accounts only.
- 1.2. The Client shall open and maintain a Cash Account with the Broker subject to the General Terms and Conditions, the Cash Account Terms and Conditions and the Additional Terms for Electronic Trading Service (if applicable).

#### **2. Securities in the Account**

- 2.1. The Securities of the Client in the Account shall be treated and dealt with in compliance with the provisions of the SFO. In particular, the Securities which are listed or traded on a recognized market as defined under the SFO (including the market operated by SEHK) or interests in an authorized collective investment scheme (as defined in the SFO) and are received or held in Hong Kong by the Broker ("**Local Securities**") shall be:
  - (A) deposited in safe custody in a segregated account which is designated as a trust account or client account and maintained by the Broker in Hong Kong with an authorized financial institution, a custodian approved by the SFC or another intermediary licensed for dealing in securities; or
  - (B) registered in the name of the Client.
- 2.2. In respect of any securities of the Client other than Local Securities ("**Overseas Securities**") held for safekeeping by any other party engaged by the Broker on the Clients behalf, the Client hereby authorises the Broker to instruct the relevant party on behalf of the Client to deposit such Overseas Securities in the safe custody of that party or its custodian or with any other institution in the relevant jurisdiction where the relevant Transaction was effected that provides facilities for the safe custody of documents.
- 2.3. Any securities held by the Broker on behalf of the Client in the manner mentioned in Clauses 2.1 and 2.2 or otherwise shall be at the sole risk of the Client and the Broker has no obligation to insure the Client against any kind of risk. The Broker shall not be responsible for any Losses, costs, damages, interests and charges arising from or in connection with such engagement or custody under the aforesaid clauses, including without limitation any losses arising from fraud or negligence of the party so engaged.
- 2.4. For any Securities of the Client deposited with the Broker not registered in the name of the Client, any dividend, distribution or benefits accrued in respect of such securities which are received by the Broker shall be credited to the Account (or payment made to the Client as may be agreed) subject to a reasonable administration fee charged by the Broker. For any securities forming part of a larger holding of identical securities which are held by the Broker for the Client and other persons, the Client is entitled to the same share of the benefits arising on the holding as the share of the Client of the total holding which is also subject to a reasonable administration fee charged by the Broker. The Broker shall not be responsible for any failure in making such distribution of any party which holds securities of the Client for

safekeeping. The Broker may also exercise voting right on behalf of the Client with respect to such securities upon prior specific instruction received by the Broker from the Client.

- 2.5. Securities purchased for the Client will be delivered to the Client (or as the Client may direct), provided that such securities are fully paid and are not subject to any lien, and/or are not held as Collateral by the Broker or any Related Persons of the Broker.
- 2.6. The Broker is not obliged to return the Securities originally delivered or deposited by the Client but may return securities of the same class, denominations and nominal amount and ranking to the Client.
- 2.7. Without prejudice to any other rights and remedies available to the Broker, the Broker is authorized to dispose of any of the securities from time to time received from or held on behalf of the Client in settlement of any liability owed by the Client or on the Clients behalf to the Broker or a third person.
- 2.8. Except as provided in Clause 2.7 of the Cash Account Terms and Conditions or provisions of the General Terms and Conditions, or otherwise permitted under the SFO, the Broker shall not, without the Clients oral or written direction or standing authority, deposit, transfer, lend, pledge, re-pledge or otherwise deal with any Securities of the Client.
- 2.9. Subject to the provisions of the SFO, the Client agrees that the Broker is entitled to retain for its own benefit and not accountable to the Client for any fee, income, rebate or other benefits resulting from any lending or deposit of the securities of the Client with any third party for any purpose by the Broker.

## PART C

### MARGIN ACCOUNT TERMS AND CONDITIONS

#### **1. Application of Specific Terms**

- 1.1. All provisions in these Margin Account Terms and Conditions apply to Margin Accounts.
- 1.2. The Client shall open and maintain a Margin Account with the Broker subject to the General Terms and Conditions, the Margin Account Terms and Conditions and the Additional Terms for Electronic Trading Service (if applicable).

#### **2. Margin Facility**

- 2.1. The Margin Facility is extended by the Broker to the Client for financing the trading of Securities in Margin Account on these Margin Accounts Terms and Conditions and any other terms and conditions which may be indicated by the Broker to the Client from time to time.
- 2.2. The Broker is authorized by the Client to draw on the Margin Facility to settle any amounts due to the Broker in respect of purchase of Securities and to finance continued holding of securities, the payment of commission, interest and any other expenses incidental to the operation of the Margin Account and any other sums owing to the Broker and Related Persons of the Broker. The Margin Facility is repayable on demand and the Broker may, in its absolute discretion, vary the terms in this Clause 2 or terminate the Margin Facility at any time it thinks fit. The Broker is not obliged in any way to provide financial accommodation to the Client. For the avoidance of doubt, if a debit balance arises in any Margin Account, the Broker shall not be, nor shall the Broker be deemed to be, obliged to make available or continue to make available any financial accommodation. In particular, but without limitation, the fact that the Broker permits a debit balance to arise in any Margin Account so debited shall not imply any obligation on the part of the Broker to advance monies or incur any obligation on the Client's behalf on any subsequent occasion, but without prejudice to the obligations of the Client in respect of any debit balance which the Broker does permit to arise.
- 2.3. The Client shall provide and maintain adequate Collateral and provide such additional Collateral in the manner and within the time limit specified by the Broker for the compliance with the margin requirements set by the Broker. The Broker in its absolute discretion determines the amount, type and form, manner of delivery, calculation basis of permissible value and timing of the delivery of the required Collateral. The Broker may change the margin requirements at any time in its absolute discretion without prior notice to the Client. Any failure of the Client in providing the required Collateral in Clauses 2.3 or 2.4 or 2.5, constitutes an Event of Default and the Broker is entitled to dispose of any of the Collateral without prior notice to the Client.
- 2.4. The time for provision of Collateral and for payment of margin deposit is of the essence and if no time is stipulated by the Broker in making a demand for Collateral or margin deposit, the Client is required to comply with such demand within one hour from the time of making such demand (or in a shorter period if so required by the Broker). The Client also agrees to pay immediately in full on demand any amount owing under the Margin Facility. All initial and subsequent payments for margin deposits shall be made in cleared funds and in such currency and in such amounts as the Broker may in its sole direction require.
- 2.5. Notwithstanding Clauses 2.3 and 2.4, in the event that it is in the sole opinion of the Broker that it is impracticable for the Broker to make demand on the Client for additional Collateral pursuant to Clause 2.3, the Broker shall be deemed to have made such demand of additional

Collateral in such form and amount as the Broker may determine and such demand shall become immediately due and payable by the Client. The aforesaid impracticality may be due to the following (without limitation) rapid changes or development involving prospective changes:

- (A) in the local, national or international monetary, financial, economic or political conditions or foreign exchange controls which has resulted or is in the opinion of the Broker likely to result in a material or adverse fluctuation in the stock market, currency market, commodities or futures market in Hong Kong and/or overseas; or
- (B) which is or may be of a material adverse nature affecting the conditions of the Client or operations of the Margin Account.

2.6. The Client shall pay interest on the outstanding amount of the Margin Facilities from time to time at such rate and in such manner as determined by the Broker from time to time. Interest will accrue on the outstanding amount of the Margin Facilities on daily basis and the accrued interest will be deducted from the Margin Account on a monthly basis and shall be payable at any time upon the demand made by the Broker.

### **3. Collateral**

- 3.1. The Client, as beneficial owner of the Collateral, hereby charges in favour of the Broker in respect of all the Secured Obligations by way of first fixed charge all the Client's right, title, benefits and interests in and to the Collateral including any additional or substituted collateral and all dividends, interest paid or payable, rights, interests, money or other properties accruing or offering at any time by way of redemption, bonus, preference, options or otherwise on or in respect of the Collateral as continuing security for the payment and discharge of the Secured Obligations.
- 3.2. The Charge is a continuing security notwithstanding any intermediate payment, settlement of the Margin Account or satisfaction of whole or any part of Secured Obligations and notwithstanding any closure and subsequent opening of such Margin Account.
- 3.3. The Broker is entitled to exercise any voting right or other right in respect of the Collateral for the protection of the Broker's interest in the Collateral and the Client shall not exercise any right attaching to the Collateral in any manner which, in Broker's opinion, may be inconsistent with the obligations under this Agreement or prejudicial to the Broker's right in the Collateral.
- 3.4. Whenever there is any secured obligations, the Broker has the right, without prior notice or consent from the Client, to dispose of or otherwise deal with any part of the Collateral at its absolute discretion upon such terms and in such manner it thinks fit for settlement of the secured obligations to protect its interest, in particular for the Client's failure in meeting any call for Collateral or margin call made by the Broker or significant fluctuation in market prices. In event of any deficiency after the sale of Collateral, the Client shall make good and pay on demand to the Broker such deficiency.
- 3.5. The Client shall pay or reimburse the Broker immediately upon demand all costs (including collection expenses and legal costs on a full indemnity basis) and expenses in connection with the enforcement or preservations of any right of the Broker under this Agreement.
- 3.6. Without prejudice to the generality of the foregoing, neither the Charge nor the amounts thereby secured will be affected in any way by:
  - (A) any other security, guarantee or indemnity now or hereafter held by the Broker or any of its Related Persons in respect of the Secured Obligations;

- (B) any variation or amendment to or waiver or release of any security, guarantee or indemnity or other document (including the Charge except to the extent of the relevant variation, amendment, waiver or release);
- (C) the enforcement or absence of enforcement or released by the Broker or any of its Related Persons of any security, guarantee or indemnity or other document (including the Charge);
- (D) any time, indulgence, waiver or consent given to the Client or any other person by the Broker or any group company of the Broker;
- (E) the making or absence of any demand for Collateral or payment of any sum payable under the Agreement made on the Client whether by the Broker or any other person;
- (F) the insolvency, bankruptcy, death or insanity of the Client;
- (G) any amalgamation, merger or reconstruction that may be effected by the Broker with any other person or any sale or transfer of the whole or any part of the undertaking, property or assets of the Broker to any other person;
- (H) the existence of any claim, set-off or other right which the Client may have at any time against Broker or any other person;
- (I) any arrangement or compromise entered into by the Broker with Client or any other person;
- (J) the illegality, invalidity or unenforceability of, or any defect in, any provision of any document relating to the Margin Facility or any security, guarantee or indemnity (including the Charge) or any of the rights or obligations of any of the parties under or in connection with any such document or any security, guarantee or indemnity (including the Charge), whether on the ground of ultra vires, not being in the interests of the relevant person or not having been duly authorized, executed or delivered by any person or for any other reason whatsoever;
- (K) any agreement, security, guarantee, indemnity, payment or other transaction which is capable of being avoided under or affected by any law relating to bankruptcy, insolvency or winding-up or any release, settlement or discharge given or made by the Client on the faith of any such agreement, security, guarantee, indemnity, payment or other transaction, and any such release, settlement or discharge shall be deemed to be limited accordingly; or
- (L) any other thing done or omitted or neglected to be done by the Broker or any other person or any other dealing, fact, matter or thing which, but for this provision, might operate to prejudice or affect the Clients liabilities under the terms of this Agreement governing the Margin Facility.

#### **4. Securities in the Account**

4.1. The securities collateral in the Account shall be treated and dealt with in compliance with the provisions of the SFO. In particular, the securities collateral which are listed or traded on market operated by SEHK or interests in an authorized collective investment scheme (as defined in the SFO) and are received or held in Hong Kong by the Broker ("Local Securities Collateral") shall be:

- (A) deposited in safe custody in a segregated account which is designated as a trust account or client account and maintained by the Broker in Hong Kong with an authorized

financial institution, a custodian approved by the SFC or another intermediary licensed for dealing in securities;

(B) deposited in an account in the name of the Broker with an authorized financial institution, a custodian approved by the SFC or another intermediary licensed for dealing in securities; or

(C) registered in the name of the Client or the Broker.

4.2. In respect of any securities of the Client other than Local Securities Collateral to which the Securities and Futures (Client Securities) Rules are not applicable under Section 3 of the aforesaid Rules, the Client authorizes the Broker in its discretion to deposit, transfer, lend, pledge, re-pledge or otherwise deal with such securities to any other parties in whatsoever manner and for any purpose (including without limitation as security for financial accommodation provided to the Broker) the Broker thinks fit.

4.3. Any securities collateral held by the Broker on behalf of the Client in the manner mentioned in Clauses 4.1 and 4.2 or otherwise shall be at the sole risk of the Client and the Broker has no obligation to insure the Client against any kind of risk. The Broker shall not be responsible for any losses, costs, damages, interests and charges arising from or in connection with such dealing of securities under the aforesaid clauses in the absence of bad faith or wilful default of or by the Broker.

4.4. For any securities of the Client deposited with the Broker not registered in the name of the Client, any dividend, distribution or benefits accrued in respect of such securities which are received by the Broker shall be credited to the Account (or payment made to the Client as may be agreed) subject to a reasonable administration fee charged by the Broker. For any securities forming part of a larger holding of identical securities which are held by the Broker for the Client and other persons, the Client is entitled to the same share of the benefits arising on the holding as the share of the Client of the total holding which is also subject to a reasonable administration fee charged by the Broker. The Broker shall not be responsible for any failure in making such distribution of any party which holds securities of the Client.

4.5. For so long as there exists any Indebtedness to the Broker on the part of the Client, the Broker may refuse any withdrawal of securities collateral and the Client shall not without consent of the Broker withdraw any securities collateral.

4.6. The Broker is not obliged to return the securities originally delivered or deposited by the Client but may return securities of the same class, denominations and nominal amount and ranking to the Client.

4.7. Without prejudice to any other rights and remedies available to the Broker, the Broker is authorized to dispose of any of the securities from time to time received from or held on behalf of the Client in settlement of any liability owed by the Client or on the Clients behalf to the Broker or a third person.

4.8. Without prejudice to any other right or remedy available to the Broker, the Client agrees to give the standing authority to the Broker to authorize the Broker to deal with the Local Securities Collateral from time to time received or held on the Clients behalf in one or more of the following ways (inter alia), namely to:

(A) apply any of the Local Securities Collateral pursuant to a securities borrowing and lending agreement;

(B) deposit any of Local Securities Collateral with an authorized financial institution as



collateral for financial accommodation provided to the Broker; or

- (C) deposit any of Local Securities Collateral with (i) a recognized clearing house; or (ii) another intermediary licensed or registered for dealing in securities, as collateral for the discharge and satisfaction of the Broker's settlement obligations and liabilities.
- 4.9. Such authority shall remain valid for a period of twelve (12) months from the approval date of the opening of the Margin Account unless the Client gives not less than seven (7) Business Days' prior written notice to the Broker to revoke the same at any time, provided that no such revocation shall be effective if there is any Indebtedness in the Margin Account. Such standing authority which is not revoked prior to its expiry may be renewed or shall be deemed to have been renewed in accordance with the relevant rules made under the SFO. If the Client requests for revocation of such standing authority or the standing authority has not been renewed by the Client whom the Broker called upon to do so, the Broker reserves the right to terminate this Agreement and operations of the Margin Account and then the Client shall forthwith settle any Indebtedness owing to the Broker and any of its Related Persons.
- 4.10. Subject to the provisions of the SFO, the Client agrees that the Broker is entitled to retain for its own benefit and not accountable to the Client for any fee, income, rebate or other benefits resulting from any lending or deposit of the Securities of the Client held in the Account with any third party for any purpose.

## PART D

### CHINA STOCK CONNECT TERMS AND CONDITIONS

#### 1. Application of Specific Terms

- 1.1. All provisions in the China Stock Connect Terms and Conditions ("**Stock Connect Terms and Conditions**") apply to the services for the trading of securities listed on the relevant China Connect Markets. Terms and expressions used herein, unless the context requires otherwise, have the meanings set out in the Schedule hereto or otherwise in the General Terms and Conditions.
- 1.2. These Stock Connect Terms and Conditions are supplemental to, and without prejudice to, the General Terms and Conditions and/or other relevant agreements between the Client and the Broker. The terms of these Stock Connect Terms and Conditions shall prevail in the event of any inconsistency with any other terms and conditions agreed between the Client and the Broker.
- 1.3. For the purpose of these Stock Connect Terms and Conditions, "China Connect Markets" shall mean the Shanghai Stock Exchange and the Shenzhen Stock Exchange, unless and until the Broker shall otherwise notify the Client.

#### 2. Definitions

"**A-Shares**" means any securities issued by companies incorporated in the PRC which are listed and traded on any PRC A-Share market (i.e. the Shanghai Stock Exchange or the Shenzhen Stock Exchange) and not on SEHK.

"**Applicable Laws**" means all applicable laws, regulations and rules of Hong Kong and the PRC, including the SSE Rules, SZSE Rules and any rules, policies or guidelines of any relevant exchanges, clearing systems, regulators and China Connect Authorities.

"**Cash**" means all cash or cash equivalents in Renminbi received and held by the Broker on the terms of these Stock Connect Terms and Conditions.

"**CCASS**" means the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on SEHK and/or any system established for the purpose of China Connect.

"**CCASS China Connect Rules**" means the general rules of CCASS, as amended for the purposes of implementing China Connect, and as amended, supplemented, modified and/or varied from time to time.

"**China Connect**" means a securities trading and clearing links programme developed or to be developed by SEHK, the relevant China Connect Market(s), HKSCC and CSDCC for the establishment of mutual market access between SEHK and the relevant China Connect Market(s), including but without limitation, the Shanghai Hong Kong Stock Connect and Shenzhen Hong Kong Stock Connect.

"**China Connect Authorities**" means the exchanges, clearing systems and regulators which provide services or regulate China Connect, including without limitation SEHK, HKSCC, the SEHK Subsidiary, the relevant China Connect Market(s), CSDCC, CSRC, PBOC, SAFE, SAT, SFC, HKMA, and/or any related activities and shall include any of their relevant subsidiaries and agency. China Connect Authority means any one of them.

"**China Connect Market**" means a stock market in the PRC acceptable to SEHK and included in the list of China Connect Markets which are eligible for China Connect trading.

"**China Connect Market System**" means the system used for the trading of China Connect Securities on the relevant China Connect Market, as operated by the relevant exchange that operates the China Connect Market and has entered into trading links with SEHK.

"**China Connect Rules**" means any laws, rules, regulations, policies or guidelines published or applied by any China Connect Authority from time to time in respect of China Connect or any activities arising from China Connect.

"**China Connect Securities**" means any securities listed on the relevant China Connect Market which may be eligible for trading on China Connect.

"**China Connect Service**" means the order-routing service through which Northbound orders placed by an Exchange Participant may be transmitted by the SEHK Subsidiary to the relevant China Connect Market for the buying and selling of China Connect Securities and any related supporting services.

"**ChiNext Shares**" means any security listed on the ChiNext Board of the SZSE which may be traded by Hong Kong and international investors under the Shenzhen Hong Kong Stock Connect.

"**Circuit Breaker**" means any measures that may be imposed or activated by SSE or SZSE (as the case may be) in accordance with the relevant Circuit Breaker Provisions.

"**Circuit Breaker Provisions**" means the relevant provisions in the SSE Rules or the SZSE Rules (as the case may be) under which the relevant Circuit Breakers may be imposed for the purpose of, among others, minimizing or averting substantial upward or downward price movements of securities traded on the SSE or the SZSE (as the case may be).

"**Clearing Participant**" has the meaning given to such term in the rules of the Central Clearing and Settlement System of Hong Kong.

"**Client Identity Rules**" means the SFC's client identity rules in the Code of Conduct and Client Identity Rule Policy.

"**Client Securities Rules**" means the Securities and Futures (Client Securities) Rules (Cap 571H of the Laws of Hong Kong).

"**Code of Conduct**" means the SFC's Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

"**CSC**" means the China Stock Connect System for receiving and routing China Connect orders to a China Connect Market System for automatic matching and execution.

"**CSDCC**" means China Securities Depository and Clearing Corporation.

"**CSDCC China Connect Rules**" means the rules of CSDCC, including without limitation, the rules published by CSDCC for the purposes of implementing China Connect, as amended, supplemented, modified and/or varied from time to time.

"**CSRC**" means China Securities Regulatory Commission.

"**Eligible ChiNext Investors**" means a "professional investor" within the meaning of paragraph (a), (b), (c), (d), (e), (f), (g), (h) or (i) of the definition of "professional investor" in section 1 of

Part 1 of Schedule 1 to the SFO or other types of investors that are permitted or approved by the China Connect Authorities to trade ChiNext Shares through Shenzhen Hong Kong Stock Connect.

**"Exchange Participant"** means (a) the Broker which is a person registered as a China Connect Exchange Participant (as defined in the SEHK China Connect Rules) by SEHK; or (b) where the context requires, any China Connect Exchange Participant (as defined in the SEHK China Connect Rules).

**"Forced-sale Notice"** has the meaning given to such term in Clause 8.1.

**"H-Shares"** means any securities issued by companies incorporated in the PRC and listed on the SEHK.

**"HKEx"** means the Hong Kong Exchanges and Clearing Limited.

**"HKMA"** means the Hong Kong Monetary Authority.

**"Market Data Information"** means any market data information in respect of any China Connect Security which SEHK or any other China Connect Authority from time to time disseminates or otherwise makes available to the Broker and which the Broker and/or any Related Person disseminates or otherwise makes available to the Client.

**"Market Requirements"** has the meaning given in Section XI of the Master Terms and Conditions and, for the purposes of these Stock Connect Terms and Conditions, shall include, without limitation, the China Connect Rules.

**"Non-trade Transfer"** means a transfer of China Connect Securities which involves a change in the beneficial ownership of the China Connect Securities and which is not conducted through the China Connect Service and executed on the China Connect Markets.

**"Northbound"** denotes the trading of China Connect Securities by Hong Kong and international investors through China Connect.

**"PBOC"** means the People's Bank of China.

**"PRC"** means, for the purposes of these Stock Connect Terms and Conditions, the People's Republic of China (excluding Hong Kong, Macau and Taiwan).

**"PRC Citizen"** means any person holding a resident identification card or other equivalent government-issued identification of the PRC.

**"QFII"** means the Qualified Foreign Institutional Investor program which was launched in 2002 in the PRC to allow licensed foreign investors to buy and sell A-Shares in the PRC stock exchanges.

**"Related Person"** means (i) any of holding companies, subsidiary companies or affiliated companies of the Broker, or (ii) any director, officer, employee or agent of the Broker or of any holding companies, subsidiary companies or affiliated companies of the Broker.

**"Renminbi"** or **"RMB"** means the lawful currency of the PRC, deliverable in Hong Kong.

**"RQFII"** means the RMB Qualified Foreign Institutional Investor program which was launched in 2011 to allow Hong Kong and other foreign jurisdictions to reinvest offshore RMB into the PRC securities market.

**"SAFE"** means the State Administration of Foreign Exchange of the PRC. **"SAT"** means the State

Administration of Taxation of the PRC.

**"SEHK China Connect Rules"** means the rules of HKEx, as amended for the purposes of implementing China Connect, and as amended, supplemented, modified and/or varied from time to time.

**"SEHK Subsidiary"** means a wholly-owned subsidiary of SEHK duly authorised as an automated trading service provider under the SFO and licensed under applicable laws in the PRC to provide the order-routing service under China Connect.

**"Shanghai Hong Kong Stock Connect"** means a securities trading and clearing links programme developed by SEHK, SSE, HKSCC and CSDCC for the establishment of mutual market access between SEHK and SSE.

**"Shenzhen Hong Kong Stock Connect"** means a securities trading and clearing links programme developed by SEHK, SZSE, HKSCC and CSDCC for the establishment of mutual market access between SEHK and SZSE.

**"SSE"** means the Shanghai Stock Exchange.

**"SSE China Connect Rules"** means the SSE Regulations on the Shanghai-Hong Kong Stock Connect Pilot Programme which have been published by SSE for the purposes of implementing Shanghai Hong Kong Stock Connect, as amended, supplemented, modified and/or varied from time to time.

**"SSE Listing Rules"** means the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, as amended, supplemented, modified and/or varied from time to time.

**"SSE Rules"** means the SSE China Connect Rules and the business and trading rules and regulations of SSE (including the SSE Listing Rules), as amended, supplemented, modified and/or varied from time to time.

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

**"SZSE China Connect Rules"** means the SZSE Regulations on the Shenzhen-Hong Kong Stock Connect Programme which have been published by SZSE for the purposes of implementing Shenzhen Hong Kong Stock Connect, as amended, supplemented, modified and/or varied from time to time.

**"SZSE Listing Rules"** means the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange and the Rules Governing the Listing of Stocks on the ChiNext Board, as amended, supplemented, modified and/or varied from time to time.

**"SZSE Rules"** means the SZSE China Connect Rules and the business and trading rules and regulations of SZSE (including the SZSE Listing Rules), as amended, supplemented, modified and/or varied from time to time.

**"Taxes"** means all taxes, (including but not limited to income tax, business tax, stamp duty, value added tax, capital gains tax, if applicable), duties, levies, imposts, charges, assessments, deductions, withholdings and related liabilities, including but not limited to additions to tax, penalties and interest imposed on or in respect of (i) China Connect Securities or Cash, (ii) any transaction effected under these Stock Connect Terms and Conditions or (iii) the Client.

**"Tax Reclaim Arrangement"** means any tax refund, tax concession, tax differences reclaim, preferential tax treatment or the like, including any tax credit or refund or a reduced tax rate or

preferential tax treatment on interest, dividend, or any other distribution, proceeds or gains from any investment or transaction contemplated under the Master Terms and Conditions and any tax differences reclaim as a result of any change of nationality or domicile or tax residency.

"**Trading Day**" means a day on which SEHK is open for Northbound trading, where "T day" denotes the day on which a transaction is executed and "T+1 day" denotes (as the case may be) the day which is one Trading Day or, in the context of settlement of funds, one business day (when banks in Hong Kong, Shanghai and Shenzhen are generally open for business) after T day.

### **3. Authority and Application**

- 3.1. The Broker is hereby appointed and authorised by the Client on the terms of these Stock Connect Terms and Conditions, as may be amended from time to time, to perform all or any of the trading services in respect of any trading of China Connect Securities through China Connect.
- 3.2. These Stock Connect Terms and Conditions are in addition and supplemental to, and without prejudice to, and form an integral part of, the General Terms and Conditions. Notwithstanding any provision in the General Terms and Conditions, these Stock Connect Terms and Conditions shall apply where the Client informs or indicates to the Broker that the Client wishes to trade China Connect Securities through China Connect.

### **4. Compliance with Trading Restrictions and Market Requirements**

- 4.1. These Stock Connect Terms and Conditions set out only certain key features applicable to China Connect as of the date of these Stock Connect Terms and Conditions. The Broker is not liable for any inaccuracies or misstatements in the information set out in Appendix 1 to these Stock Connect Terms and Conditions. Any trading in China Connect Securities will be subject to the China Connect Rules and all Market Requirements, including, without limitation, any applicable requirements and/or restrictions pursuant to China Connect as may be amended from time to time, certain of which are referred to in Appendix 1 to these Stock Connect Terms and Conditions. These Stock Connect Terms and Conditions do not purport to cover all the rules, requirements and features relating to China Connect and all Market Requirements. The Client shall be fully responsible for understanding and at all times complying with all Market Requirements as amended from time to time and for any consequences, risks, losses or costs of Northbound trading. In addition and without prejudice to the generality of the Master Terms and Conditions, the Client shall at all times comply with the Market Requirements and all such trading restrictions applicable to China Connect, including, without limitation, the requirements and restrictions (as may be amended from time to time by the relevant China Connect Authorities) set out in Appendix 1 to these Stock Connect Terms and Conditions. The Broker shall not be under any obligation, or assume any responsibility, to advise the Client on any of the Market Requirements. The Client is advised to refer to the HKEx website and the SFC website relating to China Connect as updated from time to time and other relevant sources for detailed information.
- 4.2. In addition, the Broker shall have the right to apply any procedures or requirements in respect of any trading in China Connect Securities pursuant to China Connect which the Broker determines in its absolute discretion to be necessary or desirable to comply with Market Requirements. Neither the Broker nor any Related Person shall have any liability for any losses or risks that the Client may incur or suffer arising out of or resulting from such procedures or requirements.
- 4.3. In addition and without prejudice to any of the Broker's rights under the Master Terms and Conditions, the Broker may, in its absolute discretion and without further notice or demand, refuse to execute any Instruction given by the Client, if (for example, and without limitation):
  - (A) such Instruction is not compliant with any Market Requirements or if the Broker reasonably believes that such Instruction may not be compliant with any Market Requirements or if the Broker is required by SEHK not to accept such Instruction;

- (B) in respect of any Instruction to make a Northbound sell order, the Broker determines in its absolute discretion that the Client does not have sufficient securities at the time of such Instruction to settle the delivery obligation; or
- (C) in respect of any Instruction to make a Northbound buy order, the Broker determines in its absolute discretion that the Client does not have sufficient funds to settle the payment obligation in respect of such order on the settlement day.

Without prejudice to the foregoing, the Broker may in its absolute discretion refuse to receive and/or accept for deposit from the Client or his custodian any China Connect Securities without giving any reason.

The Client acknowledges and accepts that any Northbound order placed by the Client may also be rejected by any China Connect Authority if such order is not compliant with any Market Requirements or if the relevant China Connect Authority believes that such order may not be compliant with any Market Requirements. Neither the Broker nor any Related Person shall have any liability for any losses or risks incurred or suffered, directly or indirectly, by the Client arising out of or resulting from such refusal by the Broker or rejection by any China Connect Authority.

- 4.4. In the event that SEHK, the SEHK Subsidiary or HKSCC is notified by SSE, SZSE, CSDCC or any other relevant exchange, clearing house or governmental or regulatory body that there is reasonable cause to believe that the Client has failed to comply with or has breached any Market Requirements, the Client shall, upon the request of the Broker, provide such information (including translations into Chinese if requested by the Broker) as the Broker may reasonably request to enable it to assist the relevant exchange, clearing house or governmental or regulatory body (including, without limitation, SSE, SZSE, CSDCC or any PRC governmental or regulatory authority or agency) to assess whether there is any non-compliance or breach of Market Requirements and/or the extent of any non-compliance or breach, and, by providing such information, the Client is deemed to waive the benefit of any bank or other secrecy laws and data protection laws which may be applicable.

## **5. Risk Disclosures and Acknowledgement**

By instructing the Broker in respect of any transaction relating to China Connect Securities, the Client acknowledges, represents, warrants and confirms that:

- 5.1. (a) he has read, fully understood and accepted the risk disclosures and other information applicable to China Connect set out in Appendix 1 to these Stock Connect Terms and Conditions; (b) the Client understands and agrees that there is a risk of prohibition from trading China Connect Securities; (c) the Client's Instructions to trade China Connect Securities may not be accepted; and (d) the Client understands and agrees to accept his obligations when trading China Connect Securities through China Connect including any consequences of a breach of Market Requirements;
- 5.2. neither the Broker nor any Related Person shall be liable for any loss, liability, or third party claim or demand that he may suffer or incur directly or indirectly as a result of any action or inaction by the Broker or any Related Person in connection with the provision of trading services in respect of China Connect Securities to the Client by the Broker including, without limitation, the materialisation of any of the risks described in Appendix 1 to these Stock Connect Terms and Conditions;
- 5.3. SEHK has the power not to extend the China Connect Service to the Client and the power to require the Broker not to accept Instructions from the Client, if it is found that the Client, the

Broker or any of the Broker's clients has or may have committed any abnormal trading conduct referred to in the SSE Rules or the SZSE Rules or failed to comply with any China Connect Rules;

- 5.4. the Broker and/or any Related Person may provide to a China Connect Authority relevant information and materials relating to the Client, including, without limitation, in relation to the Client's identity, Personal Data and trading activities for the purposes of assisting any investigation or surveillance by a China Connect Authority;
- 5.5. if the SSE Rules or the SZSE Rules are breached, or the disclosure and other obligations referred to in any Market Requirements are breached, (a) SSE or SZSE (as the case may be) has the power to carry out investigations, and may, through SEHK (or the SEHK Subsidiary or any other governmental or regulatory body), require the Broker and/or any Related Person to (i) provide relevant information and materials relating to him (including, without limitation, in relation to his identity, Personal Data and trading activity) and any other information requested by any China Connect Authority; and (ii) assist in a China Connect Authority's investigation in relation to him and/or his trading activity, and (b) he may be subject to regulatory investigations and the relevant legal and regulatory consequences if he is in breach of, or fail to comply with, such laws, rules and regulations;
- 5.6. SEHK may (for the purpose of assisting SSE or SZSE in its regulatory surveillance of the relevant China Connect Market and enforcement of the SSE China Connect Rules or the SZSE China Connect Rules and as part of the regulatory cooperation arrangement between SEHK, the SEHK Subsidiary and SSE or SZSE (as the case may be)), at the request of SSE or SZSE (as the case may be), require the Broker to provide information (including, without limitation, in relation to his identity, Personal Data and trading activity) in relation to him and any other persons referred to in the SEHK China Connect Rules with respect to any China Connect orders placed or China Connect transactions made or entered into by the Broker on their behalf;
- 5.7. where a China Connect Authority considers that there is a serious breach of the SSE Rules or the SZSE Rules, the Broker may be required by a China Connect Authority to (a) issue warning statements (verbally or in writing) to him; and (b) cease providing him with any service relating to trading China Connect Securities through China Connect;
- 5.8. prior to the Broker informing him that a Northbound buy order instructed by him has been settled, he shall not instruct a Northbound sell order in respect of the China Connect Securities which are the subject of such Northbound buy order;
- 5.9. he consents to the Broker and/or any Related Person providing his Client Information (as defined in Clause 11 of these Stock Connect Terms and Conditions) and information relating to his profile and the types and values of Northbound buy and sell orders and transactions made and executed on his behalf to any China Connect Authority at such intervals and in such forms as such China Connect Authority may specify or require from time to time;
- 5.10. he accepts responsibility for paying all fees, charges, levies and taxes and shall comply with any filing or registration obligations as may be required by any China Connect Authority or any Market Requirements relating to any China Connect Securities;
- 5.11. the Broker will be required under the China Connect Rules to keep, for a period of not less than 20 years, records (including telephone records) of (a) all orders and trades executed on his behalf; (b) any Instructions received from him and (c) his account information in relation to Northbound trading;
- 5.12. SEHK may upon the request of SSE or SZSE require the Broker to reject any order made on his behalf; and



- 5.13. none of the China Connect Authorities or their respective directors, employees and agents shall be responsible or held liable for any loss or damage directly or indirectly suffered by the Broker or any Related Person, the Client or any other third party arising from or in connection with (a) the trading of China Connect Securities or the operation of the CSC in respect of China Connect Securities; or (b) any amendment, making or enforcement of the China Connect Rules; or (c) any action taken by a China Connect Authority in the discharge of its supervisory or regulatory obligations or functions (including any action taken in respect of abnormal trading activities).

## **6. Representations**

6.1. The Client makes the following representations to the Broker on a continuing basis, that :

- (A) he is aware of and shall comply with all Market Requirements to which he may be subject;
- (B) the execution of any Instruction he gives to the Broker shall not result in any breach of any Market Requirements;
- (C) he understands and has assessed the risks relating to China Connect and he is willing to undertake the risks relating to China Connect;
- (D) he is not a PRC Citizen resident or domiciled in the PRC and his authorised agents with authority to give Northbound trading Instructions with respect to China Connect Securities are not PRC Citizens resident or domiciled in the PRC;
- (E) (a) his opening of any account with the Broker (or other group member of the Broker) is not prohibited by or restricted under any applicable PRC law or regulation; (b) all governmental and other consents (including, without limitation, any approval by SAFE) that are required to have been obtained with respect to the opening of any account by the Client have been obtained and are in full force and effect; and (c) all conditions of any such consents have been complied with;
- (F) (where the Client has traded or will trade ChiNext Shares only) the Client is, and in the case where the Client is an intermediary (including, but not limited to, a fund manager, an asset manager, a broker or an order placer) trading for or on behalf of an underlying client or clients, each such underlying client is, an Eligible ChiNext Investor, or the Client is expressly permitted to do so under the terms of the SEHK China Connect Rules;
- (G) any funds used by the Client for the purpose of trading in China Connect Securities is permitted under PRC laws and regulations to be placed in an offshore account; and
- (H) any Personal Data provided to the Broker is not a state secret as defined under PRC law and the Client will indemnify the Broker and hold the Broker harmless from any illegal disclosure of state secrets.

In the event that the Client becomes or has any reason to believe he is or may become in breach of any of the representations above, the Client will notify the Broker immediately.

6.2. The Client makes the following representations to the Broker on each date the Client instructs an order to sell China Connect Securities that:

- (A) the Client does not know of any fact that 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;

- (B) there is no adverse claim to such China Connect Securities;
- (C) there is no restriction on the transfer of such China Connect Securities other than those expressly provided for under the SEHK China Connect Rules or CCASS China Connect Rules; and
- (D) where the order is for a sale of one or more odd lots in respect of a China Connect Security, such order relates to all, and not some only, of the odd lots held by the Client in respect of that China Connect Security.

## **7. Settlement, Renminbi Payments and Currency Conversion**

- 7.1. As all Northbound trading is effected and settled in Renminbi, if the Broker does not receive sufficient funds in Renminbi before settlement of a Northbound buy order to settle such purchase of China Connect Securities, settlement may be delayed and/or fail and the Client may not acquire title to, or become entitled to sell or transfer, the relevant China Connect Securities.
- 7.2. Where the Broker holds any funds on the Client's behalf, if the Client instructs (a) Northbound buy orders only or (b) both Northbound buy orders and other buy orders (in respect of Securities other than China Connect Securities) and if the Client does not have sufficient Renminbi funds in his account to settle all such orders and all payment obligations in relation thereto, the Broker may reject all such orders or process only one or some of such orders with the available Renminbi funds in the Client's account and the Broker may in its absolute discretion decide which of the buy orders to process without regard to the sequence in which the orders were placed by the Client.
- 7.3. Unless and until the Client has settled all payment obligations in connection with any and all Northbound buy orders, the Broker will not release to the Client's account any China Connect Securities acquired by virtue of buy orders.
- 7.4. Notwithstanding any provisions in the General Terms and Conditions, where the Broker determines that there is insufficient liquidity in Renminbi to settle any buy order, the Broker may, in its sole and absolute discretion, reject the Client's Instruction to place such buy order.
- 7.5. Any loss, risk or cost which may result to the Client directly or indirectly from any actions taken by the Broker pursuant to this clause shall be borne by the Client.

## **8. Sale, Transfer and Disgorgement**

### **8.1. Restriction on Day Trading.**

Unless SEHK otherwise determines, day (turnaround) trading is not permitted on the PRC A-Share market. Securities purchased by the Client through China Connect may only be sold on or after settlement has been completed (normally on T+1 day. The Broker may process an Instruction to sell China Connect Securities that were bought on T day only on or after the applicable cut-off time (as notified to the Client by the Broker from time to time) on T+1 day subject to any Market Requirements.

### **8.2. Pre-Trade Checking.**

The Client will comply with any requirements relating to Pre-Trade Checking required by the China Connect Authorities and/or as notified to the Client by the Broker. The Client will in addition ensure there are sufficient available China Connect Securities in the Client's Account to cover any proposed sell order.

If the Broker considers that the Client has not (by the commencement of trading on the trading day on which he wishes to execute a sell order or any other cut-off time specified by the Broker from time to time) transferred sufficient available China Connect Securities to the Exchange Participant's designated CCASS stock account(s) to cover a proposed sell order, the Broker may (but shall not be obliged to) in its absolute discretion: (a) reject the Client's sell order (in whole or in part); (b) where appropriate arrangements are in place and as permitted by Market Requirements, use any China Connect Securities in the Exchange Participant's (or any other Exchange Participant's) designated CCASS stock account(s) which the Broker holds for itself or on behalf of its other clients to fulfil the Pre-Trade Checking requirement in respect of the Client's sell order, in which case, the Client shall reimburse the Broker for any costs, losses or expenses which the Broker incurs as a result of buying in or otherwise sourcing the amount of China Connect Securities which the Client has failed to deliver in respect of the Client's sell order, on such terms and at such price (including any associated fees and expenses) and at such time as the Broker shall determine in its absolute discretion; or (c) perform any other act which the Broker considers necessary or desirable to comply with Pre-Trade Checking and/or relevant Market Requirements and to cover the Client's shortfall (including but not limited to applying any other China Connect Securities available to the Broker) from any stock borrowing arrangements (to the extent permitted by Market Requirements and available to the Broker) or other sources. In addition, the Broker may in its absolute discretion reject the Client's sell order (in whole or in part) if for any other reason the Broker considers that there is or may be non-compliance or potential non-compliance with Market Requirements. Any risk, loss or cost resulting from non-compliance or potential non-compliance with Pre-Trade Checking and/or any relevant Market Requirements shall be borne by the Client.

### 8.3. Foreign Shareholding Restrictions.

Where, under the terms of the China Connect Rules, the Broker receives notice (a "**Forced-sale Notice**") from a China Connect Authority requiring the Broker to sell and liquidate a specified number of China Connect Securities owned by the Client, the Client hereby authorises the Broker to sell or arrange for the sale of such China Connect Securities on behalf of the Client on such terms and at such price (including any associated fees and expenses, and without any obligation to ensure the best price) and at such time as the Broker may determine in its absolute discretion within the period specified by the relevant China Connect Authority.

Where China Connect Securities owned by the Client that are the subject of a 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 Client hereby authorises the Broker to instruct the Recipient Agent on behalf of the Client to return the relevant China Connect Securities to the Original CP for sale and liquidation in accordance with Market Requirements. The Client also undertakes to inform the Recipient Agent of such authorisation and, where required, to instruct the Recipient Agent to act accordingly.

The Client hereby authorises the Broker to sell or arrange for the sale of any amount of China Connect Securities owned by the Client if the Broker receives notice from any China Connect Authority requiring the Client to disgorge any profits as a result of the "short swing profit rule".

### 8.4. In addition to the above, the Client hereby authorises the Broker to sell, transfer or carry out any other action in relation to China Connect Securities owned by the Client if the Broker is instructed to do so by any China Connect Authority or if the Broker otherwise determines in its absolute discretion that it is necessary or desirable to do so in order to comply with any Market Requirements.

- 8.5. Neither the Broker nor any Related Person shall have any liability for any losses or risks which may result directly or indirectly from any actions taken by the Broker or any Related Person pursuant to this clause.

## **9. Indemnity**

- 9.1. In addition and without prejudice to any of the Broker's rights under the General Terms and Conditions, the Client will indemnify the Broker and each Related Person on a full indemnity basis against any claims, demands, actions, proceedings, damages, costs, expenses, losses and all other liabilities whatsoever arising directly or indirectly from the Broker providing any services to the Client in respect of the Client's trading or investment in China Connect Securities, including without limitation (a) any Taxes arising out of or resulting from any trading or holding of or otherwise dealing in China Connect Securities pursuant to China Connect; (b) the materialisation of any risk referred to in Appendix 1 to these Stock Connect Terms and Conditions; (c) any legal costs which the Broker may incur in connection with any Instruction given by the Client; or (d) any costs incurred in connection with Clause 8 (*Sale, Transfer and Disgorgement*) above.
- 9.2. In addition and without prejudice to any other right or remedy which the Broker may have, the Broker shall be entitled in its absolute discretion, without further notice or demand, forthwith to satisfy any claims, demands, actions, proceedings, damages, costs, expenses, losses and all other liabilities whatsoever referred to in Clause 9.1 above, and any obligation of the Broker or any Related Person or the Client to pay or account for any amounts in respect of any Taxes, by selling, realising or otherwise dealing with, in such manner as the Broker in its absolute discretion may determine, all or part of any property held by the Broker or any Related Person for any purpose in any of the Client's accounts with the Broker or any Related Person, and to apply the proceeds in reduction of all or part of the Client's liability to any tax authority or the Broker or any Related Person.
- 9.3. Neither the Broker nor any Related Person shall have any liability for any losses or risks which may result directly or indirectly from any actions taken by the Broker or any Related Person in connection with the foregoing.
- 9.4. The Client shall be fully and solely responsible for paying all fees, charges, levies and taxes, and the Client shall be required to comply with any filing or registration obligations, in each case as may be required by any China Connect Authority or any applicable Market Requirements, relating to any trading or investment or holding by the Client of or in China Connect Securities.

## **10. Liability**

Notwithstanding any other provision in these Stock Connect Terms and Conditions, neither the Broker nor any Related Person shall be responsible for or have any liability to the Client for any damage, liability or loss (including loss of profit) unless such damage, liability or loss is a direct result of the Broker's fraud, wilful default or gross negligence.

## **11. Collection and Disclosure of Client Information**

### **11.1. Definitions**

Terms used in this Clause 11 shall have the meanings set out below.

"Authorities" includes any local or foreign judicial, administrative, public or regulatory body, any government, any Tax Authority, securities or futures exchange, court, central bank or law enforcement body, self-regulatory or industry body or association of financial service providers or any of their agents with jurisdiction over any group member of the Broker or to which it may be subject.

"Client Information" means all or any of the following items relating to the Client or a Connected Person, where applicable: (a) Personal Data, information about the Client, the Client's accounts, transactions, use of the Broker's products and services and the Client's relationship with the Broker's group and (c) Tax Information.

"Compliance Obligations" means obligations of the Broker's group to comply with any Laws or international guidance or internal policies or procedures, (b) any demand from Authorities or reporting, disclosure or other obligations under Laws, and (c) Laws requiring the Broker's group to verify the identity of its customers.

"Connected Person" has the meaning set out in Schedule 2 *Notice relating to the Personal Data (Privacy) Ordinance*.

"controlling persons" means individuals who exercise control over an entity. For a trust, these are the settlor, the trustee(s), the protector, the beneficiaries or a class of beneficiaries, and anybody else who exercises ultimate effective control over the trust, and for entities other than a trust, these are persons in equivalent or similar positions of control.

"Laws" include any local or foreign law, regulation, judgment or court order, voluntary code, sanctions regime, agreement between any member of the Broker's group and an Authority, or agreement or treaty between Authorities and applicable to the Broker or a member of the Broker's group.

"Services" includes (a) the opening, maintaining and closing of the Client's accounts, (b) the provision of credit facilities and other banking products and services, processing applications, and credit and eligibility assessment, and (c) maintaining the Broker's overall relationship with the Client, including marketing services or products to the Client, market research, insurance, audit and administration.

"substantial owner" means any individual entitled to more than 10% of the profits of or with an interest of more than 10% in an entity, directly or indirectly.

"Tax Authorities" means Hong Kong or foreign tax, revenue or monetary authorities.

"Tax Information" means documentation or information about the tax status of the Client or a Connected Person.

The singular includes the plural (and vice versa).

## 11.2. Collection, Use and Sharing of Client Information

This Clause 11.2 explains how the Broker will use information about the Client and its Connected Persons. The Notice relating to the Personal Data (Privacy) Ordinance (the "**Notice**", Schedule 2 of this Client Agreement) that applies to the Client and other Connected Persons also contains important information about how the Broker will use such information and the Client should read this Clause in conjunction with the Notice. The Broker and members of the Broker's group may use Client Information in accordance with this Clause 11.2 and the Notice.

### 11.2.1. Disclosure

Client Information will not be disclosed to anyone (including other members of the Broker's group), other than where:

- (a) the Broker is legally required to disclose;

- (b) the Broker has a public duty to disclose;
- (c) the Broker's legitimate business purposes require disclosure;
- (d) the disclosure is made with the data subject's consent; or
- (e) it is disclosed as set out in this Clause 11.2 or the Notice.

#### 11.2.2. Collection

The Broker and other members of the Broker's group may collect, use and share Client Information. Client Information may be requested by the Broker or on behalf of the Broker or the Broker's group, and may be collected from the Client directly, from a person acting on behalf of the Client, from other sources (including from publicly available information), and it may be generated or combined with other information available to the Broker or any other member of the Broker's group.

#### 11.2.3. Use

The Broker and members of the Broker's group may use, transfer and disclose Client Information (a) in connection with the purposes set out in this Clause 11.2, (b) as set out in the Notice (applicable to Personal Data) and (c) in connection with matching against any data held by the Broker or the Broker's group for whatever purpose (whether or not with a view to taking any adverse action against the Client) ((a) to (c) are collectively referred to as the "**Purposes**").

#### 11.2.4. Sharing

The Broker may (as necessary and appropriate for the Purposes) transfer and disclose any Client Information to the recipients set out in the Notice (who may also use, transfer and disclose such information for the Purposes).

#### 11.2.5. The Client's Obligations

- (a) The Client agrees to inform the Broker promptly, and in any event within 30 days, in writing if there is any change to Client Information supplied to the Broker or a member of the Broker's group from time to time, and to respond promptly to any request for Client Information from the Broker or a member of the Broker's group.
- (b) The Client confirms that every Connected Person whose information (including Personal Data or Tax Information) has been (or will be) provided to the Broker or a member of the Broker's group has (or will at the relevant time have) been notified of and agreed to the processing, disclosure and transfer of such information as set out in this Clause 11.2 and the Notice (as may be amended or supplemented by the Broker from time to time). The Client shall advise any such Connected Persons that they have rights of access to, and correction of, their Personal Data.
- (c) The Client consents and shall take such steps as are required from time to time for the purposes of any applicable data protection law or secrecy law to permit the Broker to use, store, disclose, process and transfer all Client Information in the manner described in this Clause 11.2. The Client agrees to inform the Broker promptly in writing if he is not able or has failed to comply with the obligations set out in paragraphs (b) and (c) in any respect.
- (d) Where:
  - (i) the Client or any Connected Person fails to provide promptly Client Information reasonably requested by the Broker, or

- (ii) the Client or any Connected Person withholds or withdraws any consents that the Broker may need to process, transfer or disclose Client Information for the Purposes (except for purposes connected with marketing or promoting products and services to the Client), or
- (iii) the Broker has, or a member of the Broker's group has, suspicions regarding financial crime or an associated risk,

the Broker may:

- (A) be unable to provide new, or continue to provide all or part of the, Services to the Client, and reserves the right to terminate its relationship with the Client;
- (B) take actions necessary for the Broker or a member of the Broker's group to meet the Compliance Obligations; and
- (C) block, transfer or close the Client's account(s) where permitted under local Laws.

In addition, if the Client fails to supply promptly his, or a Connected Person's, Tax Information and accompanying statements, waivers and consents, as may be requested, then the Broker may make its own judgement with respect to the status of the Client or the Connected Person, including whether the Client or a Connected Person is reportable to a Tax Authority, and may withhold or require other persons to withhold amounts as may be legally required by any Tax Authority and to pay such amounts to the appropriate Tax Authority.

### 11.3. Tax Compliance

The Client acknowledges that he is solely responsible for understanding and complying with his tax obligations (including tax payment or filing of returns or other required documentation relating to the payment of all relevant taxes) in all jurisdictions in which those obligations arise and relating to the opening and use of account(s) or Services provided by the Broker or members of the Broker's group. Each Connected Person acting in his/its capacity as a Connected Person shall be regarded as making the same acknowledgement in his/its own regard. Certain countries may have tax legislation with extra-territorial effect regardless of the Client's or a Connected Person's place of domicile, residence, citizenship or incorporation. Neither the Broker nor any member of the Broker's group provides tax advice. The Client is advised to seek independent legal and tax advice. Neither the Broker nor any member of the Broker's group has responsibility in respect of the Client's tax obligations in any jurisdiction which may arise including any that may relate specifically to the opening and use of account(s) and Services provided by the Broker or members of the Broker's group.

### 11.4. Miscellaneous

11.4.1. In the event of any conflict or inconsistency between any of the provisions of this Clause 11 and those in or governing any other service, product, business relationship, account or agreement between the Client and the Broker, this Clause 11 shall prevail.

11.4.2. If all or any part of any provision of this Clause 11 becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, that shall not affect or impair the legality, validity or enforceability of such provision in any other jurisdiction or the remainder of this Clause 11 in that jurisdiction.

### 11.5. Survival Upon Termination

This Clause 11 shall continue to apply notwithstanding any termination by the Client or the Broker or a member of the Broker's group of the provision of any Services to the Client, or the closure of any of the Client's accounts.

## **12. Taxation**

- 12.1. It is the Client's sole responsibility to handle and/or fulfill any local, overseas or worldwide tax issues, liabilities and/or obligations under all Market Requirements (including, without limitation, tax reporting, filing relevant tax return(s), paying any applicable tax and dealing with any application for Tax Reclaim Arrangement) arising from or in connection with trading, holding, disposing of or otherwise dealing with Securities or investment via the Broker. The Client must seek independent professional advice from his own tax advisors to determine his tax position, liabilities and obligations in relation to the relevant Securities or investments. The Broker assumes no responsibility for advising on or handling such tax issues, liabilities and/or obligations nor will the Broker provide any service or assistance in this regard.
- 12.2. In particular, the Client agrees and accepts that, unless otherwise specified by the Broker, in no circumstances will the Broker or any of its nominees, custodians and/or agents be under any obligation or responsibility to apply for, or assist in the application for, any Tax Reclaim Arrangement that may be available to the Client. The Client agrees and accepts that neither the Broker nor its nominees, custodians and/or agents shall be held liable for the loss of Tax Reclaim Arrangement or any other losses, damages, costs and/or expenses incurred or suffered by the Client in this regard.
- 12.3. Notwithstanding the above but without prejudice to the full force of the foregoing provisions, if the Broker so requests at its absolute discretion, the Client shall complete, provide information, sign and file any tax forms, certificates or documents which the Broker or any of its nominees, custodians and/or agents is required by any tax authority of any applicable jurisdiction to submit in respect of the Client in connection with any investment or transaction made on behalf of the Client pursuant to the Master Terms and Conditions. The Client agrees to cooperate with the Broker, its nominees, custodians and/or agents and provide the necessary information and assistance to them or any of them for such purposes.
- 12.4. Without prejudice to the foregoing, the Broker shall be entitled in its absolute discretion, without further notice or demand, forthwith to satisfy any actual or potential obligation of the Broker arising from or in connection with any trading, investment, holding, disposing of or otherwise dealing in any China Connect Securities by the Client to: (a) require the Client promptly to provide to the Broker the relevant details and information in respect of all of his transactions in China Connect Securities as and when required by the Broker; and (b) provide all required information related to the Client and/or his transactions in China Connect Securities to any China Connect Authority as and when required by the Broker, and the Client agrees and fully consents to the Broker providing the same.
- 12.5. Without prejudice to any of the rights of the Broker, the Broker shall be entitled in its absolute discretion, without further notice or demand, forthwith to satisfy any obligation or potential obligation of the Broker or any Related Person or the Client to pay or account for any amounts in respect of any Taxes by selling, realising or otherwise dealing with (including but not limited to withholding or deducting any amount towards Taxes), in such manner as the Broker in its absolute discretion may determine, all or part of any property held by the Broker or any Related Person for any purpose in any of the Client's accounts with the Broker or any Related Person, and to apply the proceeds in reduction of all or part of the Client's liability to any tax authority or the Broker or any Related Person.

## **13. Further Information and Survival of Obligations**



- 13.1. The Client will execute any further documents and provide any materials and/or information as may be reasonably requested by the Broker to enable it to perform its duties and obligations under these Stock Connect Terms and Conditions which may become necessary as and when the China Connect Rules are amended from time to time.
- 13.2. The Client will provide all information (including translations into Chinese, if required) to the Broker which the Broker requests if such information is requested by any China Connect Authority or any exchange or regulatory authority or any organisation (whether within or outside Hong Kong) with which HKEx or the SEHK has entered into an information-sharing arrangement or agreement. Amongst other things, the Client's failure to comply with this Clause 13.2 may result in a suspension of China Connect Services to the Client.
- 13.3. The Broker reserves the right to vary any of the terms of these Stock Connect Terms and Conditions in accordance with the Master Terms and Conditions.
- 13.4. Clauses 4 (*Compliance with Trading Restrictions and Market Requirements*), 5 (*Risk Disclosures and Acknowledgement*), 8 (*Sale, Transfer and Disgorgement*), 9 (*Indemnity*), 11 (*Collection and Disclosure of Client Information*), 12 (*Taxation*) and 13.2 of these Stock Connect Terms and Conditions and paragraphs 12 (*Taxation*) and 21 (*Disclosure of Information and Publication of Trade Information*) in Appendix 1 hereto (and such other provisions of these Stock Connect Terms and Conditions or of Appendix 1 hereto as the context requires) shall survive termination of these Stock Connect Terms and Conditions and the General Terms and Conditions but otherwise these Stock Connect Terms and Conditions shall automatically terminate upon termination of the General Terms and Conditions.

#### **14. Market Data Information**

Where the Client receives any Market Data Information from the Broker and/or any Related Person, the Client agrees as follows:

- (A) he shall use the Market Data Information only as an end-user and shall not disseminate the Market Data Information to any person or grant any person any access to the Market Data Information, whether free of charge or otherwise;
- (B) he shall not use or permit the use of the Market Data Information for any illegal purpose;
- (C) he shall not use the Market Data Information for index computation and compilation or as the basis for any tradable derivative product;
- (D) subject to sub-clause (C) above, he shall use the Market Data Information only for his own purposes, in the ordinary course of his own business (which shall not include the dissemination of Market Data Information to any persons or third parties, whether on a for-profit basis or otherwise), or for the purpose of enabling his software system suppliers to develop, connect or apply relevant software solutions to facilitate his use of the Market Data Information;
- (E) he acknowledges that SSE and SZSE endeavour to ensure the accuracy and reliability of the information provided but does not guarantee its accuracy or reliability and accepts no liability (whether in tort or contract or otherwise) for any loss or damage arising from any inaccuracies or omissions;
- (F) he acknowledges that the SEHK, its holding company and/or any subsidiaries of such holding company endeavour to ensure the accuracy and reliability of the information provided but do not guarantee its accuracy or reliability and accept no liability (whether

in tort or contract or otherwise) for any loss or damage arising from any inaccuracies or omissions; and

- (G) the Broker and/or any Related Person, by disseminating or making available any Market Data Information received from the SEHK to the Client, does not warrant or represent the accuracy or reliability of any Market Data Information or accept any responsibility (whether in tort or contract or otherwise) with respect to any loss or damage caused to the Client or any third parties arising from any inaccuracy or omission in or of the Market Data Information.

## Appendix 1

### Risk Disclosures and Other Information

This Appendix describes some of the key risk disclosures and other information concerning China Connect. This Appendix does not disclose all the risks and other significant aspects of Northbound trading through China Connect. The Client should ensure that he understands the nature and risks of China Connect and Northbound trading and he should consider carefully (and consult his own advisers where necessary) whether trading in China Connect Securities is suitable for him in light of his circumstances. The decision to trade in China Connect Securities is the Client's, but he should not trade in China Connect Securities unless he fully understands and is willing to assume the risks associated with China Connect. The Client acknowledges the risks, and agrees to the terms, set out in this Appendix.

The Broker does not represent that the information set out in this Appendix is up to date or comprehensive, and does not undertake to update the information set out in this Appendix.

#### 1. Pre-Trade Checking

Under PRC law, SSE or SZSE may reject a sell order if an investor does not have sufficient available China Connect Securities in its account. SEHK will apply similar checking on all Northbound sell orders at the Exchange Participant level to ensure there is no overselling by any Exchange Participant ("**Pre-Trade Checking**"). Accordingly, the Client will comply with any requirements relating to Pre-Trade Checking required by the China Connect Authorities and/or as notified to the Client by the Broker. The Client will in addition ensure there are sufficient available China Connect Securities in the Client's account to cover any proposed sell order.

#### 2. Settlement

Northbound trades will follow the A-Share settlement cycle. For settlement of China Connect Securities trades, CSDCC will debit or credit the securities accounts of its participants (including HKSCC as clearing participant) on T day free of payment. The Broker may have settlement arrangements in place different from the CSDCC settlement arrangements. Unless the Broker agrees to pre-fund, settlement of funds relating to such trading will be effected on T+1 day. Where any China Connect Securities have been overbought or oversold (notwithstanding any Pre-Trade Checking arrangements), there may be a delay in settlement due to a delay or failure by the Broker's system for reconciliation of orders.

Although the transfer of the China Connect Securities precedes the transfer of cash, under the China Connect Service the title to China Connect Securities will not be released until the receipt of confirmation of payment. Accordingly, for the purpose of contract notes, the settlement date would be T+1 day when both the securities and the cash are settled or, where the purchase is pre-funded (by way of a debit of available funds in the Client's account upon placement of the order and a corresponding cash prepayment by the Broker to HKSCC), the settlement date would be the date on which the securities are released from hold (usually on T day).

#### 3. Quota Restrictions

Purchases of China Connect Securities through China Connect are subject to certain quota controls as described below. As a result, there is no assurance that a buy order can be successfully placed through China Connect. There is a quota limiting the maximum net value of all Northbound buy trades that can be executed by Exchange Participants while China Connect is in operation ("**Aggregate Quota**"). There is also a daily quota limiting the maximum value of all Northbound buy trades that can be executed by Exchange Participants 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 is advised to refer to the HKEx website and other information published by HKEx for up-to-date information.

Under the China Connect Rules, Northbound selling is permitted regardless of whether the Aggregate Quota or Daily Quota has been reached. If there is a restriction, rejection or suspension of Northbound buying as a result of (a) the Daily Quota being fully utilised, or (b) the balance of the Aggregate Quota falling below the Daily Quota, the Broker will be unable to carry out any further buy orders.

#### **4. Restriction on Day Trading**

Unless SEHK otherwise determines, day (turnaround) trading is not permitted on the PRC A-Share market. If the Client buys China Connect Securities on T day, the Client may be able to sell the China Connect Securities only on or after settlement has been completed (normally on T+1 day). Due to Pre-Trade Checking requirements, the Broker may process an Instruction to sell China Connect Securities that were bought on T day only on or after the applicable cut-off time (as notified to the Client by the Broker from time to time) on T+1 day subject to any Market Requirements.

#### **5. Disclosure of Interests**

Under PRC laws, rules and regulations, if the Client holds or controls shares (on an aggregate basis, i.e., including both domestically and overseas issued shares of the same PRC Listco (as defined below), whether the relevant holdings are through Northbound trading, the QFII/RQFII regime or other investment channels) in a PRC incorporated company which is listed on a PRC stock exchange (a "**PRC Listco**") up to a certain threshold (as may be specified from time to time by the relevant China Connect Authorities), the Client must disclose such interest within the period specified by the relevant China Connect Authority, and the Client must not buy or sell any such shares within the period specified by the relevant China Connect Authority. The Client must also disclose any substantial change in his holding as required by the relevant China Connect Authority.

Under Hong Kong law, where a PRC incorporated company has both H Shares listed on SEHK and A-Shares listed on SSE or SZSE, if an investor is interested in more than a certain threshold (as may be specified from time to time) of any class of voting shares (including A-Shares purchased through China Connect) in such PRC incorporated company, the investor is under a duty of disclosure pursuant to Part XV of the SFO. Part XV of the SFO does not apply where the PRC incorporated company has not listed any shares on SEHK.

It shall be the Client's responsibility to comply with any disclosure of interest rules from time to time imposed by the relevant China Connect Authorities and to arrange for any relevant filings.

#### **6. Short Swing Profit Rule**

Under PRC laws, rules and regulations, the "short swing profit rule" requires the Client to give up/ return any profits made from purchases and sales in respect of China Connect Securities of a particular PRC Listco if (a) the Client's shareholding in such PRC Listco exceeds the threshold prescribed by the relevant China Connect 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) must comply with the "short swing profit rule". The Broker shall have no responsibility to alert the Client or otherwise assist the Client in complying with the "short swing profit rule".

#### **7. Foreign Ownership Limits**

Under PRC laws, rules and regulations, there is a limit to how many shares a single foreign investor is permitted to hold in a single PRC Listco, and also a limit to the maximum combined holdings of all foreign investors in a single PRC Listco. Such foreign ownership limits may be applied on an aggregate basis (i.e. across both domestically and overseas issued shares of the same issuer, whether the relevant holdings are through Northbound trading, the QFII/RQFII regime or other investment channels). It shall be the Client's responsibility to comply with all foreign ownership limits from time to time imposed by Market Requirements. In addition, in accordance with Clause 4.2 above, the Broker shall have the right to apply any procedure or requirements which the Broker determines in its absolute discretion to be necessary or desirable to comply with any foreign ownership limits from time to time including (for example, and without limitation) imposing any threshold on the Client that is lower than the foreign ownership limits prescribed by any China Connect Authority. Such legal and regulatory restrictions or limitations may have an adverse effect on the liquidity and performance of an investment in China Connect Securities due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers. As a result, the Client may suffer losses through his trading, holding or investment of or in China Connect Securities.

If the Broker becomes aware that the Client has breached (or reasonably believes that the Client may breach upon execution of further Northbound buy orders) any foreign ownership limits, or if the Broker is so required by any China Connect Authority, including without limitation, as a result of any Forced-sale Notice issued by SSE or SZSE, the Broker will sell any China Connect Securities pursuant to Clause 8 (Sale, Transfer and Disgorgement) above in order to ensure compliance with all Market Requirements. In such case, no China Connect Securities buy orders for the relevant China Connect Securities will be accepted until SSE or SZSE informs the SEHK Subsidiary or SEHK that the aggregate foreign shareholding has fallen below a certain percentage. SEHK may determine in its absolute discretion which Exchange Participants and what quantity of China Connect Securities should be subject to a Forced-sale Notice (this is generally likely to be on a "last-in, first-out" basis), and SEHK's (or the SEHK Subsidiary's) own records shall be final and conclusive.

Moreover, under PRC laws, where the aggregate holding of foreign investors exceeds a specified percentage (the "**Cautionary Level**") of the issued shares of a single PRC Listco, upon notification by SSE or SZSE to the SEHK Subsidiary, SEHK and the SEHK Subsidiary are required as soon as practicable thereafter to suspend accepting China Connect Securities buy orders in respect of the relevant China Connect Securities. In such circumstances, the Broker may reject the Client's buy order Instructions until the aggregate shareholding of foreign investors has fallen below a specified percentage (the "**Permitted Level**") as advised by SSE or SZSE from time to time.

As of the date of these Stock Connect Terms and Conditions, the single foreign investor limit is set at 10% of the shares of a PRC Listco and the aggregate foreign investor limit is set at 30% of the shares of a PRC Listco (while the Cautionary Level and the Permitted Level are set at 28% and 26% respectively of the shares of a PRC Listco). Such limits and levels are subject to change from time to time and the Broker shall not be under any obligation to inform the Client of any such changes relating to foreign ownership limits.

## **8. SSE-listed Shares and SZSE-listed Shares Eligible for Northbound Trading**

SEHK will include and exclude securities as China Connect Securities based on the prescribed criteria under the China Connect Rules, any adjustments made to the SSE 180 Index, the SSE 380 Index, the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index, any relevant A-Shares and H-Shares being listed on or delisted from SSE, SZSE and/or SEHK, and any

relevant A-Shares being placed under or released from risk alert. The Broker shall not be under any obligation to inform the Client of any changes to the eligibility of shares for Northbound trading. The Client should refer to the HKEx website and other information published by HKEx for up-to-date information.

According to the SSE Listing Rules and the SZSE Listing Rules, if any SSE or SZSE-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' interests to undue damage, the SSE or SZSE-listed company will be earmarked and traded on the risk alert board. Any change to the risk alert board may occur without prior notice. If a China Connect Security has been placed under risk alert, it ceases to be a China Connect Security and investors under China Connect will be allowed only to sell it and are prohibited from further buying. For details concerning the risk alert board, please refer to the SSE Listing Rules, the SZSE Listing Rules, the SSE Risk Alert Board Provisional Trading Arrangement and any other relevant sources from time to time.

## **9. No Off-exchange Trading and Transfers**

The Client, the Broker and any Related Person shall not trade or provide services to facilitate trading of any China Connect Securities otherwise than through the China Connect Market System, and the Broker shall not (unlike the current practice in Hong Kong in respect of SEHK-listed shares) match, execute or arrange the execution of any sale and purchase Instructions or any transfer Instructions from the Client or effect any Non-trade Transfer or settlement of transaction in respect of any China Connect Securities in any manner otherwise than through China Connect in accordance with the China Connect Rules, except in the circumstances specified in the China Connect Rules or any other situations specified by SSE, SZSE and CSDCC (including but not limited to any Non-trade Transfer as a result or for the purpose of (a) succession; (b) divorce; (c) dissolution, liquidation or winding up of any company or corporation; (d) donation to a charitable foundation; and (e) assisting in any enforcement action or proceedings of any court, prosecutor or law enforcement agency) or as otherwise provided by a relevant China Connect Authority.

The Client acknowledges that the rule against off-exchange trading and transfers under Northbound trading may delay or disrupt reconciliation of orders by the Broker. The Broker shall not be responsible or held liable for any loss or damage directly or indirectly suffered by the Client arising from this rule, including, without limitation, any loss arising from any delay in settlement of trades.

## **10. Placing Orders**

Only limit orders with a specified price are allowed pursuant to Market Requirements, 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.

## **11. Price Limits and Circuit Breakers**

China Connect Securities are subject to a general price limit of a  $\pm 10\%$  based on the previous Trading Day's closing price (and a price limit of  $\pm 5\%$  where the China Connect Securities are on risk alert). 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 will be rejected by SSE or SZSE.

China Connect Securities are also subject to the Circuit Break Provisions under the SSE Rules and the SZSE Rules. The imposition of a SSE or SZSE Circuit Breaker may result in the suspension of the execution of trades of the relevant China Connect Securities through the China

Connect Market System for such period or periods as set out under the Circuit Breaker Provisions.

## **12. Taxation**

Whether PRC capital gains tax and/or other PRC Taxes will be payable on the trading of China Connect Securities under China Connect is subject to clarification by the SAT. In addition and without prejudice to any of the Broker's rights under the Master Terms and Conditions, the Client will be fully and solely responsible for any and all his liabilities and obligations for any Taxes in respect of China Connect Securities including, without limitation, any capital gains tax or other PRC Taxes, and will indemnify the Broker from and against all Hong Kong and/or PRC Taxes which the Broker may incur or be subject to arising in connection with any China Connect Securities which the Client holds, trades or otherwise deals in. Neither the Broker nor any Related Person assumes any responsibility for advising on or handling any tax issues, liabilities and/or obligations in connection with China Connect, and neither the Broker nor any Related Person will provide any service or assistance in this regard. The Client acknowledges and agrees that the Broker shall have no responsibility to act as tax agent, representative or adviser of the Client in respect of any Taxes. Prior to investing in China Connect Securities, the Client is strongly urged to consult his own tax advisers and counsel with respect to the possible tax consequences to him of such investment since such tax consequences may differ in respect of different investors.

Without prejudice to the foregoing and any other right or remedy which the Broker may have, the Broker shall be entitled in its absolute discretion, without further notice or demand, forthwith to satisfy any obligation of the Broker or any Related Person or the Client to pay or account for any amounts in respect of any Taxes by selling, realising or otherwise dealing with (including but not limited to withholding or deducting any amount towards Taxes), in such manner as the Broker in its absolute discretion may determine, all or part of any property held by the Broker or any Related Person for any purpose in any of the Client's accounts held with the Broker or any Related Person, and to apply the proceeds in reduction of all or part of the Client's liability to the Broker or any Related Person. Neither the Broker nor any Related Person shall have any liability for any losses or risks which may result to the Client directly or indirectly from any actions taken by the Broker or any Related Person in respect of the foregoing.

## **13. Client Securities Rules**

By way of brief background, the Client Securities Rules prescribe how client assets are to be dealt with by all intermediaries and their associated entities. However, as the China Connect Securities traded through China Connect are not listed or traded on SEHK, the Client will not have protection under the Client Securities Rules, unless otherwise specified by the SFC or any other relevant China Connect Authority.

## **14. Investor Compensation Fund**

Trading in China Connect Securities does not enjoy the protection afforded by the Investor Compensation Fund established under the SFO. Accordingly, unlike the trading of SEHK-listed securities, the Client will not be covered by the Investor Compensation Fund in respect of any loss he may sustain by reason of a default by any SFC licensed or registered person.

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

China Connect Securities are held in CSDCC. HKSCC will become a direct participant in CSDCC and China Connect Securities acquired by investors through Northbound Trading will be:

- (a) recorded in the name of HKSCC in the nominee securities account opened by HKSCC with CSDCC and HKSCC will be nominee holder of such China Connect Securities; and
- (b) held in custody by the depository of CSDCC and registered in the shareholders' register of the relevant PRC Listco.

HKSCC will record interests in such China Connect Securities in the CCASS stock account of the relevant CCASS Clearing Participant.

Under Hong Kong law, HKSCC will be regarded as the legal owner of such China Connect Securities and will be regarded as holding the beneficial entitlement to the China Connect Securities on behalf of the relevant Clearing Participant(s). Depending on the custody arrangements between a Clearing Participant and its Hong Kong or overseas clients, such Clearing Participant will in turn generally be regarded as holding the beneficial entitlement for such Hong Kong or overseas clients.

Under current PRC regulations, China Connect Securities will be recorded in a nominee account opened by HKSCC with CSDCC and Northbound investors have rights and interests in China Connect Securities acquired through China Connect according to the applicable laws. The CSRC Securities Registration and Settlement Measures, CSDCC Securities Registration Rules and Administrative Rules on Securities Accounts, the CSDCC China Connect Rules, the SSE China Connect Rules and the SZSE China Connect Rules generally provide for the concept of a "nominee holder" and recognise the Northbound investors as the "ultimate owners" of China Connect Securities.

Northbound investors shall exercise their rights in relation to China Connect Securities through HKSCC as the nominee holder. As Northbound investors will have actual control over voting rights in respect of such China Connect Securities (either individually or acting in concert with others), Northbound investors are responsible for complying with disclosure obligations under PRC laws and regulations in relation to China Connect Securities acquired through Northbound trading.

However, the precise nature and rights of a Northbound investor as the beneficial owner of China Connect Securities through HKSCC as nominee are less well defined under PRC law. There is lack of a clear definition of, and distinction between, "legal ownership" and "beneficial ownership" under PRC law and there have been few cases in the PRC courts concerning a nominee account structure. Therefore the exact nature and methods of enforcement of the rights and interests of Northbound investors under PRC law are not free from doubt.

HKEx has published materials explaining the ownership rights of Northbound investors in China Connect Securities and may publish further information from time to time. In summary, the HKEx published materials state that:

- (a) it is the Hong Kong and overseas investors as the ultimate investors (rather than any broker, custodian or intermediary through whom such investors hold the China Connect Securities) who should be recognised under PRC laws and regulations as having beneficial ownership in the China Connect Securities;
- (b) as key functions of a nominee holder, HKSCC will be responsible for collecting and distributing dividends to its participants (for their own account and/or as agent for their investors) and obtaining and consolidating voting instructions from its participants and submitting a combined single voting instruction to the issuer of the relevant China Connect Securities. However, under the CCASS China Connect Rules, HKSCC as nominee holder shall have no obligation to take any legal action or court proceeding to



enforce any rights on behalf of the investors in respect of China Connect Securities in the PRC or elsewhere; and

- (c) on the insolvency of HKSCC, the China Connect Securities would not be regarded as the general assets of HKSCC under Hong Kong and PRC law and would not be available to the general creditors of HKSCC. CSDCC and the PRC courts would recognise the liquidator of HKSCC, duly appointed pursuant to Hong Kong law, as the rightful person to deal with China Connect Securities in the place of HKSCC.

The Client should conduct his own review of the HKEx published materials and the applicable China Connect Rules from time to time. The Client should also consult his own legal advisers to make his own assessment of his rights as a Northbound investor in China Connect Securities.

#### **16. Amendment of Orders and Loss of Priority**

Consistent with the current practice in the PRC, 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 Daily Quota and Aggregate Quota restrictions (see paragraph 3 above), the subsequent order may not be filled on the same Trading Day.

#### **17. Risk of CSDCC Default**

CSDCC has established a risk management framework and measures that are approved and supervised by the CSRC. If CSDCC (as the host central counterparty) defaults, HKSCC may (but shall have no obligation to) take any legal action or court proceeding to seek recovery of the outstanding China Connect Securities and monies from CSDCC through available legal channels and through CSDCC's liquidation process, if applicable. As CSDCC does not contribute to the HKSCC guarantee fund, HKSCC will not use the HKSCC guarantee fund to cover any residual loss as a result of closing out any of CSDCC's positions. HKSCC will in turn distribute China Connect Securities and/or monies recovered to clearing participants on a pro-rata basis as prescribed by the relevant China Connect Authorities. The Broker in turn will be distributing China Connect Securities and/or monies only to the extent recovered directly or indirectly from HKSCC. Although the likelihood of a default by CSDCC is considered to be remote, investors should be aware of this arrangement and of this potential exposure before engaging in Northbound trading.

#### **18. Risk of HKSCC Default**

The Broker's provision of services pursuant to these Stock Connect Terms and Conditions also depends upon the performance by HKSCC of its obligations. Any action or inaction of HKSCC or a failure or delay by 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 Broker nor any Related Person shall have any responsibility or liability for any such losses.

#### **19. Scripless Securities**

China Connect Securities are traded in scripless form, and accordingly China Connect Securities may not be physically deposited into and/or withdrawn from CCASS.

#### **20. Company Announcements on Corporate Actions**

Any corporate action in respect of China Connect Securities will be announced by the relevant

issuer through the SSE or SZSE website and certain officially appointed newspapers. HKSCC will also record all corporate actions relating to China Connect Securities in CCASS and inform 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 or SZSE website and the relevant newspapers for the latest listed company announcements or, alternatively, the HKEx website's China Stock Markets Web (or such other replacement or successor web-page from time to time) for corporate actions in respect of China Connect Securities issued on the previous Trading Day. Investors should note that SSE or SZSE-listed issuers publish corporate documents in Chinese only and English translations will not be available.

Following existing market practice in the PRC, investors engaged in Northbound trading will not be able to attend shareholder meetings by proxy or in person, unlike the current practice in Hong Kong in respect of SEHK-listed shares.

In addition, HKSCC will endeavour 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 to the extent practicable arrange to distribute to relevant clearing participants on the same day.

The Broker shall have no obligation whatsoever to collect or receive or take any other action (including attending any general meeting and/or exercising any voting right) in relation to any payment or distribution or voting in respect of China Connect Securities for the Client's account or to notify the Client of the existence of or the terms of any notice, circular, report, announcement or similar corporate action in respect of China Connect Securities. If the Broker shall make any such collection or receipt, take any such action or give the Client any such notification or shall take any action pursuant to any such notification, the Broker shall not have:

- (a) any liability in respect of any inaccuracies or delays; and
- (b) any obligation to continue or repeat any such action.

The Broker does not and cannot ensure the accuracy, reliability or timeliness of any company announcements of corporate actions, and neither the Broker nor any Related Person accepts any liability (whether in tort or contract or otherwise) for any loss or damage arising from any errors, inaccuracies, delays or omissions or any actions taken in reliance thereon. The Broker expressly disclaims all warranties, express or implied, as to the accuracy of any company announcement or as to the fitness of the information for any purpose.

## **21. Disclosure of Information and Publication of Trade Information**

SEHK may require the Broker to provide information on the Client's profile, and the type and value of the Client's orders in relation to Northbound trading of China Connect Securities and the trades which the Broker executed for the Client, at such intervals and in such form as SEHK may specify from time to time for purposes of the publication, dissemination or public distribution of aggregated information in respect of China Connect Securities trades under China Connect, trading volumes, investor profiles and other related data.

In addition, the Client will provide to the Broker, promptly upon request by the Broker, such materials and/or information as may be required by the Broker or any China Connect Authority including, without limitation, any information relating to China Connect trades executed by the Client through Exchange Participants other than the Broker, where the China Connect Securities in respect of such trades have been transferred to the Broker for sale, and the Client hereby expressly consents to the disclosure by the Broker of any of the foregoing materials and/or

information and any Client Information to any China Connect Authority as the Broker deems necessary to comply with any Market Requirements.

**22. Retention of Information**

The Client acknowledges and accepts that the Broker will be required under the China Connect Rules to keep records for a period of not less than 20 years of (a) all orders and trades executed on the Client's behalf; (b) any Instructions received from the Client; and (c) the Client's account information in relation to Northbound trading.

**23. Client Error**

Neither the Broker nor any Related Person 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 Broker will not be able to unwind any trade, and the Client should also take note of the settlement arrangements in respect of China Connect Securities, including, but not limited to, quota restrictions, which may affect the Client's ability to mitigate the consequences of any error trades.

The China Connect Rules generally prohibit any off-exchange trading or transfers. However, transfers may be permitted between Exchange Participants and their clients to rectify an error trade in limited circumstances, although there is a lack of clarity as to the circumstances in which such transfers may be permitted. Any Exchange Participant who performs a Non-trade Transfer to rectify an error trade will be required to submit to SEHK an error trade report together with supporting documents explaining how the error was made and providing details of the Non-trade Transfer. SEHK has the power to disallow a particular Exchange Participant to conduct Non-trade Transfers for error trade rectification if 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. SEHK may provide error trade reports and related information to the SFC and SSE or SZSE. Exchange participants are warned by SEHK not to misuse this arrangement to effect off-exchange trades or transfers which are otherwise disallowed under the relevant China Connect Rules. The Broker shall have absolute discretion to determine whether to conduct any transfer to rectify any error trade and shall have no obligation to do so. Neither the Broker nor any Related Person shall have any liability for any losses which may result directly or indirectly from any error trade or any refusal to conduct a transfer to correct an error trade.

**24. Operation of China Connect Service/Novelty of China Connect Market System**

SEHK or the SEHK Subsidiary (after consulting with SEHK) may, under certain circumstances as specified in the SEHK rules and/or whenever SEHK determines that it is appropriate and in the interest of a fair and orderly market to protect investors, temporarily suspend or restrict all or part of the order-routing and related supporting services with regard to all or any Northbound trading of China Connect Securities, and for such duration and frequency as the SEHK may consider appropriate. The Client will not be able to buy or sell China Connect Securities through China Connect during any period in which trading of China Connect Securities is suspended. In particular, the Client should note that while trading of China Connect Securities is suspended by SEHK, trading of such China Connect Securities may continue on SSE or SZSE. The Client may remain exposed to fluctuations in the price of China Connect Securities caused by trading on SSE or SZSE during the period when trading of such China Connect Securities is suspended by SEHK.

SEHK has absolute discretion to change the operational hours and arrangements of the China Connect Service at any time and without advance notice, whether on a temporary basis, due to operational needs, inclement weather, under emergency situations or otherwise. Moreover, SEHK

or the SEHK Subsidiary (with the agreement of SEHK) may cease the provision of the China Connect Northbound trading service permanently.

Such suspension, restriction or cessation will affect the Broker's ability to accept and process the Client's orders and the Client is advised to refer to the HKEx website and other information published by HKEx for up-to-date information. There can be no assurance that the Client's orders will be accepted or processed, notwithstanding that China Connect Securities may be traded through other channels including, without limitation, by PRC investors on SSE or SZSE.

Further, the SEHK Rules state that, where any H Shares with corresponding A-Shares eligible as China Connect Securities are suspended from trading on SEHK, but the corresponding A-Shares are not suspended from trading on SSE or SZSE, the service for routing the China Connect sell orders and China Connect buy orders for such A-Shares to SSE or SZSE for execution will normally remain available. However, SEHK may, in its discretion, restrict or suspend such service without prior notice and the Client's ability to place sell orders and buy orders may be affected.

In addition, the China Connect Market System is a new platform for trading of China Connect Securities under China Connect. The Broker provides trading services based on the China Connect Market System which is operated by SSE or SZSE. The Broker is not responsible for any delay or failure caused by the China Connect Market System and investors accept all risks arising from trading China Connect Securities through the China Connect Market System. Neither the Broker nor any Related Person shall be responsible or held liable for any loss or damage directly or indirectly suffered by the Client arising from or in connection with the China Connect Service or the CSC through Northbound trading including, without limitation, the following:

- (a) a suspension, restriction or cessation of the China Connect Service or the CSC, or any inability to access or use the CSC or the China Connect Service;
- (b) any special arrangement put in place or any action, step or measure taken or not taken to deal with an emergency, including but not limited to the cancellation of any or all China Connect orders input by Exchange Participants;
- (c) any suspension, delay, interruption or cessation of trading of any China Connect Securities on SSE or SZSE or through SEHK;
- (d) any delay, suspension, interruption or order cancellation of any China Connect Securities as a result of the hoisting of a Typhoon Signal No. 8 or above or the issuance of the Black Rainstorm Warning in Hong Kong;
- (e) any delay or failure to route any China Connect orders or any delay or failure to send any order cancellation requests or to provide the China Connect Service, due to any system, communication or connection failure, power outage, software or hardware malfunction or other event beyond the control of SEHK, the Broker or any Related Person;
- (f) any circumstance in which a China Connect order which a China Connect Exchange Participant has requested to be cancelled is not cancelled for any reason whatsoever;
- (g) any delay, failure or error of any China Connect Market System or any system upon which the SEHK Subsidiary, the Broker or any Related Person is reliant in providing the China Connect Service; and
- (h) any delay or failure to execute, or any error in matching or executing, any China Connect order due to any reason beyond the control of SEHK, HKEx or the SEHK Subsidiary, the

Broker or any Related Person (including, without limitation, any action or decision taken or made, or not taken or made, by SSE or SZSE, any China Connect Authority or any other relevant governmental or regulatory body).

If there is any delay or failure to send any order cancellation request in any circumstance described in paragraph (e) or (f) above, the Client shall, in the event such order is matched and executed, remain responsible to fulfil any settlement obligations in respect of such transaction.

## **25. Operational Hours**

SEHK has absolute discretion to determine from time to time the operational hours of the China Connect Service, and will have absolute discretion to change the operational hours and arrangements of the China Connect Service at any time and without advance notice, whether on a temporary basis or otherwise. The Broker shall not be under any obligation to inform the Client of any such determination by SEHK as to the operational hours of the China Connect Service. Any such change to the operational hours and arrangements with respect to the China Connect Service may affect the Broker's ability to accept and/or process the Client's orders and/or to provide, in a timely manner, any China Connect trading services generally.

Where, for example, there is any price sensitive information relating to a PRC Listco during a time when the China Connect Service is not in operation, the A-Shares of the PRC Listco may continue to trade on SSE or SZSE and the price of such A-Shares may move significantly. In such case, Northbound investors will not be able to trade in such shares until the next available Trading Day under China Connect.

## **26. Rights Issuances**

Where a Hong Kong or overseas investor receives any form of entitlement security from the issuer of a China Connect Security, if such entitlement security:

- (a) is a China Connect Security, Hong Kong and overseas investors will be allowed to buy and sell the entitlement security through China Connect;
- (b) is not a China Connect Security but is a RMB-denominated security listed on SSE or SZSE, Hong Kong and overseas investors may be permitted to sell the entitlement security through China Connect but will not be permitted to buy such entitlement security;
- (c) is an SSE or SZSE-listed security but is not traded in RMB, Hong Kong and overseas investors will not be allowed to buy or sell the entitlement security through China Connect. HKEx has stated that SSE or SZSE and SEHK will consult each other to agree on the appropriate treatment of the entitlement security; or
- (d) is not listed on SSE or SZSE, Hong Kong and overseas investors will not be allowed to buy or sell the entitlement security on China Connect unless and until appropriate arrangements (if any) have been provided by HKSCC. It is possible that no such arrangements will be provided.

## **27. Odd Lot Trading**

Odd lot trading in China Connect Securities is available only for sell orders and all odd lots must be sold in one single order. A board lot order may be matched with different odd lot sell orders, resulting in odd lot trades. Board lot and odd lot orders are matched on the same platform on China Connect and subject to the same share price. The maximum order size is 1 million shares and the tick size is uniformly set at RMB0.01.

## **29. Risks associated with investing in China Connect Securities**

### *PRC-related risks*

Investing in the PRC, an emerging market, involves special considerations and risks, including without limitation greater price volatility, less developed regulatory and legal framework, economic, and social and political instability.

### *Market risk*

The market value of China Connect Securities and the income from them may go down as well as up. There can be no assurance that the Client will achieve profits or avoid losses from trading China Connect Securities, significant or otherwise. The return the Client receives from China Connect Securities (if any) will fluctuate in response to changes in capital appreciation and/or income relating to such China Connect Securities. Furthermore, China Connect Securities may experience volatility and decline depending on market conditions. Through trading China Connect Securities, the Client is exposed to various forms of risk, including (for example) interest rate risks (risks of falling China Connect Securities values in a rising interest rate market), income risks (risks of falling incomes from China Connect Securities in a falling interest rate market) and credit risk (risk of a default by an issuer of China Connect Securities).

### *Possible business failure risk*

In the current economic environment, global markets are experiencing very high levels of volatility and an increased risk of corporate failures. The insolvency or other corporate failure of any issuer of China Connect Securities may have an adverse effect on the Client's investment. The Client may lose money by investing in China Connect Securities.

### *Equity risk*

Investing in China Connect Securities may offer a higher rate of return than investing in short term and longer term debt securities. However, the risks associated with investments in China Connect Securities may also be higher, because the investment performance of China Connect Securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies.

### *Dividend risk*

Whether an issuer of China Connect Securities will pay distributions is subject to such issuer's dividend policy. Dividend payment rates in respect of China Connect Securities may depend on factors including general economic conditions and the financial positions of the relevant issuers. There can be no assurance that any dividends or distributions in respect of China Connect Securities will be declared or paid.

### *Liquidity risks*

Although China Connect Securities are listed for trading on SSE or SZSE and available for trading through SEHK by China Connect, there can be no assurance that an active trading market for China Connect Securities will develop or be maintained. If spreads on China Connect Securities are wide, this may adversely affect the Client's ability to dispose of China Connect Securities at the desired price. If the Client needs to sell China Connect Securities at a time when no active market for them exists, the price the Client receives for his China Connect Securities — assuming he is able to sell them — is likely to be lower than the price received if an active market did exist.

### *General legal and regulatory risk*

The Client must comply with all Market Requirements. Furthermore, any change in any Market Requirements may have an impact on the market sentiment which may in turn affect the performance of China Connect Securities. It is impossible to predict whether such an impact caused by any such change will be positive or negative for China Connect Securities. In the worst case scenario, the Client may lose a material part of his investments in China Connect Securities.

#### *Currency risk*

The value of RMB against Hong Kong dollars or other foreign currencies may be affected by a wide range of factors. There is no guarantee that RMB will not depreciate. A depreciation of RMB may result in a decrease in the market value of RMB securities and the realisation price of RMB securities. Non-RMB based investors who are trading in RMB securities may also sustain loss in the event that they subsequently convert any RMB proceeds back to Hong Kong dollars or other base currencies.

There are also significant restrictions on the remittance of RMB into and out of the PRC. If the issuer of RMB securities is not able to remit RMB to Hong Kong or make distributions in RMB due to exchange controls or other restrictions, the issuer may make distributions (including dividends and other payments) in other currencies. Investors may therefore be exposed to additional foreign exchange risk and liquidity exposures.

The liquidity and trading price of China Connect Securities may be adversely affected by the limited availability of RMB outside the PRC and restrictions on the conversion of RMB. These factors may affect the liquidity of RMB for investors and accordingly adversely affect the market demand for China Connect Securities.

#### *ChiNext Shares*

Investing in ChiNext Shares is generally classified as high risk. In particular, profitability and other financial requirements for listing on the ChiNext Board are less stringent than the Main Board and the Small and Medium Enterprise Board of the SZSE. The Client is advised to consider carefully before making any decision to invest in ChiNext Shares.

Companies listed on the ChiNext Board of the SZSE include enterprises which are start-ups and growth enterprises with small operating scale and share capital, many of which are in the innovation and technology sector. Stock prices of these companies may be more susceptible to manipulation due to fewer circulating shares. Accordingly, the ChiNext Shares may be very volatile and illiquid. In addition, current information on such companies may be limited and may not be widely available.

Comparing to the Main Board and the Small and Medium Enterprise Board of the SZSE, the process of delisting of a company on the ChiNext Board is much easier. Thus, it is more common for companies on the ChiNext Board to get delisted. The ChiNext Shares of the delisted company will likely become very illiquid. There is a risk that the Client may suffer a total loss of its investment in the ChiNext Shares of the delisted company.

The Client should seek independent professional advice if the Client is uncertain of or has not understood any aspect of the risk disclosure and information set out in this appendix or the nature and risks involved in trading ChiNext Shares.

## **PART E**

### **ADDITIONAL TERMS FOR ELECTRONIC TRADING SERVICES**

#### **1. Application of the additional terms**

- 1.1. The provisions in these Additional Terms for Electronic Trading Services apply only to any Account in respect of which the Client has requested and the Broker has agreed to provide with Electronic Trading Service on the terms and conditions of this Agreement.

#### **2. Terms for Electronic Trading Service**

- 2.1. When using the Electronic Trading Service, the Client warrants that the Client is the only authorized user of the Client's Access Codes and will be responsible for all instructions placed and all Transactions conducted with the use of the Access Codes. The Client shall be responsible for the confidentiality, security and use of the Access Codes issued to the Client by the Broker. The Broker may use authentication technologies in connection with the Electronic Trading Service. The Client shall comply with the procedure guide issued by the Broker (set out in Clause 2.9 below) in relation to the operations and security measures of Electronic Trading Service and the Client undertakes to logoff the Electronic Trading Service immediately following the completion of each Electronic Trading Service session.
- 2.2. The Client acknowledges that it may not be possible to change or cancel an instruction given through the Electronic Trading Service and agrees to exercise caution before placing orders.
- 2.3. The Broker may (but not have obligations) monitor and/or record any of the Clients instructions given or orders transacted through the Electronic Trading Service. The Client agrees to accept such recording (or a transcript thereof) as final and conclusive evidence of the contents and nature of the relevant instructions and Transactions and as binding on the Client.
- 2.4. The Broker will not be deemed to have received or executed the instructions from the Client given through the Electronic Trading Service unless and until the Client has received the relevant acknowledgement or confirmation in such manner specified by the Broker from time to time (including without limitation by posting the status of the instructions in order journals on the website which is operated by the Broker and is freely accessible by the Client). The Broker is also entitled to correct any errors in such acknowledgement or confirmation without incurring any liability in connection therewith.
- 2.5. The Client shall immediately notify the Broker if:
  - (A) an instruction has been placed through the Electronic Trading Service and the Client has not received an instruction number or acknowledgement of receipt of the instruction or of its execution from the Broker (whether by hard copy, electronic or verbal means); or
  - (B) the Client has received acknowledgement of a Transaction (whether by hard copy, electronic or verbal means) which the Client did not instruct, or is inconsistent with the Clients instruction or the Client has any suspicion of unauthorized access to the Electronic Trading Service; or
  - (C) the Client becomes aware of or suspicious of any loss, theft, or unauthorized disclosure or use of the Client's Access Codes;



or otherwise, the Broker or its agents, employees or representatives will not be responsible or liable to the Client or any other person whose claim may arise through the Client for any claim with respect to handling, mishandling or loss of instruction placed through the Electronic Trading Service.

Without limiting the generality of the foregoing, the Client acknowledges and agrees that it may not be possible to amend or cancel an instruction after it has been given through the Electronic Trading Services and that an instruction may only be amended or cancelled if it has not been executed by the Broker. In such circumstances, the Broker will use its reasonable efforts to amend or cancel the instruction according to the Clients intention but, notwithstanding an acknowledgement by the Broker in relation to the amendment or cancellation, there is no guarantee that the amendment or cancellation will occur. If the amendment or cancellation does not occur, the Client shall remain liable for the original instruction.

- 2.6. The Broker reserves the right to suspend the Electronic Trading Service if an incorrect Access Code has been input on or more than 3 occasions.
- 2.7. Notwithstanding any other provisions in this Agreement, where the Client is provided with Electronic Trading Service, following execution of the Clients trading orders, the Client accepts that the Broker may send to the Client and the Client agrees to receive trading confirmations and records (including but not limited to contract notes and statement of transactions) through electronic posting to the Account, the website operated by the Broker or the Clients email address (as provided in the Account Application Form or notified by the Client from time to time) or other electronic means in lieu of printed documents. Any such information will be freely accessible by the Client after such sending by the Broker and the Client shall print out such documents or make its own arrangement forthwith without delay to maintain its own records if necessary. If the Client insists to receive its trading confirmation and records in printed documents, the Broker is entitled to charge a reasonable fee for providing such service.
- 2.8. The Client agrees that should Client experience any problems in reaching the Broker through the Electronic Trading Service or vice versa, the Client shall attempt to use an alternative method or device, as the Broker may make available, to communicate with the Broker to place the Clients orders and to inform the Broker of the difficulty the Client has experienced.
- 2.9. The Client acknowledges that the Client has read and understood the Broker's procedure guide relating to the use, operation, security measures and procedures of the Electronic Trading Service made available to the Client on the Broker's Internet website, and further acknowledges that such guide may be amended or supplemented by the Broker from time to time, which shall be binding on the Client in respect of the Clients use of the Electronic Trading Service.
- 2.10. The Client acknowledges that any information and data provided through the Electronic Trading Service relating to securities, financial products and securities and financial markets has been obtained from securities exchanges and markets an form other third party information or service providers appointed by the Broker form time to time and that such information and data are protected by copyright and other intellectual property laws, and are provided for Clients personal non-commercial use only, and Client shall not use, reproduce, retransmit, disseminate, sell, distribute, publish, broadcast, circular or commercially exploit any such information or data in any way without the consent of the Broker or such information / service providers.
- 2.11. The Client acknowledges that all proprietary and copyright and other intellectual property rights in or subsisting in the Electronic Trading Service or websites are the exclusive property of the Broker or the relevant information provider and service providers. Internet Service Provider,, The Client shall not, and shall not attempt to, tamper with, modify, decompile, reverse engineer or otherwise alter in any way or gain unauthorized access to, any part of the Electronic Trading Service, the websites or any of the software comprised in it.

- 2.12. The Client acknowledges that the Client has fully understood the implications of the risks associated with the Electronic Trading Service as set out in the Risk Disclosure Statement but agrees that the benefits of using the Electronic Trading Service outweigh these risks and waive any claim the Client might have against the Broker or any Broker Group Company arising from:
- (A) systemic failures (including hardware and software failures;
  - (B) the Brokers acceptance of any unauthorized instructions which appear or which the Broker believes to be from the Client;
  - (C) failure or delay in the execution of instructions from the Client or execution of the Clients instructions at prices different from those prevailing at the time the instructions were given;
  - (D) the Clients access to the website of the Broker or the Electronic Trading Service being limited or unavailable;
  - (E) failure to or delay in dispatch or delivery of any notice or information provided or requested via the Electronic Trading Service or any inaccuracy, error or omission in or from any such notice or in or from any information
  - (F) Clients failure to use the Electronic Trading Service in accordance with the Agreement or any relevant agreement between the Broker and the Client; and
  - (G) the Clients reliance, use or otherwise acting upon any information or materials provided via the Electronic Trading Service or the website operated by the Broker.
- 2.13. The Client agrees to defend, indemnify ad hold the Broker or any of its Associates and the Information Providers harmless from and against any and all claims, losses, liability, costs and expenses (including but not limited to legal fees) arising from the Clients violation of the Agreement, applicable laws and regulations, or any third party's right, including but not limited to infringement of any copyright, violation of any proprietary right and invasion of any privacy rights. This obligation will survive despite the termination of this Agreement.
- 2.14. The Client accepts that while the Broker endeavours to ensure the accuracy and reliability of the information provided, the Broker does not guarantee its accuracy or reliability and accepts no liability (whether in tort, contract or otherwise) for any loss or damage from and inaccuracies or omission.

## **SCHEDULE 1**

### **RISK DISCLOSURE STATEMENTS**

The financial markets present many different risks of which the Client should be aware prior to investing. This risk disclosure statement is not exhaustive and may be amended or supplemented by additional risk disclosures from time to time.

#### **Risk of Securities Trading**

The Client acknowledges that the prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities.

#### **Commissions and Other Charges**

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

#### **Risk of Trading Growth Enterprise Market Stocks**

Growth Enterprise Market (GEM) stocks involve a high investment risk. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. GEM stocks may be very volatile and illiquid.

The Client should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Current information on GEM stocks may only be found on the internet website operated by The Stock Exchange of Hong Kong Limited. GEM companies are usually not required to issue paid announcements in gazetted newspapers.

The Client should seek independent professional advice if the Client is uncertain of or has not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of GEM stocks.

#### **Risk of Client's Assets Received or Held outside Hong Kong**

The Client's assets received or held by the Broker 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 (Chapter 571 of the Laws of Hong Kong) 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.

#### **Specific Risk Relating to Investing in Overseas Securities**

The Client acknowledges and agrees that investment in foreign securities carry additional risks not generally associated with securities in the domestic market. The value or income of foreign securities may be more volatile and could be adversely affected by changes in foreign taxation practices, foreign laws, government practices, regulations and political events. The Client may find it more difficult to

liquidate investments in foreign securities where they have limited liquidity in the relevant market. Foreign laws, government practices and regulations may also affect the transferability of foreign securities. Timely and reliable information about the value or the extent of the risks of foreign securities may not be readily available at all times.

Such markets may be subject to regulation which may offer different or diminished investor protection. Before the Client trades the Client should enquire about any rules relevant to the Client's 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 the Client's transactions have been effected. The Client should ask the firm with which the Client deals for details about the types of redress available in both the Client's home jurisdiction and other relevant jurisdictions before the Client starts to trade.

The profit or loss in transactions in foreign currency-denominated contracts (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.

### **Specific Risk Relating to Securities Denominated In Renminbi (“RMB”)**

1. RMB securities are subject to exchange rate fluctuations which may provide both opportunities and risks. The fluctuations in the exchange rate of RMB may result in losses in the event that the Client converts RMB into Hong Kong dollars (“HKD”) or other foreign currencies.
2. Currently, RMB is not fully and freely convertible and conversion of RMB through banks is subject to a daily limit and other limitations as applicable from time to time. The Client should take note of the limitations and changes thereof as applicable from time to time and allow sufficient time for exchange of RMB from/to another currency if the RMB amount exceeds the daily limit.
3. The Client should open RMB bank accounts for money settlement purpose if the Client wishes to receive payments (such as sales proceeds and dividends) in RMB via banks.
4. Any RMB conversion in relation to a RMB securities transaction shown in statements and contract notes is based on the prevailing exchange rate provided by the SEHK at 11:00am or other time as stipulated by the SEHK on the relevant trade day from time to time. However, actual RMB conversion upon settlement or on any other conversion day will be based on an exchange rate determined by the Broker as a principal according to the prevailing exchange rate.
5. If the Client provides a settlement sum in a currency other than RMB, the Broker will convert the settlement sum to RMB at the exchange rate determined by the Broker as a principal according to the prevailing exchange rate.
6. RMB securities will be traded and settled in RMB. However, all trading related fees (including stamp duty, SFC transaction levy and the SEHK trading fees) shall be payable to Inland Revenue Department, SFC and Exchange by the Broker, as the case may be, on behalf of the Client in HKD.

Of the settlement sum in RMB, the Broker shall convert an amount equivalent to the trading related fees into HKD to settle the trading related fees. Any gain or loss arising from the currency exchange regarding the trading related fees shall be for the account of the Broker instead of the Client. The Client shall not have any rights to claim any gain arising from such currency conversion.

## **Risk Disclosure Statements Regarding Investment in Collective Investment Scheme**

Investment in collective investment schemes involves risk and the Client should read the relevant constitutive documents, information memoranda, prospectuses and other offering documentation for further details.

### **Risk of Trading Nasdaq-Amex Securities at The Stock Exchange of Hong Kong Limited**

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

### **Risk Of Trading Futures And Options**

The risk of loss in trading futures contracts or options is substantial. In some circumstances, the Client may sustain losses in excess of the Client's 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 the Client's account. The Client should therefore study and understand futures contracts and options before the Client trades and carefully considers whether such trading is suitable in the light of the Client's own financial position and investment objectives. If the Client trades options, the Client should inform him/herself of exercise and expiration procedures and his/her rights and obligations upon exercise or expiry.

### **Additional Risk Disclosure for Futures and Options Trading**

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

### **Trading Facilities**

Electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. 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 firm with which the Client deals for details in this respect.

### **Electronic Trading**

Trading on an electronic trading system may differ from trading on other electronic trading systems. If the Client undertakes transactions on an electronic trading systems, the Client 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 the Client's instructions or is not executed at all. In particular, your attention is drawn to the following:

- (A) the internet is, and any other electronic media may also be, an inherently unreliable medium of

data transmission and communication and that, accordingly, there are risks in conducting transactions in the account through the Electronic Trading Service or otherwise communication through the internet or any other electronic media;

- (B) access to the website operated by the Broker or the Electronic Trading Service may at any time and from time to time be limited, delayed or unavailable, including during periods of peak demand, market volatility, systemic failures (including hardware and software failures), systems upgrades or maintenance or for other reasons;
- (C) instructions given or transactions conducted through the internet or other electronic media may be subject to interruption, transmission blackout, delayed transmission or incorrect data transmission due to, where applicable, unpredictable traffic congestion, the public nature of the media used or other reasons;
- (D) instructions given through the internet or other electronic media may not be executed or may be delayed so that they are executed at prices different from those prevailing at the time the instructions were given;
- (E) communications and personal data may be accessed by unauthorized third parties;
- (F) instructions given through the internet or other electronic media may be executed without being subject to human review; and
- (G) the status of the Client's instructions or orders for transactions in the account or execution thereof and the Client's cash position, securities position or other details relating to the Client's account as reflected in any acknowledgement, confirmation or other record posted on the Broker's website may not be updated immediately. Such acknowledgement, confirmation or other record will only reflect transactions in the Client's account conducted through the Electronic Trading Service and that, in the case of doubt, you should contact the Broker to ascertain the status of your other transactions in the Client's account or other details relating to the Client's account.

### **Risk of Off-exchange Transactions**

In some jurisdictions, and only then in restricted circumstances, certain 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.

### **Risks of exchange-traded Derivative Warrants ("DW"), Funds that invest in derivative instruments ("ETF"), Callable Bull/Bear Contracts ("CBBC") and Equities Linked Instruments ("ELI") (collectively referred as "Derivative Products")**

The following risk disclosure does not delineate all risks related to Derivative Products. If the Client has any concerns or doubts in relation to the risks of Derivative Products, the Client should obtain independent professional advice before making any investment decision. The Client should assess his own risk appetite and financial position, products features and the creditworthiness of the issuer prior to investing in Derivative Products. The Client should not invest in Derivative Products unless he fully understands and is willing to take on the risks of investing in Derivative Products, including losing all his investment capital.

## **General Risk of Investing in Derivative Products**

1. Derivative Products are complex, leveraged investment products that involve a high degree of risk.
2. Derivative Products have limited life and will expire upon maturity. The time value of Derivative Products decreases over time and becomes worthless upon maturity, resulting in a total loss of investment capital.
3. Price volatilities of Derivative Products are much higher than that of their underlying assets. The prices of Derivative Products are determined by a number of factors, including but not limited to interest rate, time to maturity of the Derivative Products, the underlying asset price that the Derivative Products are linked to, the volatility of underlying asset price, the liquidity of the underlying securities etc. A small movement of these factors may result in a drastic price change of the Derivative Products. When two or more factors are exerting effects on a Derivative Product simultaneously, the price of the Derivative Products may become unpredictable.
4. Derivative Products can be illiquid. Trading in Derivative Products will be suspended if the trading in their underlying assets is suspended. The liquidity provider may be the only market participant for the Derivative Products and therefore the secondary market for the Derivative Products may be limited. There is no guarantee that the Client will be able to liquidate his position whenever the Client wishes.
5. The Client will be exposed to the counterparty risk associated with the Derivative Products. In the event that the issuer and/or guarantor defaults, the Client may lose all his investment capital.

### **Specific risk relating to DW**

DW are instruments which give investors the right (but not the obligation) to buy or sell the underlying asset (e.g. a stock) at a pre-set price on or before a specified date. DW could be illiquid.

Liquidity provider of a DW is not obligated to provide bid quote for that DW if the liquidity provider determines the fair value of that DW falls below HK\$ 0.01. DW may have no value upon expiry. The Client may have to hold that DW until it expires and the Client may lose all his investment capital.

### **Specific risk relating to ETF**

ETF may invest in stock index future contracts and other derivatives. Derivatives have a high degree of price variability and are subject to occasional rapid and substantial changes. Compared to conventional securities, derivatives can be more sensitive to changes in interest rates or to sudden fluctuations in market prices due to both the low margin deposits required, and the extremely high degree of leverage involved in derivative products. As a result, a relatively small price movement in the derivative product may result in immediate and substantial loss (or gain) to the ETF. An ETF's losses may be greater if it invests in derivatives than if it invests only in conventional securities. In addition, many derivatives are not traded on exchanges.

As a result, an ETF that engages in transactions involving derivatives is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of any counterparties with which that ETF trades and as such may also expose the ETF to additional liquidity risks. This risk is also affected by the fact that over-the-counter derivatives markets are generally not regulated by government authorities and participants in these markets are not required to make continuous markets in the contracts they trade.

Even where collateral is obtained by an ETF, it is subject to the collateral provider fulfilling its obligations. There is a further risk that when the right against the collateral is exercised, the market value of the collateral could be substantially less than the amount secured resulting in significant loss to the ETF.

### **Specific risk relating to CBBC**

A CBBC has a fixed expiry date and closely tracks the performance of an underlying asset (for example, a share, index, commodity or currency). It can be a bull or bear contract allowing the Client to take a bullish or a bearish position on the underlying asset.

A CBBC will be called by its issuer when the price of its underlying asset hits the call price. Once it is called, the contract cannot be revived and the Client will not benefit even if the underlying asset bounces back to a favorable position. Any trades executed after this mandatory call event will not be recognized and will be cancelled. The Client should be aware that CBBC is a complex leveraged investment which may not be suitable for all investors. With its gearing feature, it may magnify potential returns and potential losses as well. In the worst-case scenario, the Client may lose all of his investment. The Client should exercise special caution when the CBBC is trading close to its call price.

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

### **Specific risk relating to ELI**

ELI combines notes/deposits with options and its return component is based on the performance of the underlying asset. The maximum return is usually limited to a predetermined amount of cash. The Client may stand to lose all his investment capital if the price of the underlying asset moves substantially against his view. Most ELI are not low risk products. The Client will be taking on the credit risk of the issuer and his investment return depends primarily on the future price movement of the underlying asset(s). ELI are structured products involving derivatives. Their maximum return is capped but the potential loss can be significant. It is important that the Client reads all the relevant offer documents to fully understand the features and risks of an ELI before deciding to invest.

### **Specific risk relating to trading in US exchange-listed or over-the-counter securities or US derivative instruments**

Before the Client trades in any security or security-like instrument in markets governed by US law, the Client should understand the US rules that apply to such trading. US law is likely to apply to trading in US markets whether or not the law of the Client's home country also applies.

Many (but by no means all) stocks, bonds and options are listed and traded on US stock exchanges. NASDAQ, which used to be an over-the-counter market among dealers, has now also become a US exchange. For exchange-listed stocks, bonds and options, each exchange promulgates rules that supplement the rules of the US Securities & Exchange Commission ("SEC") for the protection of individuals and institutions trading in the securities listed on that exchange.

Over-the-counter trading among dealers can continue in exchange-listed instruments and in instruments that are not exchange-listed at all. For securities that are not listed on any exchange, trading can continue through the over-the-counter bulletin board ("OTCBB") or through the inter-dealer "pink sheets" that carry representative (not actual) dealer quotes. These facilities are outside of NASDAQ.

Options on securities are subject to SEC rules and the rules of any securities exchange on which the options are listed. Options on futures contracts or on commodities like wheat or gold are governed by



rules of the US Commodity Futures Trading Commission (“CFTC”). There are also commercial options, like options on real estate, that are governed neither by SEC nor CFTC rules.

Whether the Client is intending to trade in US exchange-listed securities, over-the-counter securities or derivative instruments like options or futures, the Client should understand the particular rules that govern the market in which the Client is intending to trade. An investment in any of these instruments can involve a high degree of risk, but, generally speaking, the absence of exchange listing requirements tends to increase the risk and the nature of markets in derivative instruments tends to increase the risk even further.

Market makers of OTCBB are unable to use electronic means to interact with other dealers to execute trades. They must manually interact with the market, i.e. use standard phone lines to communicate with other dealers to execute trades. This may cause delays in the time it takes to interact with the market place. This, if coupled with the increase in trade volume, may lead to wide price fluctuation in OTCBB securities as well as lengthy delays in execution time. The Client should exercise extreme caution when placing market orders and fully understand the risks associated with trading in OTCBB. Market data such as quotes, volume and market size may or may not be as up-to-date as expected with NASDAQ or listed securities.

As there may be far fewer market makers participating in a OTC securities markets, the liquidity in that security may be significantly less than those in listed markets. As such, the Client may only receive a partial execution or the order may not be executed at all. Additionally, the price received on a market order may be significantly different from the price quoted at the time of order entry. When fewer shares of a given security are being traded, larger spreads between bid and ask prices and volatile swings in price may result. In some cases, the liquidation of a position in an OTC security may not be possible within a reasonable period of time.

Issuers of OTC securities have no duty to provide any information to investors, maintain registration with the Securities and Exchange Commission or provide regular reports to investors.

### **Risk of Margin Trading**

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 Broker. 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 his 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.

### **Risk of Providing an Authority to Re-pledge Securities Collateral**

There is risk if the Client provides the Broker with an authority that allows it to apply the Client’s securities or securities collateral pursuant to any securities borrowing and lending agreement, re-pledge 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 Broker in Hong Kong, the above arrangement 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.

Additionally, the Client's authority may be deemed to be renewed (i.e. without the Client's written consent) if the Broker 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.

The Client is not required by any law to sign these authorities. But an authority may be required by the Broker, for example, to facilitate margin lending to the Client or to allow the Client's securities or securities collateral to be loaned to or deposited as collateral with third parties. the Broker should explain to the Client the purposes for which one of these authorities is to be used.

If the Client signs one of these authorities and his 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. Although the Broker is responsible to the Client for his securities or securities collateral lent or deposited under the authority, any default by it could result in the loss of the Client's securities or securities collateral.

A cash account not involving Securities borrowing and lending is available from most dealers including the Broker. If the Client does not require margin facilities or does not wish his Securities to be lent or pledged, the Client should not provide the above authorities and should ask to open this type of cash account.

**THE ABOVE RISK DISCLOSURE STATEMENTS DO NOT DISCLOSE OR PURPORT TO DISCLOSE ALL OF THE RISKS AND OTHER RELEVANT CONSIDERATIONS IN CONNECTION WITH ALL THE INVESTMENTS AND TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. YOU SHOULD REFRAIN FROM MAKING SUCH INVESTMENTS AND TRANSACTIONS UNLESS YOU FULLY UNDERSTAND ALL THE RISKS INVOLVED AND HAVE OBTAINED INDEPENDENT ADVICE FROM YOUR OWN ADVISERS.**

## SCHEDULE 2

### **Notice relating to the Personal Data (Privacy) Ordinance (the “Ordinance”)**

1. From time to time, it is necessary for a Client and/or its Connected Persons to supply the Broker with Personal Data in connection with various matters such as the opening, continuation or operation of accounts, the establishment, continuation or operation of credit facilities, or provision of other financial services.

For the purposes of this Notice, “**Connected Person**” means a person or entity (other than the Client) whose information (including Personal Data or Tax Information) is provided by the Client, or on the Client’s behalf, to any member of the Broker's group or which is otherwise received by any member of the Broker's group in connection with the provision of the Services. A Connected Person may include any Guarantor, a director or officer of a company, any partner or member of a partnership, any "substantial owner", "controlling person", or beneficial owner, trustee, settlor or protector of a trust, account holder of a designated account, payee of a designated payment, a representative, agent or nominee, or any other person or entity with whom the Client has a relationship that is relevant to his relationship with the Broker's group.

2. Failure to supply Personal Data may result in the Broker being unable to open Accounts, provide financial services or to continue or maintain such Accounts or services, or effect transactions under such Accounts.
3. It is also the case that Personal Data are and may be collected from the Connected Persons in the ordinary course of the continuation of the relationship between the Connected Persons and the Broker, for example, when the Connected Persons conduct securities Transactions.
4. The purposes for which Personal Data relating to the Connected Persons may be used are as follows : -
  - (i) the daily operation of the services provided to the Connected Persons;
  - (ii) conducting credit or checks;
  - (iii) assisting other financial institutions to conduct credit checks or collect debts;
  - (iv) ensuring ongoing credit worthiness of the Connected Persons;
  - (v) designing financial services or related products for the use of the Connected Persons;
  - (vi) direct marketing and promotion of financial services or related products;
  - (vii) determining the amount of indebtedness owed to or by the Connected Persons;
  - (viii) the enforcement of the obligations of the Connected Persons, including without limitation the collection of amounts owed by the Connected Persons;
  - (ix) meeting the requirements to make disclosure under the requirements of any law binding on the Broker;
  - (x) enabling an actual or proposed assignee of the Broker, or participant or sub-participant or transferee of the Broker’s rights in respect of the Connected Persons to evaluate the transaction intended to be the subject of the assignment, participation or sub-participation; and
  - (xi) all other incidental and associated purposes relating to any of the above.

5. Personal Data held by the Broker relating to the Connected Persons will be kept confidential but the Broker may provide such Personal Data to the following persons whether they are located within or outside of Hong Kong for the purposes set out in paragraph 4 : -
- (i) any agent, contractor or third party service provider who provides administrative, telecommunications, computer, payment or other services to the Broker in connection with the operation of its business;
  - (ii) any other person under a duty of confidentiality to the Broker including any group member of the Broker which has undertaken to keep such information confidential and any auditors and/or other professional advisers of the Broker or of any other group member of the Broker;
  - (iii) credit reference agencies, and, in the event of default, debt collection agencies;
  - (iv) any person to whom the Broker is under an obligation to make disclosure under the requirements of any law binding on the Broker;
  - (v) any security provider or any person for whose liabilities and obligations to the Broker the Connected Person is surety or has given security;
  - (vi) any applicable regulator, authority, government agency, exchange, clearing house or market in Hong Kong or elsewhere;
  - (vii) any person who is entitled to demand or request the Broker to make disclosure;
  - (viii) any person with whom the Broker contracts or proposes to contract with regard to the sale or transfer or sharing of any of its rights, obligations and/or risks under this Agreement; and
  - (ix) any actual or proposed assignee of the Broker or participant or sub-participant or transferee of the Broker's rights in respect of the Connected Persons.
6. Under and in accordance with the terms of the Ordinance and the Code of Practice on Consumer Credit Data approved and issued under the Ordinance, a Connected Person has the right : -
- (i) to check whether the Broker holds Personal Data about him and of access to such data;
  - (ii) to require the Broker to correct any Personal Data relating to him which is inaccurate;
  - (iii) to ascertain the Broker's policies and practices in relation to Personal Data and to be informed of the kind of Personal Data held by the Broker; and
  - (iv) in relation to consumer credit, to request to be informed which items of Personal Data are routinely disclosed to credit references agencies or debt collection agencies, and be provided with further information to enable the making of an access and correction request to the relevant credit reference agency or debt collection agency.
7. In accordance with the terms of the Ordinance, the Broker has the right to charge a reasonable fee for the processing of any data access request.
8. Requests for access to Personal Data or correction of Personal Data or for information regarding policies and practices and kinds of Personal Data held by the Broker may be addressed to : -

Legal Compliance Department  
6805-6806A, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong

Telephone : 26 555 000  
Fax : 26 555 001

9. Nothing in this Notice shall limit the rights of the Connected Persons under the Ordinance.
10. Should you NOT want us to use your Personal Data for marketing financial services or related products, please advise us in writing at the address detailed above. Upon receipt of your request we will, without charge, cease to use the Personal Data for such marketing purposes.