



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

13/F., Fairmont House  
8 Cotton Tree Drive  
Central  
Hong Kong  
Tel: 2868 2183  
Fax: 2868 0320  
Website: <http://sec.abci.com.hk>

Wholly Owned Subsidiary of Agricultural Bank of China Ltd

## MARGIN CLIENT'S AGREEMENT

ABCI Securities Company Limited (the “**Company**”), is a corporation licensed with the Securities and Futures Commission (the “**SFC**”) to carry on a business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities (CE No.: ACX411) under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and is an Exchange Participant of The Stock Exchange of Hong Kong Limited, and has its registered office at 13th Floor, Fairmont House, No. 8 Cotton Tree Drive, Central, Hong Kong.

The client (whose name(s) and particulars are stated in its Account Opening Information Form and who has been approved by the Company as the Company’s client) (the “**Client**”) requests the Company to open and maintain a margin securities trading account on the Client’s behalf and to purchase, invest in, sell, exchange, otherwise dispose of and generally deal in and with all kinds of securities on the following terms and conditions.

The Company and the Client hereby agree as follows:-

### 1. Execution; Definition and Interpretation

1.1 **Execution as a deed.** The Client and the Company intend that this Agreement shall take effect as a deed notwithstanding the fact that the Client and the Company may only execute this Agreement under hand.

1.2 In this Agreement, unless otherwise required by the context, the following expressions shall have the following meanings:-

“**Account**” means the margin securities trading account referred to in Clause 5.1 of this Agreement.

“**Account Opening Information Form**” means the Margin Client’s Securities Account Opening Information Form designated by the Company to be completed by an applicant with respect to the opening of an Account with the Company.

“**Application**” has the meaning referred to in Clause 22.1 of this Agreement.

“**Applicable Laws and Regulations**” means (i) all local or foreign laws, regulations, judicial and administrative interpretations, rules, regulatory directions, constitutions, rules, codes, guidance, guidelines, by-laws and customs, requirements and requests of any Competent Authorities, departmental policies and administrative requests of Competent Authorities, code of conduct or best practices, (ii) all applicable laws, rules, regulations, orders, directions, guidelines, by-laws, constitution, customs, usages, rulings, interpretations, notices and restrictions (whether or not having the force of law) of the Exchange and other stock exchanges or markets or over-the-counter markets and the relevant clearing house or settlement system, if any, whether in Hong Kong or elsewhere and (iii) any agreement between the Company and any domestic or foreign authority.

“**associated entity**” has the meaning ascribed to it in Part 1 of Schedule 1 of the SFO.

“**Authorized Person**” means, in the case of an individual client, the Client and any person specified as such in the Account Opening Information Form – Individual / Joint Account, or, in the case of a corporate client, any person specified as such in the Account Opening Information Form – Corporate, and in either case, such other person(s) appointed in substitution therefore or in addition thereto and notified in writing to the Company by the Client (in prescribed format required by the Company) from time to time and such appointment shall be effective from the time of actual receipt of such written notification by the Company.

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

“**Charged Assets**” has the meaning referred to in Clause 14.1 of this Agreement.

“**Client**” has the meaning referred to in the introduction of this Agreement.

“**Client Money Rules**” means the Securities and Futures (Client Money) Rules (Cap. 571I), as amended from time to time.

“**Client Securities Rules**” means the Securities and Futures (Client Securities) Rules (Cap. 571H), as amended from time to time.

“**Code of Conduct**” means the Code of Conduct for Persons Licensed by or Registered with the SFC.

“**Competent Authority**” means any government, quasi-government, regulatory, judicial, exchange, fiscal, monetary or other authority (including but not limited to the Hong Kong Inland Revenue Department and tax authorities of another jurisdiction or jurisdictions in which the Client may be resident for tax purposes, pursuant to the legal provisions for exchange of financial account information provided under the Inland Revenue Ordinance (Cap.112)), agency body or person, whether in Hong Kong or elsewhere;

“**Enforcement Event**” has the meaning referred to in Clause 14.2 of this Agreement.

“**Exchange**” means The Stock Exchange of Hong Kong Limited.

“**FATCA**” means (i) sections 1471 of the U.S. Internal Revenue Code of 1986 (as amended) or any amendment or successor version thereof (the “**USIRC**”); (ii) any intergovernmental agreement, memorandum of understanding, undertaking and other arrangement between governments and regulators in connection with the USIRC including as entered into by the government of Hong Kong; (iii) agreement between the Company or its affiliates or holding companies and any regulatory or government agency pursuant to or in connection with the USIRC; and (iv) any laws, rules, regulations, interpretations, guidelines, guidance or practices adopted in the US, Hong Kong or elsewhere pursuant to any of the foregoing.

“**financial accommodation**” has the meaning ascribed to it under Part 1 of Schedule 1 to the SFO.

“**financial product**” has the meaning referred to in Clause 5.15 of this Agreement.

“**Guarantee**” means the guarantee by the Guarantor of the Client’s obligations to the Company in relation to Margin.

“**Guarantor**” means the corporation(s) and/or individual(s) identified in the Guarantee to provide the Guarantee.

“**HKSCC**” means Hong Kong Securities Clearing Company Limited including, where the context so requires, its agents, nominees, representatives, officers and employees.

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

“**Hong Kong Regulators**” has the meaning referred to in Clause 7.1 of this Agreement.

“**Indemnified Persons**” has the meaning referred to in Clause 16.2 of this Agreement.

“**Information**” has the meaning referred to in Clause 2.4 of this Agreement.

“**Letter of Authority**” has the meaning referred to in Clause 11.8 of this Agreement.

“**Losses**” has the meaning referred to in Clause 16.2 of this Agreement.

“**Margin**” has the meaning referred to in Clause 9.1 of this Agreement.

“**Margin Requirement**” has the meaning referred to in Clause 9.42.4 of this Agreement.

“**Product Documentation**” has the meaning referred to in Clause 5.24 of this Agreement.

“**Prospectus**” has the meaning referred to in Clause 22.2(d) of this Agreement.

“**securities**” has the meaning ascribed to it in Part 1 of Schedule 1 of the SFO.

“**SFC**” means the Hong Kong Securities and Futures Commission.

“**SFO**” means the Securities and Futures Ordinance (Cap. 571) as amended or re-enacted from time to time.

“**Trading Day**” means a day other than a Hong Kong public holiday, a Saturday and a Sunday.

“**Transaction(s)**” means the transactions in securities which the Company effects on the Clients’ instructions pursuant to the terms of this Agreement.

1.3 In this Agreement, unless otherwise required by the context:

- (a) words denoting the singular includes the plural and vice versa;
- (b) reference to Clauses and sub-Clauses are clauses and sub-clauses of this Agreement; and
- (c) the headings to the Clauses are for convenience only and do not affect the interpretation of this Agreement.

## 2. **Information**

- 2.1 The Client undertakes and agrees to provide the Company with all information, documents (including self-certifications for taxation purposes) and supporting materials that the Company in its sole and absolute discretion requests in order to, among others, fulfill its obligations required under any Applicable Laws and Regulations, including the legal provisions for exchange of financial account information provided under the Inland Revenue Ordinance (Cap.112), or any other Applicable Laws and Regulations, including without limitation, information set out in the Account Opening Information Form and any supporting materials in connection therewith. The Client represents and confirms that all such information and documents provided by it or on its behalf is complete and accurate, and is not misleading, false or incorrect in a material particular and the Client has not been reckless as to whether the statement is misleading, false or incorrect in a material particular. The Company is hereby authorized to conduct credit enquiries on the Client to verify such information. The Client acknowledges that the failure to provide such information may result in the Company not being able to provide services as requested by the Client or this Agreement being terminated by the Company without having to give any reason or notice.
- 2.2 The Client agrees to immediately, and in any event no later than thirty (30) days after the relevant change, notify the Company in writing of any change in (a) the Client’s particulars, circumstances, status, including any change in jurisdiction of incorporation, tax residency, residential or registered address, telephone and facsimile number and email addresses, (b) (where applicable) its constitution, shareholders, partners, directors or company secretary or the nature of its business, and (c) any other information, documents or supporting materials provided to the Company pursuant to Clause 2.1 above. The Client further agrees to provide updated or additional information of the type described in Clause 2.1 as required by the Company in its sole and absolute discretion from time to time to the satisfaction of the Company.
- 2.3 To the extent permitted under Applicable Laws and Regulations, the Company agrees to notify the Client in writing of any material change to its business which may affect the services provided by the Company to the Client under this Agreement, including but not limited to the Company’s licensing status with the SFC, the services to be provided under this Agreement, remuneration (and the basis for payment) that is to be paid by the Client to the Company, and where margin or short selling facilities are to be provided by the Company to the Client, any changes to the details of margin requirements, interest charges, margin calls and the circumstances under which the Client’s positions may be closed without the Client’s consent.

- 2.4 The Client hereby agrees that the Company, its staff and any other person who by reason of their scope of work, capacity or office have access to the Client's records, registers or any correspondence or material with regards to the Client's information including information relating to the Client's controlling person as stipulated in the Inland Revenue Ordinance (Cap.112) (if applicable), the Account and the Client's Transactions (the "**Information**") may, without giving any notice to or obtaining approval of the Client, disclose any Information to:
- (a) any of the Company's branches, representative offices, associated entities, affiliates and holding companies;
  - (b) any Competent Authority (including but not limited to the Hong Kong Inland Revenue Department and tax authorities of another jurisdiction or jurisdictions in which the account holder may be resident for tax purposes, pursuant to the legal provisions for exchange of financial account information provided under the Inland Revenue Ordinance (Cap. 112), agency body or person, whether in Hong Kong or elsewhere) or any other person where the disclosure is required or considered by the Company in its sole discretion as required under any Applicable Laws and Regulations or court orders;
  - (c) any person to carry out the Transaction(s) which the Company effects according to the Client's instruction;
  - (d) the Company's professional advisers, auditors, agents and third party service providers;
  - (e) the Company's assignees, actual or potential successors and subcontractors; and
  - (f) any other person under a duty of confidentiality to the Client which has undertaken to keep such Information confidential.

Any such person or entity may utilize such Information disclosed pursuant to this Clause in the course of any business or regulatory functions carried on by it.

- 2.5 Other than as provided in this Agreement, including without limitation to, Clause 2.4 above, the Company agrees to keep the Information confidential. Notwithstanding anything to the contrary, the Client hereby waives any claims to confidentiality in respect of Information disclosed pursuant to Clause 2.4 or other provisions of this Agreement. The Client further represents and warrants that it shall obtain all necessary consents and authorisations to provide the Information relating to disclosure that may be required under Clause 2.4 or other provisions of this Agreement.
- 2.6 The Client agrees to cooperate fully in respect of any enquiry that the Company may make for the purposes of compliance with Applicable Laws and Regulations (including FATCA and/or any other requirement and/or withholding requirements of any government), including promptly providing all relevant information, details and/or documents as may be necessary to enable the Company to comply with the same.

### 3. **Applicable Laws and Regulations**

- 3.1 All services provided and all Transactions effected by the Company from time to time shall be provided and effected subject to and in accordance with Applicable Laws and Regulations, whether applicable to the Client, the Account, the Transactions or the Company, as amended from time to time. The Client undertakes to take all necessary steps to comply with the requirements under Applicable Laws and Regulations as notified by the Company from time to time. The Client further authorizes the Company to take all necessary steps to comply with such requirements if the Client fails to do so. The Client's attention is particularly drawn to Applicable Laws and Regulations which require the sale, liquidation or other disposal of securities in accordance with any direction or notice of the Exchange, HKSCC or other Competent Authorities. All actions and steps taken by the Company in accordance with Applicable Laws and Regulations shall be binding on the Client.
- 3.2 If any provision of this Agreement is inconsistent with any present or future Applicable Laws and Regulations, such provision shall be deemed to be rescinded or modified in accordance with such

Applicable Laws and Regulations. In all other respects, this Agreement shall continue and remain in full force and effect.

- 3.3 The Client acknowledges that it shall be responsible for complying or ensuring compliance with any duty or obligation which arises under the SFO or other Applicable Laws and Regulations in respect of anything done, or which the Client requests to be done, on the Client's behalf by the Company, including but not limited to market misconduct provisions and disclosure of interests provisions under the SFO. The Client hereby confirms that the Client is aware of the provisions contained in the SFO and other Applicable Laws and Regulations and that the Client shall at all times observe, or ensure that the relevant requirements or obligations are observed, so as to ensure that no breach or infringement of those requirements or obligations is caused as a result of anything done or proposed to be done by the Company acting on the directions or instructions of the Client. The Client undertakes to notify the Company following compliance with its obligations under Applicable Laws and Regulations and, upon request by the Company, provide supporting evidence of its compliance with Applicable Laws and Regulations to the reasonable satisfaction of the Company. The Client also acknowledges and agrees that it is solely liable for any losses or liability imposed on or incurred by it as a result of non-compliance with Applicable Laws and Regulations, and will inform the Company on a timely basis of any such failure to comply.

#### 4. **Professional Investor Status**

- 4.1 If the Client is a professional investor within the meaning of the SFO, the Client acknowledges and confirms that it has read, understood and agrees to complete the relevant professional investor assessment form in order to open and maintain the Account.

- 4.2 The Client understands and agrees that:

- (a) if it is an institutional professional investor within the meaning of the Code of Conduct, the Company will waive the suitability requirements described under Chapter 15 of the Code of Conduct with respect to the Client; and
- (b) if it is not an institutional professional investor within the meaning of the Code of Conduct, the Company will apply the suitability requirements described under Chapter 15 of the Code of Conduct with respect to the Client.

#### 5. **Services and Settlement**

- 5.1 The Client hereby instructs and authorizes the Company to open and maintain one or more margin securities trading account(s) with the Company in the name of the Client for the purposes of purchasing, investing in, selling, exchanging, otherwise disposing of and generally dealing in securities (the "**Account**"). The Client hereby also authorizes the Company to act as its agent relating to such purchases, investments, sales, exchanges, disposals and dealings in securities.

- 5.2 The Company is authorized to act upon the instructions of the Client or any Authorized Person on behalf of the Client to purchase and/or sell securities for the Account and otherwise deal with securities, receivables or monies held in or for the Account, and to act as an agent of the Client in relation to the registration, withdrawal or collection of securities or distributions from securities, or the exercise of any rights or claims arising from or relating to securities including without limitation to, dividends, rights issues, conditional cash offers or other corporate actions. Instructions shall be given to the Company either verbally in person, by telephone, in writing delivered by post, by hand, via the Company's website or mobile application (please refer to the Consent to Trade Securities on Internet for further information), by facsimile transmission or by any other means agreed with the Company from time to time. Instructions must quote the Account's name, number or other forms of identification as the Company may designate.

- 5.3 Notwithstanding anything contained in this Agreement, the Company shall be entitled, at its absolute discretion, to refuse to accept any such instructions from the Client or any Authorized Person and shall not be obliged to give any reasons for any such refusal. The Client's instructions shall be irrevocable unless the Company expressly agrees otherwise and shall only be effective upon actual receipt by the Company.

- 5.4 If the Client gives written authorization to an Authorized Person to give instructions on its behalf in relation to the Account, the scope of authorization shall include (1) the giving of instructions relating to buy/sell decisions of securities; (2) applications for initial public offering subscriptions without margin financing; and (3) the giving of instructions to make payment to the designated bank account of the Client in the Company's records. The scope of authorization shall exclude (1) other settlement instructions; (2) applications for initial public offering subscriptions with margin financing; and (3) the giving of instructions for subscriptions to securities placements. The Client confirms that, unless otherwise disclosed to the Company, the Client is the ultimate beneficial owner of the Account. The Client confirms that the Client will not give any commission, rebate or other remuneration to any third party as a return of the transactions effected by the third party. The Client understands and is fully aware of the potential risk and the potential gain or loss arising from an Authorized Person's instructions. The Client agrees to pay the Company any purchase price or other payment arising from any trading instructions given by the Authorized Person when due. The Client agrees and undertakes to be responsible for all trading instructions carried out via the Account and the payments made to the designated bank account of the Client. The Client undertakes to inform the Company immediately with documentary evidence in case of any cancellation of the authorization of an Authorized Person and acknowledges that the Client will be responsible for any costs and losses therefrom incurred by the Client.
- 5.5 The Company may, and the Client agrees that the Company may, record all telephone conversations with the Client or any Authorized Person in order to verify the instructions or identity of the Client or the Authorized Person for service quality monitoring or as evidence in the event of any dispute or investigation or inquiry of any Competent Authority. The Client represents that the Authorized Persons consent to, and the Client shall procure the Authorized Persons to consent, to the Company recording such telephone conversations. The Client agrees to accept the contents of any such recording as final and conclusive evidence of the instructions of the Client and Authorized Person in case of dispute.
- 5.6 The Client authorizes the Company to instruct overseas brokers and dealers to execute Transactions in overseas securities, and acknowledges that the terms of business of such overseas brokers and dealers shall apply to such Transactions, provided that the Company shall be authorized, subject to Applicable Laws and Regulations regarding such Transactions, to charge the Client such service fees for arranging such Transactions as the Company shall determine from time to time.
- 5.7 If any of the Client's instructions to effect Transactions are accepted by the Company, the Company shall use reasonable endeavours to execute the Transaction in accordance with those instructions and best execution standards. Due to physical or technical restraints, price fluctuations, market conditions, or measures, conditions or restrictions imposed by any Competent Authorities (including price limits, transaction quotas or shareholding limits), the Company may not be able to execute the Client's instructions in full (or at all) or at the prices quoted at any specific time. The Client hereby agrees to be bound by the outcome when the Client gives any instructions to effect Transactions and the Company shall incur no liability for failing or being unable to comply with any of the Client's instructions, unless due to its fraud, gross negligence or wilful default. The Client agrees that its instructions may be partially executed if the instructions cannot be executed in full.
- 5.8 Subject to Applicable Laws and Regulations, the Company may in its absolute discretion determine the priority in the execution of its clients' orders, having due regard to the sequence in which such orders were received, and the Client shall not have any claim of priority to another client in relation to the execution of any order received by the Company.
- 5.9 Unless the Company indicates in the contract note for the relevant Transaction or otherwise that the Company is acting as the principal, the Company will act as the agent of the Client in effecting Transactions.
- 5.10 Unless otherwise agreed with the Company in writing, the Client shall be acting as principal whenever the Client places an order or instruction with the Company in accordance with the terms of this Agreement and shall be bound by all such Transactions effected through the Company or its agent.
- 5.11 In the case of a purchase Transaction, if the selling broker fails to deliver on the settlement date and the Company has to purchase securities to settle the Transaction, the Company shall not be responsible for any difference in price or any incidental expenses in connection with such open market purchase. For the

avoidance of doubt, the Client shall be responsible for any such differences in price or such incidental expenses in connection with the open market purchase.

- 5.12 Unless otherwise agreed, the Client agrees that when the Company has executed a purchase or sale Transaction on the Client's behalf, the Client will by the due settlement date make payment to the Company against delivery of or credit to the Account for purchased securities, or make good delivery of sold securities to the Company against payment, as the case may be.
- 5.13 Unless otherwise agreed, in respect of each Transaction, unless the Company is already holding cash or securities on the Client's behalf to settle the Transaction, the Client will:-
- (a) pay the Company cleared funds or deliver to the Company securities in deliverable form; or
  - (b) otherwise ensure that the Company has received such funds or securities,
- by such time as the Company has notified the Client in relation to that Transaction. If the Client fails to do so, the Company may:-
- (a) in the case of a purchase Transaction, sell the purchased securities; and
  - (b) in the case of a sale Transaction, borrow and/or purchase securities in order to settle the Transaction.
- 5.14 The Client shall be responsible to the Company for any loss, costs, fees and expenses in connection with the Client's failure to meet the Client's obligations by the due settlement date as provided in Clause 5.12.
- 5.15 If the Company solicits the sale of or recommends any financial product to the Client, the financial product must be reasonably suitable for the Client having regard to the Client's financial situation, investment experience and investment objectives. No other provision of this Agreement or any other document the Company may ask the Client to sign and no statement the Company may ask the Client to make derogates from this Clause. "**Financial Product**" means any securities, futures contracts or leveraged foreign exchange contracts as defined under the SFO. For the purpose of this definition, "**leveraged foreign exchange contracts**" mean those traded by persons licensed for Type 3 regulated activity under the SFO.
- 5.16 Subject to Applicable Laws and Regulations, the Company will send to the Client in respect of each Transaction for purchase, sale or exchange of securities entered into by the Company on the Client's behalf a contract note. The Client agrees to settle from time to time the Account with the Company on the terms set out in the contract notes.
- 5.17 The Company's confirmations, contract notes, combined statements and/or monthly statements for the Account shall be regarded as conclusive and being accepted by the Client if no objection is made. Any objection (either verbal or written) must be made by the Client immediately upon discovery of mistake(s)/difference(s) on a confirmation, contract note, combined statements or monthly statement. Mistake(s)/difference(s) noted on such documents must be reported to the Company within 48 hours after the Client's receipt of the same from the Company.
- 5.18 Due to the implementation of the Central Clearing and Settlement System, the Company is not obliged to produce and/or deliver to the Client actual certificates or documents of title for any securities purchased on the Client's behalf. Should the Client require the Company to produce and/or deliver such certificates or documents of title, the Client shall forthwith upon notice by the Company reimburse the Company of all expenses incurred and handling charges in connection with the production and/or delivery of the same.
- 5.19 The records of the Company shall, in the absence of manifest error, be conclusive, and binding on the Client as to the amount standing to the debit or credit of the Account.
- 5.20 The Company shall not be responsible for delays in the transmission of orders or for any other matter relating to the Account due to a breakdown or failure of transmission or communication facilities or to any other cause or causes beyond the Company's reasonable control or anticipation.

- 5.21 Unless otherwise specifically agreed between the Company and the Client, all instructions given by the Client for the sale or purchase of securities under this Agreement for any of the Accounts shall only be valid for the day for which such instructions are given and any instructions which remain unexecuted at the end of the official trading day of the relevant exchange for whatever reason shall be deemed to have been cancelled automatically (to the extent not executed in part).
- 5.22 The Account shall be in Hong Kong dollars or such other currencies as the Company may agree from time to time and in the event that the Client instructs the Company to effect any sale or purchase of securities in a currency other than Hong Kong dollars, any profit or loss arising as a result of fluctuation in the exchange rate of the relevant currencies will be for the account of the Client solely. If the Client does not settle a liability with the relevant foreign currency, the Company shall have the right to convert any amount of the currency standing to the credit of the Account to a foreign currency amount to settle the liability or buy in that foreign currency on behalf of the Client to settle the relevant liabilities first. In such circumstances, the Client shall pay and bear all costs and expenses that the Company has paid and has to bear. Any conversion from one currency into another required to be made for performing any action or step taken by the Company under this Agreement may be effected by the Company in such manner and at such time as it may in its absolute discretion decide. All payments to be made by the Client to the Company in a currency other than Hong Kong dollars shall be in freely transferable and immediately available funds clear of any taxes, charges or payments of any nature when received by the Company.
- 5.23 Without prejudice to any other rights and remedies available to the Company, the Company may charge a monthly maintenance fee of such amount in such currency as the Company may determine from time to time on a dormant Account if the Client has no trading activity for six months or more. After 14 days' prior notice has been given to you by the Company, payment of such fees will be automatically deducted from the Account without any prior notice.
- 5.24 All instructions and Transactions are subject to the product and contract specifications, termsheets, and other offering and transaction documents of the respective products (the "**Product Documentation**") which will be provided by the Company upon request by the Client. The Client should read the Product Documentation, ask questions and understand the Transaction and, if the Client requires, seek professional advice before entering into that Transaction. The Client should not enter into a Transaction unless the Client understands the Transaction and accepts the features of and risks associated with the Transaction. The Company will provide the Client with (i) the Product Documentation upon the Client's request; and (ii) an explanation of any applicable margin procedures and requirements and the circumstances under which the Client's positions may be closed without the Client's consent.

## 6. **Short Sales**

The Client shall notify the Company when a sale order relates to securities which the Client does not own (i.e. involves short selling (including where the Client has borrowed stock for the purpose of the sale)). The Client shall be required to provide the Company with such confirmation, documentary evidence and assurance as the Company in its opinion considers necessary and effective to show that the Client has a presently exercisable and unconditional right to vest such securities in the purchaser. The Company shall be entitled in its absolute discretion to refuse to transact or execute any short selling order on the Client's behalf at any time if the Client fails to provide the Company with the necessary confirmation, documentary evidence or assurance. The Client undertakes to indemnify the Company, its associated entities, affiliates and holding companies against any loss, damage, claim, liability, cost and expenses arising out of or in connection with the Client's short selling.

## 7. **Client Identity Rule Policy**

- 7.1 The Client understands and acknowledges that the SFC's client identity rules require the Company to ascertain and record identifying details of the beneficial owner for whom a Transaction is processed, as well as the person who gives instructions in relation to the Transaction. In addition to any other rights that the Company has to disclose the Client's information under this Agreement, the Client agrees that the Company may provide such information to the SFC or the Exchange (the "**Hong Kong Regulators**") for such purposes and that this Clause shall survive any termination of the Agreement. If the Client is not the person with ultimate beneficial interest in the Transaction and originated the Transaction, the Client agrees to furnish to the Hong Kong Regulators all the details of the person's identity who is the



ultimate person with beneficial interest in the Transaction and any third party (if different from the Client/ultimate beneficial owner) who originated the Transaction within two (2) Business Days upon receipt of the request by the Company. The Client agrees that the Client shall furnish the said details to the relevant Hong Kong Regulators even after the termination of this Agreement. The Client acknowledges that failure to comply with a request to provide such information may result in regulatory sanction and/or legal action against the Client and the Client will be solely liable for any loss arising out of or in connection therewith.

- 7.2 If the Client is a collective investment scheme, discretionary account or discretionary trust or it has effected any Transaction involving securities listed or traded on the Exchange or a derivative written over such securities for the collective investment scheme, discretionary account or discretionary trust, the Client shall, immediately upon the Company's request (which request shall include the relevant contact details of the Hong Kong Regulators), provide to the Hong Kong Regulators, within two (2) Business Days of the request being sent to the Company, the identity, address and contact details of such scheme, account or trust and, if applicable, the identity, address, occupation and contact details of the person(s) who, on behalf of such scheme, account or trust, instructed the Client to effect the Transaction.
- 7.3 If the Client is a collective investment scheme, discretionary account or discretionary trust or it has effected any Transaction involving securities listed or traded on the Exchange or a derivative written over such securities for a collective investment scheme, discretionary account or discretionary trust, the Client shall, as soon as practicable, inform the Company when the Client's discretion to invest in respect of a particular Transaction or on behalf of such scheme, account or trust has been overridden by one or more of the beneficiaries of a scheme, account or trust (or someone else). In a case where the Client's investment discretion has been overridden, the Client shall, immediately upon the Company's request (which request shall include the relevant contact details of the Hong Kong Regulators), provide to the Hong Kong Regulators, within two (2) Business Days of the request being received by the Company, the identity, address, occupation and contact details of the person(s) who has or have given such overriding instruction in relation to the Transaction or such scheme, account or trust.
- 7.4 If the Client is aware that its client is acting as an intermediary for its underlying client(s) and the Client does not know the identity, address, occupation and contact details of such underlying client(s) for whom any Transaction involving securities listed or traded on the Exchange or a derivative written over such securities was affected, the Client confirms that:-
- (a) the Client has arrangements in place with its client, acting as an intermediary, which would entitle the Client to obtain all the relevant information set out in Clauses 7.1 to 7.3 from such client immediately upon the Company's request or procure that such information be so obtained; and
  - (b) the Client will, upon the Company's request (which request shall include the relevant contact details of the Hong Kong Regulations) in relation to a Transaction, immediately request all the relevant information set out in Clauses 7.1 to 7.3 from its client on whose instructions the Transaction was effected, and provide that information within two (2) Business Days of the request being sent by the Company to the Hong Kong Regulators as soon as it has received it from its client or procure that such information be so provided.
- 7.5 Whenever the Company deals with the Client, it will always be on the basis that only the Client is the Company's client, and so, if the Client acts on behalf of another person, whether or not the Client identifies him to the Company, he will not be the Company's client and the Company does not and will not have or accept in any circumstances whatsoever any responsibility towards any person on whose behalf the Client may act and the Client hereby acknowledges and agrees that the Client shall be solely liable for and responsible for settling all liabilities resulting from Transactions effected pursuant to and in accordance with this Agreement.
- 7.6 The Client shall provide the Company with documents and information as requested by the Company in its sole and absolute discretion in order to for the Company to comply with its obligations under Applicable Laws and Regulations and the Company is authorized to disclose such documents and information to the persons or entities as provided in Clause 2.4 above.

## 8. Levy, Tax and Fees

- 8.1 All Transactions executed on instructions of the Client through the Exchange shall be subject to a transaction levy and any other levies that the Exchange from time to time may impose. All Transactions executed in markets other than those organized by the Exchange shall be subject to any levy that the relevant exchange or market may impose from time to time. The Company is authorized to collect any such levies from the Account in accordance with the rules prescribed by the Exchange or the relevant exchange or market from time to time.
- 8.2 The Client agrees that the Company may charge any stamp, documentary or other similar duties and taxes, clearing and settlement fees and other fees and charges in relation to the Account and the charge or any related documents and the performance of the Company's obligations under this Agreement at such rates as the Company may specify and notify the Client from time to time.
- 8.3 The Client shall pay the Company commission, brokerage and any other fees and charges, and all applicable stamp duties and charges in respect of all Transactions at such rate or rates as the Company may from time to time have notified the Client or otherwise prescribed by the Company as being the rate or rates applicable to the Account and shall reimburse the Company on demand in respect of all fees and expenses, including but not limited to fees and expenses of any brokers, agents, advisors, custodians, and nominees engaged by the Company, in connection with any Transactions, services rendered to the Client and the performance of the Company's obligations under this Agreement. The Client further agrees to pay the fees of its process agent designated under Clause 25.1 below. The Client authorizes the Company to deduct from time to time from the Account such commission, duties, fees and applicable levies of the Exchange which the Client is required to pay. In addition, the Client agrees to pay the Company on demand in respect of any deficiency or shortfall after monies are so debited from the Account.
- 8.4 Any sum that may be payable by the Company to the Client shall be subject to requirements under Applicable Laws and Regulations, including any withholding tax requirement and foreign exchange restriction or control that the Company considers in its sole discretion to be applicable. The Client agrees and acknowledges that pursuant to the foregoing the Company may, without notice or liability to the Client, perform or cause to be performed, withhold or deduct of any monies payable to the Client, deposit any such monies into a sundry or other account and/or retain such monies pending determination of the applicability of such withholding tax requirement, foreign exchange restriction or control. The Company shall not be liable for any losses that may be incurred by reason of such withholding, retention or deposit.

## 9. Margin and Financial Accommodation

- 9.1 The Company may, from time to time in its sole discretion, grant financial accommodation to the Client of up to such percentage (as notified by the Company to the Client from time to time) of the market value of the deposits, collateral and margin (including but without limitation, initial margins and additional margins) maintained with the Company as determined by the Company and notified to the Client from time to time ("**Margin**") for the purpose of financing the acquisition or holding of securities as set out in this Agreement, any facility letter from the Company to the Client and such other agreement, document, terms and conditions as may be specified by the Company from time to time (the "**Margin Terms**"). The Margin Terms will cover applicable Margin requirements, interest charges, Margin calls, collateral arrangements and the circumstances under which the Client's positions may be closed without the Client's consent.
- 9.2 The Client shall, upon the Company's request, deliver to the Company a deed of Guarantee executed by a Guarantor in a prescribed form that is satisfactory to the Company. If there is more than one (1) Guarantor, the Guarantors shall irrevocably and unconditionally guarantee all the Client's obligations under the Margin on a joint and several basis. The Client shall, from time to time, upon the Company's request promptly and duly execute and deliver any and all such further instruments and documents as the Company may deem necessary or desirable for the purpose of obtaining the full benefit of the Margin Terms and of the rights and powers granted under the same.
- 9.3 The Company may grant multiple Margins to the Client under the Margin Terms, provided always that the Company has absolute discretion as to whether to grant any or any part of the Margin at any time and provided further that the Client shall, at the request of the Company, deposit or cause to deposit into the Account forthwith all the securities acquired or required as collateral in connection with its refinancing

or acquisition on or prior to any Margin being granted or further granted. The Company will not at any time be obligated to provide any Margin to the Client. The Company has the right to refuse to make available to the Client any Margin at any time, even if the applicable Margin limit (if any) at that time has not been exceeded.

- 9.4 The Client agrees to maintain at all times sufficient Margin as determined by the Company in its discretion (the “**Margin Requirement**”). The Client shall on demand by the Company from time to time, immediately make payments or deposits of additional Margin in cash, securities and/or other assets in such amount and in such form into a designated account unless a later time is specified by the Company in the Margin call. The Company also has the right, at its sole discretion, to demand immediate payment of all moneys and sums then due or owing from the Client in respect of any part of the Margin, any accrued but unpaid interest relating to the Margin or any other liabilities under this Agreement or any of the Margin Terms, and the Client agrees to pay immediately such amounts in full. All initial and subsequent deposits and payments for Margin and other purposes related to such Margin shall be made in cleared funds and in such currency and in such amounts as the Company may in its sole discretion require.
- 9.5 Without limiting or prejudicing the terms of this Agreement, any part of Margin and Margin Requirements will be subject to review and revision from time to time at the Company's sole and absolute discretion and may be increased, reduced, cancelled or otherwise varied at any time by the Company at its sole and absolute discretion by giving the Client a notice which shall take effect forthwith. No previous Margin or Margin Requirements shall establish a precedent, and revised Margin Requirements once established shall apply to existing positions as well as to the new positions of the Account affected by such revision. When the Company, at any time, deems it unsafe or inappropriate to grant the Margin or any further Margin to the Client, the Company shall have the absolute right to refuse any request for Margin, utilising any part of the Margin or granting any further Margin, without any prior notice and without assigning any reason therefor, notwithstanding that the Margin or limit of the Margin herein has not been reached or exceeded.
- 9.6 The Client confirms that the Company is authorized to apply, on behalf of the Client, any amount of Margin that has not been called for, in order to settle any amounts due or to become due in respect of the purchase of any securities by the Company on the Client's behalf, the payment of any commission or other costs or expenses owing to the Company.
- 9.7 In the event that the Margin provided is, in the Company's opinion and for any reason, no longer sufficient to meet the Margin Requirement, the Company may take such action as the Company may in its discretion deem fit, including without limitation, making a Margin call to the Client and/or realising such part or all of the Margin as the Company deems necessary to satisfy the Client's obligations without notice to or consent from the Client or the collateral provider.
- 9.8 For the purposes of this Agreement, the Margin provided may, in the Company's opinion, no longer be sufficient to meet the Margin Requirement as a result of or in connection with circumstances including but without limitation to the following: (a) a change or prospective change in the local, national or international monetary, financial, economic or political conditions or foreign exchange controls which may result in or is, in the opinion of the Company, likely to result in a material or adverse fluctuation in the stock market, currency market, commodities or futures markets in Hong Kong and/or overseas; or (b) a change or prospective change having a material adverse effect on the condition or operations of the Client or the market value of the Margin.
- 9.9 Notwithstanding anything else in this Clause 9, in the event that the Company is unable to contact the Client to make demands for additional Margin pursuant to this Agreement for any reason, the Company shall be deemed to have made Margin calls to the Client in such form and/or for such amount as the Company may in its sole opinion determine where such Margin call has been issued by the Company (verbally or in writing) to the Client's last registered email address, telephone or mobile phone number or any other contact method as the Company considers appropriate at the time, and such Margin shall become immediately due and payable by the Client.
- 9.10 For the avoidance of doubt, if the Client commits a default in payment on demand of the deposits or Margins or any other sums payable to the Company hereunder, on the due date therefor, or otherwise fails to comply with any of the terms of this Agreement or the Margin Terms, without prejudice to any

other rights the Company may have, the Company shall have the right, without notice to or the separate consent of the Client, to (a) close the Account, (b) close out any position in the Account, and/or (c) dispose of any or all securities held for or on behalf of the Client and to apply the proceeds thereof and any cash deposit(s) to pay the Company all outstanding balances owing to the Company by the Client. Any monies remaining after such application shall be refunded to the Client.

9.11 Nothing contained in this Clause 9 is intended to, or shall operate so as to, prejudice or affect any guarantee, indemnity, other security of any kind or other rights and remedies whatsoever which the Company may have in respect of any money held in the Account, in respect of any money received or paid into such Account or against the Client or any Guarantor or any other security provider or any right, remedy or privilege thereunder.

## 10. **Interest**

10.1 Unless otherwise waived by the Company, the Client agrees to pay interest on a daily basis on the amount of Margin granted to the Client, at the interest rates notified to the Client by the Company in advance from time to time. Such interest may, to the extent permitted by Applicable Laws and Regulations, be deducted by the Company from the Account or any other account of the Client with the Company.

10.2 The Client hereby agrees to pay interest on all overdue balances owing by the Client to the Company (including interest arising before and after a judgment debt is obtained against the Client), at such rate(s) notified to the Client by the Company in advance from time to time, which shall be calculated on a daily basis and payable on the last day of each calendar month or upon any demand being made by the Company or on such other terms as the Company has notified the Client from time to time.

## 11. **Safekeeping of Securities**

11.1 The Client authorizes the Company and its associated entities, in respect of all securities held in the Account and all securities received or held by or on behalf of the Company for or on behalf of the Client or in which the Client has a legal or equitable interest in accordance with the Client Securities Rules to:-

- (a) (in the case of registered securities) register the securities in the Client's name or in the name of the Company's associated entity; or
- (b) deposit the securities in safe custody in a segregated account which is designated as a trust account or client account and established and maintained in Hong Kong by the Company with an authorized financial institution, an approved custodian or another intermediary licensed for dealing in securities, or otherwise in accordance with the Client Securities Rules.

11.2 Any securities held by the Company, any associated entity of the Company, banker, institution, custodian or other intermediary pursuant to Clause 11.1 above shall be at the sole risk of the Client. The Company and the relevant associated entity, banker, institution, custodian and other intermediary shall be under no obligation to insure the Client against any risk, and such obligation shall be the sole responsibility of the Client.

11.3 Where securities are not registered in the Client's name:

- (a) any dividends or other distributions or benefits arising in respect of such securities shall, when received by the Company, be credited to the Account, or paid or transferred to the Client, as agreed with the Company. Where the securities form part of a larger holding of identical securities held for the Company's clients, the Client shall be entitled to the proportion of the dividends or benefits equal to the proportion of the securities held on the Client's behalf out of the total number or amount of such securities; and
- (b) any loss is suffered by the Company therefrom, the Account may be debited (or payment made by the Client as may be agreed) with the proportion of such loss equal to the proportion of securities held on the Client's behalf out of the total number or amount of such securities

- 11.4 For the purpose of Clause 11.3, the Client accepts that a certificate under the hand of a duly authorized officer of the Company stating the aforesaid proportion of such benefit or loss in respect of the Account shall be binding and conclusive on the Client in the absence of manifest error.
- 11.5 The Company shall not, without the Client's prior written consent, deposit any of the Client's securities as security for any loans or advances made to the Company, or lend or otherwise part with the possession of any of the Client's securities for any purpose.
- 11.6 The Client represents and warrants to the Company that it has good and unencumbered title (other than any encumbrance created under this Agreement) to all securities which the Client instructs the Company to sell for the Account in accordance with the terms of this Agreement and if relevant, undertakes to deliver scrip for such securities in time for the Company to comply with Applicable Laws and Regulations. The Company is under no duty to examine or verify the validity of the ownership of or title to any securities and shall not be liable in respect of any defect in ownership or title.
- 11.7 Any obligations of the Company to deliver, to hold in safe custody or otherwise or to register in the name of the Client, securities purchased or acquired by it on behalf of the Client shall be satisfied by the delivery, the holding or registration in the name of the Client or its nominee, securities of the same class, denomination and nominal amounts, and rank *pari passu* with, those originally deposited with, transferred to or acquired by the Company on behalf of the Client (subject always to any capital reorganization which may have occurred in the meantime). The Company shall not be bound to deliver or return securities which are identical with such securities in terms of number, class denomination, nominal amount and rights attached thereto.
- 11.8 The Client hereby gives the Company the authority on the terms and conditions as set out in the standing authority contained in the Account Opening Form (the "**Letter of Authority**") for twelve (12) months from the date of this Agreement. If the Client seeks to withdraw or refuses to renew such authorization at any time, the Company shall have the rights to close the Account and terminate this Agreement without giving notice to the Client.
- 11.9 The Company shall return to the Client all securities held in the Company's custody, at the Client's request, subject to any security interests that the Company (or any third party) may have obtained pursuant to this Agreement and the Margin Terms, and all outstanding commissions, expenses and other relevant amounts owing to the Company, actual or contingent, having first been fully paid.
- 11.10 The Company shall not be liable in respect of any loss or damage suffered by the Client due to or arising out of the Company's handling or dealing with securities deposited with the Company by the Client unless the loss or damage is a direct consequence of fraud, gross negligence or wilful default by the Company or any of its employees, agents, or nominees.

## 12. **Cash in the Account**

- 12.1 Subject to Applicable Laws and Regulations, the Company shall deposit any monies (other than cash received by the Company in respect of Transactions and which is on-paid for settlement purposes or paid to the Client) received under this Agreement with one or more segregated account(s) in Hong Kong, each of which shall be designated as a trust account or client account, at one or more authorized financial institution(s) or any other person approved by the SFC for the purpose of section 4 of the Client Money Rules and/or may, in accordance with a written direction or standing authority of the Client, transfer such monies out of the Account. The Company may also apply monies in the Account to meet the Client's settlement, Margin or other obligations in respect of the Client's activities carried out by the Client or on its behalf by the Company under this Agreement. Unless otherwise agreed between the Client and the Company, the Company will be entitled to retain absolutely for its own benefit and use any interest accruing on cash held in the Account. Any amount of interest retained in the Account shall be paid out of the Account by the Company within one (1) Trading Day after the later of (a) the interest being credited to the Account, or (b) the Company becoming aware that the interest has been credited to the Account.
- 12.2 All monies payable to the Client by the Company may either be transferred to the bank account details of which are set out in the Account Opening Information Form or, at the option of the Company, by sending at the Client's risk a cheque by post to the Client's last known address and either form of payment shall constitute a full discharge of the Company's obligation to make such payments. Payment by any

other means has to be requested in writing by the Client, and received by the Company prior to the payment.

### 13. **Events of Default**

13.1 Any of the following events shall constitute an event of default:-

- (a) the failure of the Client to pay deposits, Margins, interest, or any other sums payable to the Company under this Agreement and/or the Margin Terms when demanded to do so or by the due date, and in the case where an Account is being held in the joint name of two or more persons, any such failure of payment, submission or delivery by any one of them;
- (b) the default by the Client in the due performance of any provision of this Agreement or the Margin Terms or the due observance of any Applicable Laws and Regulations, and in the case where an Account is being held in the joint name of two or more persons, any such default in respect of or against any one of them;
- (c) the breach by the Client or the Guarantor or other security provider (if any) of any warranty or representation in this Agreement or the Margin Terms or in any document in connection herewith and therewith or such warranty or representation being or becoming incorrect or misleading and in the case where an Account is being held in the joint name of two or more persons, any such incorrect or misleading representation or warranty made by any one of them;
- (d) the death of a Client (that is an individual) and in the case where an Account is being held in the joint name of two or more individual Clients, the death in respect of any one of them;
- (e) a resolution is passed for the winding-up of the Client or the Guarantor or the filing of a petition in bankruptcy, winding up or the commencement of other analogous proceedings against the Client or the Guarantor or a receiver being appointed in respect of the Client's or the Guarantor's business, property or assets, or the Client or the Guarantor makes any arrangement or composition with, or any general assignment for the benefit of, its creditors generally, or the commencement of negotiations by the Client or the Guarantor with any one or more of its creditors with a view to the general rescheduling of the Client's indebtedness, or the Client's or the Guarantor's inability to pay debts as they fall due, or the Client or the Guarantor is or is presumed or deemed unable or admits inability to pay any of its debts as they fall due, the Client or Guarantor suspends making payments on any of its debts by reason of actual or anticipated financial difficulties, or any encumbrancer taking possession of or being appointed over or in relation to, or any distress, execution or other process being levied or enforced upon, the whole or any part of the Client's or the Guarantor's property or assets, or the Client's or the Guarantor's dissolution, and in the case where an Account is being held in the joint name of two or more persons, any such filing or proceedings in respect of or against any one of them;
- (f) the value of the assets of the Client or the Guarantor is less than his/its liabilities (taking into account contingent and prospective liabilities);
- (g) a moratorium is declared in respect of any indebtedness of the Client or the Guarantor;
- (h) any expropriation, attachment, sequestration, distress or execution that affects any asset or assets of the Client or the Guarantor is not discharged within seven (7) Trading Days;
- (i) the Client or the Guarantor repudiates or rescinds (or purports to repudiate or rescind) this Agreement, the Guarantee or the Margin Terms, or evidences an intention to repudiate or rescind as such;
- (j) the Client or the Guarantor (each being a corporate entity) suspends or ceases to carry on all or a material part of its business;
- (k) the levy or enforcement of any attachment, execution or other process against the Client or the Guarantor (if any), and in the case where an Account is being held in the joint name of two or

more persons, any such levy, enforcement or proceedings in respect of or against any one of them;

- (l) the occurrence of any event which in the Company's sole opinion, might jeopardize its rights under this Agreement, the Margin Terms, the Guarantee, or any document in connection herewith and therewith;
- (m) there shall occur any circumstances of a national or international financial, political, military, social or economic nature or any material adverse change in the Client's or the Guarantor's business, assets or condition which, in the Company's sole opinion, may have a material adverse effect on the Client's or the Guarantor's financial condition or may imperil, delay or prevent fulfillment by the Client or the Guarantor of any of the Client's or the Guarantor's obligations under this Agreement, the Margin Terms or the Guarantee, and in the case where an Account is being held in the joint name of two or persons, the material adverse effect on any of them; or
- (n) it shall become or prove to be unlawful or impossible in any material respect for the Client or the Guarantor to duly and promptly to perform or observe any of the obligations or undertakings expressed to be binding on or undertaken by the Client or the Guarantor in or pursuant to this Agreement, the Margin Terms or the Guarantee or if this Agreement, the Margin Terms or the Guarantee shall for any other reason whatsoever (other than due and complete performance in accordance with its terms) cease to be in full force and effect;
- (o) any consent, authorization or board resolution required by the Client or Guarantor (that is not an individual) to enter into this Agreement, the Margin Terms or the Guarantee (if any and as applicable) being wholly or partly revoked, suspended, terminated or ceasing to remain in full force and effect; or
- (p) the continued performance of this Agreement, the Margin Terms or the Guarantee (if any) becomes illegal or is claimed by any government authority to be illegal.

13.2 If any event of default occurs, without prejudice to any other rights or remedies that the Company may have against the Client, the Company may without notice to the Client:-

- (a) forthwith close the Account;
- (b) forthwith terminate the whole or any part of this Agreement;
- (c) cancel all or any outstanding orders or any other commitments made on behalf of the Client;
- (d) close any or all contracts between the Company and the Client, cover any short position with the Company through the purchase of securities on the Exchange or liquidate any long position with the Company through the sale of securities on the Exchange;
- (e) accelerate the payment of any outstanding balances due to the Company from the Client;
- (f) sell, dispose of or otherwise deal with in whatever manner all or any securities and other property held for the Client in the Account and to apply the proceeds thereof and any cash in the Account to settle all outstanding balances due to the Company;
- (g) combine, consolidate and set-off any or all Accounts of the Client in accordance with Clause 14; and/or
- (h) enforce any security created by the Client in favour of the Company.

13.3 In the event of any sale or liquidation of the assets in the Account pursuant to this Clause and to the extent not restricted under Applicable Laws and Regulations:-

- (a) the Company shall not be responsible for any losses occasioned thereby howsoever arising if the Company has already used reasonable endeavours to sell or dispose of the securities or any part thereof at the then available market price;
  - (b) the Company will exercise its own judgment in determining the time to sell or dispose of the securities or any part thereof and the Company shall not be responsible for any losses occasioned thereby;
  - (c) to the extent permitted by Applicable Laws and Regulations, the Company shall be entitled to appropriate to itself or sell or dispose of the securities or any part thereof at the current price to any of the Company's associated entities without being in any way responsible for losses occasioned thereby howsoever arising and without being accountable for any profit made by the Company and/or any of the Company's associated entities; and
  - (d) the Client undertakes to pay to the Company any deficiency if the net proceeds of sale or net proceeds of liquidation shall be insufficient to cover all the outstanding balances owing by the Client to the Company.
- 13.4 Any determination of whether an event of default has occurred shall be based on the sole and absolute opinion of the Company. The Client undertakes to notify the Company in writing immediately upon becoming aware of the occurrence of any event which constitutes or is likely to constitute an event of default, although any failure to so notify the Company will not prevent an event of default from having occurred.
- 13.5 The proceeds of sale or liquidation of the securities in the Account shall be applied in the following order of priority and any residue shall be paid to the Client or to the Client's order:
- (a) payment of all costs, charges, legal fees and expenses including stamp duty, commission and brokerage properly incurred by the Company in transferring and selling all or any of the securities or properties in the Account or in perfecting title thereto;
  - (b) payment of all interest due;
  - (c) payment of all monies and liabilities due, owing or incurred by the Client, to the Company;
  - (d) payment of all monies and liabilities due, owing or incurred by the Client to any of the Company's associated entities.
- 13.6 Subject to the Client Money Rules, any dividends, interest or other payments which may be received or receivable by the Company in respect of any of the securities may be applied by the Company as though they were proceeds of sale hereunder notwithstanding that the power of sale may not have arisen and notwithstanding that subsequent to the execution of this Agreement the Company may have paid any of the said dividends, interest or other payments to the Client.
14. **Charge, Lien, Right of set-off, Combination of Accounts and Further Rights**
- 14.1 The Client shall, as legal and beneficial owner of the securities, monies and other property in the possession, order or control of the Company (the "**Charged Assets**"), and as continuing security for the due and punctual payment and discharge of all present and future obligations and liabilities (whether actual or contingent) due, owing or incurred from or by the Client towards the Company or any of its affiliates of whatever nature and from time to time:
- (a) charge in favour of the Company by way of a first fixed charge, all its rights, title and interest present and future in and to the Charged Assets and the Account; and
  - (b) assigns to the Company all its rights, present and future relating to any of the Charged Assets and the Account.
- 14.2 If the Client fails to pay any indebtedness or outstanding amount due, owing or incurred to the Company, its associated entities or affiliates when due or on demand or an event of default occurs under this Clause



14 (each an “**Enforcement Event**”) and is continuing, the security created under this Agreement shall become immediately enforceable, and at such time the Company may enforce all or any part of such security, dispose of all or any part of the Charged Assets and/or exercise all or any powers conferred by law on mortgagees and/or receivers. The Company shall not be liable for any loss, damage, expense or charge and related consequence arising out of any such disposal or exercise of all or any of its rights, howsoever caused and whether or not a better price could have been obtained by either deferring or advancing the date of such disposal or exercise of its rights.

- 14.3 Any receiver appointed in relation to this Agreement by the Company shall have the rights (including all voting and other rights attaching to the Charged Assets), powers, discretions, privileges and immunities conferred on receivers by the Conveyancing and Property Ordinance (Cap. 219), and all powers (if any) conferred on receivers by law or otherwise, all of which powers and rights are exercisable without further notice. The receiver shall in the exercise of its powers, authorities and discretions conform to the directions and regulations from time to time given or made by the Company. Any receiver shall be the agent of the Client for all purposes. Any rights conferred by this Agreement upon a receiver may be exercisable by the Company after the security interest in this Agreement becomes enforceable, whether or not the Company shall have appointed a receiver of the Charged Assets.
- 14.4 The Client by way of security irrevocably appoints the Company as its attorney, on its behalf and in its name at such time and in such manner as the attorney thinks fit (a) to do anything which the Client is obliged to do under this Agreement and (b) after the occurrence of an Enforcement Event which is continuing, exercise any of the rights conferred on the Company in relation to the Charged Assets or under Applicable Laws and Regulations.
- 14.5 The Client shall not create or permit to subsist any mortgage, charge, lien or other form of security interest over any Charged Assets. The Client represents and warrants that (a) the Charged Assets are legally and beneficially owned by the Client; (b) the Client is entitled to deposit and provide the Charged Assets with the Company; (c) the Charged Assets are and will remain free from any lien, charge or encumbrance of any kind (other than such lien, charge or encumbrance created hereunder); and (d) any stock, share and other securities comprised in the Charged Assets are fully paid up.
- 14.6 Save with the express prior written consent of the Company, the Client shall not (nor agree to) enter into a single transaction or series of transactions to sell, withdraw, transfer, assign or otherwise dispose of any legal or beneficial interest in the Charged Assets and shall not do or cause or permit to be done any act or thing which may in any way depreciate, jeopardise or otherwise prejudice the value of the Charged Assets or prejudice the rights or interests of the Company in the Charged Assets.
- 14.7 Notwithstanding anything herein contained to the contrary, without prejudice and in addition to any charge, general lien, right of set-off or any other powers, authorities, rights and remedies granted to the Company by Applicable Laws and Regulations or under this Agreement, and until all the liabilities to the Company or any of its affiliates have been paid, satisfied or discharged in full:
- (a) the Company shall have a lien on and be entitled to retain and withhold all of the Client’s monies, securities (including but not limited to any and all securities acquired for or on behalf of the Client or in which the Client has an interest which are held for the Account) or other property from time to time in the possession or control of the Company whether the same be held for safe custody, margin trading or otherwise, and whether pursuant to this Agreement or otherwise, and subject to Applicable Laws and Regulations, including without limitation, the Client Money Rules and the Client Securities Rules, and the Company shall have the right and is irrevocably authorized as the agent of the Client to take such measures as the Company may in its sole discretion deem necessary to sell, dispose of or otherwise realized all such monies, (subject to Applicable Laws and Regulations) securities or other property from time to time in the Company’s possession or control in or towards satisfaction of any of the aforesaid liabilities;
  - (b) the Company is irrevocably directed to set-off and withhold from and apply (subject to Applicable Laws and Regulations) securities, receivables or monies held in or for the Account or any other account with the Company or otherwise owing to the Client against, and in whole or partial payment of, any of the aforesaid liabilities; and

- (c) the Company may at any time, without prejudice to the generality of sub-Clause (b) above, combine or consolidate all or any of such accounts with Client's liabilities to the Company and set-off or transfer any sum standing to the credit of any one or more of such accounts in or towards satisfaction of any of the Client's liabilities to the Company in respect of any other accounts held with the Company or in any other respect whatsoever irrespective of whether such liabilities were incurred by the Client or by the Client as principal or as surety of some other person, corporate body or firm and irrespective of whether such liabilities be actual or contingent, primary or collateral and several or joint. This right of set-off is a continuing security and is to be in addition and without prejudice to any securities the Company may now or hereafter hold.
- 14.8 If the Client fails to comply with or is in default of any of the terms of this Agreement, the Company is authorized, pursuant to section 6(3) of the Client Securities Rules, to dispose or initiate a disposal by its associated entity of any of the Client's securities or securities collateral (and the Company shall have absolute discretion to determine which securities or securities collateral are to be disposed of at whatever amount of consideration which the Company shall deem fit) for the purpose of settling any liability owed by or on behalf of the Client to the Company, the associated entity or a third person.
- 15. Representations, Warranties and Undertakings**
- The Client represents and warrants to the Company on a continuing basis that:
- 15.1 the information contained in the Account Opening Information Form or otherwise supplied by or on behalf of the Client to the Company in connection with opening the Account is complete, true and correct. The Company is entitled to rely on such information until written notice from the Client of any changes therein has been received;
- 15.2 the Client shall perform such acts and execute all such agreements or documents whatsoever as may be required by the Company for the performance and implementation of this Agreement or any part thereof;
- 15.3 the entry into and the performance of the obligations of the Client under this Agreement do not and will not:-
- (a) contravene any existing Applicable Laws and Regulations to which the Client is subject; or
  - (b) conflict with or result in any breach of the terms of or constitute any default under any agreement or other instrument to which the Client is a party or is subject or by which any of his/its property is bound;
- 15.4 the Client is the beneficial owner of the securities under the relevant accounts free from any lien, charge or encumbrance save as created by or under this Agreement;
- 15.5 unless otherwise disclosed in the Account Opening Information Form as amended from time to time or otherwise notified in writing to the Company, the Client is ultimately responsible for originating all instructions in relation to any Transaction in the Account and is the sole owner of all beneficial interests comprised in any of the Account;
- 15.6 the Client is not a connected person (as defined in the Rules Governing the Listing of Securities on the Exchange or the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Exchange, as the case may be) of the company(ies) that issues the securities which the Client may instruct the Company to purchase or dispose or otherwise deal in on behalf of the Client with respect to the Account, unless the Client specifically notifies the Company to the contrary prior to the placing of such instructions;
- 15.7 the Client is trading as principal on its own account unless otherwise expressly made known to the Company in respect of particular Transactions;
- 15.8 all securities provided by the Client for selling or crediting into the Account are fully paid with value and good title whose legal and beneficial titles (as applicable) are owned by the Client;

- 15.9 all necessary consents or authorizations which may be required for the execution, delivery and performance by the Client of this Agreement have been obtained and are in full force and effect and have not been revoked as at the date of this Agreement;
- 15.10 the Client has the authority, power and legal capacity to enter into and perform the obligations under this Agreement (and in the case of a Client being a corporate entity, is duly authorised by its constitutive documents);
- 15.11 in case of a Client being a corporate entity, it is validly incorporated and existing under the laws of its country of incorporation;
- 15.12 in the case of the Client being an individual, he has attained the age of 18 years and is of sound mind and legal competence and is not bankrupt, and in each case, the Agreement constitutes valid and legally binding obligations of the Client;
- 15.13 the Client has not relied upon any representation, warranty, statement or other information made or supplied by the Company at any time or in any manner whatsoever in deciding to enter into this Agreement or in connection with any matters stated in this Agreement or the performance of this Agreement;
- 15.14 in the event that the Client is acting as agent for or on behalf of another, the Client undertakes that if in relation to any Transaction(s) carried out pursuant to this Agreement:-
- (a) the Client has and will have full power and capacity to enter into, and perform the Client's obligations pursuant to, this Agreement and any other agreement entered into with the Company;
  - (b) in so doing, the Client has been expressly authorized by the Client's principal to instruct the Company in relation to such Transaction(s) in accordance with these terms;
  - (c) the Client will be liable, as if it were the principal, to the Company in respect of all obligations and liabilities to be performed or discharged by the Client pursuant to and in respect of any such Transaction(s) entered into under or pursuant to this Agreement; and
  - (d) for all purposes under Applicable Laws and Regulations, only the Client and not the Client's principal will be the customer of the Company;
- 15.15 the Client is not a U.S. person (within the meaning of Regulation S under the Securities Act of 1933) or a resident or citizen of the United States for any purpose;
- 15.16 the Client has not been nor does it anticipate or expect to be present in the United States for 183 or more days in aggregate during a calendar year or otherwise treated as resident in the United States for U.S. federal income tax purposes;
- 15.17 the gains from the Client's subscription, purchase, sale or other Transactions carried out pursuant to the Account are not effectively connected or related to any U.S. Person or any US trade or business which the Client is engaged in or plans to engage in during the calendar year;
- 15.18 the Client is not resident in a jurisdiction where there is any restriction on establishing a relationship with the Company for the provision of services under this Agreement. If the Client becomes resident in any such jurisdiction, the Client will inform the Company immediately and will, if so required by the Company, sell or redeem any restricted securities with respect to the Account;
- 15.19 the securities held, acquired or disposed of in connection with the Account are not being so held, acquired or disposed of beneficially by or for a U.S. person (within the meaning of Regulation S under the Securities Act of 1933) or in violation of any Applicable Laws and Regulations;
- 15.20 unless otherwise requested by the Company, the Client will only complete and submit one set of the Account Opening Information Form to the Company with respect to each Account application and agrees that the Company reserves the right to reject the Client's application(s) for an Account if more than one set of the Account Opening Information Form has been submitted with respect to an Account application;

- 15.21 it is the Client's independent judgment and decision to enter into any Transactions and the Client fully understands the risks and consequences of his doing so and agrees to bear all consequences of Transactions. The Company and its employees shall have no liability whatsoever in respect of the Client's entering into any or all Transactions;
- 15.22 it declares and acknowledges that the risk disclosure statements set out in this Agreement have been fully explained to the Client in a language the Client understands and the Client has been invited to read the risk disclosure statements, to ask questions and to seek independent advice if the Client wishes, and the Client declares that the Client has carefully and thoroughly read the risk disclosure statements and fully understands and accepts the risks (including the risk of loss) described thereunder;
- 15.23 it acknowledges that the Company may require further information from him or a third party on his financial standing and investment objectives or to verify the same and agrees to provide the same on request; and
- 15.24 all the representations and warranties made by the Client remain true and accurate at all times.

## 16. **Liabilities and Indemnity**

- 16.1 To the extent not restricted under Applicable Laws and Regulations, neither the Company nor any of its officers, employees, agents or nominees shall be liable to the Client for any losses, expenses or damages suffered by the Client arising out of or in connection with any act or omission in relation to the Account or any Transaction unless such loss, expense or damage results from their fraud, gross negligence or wilful default. Neither the Company nor any of its officers, employees, agents or nominees shall have any liability whatsoever for any loss, expense or damage suffered by the Client as a result of any condition or circumstances which are beyond the reasonable control of the Company, its officers, employees, agents or nominees, including but not limited to any delays in the transmission of any information due to disruption, breakdown, failure or malfunction of transmission of communication facilities, failure of electronic or mechanical equipment, telephone or other interconnection problems, prevailing fast market conditions, governmental agency or exchange actions, theft, war (whether declared or not), severe weather, earthquakes and strikes.
- 16.2 The Client undertakes to indemnify and keep indemnified the Company, its associated entities, affiliates and holding companies and its and their respective directors, officers and employees (collectively the "**Indemnified Persons**") in respect of any losses, costs, claims, demands, damages and expenses whatsoever (the "**Losses**") which may be suffered or incurred by any Indemnified Persons directly or indirectly arising out of or in connection with any Transaction entered into by the Company as agent on the Client's behalf or otherwise whatsoever or howsoever arising out of anything done by the Company or other Indemnified Persons in accordance with the terms of this Agreement or the Margin Terms or pursuant to the Client's instructions or communications or arising out of or connected with any breach by the Client of its obligations under this Agreement or the Margin Terms. The Client also undertakes to pay to the Indemnified Persons forthwith upon demand all damages, costs and expenses (including legal costs on a full indemnity basis) incurred by any of them in the enforcement of any provision of this Agreement.
- 16.3 The Client undertakes to indemnify and keep indemnified the Company and other Indemnified Persons for any Losses arising out of or connected with any breach by the Client of its obligations hereunder, including any costs reasonably and necessarily incurred by the Company in collecting any debts due to the Company or in connection with the closure of the Account and/or the enforcement of any securities provided in connection with the Account.
- 16.4 Without limitation to any other indemnity provided by the Client to any Indemnified Person under any agreement or arrangement, the Client further agrees to indemnify the Company for itself and as trustee of such other Indemnified Persons against all Losses that such Indemnified Parties may suffer or incur, including taxes, interests or penalties, as a result of the Client providing misleading or false information or otherwise failing to comply with any requirement under this Agreement or the Margin Terms. Subject to the Client Money Rules and Client Securities Rules and Clause 14 of this Agreement, the Client further agrees that the Company is entitled to withhold, retain or deduct such portion from the Client's assets in

the possession or control of the Company or such amount(s) from any of the Client's accounts with the Company as the Company determines to be sufficient to cover any amount which may be owed by the Client under this Clause.

16.5 This Clause 16 shall survive notwithstanding the termination of this Agreement or the Account.

## 17. **Corporate Actions**

17.1 The Company shall use reasonable endeavours to notify the Client with regard to communications in respect of distributions or pecuniary entitlements requiring any election or decision by the Client received by the Company in respect of securities held in the Account and the Company shall not be liable for any non-receipt, delay or failure in forwarding communications in sufficient time for instruction to be given by the Client save in the case of fraud or wilful default of the Company (as determined by a competent court in relation to the conduct of the Company).

17.2 The Company shall not be under any duty to investigate or participate in any meeting or any subscription, conversion or other rights in respect thereof or as regards any merger, consolidation, reorganization, receivership, bankruptcy or insolvency proceedings, compromises or arrangement or to take any affirmative action in connection therewith except in accordance with written instructions issued by the Client and upon such conditions as to indemnity, provisions for expenses and otherwise as the Company may at that time require in its favour.

17.3 Subject to Clauses 14.2 and 14.3, where any securities are held in the Company's name, the name of any associated entity of the Company or the name of any nominee of the Company, the Company will not attend any meeting or exercise any voting or other rights including the completion of proxies except in accordance with written instructions of the Client. Nothing in this Agreement shall in any way impose on the Company any duty to inform the Client or to take any action with regards the attendance of meetings and to vote at such meetings. The Company has no duty in respect of notices, communications, proxies and other documents, relating to the securities received by the Company or to send such documents or to give any notice of the receipt of such documents to the Client. The Company has the right to charge the Client for its services in taking any action pursuant to any instruction.

## 18. **Conflicts of Interest**

18.1 The Client acknowledges that the Company and/or its associated entities may have material interests, arrangements or relationships that may give rise to actual or potential conflicts of interest in relation to a particular investment or Transaction with respect to the Account. Such interests, arrangements or relationships may include, but are not limited to:

- (a) the Company and/or an associated entity may have acted, may be acting or may seek to act as a financial adviser or lending banker to the issuer (or any of its affiliated companies) of the securities in which the Client may be dealing or may have advised or may be advising any person in connection with a merger, acquisition or take over by or for such issuer (or any of its affiliated companies);
- (b) the Company and/or an associated entity may have a holding, dealing, or market making position or may otherwise be trading or dealing in the securities or assets of any kind underlying, derived from or otherwise directly or indirectly related to such securities;
- (c) the Company and/or an associated entity may have received or may be receiving rebates, payments or other benefits for giving business to any brokers;
- (d) the Company and/or an associated entity may have sponsored or underwritten or otherwise participated in, or may be sponsoring or underwriting or otherwise may be participating in a transaction in respect of the securities;
- (e) the Company and/or an associated entity may have been or may be an affiliate of an issuer (or any of its affiliated companies) of the securities in which the Client may be dealing; or

- (f) the Company and/or an associated entity may be matching the Client's Transaction with that of any other customer (including, without limitation, any affiliated entity) or with the Company or an associated entity either on behalf of such person, the Company or the associated entity as well as on behalf of the Client or by executing matching transactions at or about the same time with the Client and such person.
- 18.2 The Company and/or associated entity (as the case may be) shall take all reasonable steps to ensure that the Client receives fair treatment in the event of any potential or actual conflict of interest arising, and notwithstanding this, further agrees that the Company and/or associated entity (as the case may be) shall not be prevented from:
- (a) buying, selling, holding or dealing in any securities or to take the opposite position to the Client's order whether it is on the Company's and/or an associated entity's own account or on behalf of its/their other clients;
  - (b) the Company and/or an associated entity and their directors, officers or employees may trade on its/their own account or on the account of any of its/their affiliated entities subject to any applicable regulatory requirements;
  - (c) instructing or otherwise procuring the purchase for the Client of securities held by the Company and/or an associated entity for its/their own account or held by any other of its/their clients;
  - (d) acting in any capacity for any other person or from buying, selling, holding or dealing in any securities for its own account or that of any other associated entity notwithstanding that instructions have at any time been received from or on behalf of the Client for the purchase, sale or holding of or other dealing in the same or similar securities; or
  - (e) purchasing or procuring the purchase for its own account or for the account of any other of its Clients securities of the same type as or a similar type to any securities in respect of which instructions have at any time been received from the Client.
- 18.3 The Company and/or an associated entity shall not be obliged to account for any profits or benefits obtained by it/them in any of the abovementioned events.
- 18.4 The Company and/or an associated entity shall not be under any duty to disclose to the Client any fact or thing which comes to its knowledge or notice in the course of acting in any capacity for any person or in its own capacity.
- 18.5 Subject to any disclosure or other requirements prescribed by Applicable Laws and Regulations from time to time, the Company and/or an associated entity may accept from any broker or any other person and retain for its/their own account and benefit absolutely any and all profit, rebate, brokerage, commission, fee, benefit, discount and other advantage (whether monetary or otherwise) from any person arising out of or in connection with the Account or the provision of the services under this Agreement, whether these are managed, advised, issued or distributed by the Company and/or an associated entity, without having to account to the Client.
- 18.6 Subject to separate disclosures required by Applicable Laws and Regulations in the relevant offering and/or transaction documents of the relevant Transactions, the Company and/or an associated entity may receive and retain for its/their own account and benefit absolutely a spread or trading profit from back-to-back transactions or other market transactions concerning the Transactions.
19. **Notices and Communication**
- 19.1 Reports, written confirmations, statements of account, notices, demand and any other communications may be transmitted to the Client (who, in the case of a joint account shall mean any one of the joint account holders) at the address, telephone or fax number given in the Account Opening Information Form, or at such other address, telephone or fax number as the Client shall notify the Company in writing, and all communications so transmitted, shall be deemed to have been received by the Client (a) in the case of documents sent by post locally two (2) Business Days after despatch by the Company; or (b) in the case of overseas mail five (5) Business Days after despatch by the Company; or (c) in the case of

electronic communications, upon transmission of the message or data; or (d) in any other case on the date of despatch.

- 19.2 Reports, written confirmations, statements of account, notices, demand and any other communications to the Client from the Company shall be conclusive of the matters stated therein and reports, written confirmations and statements of account shall be deemed to have been accepted by the Client if not objected to in writing by the Client within seven (7) Business Days of the date appearing on such reports, written confirmations and statements of account.
- 19.3 The Client hereby requests and authorizes the Company to rely upon and act in accordance with any notice, demand, instruction or other communication which may from time to time be, or purport to be, given by phone, telex or fax, or via the Company's website or mobile application by the Client or by any person purportedly acting on behalf of the Client without inquiry on the Company's part as to the authority or identity of the person making or purporting to make such notice, demand, instruction or other communication and regardless of the circumstances prevailing at the time of such notice, demand, instruction or other communication. The Company shall be entitled to treat such notice, demand, instruction or other communication as fully authorized by and binding upon the Client and the Company shall be entitled (but not bound) to take such steps in connection with or in reliance upon such communication as the Company may in good faith consider appropriate, whether such communication includes instructions to pay money or otherwise to debit or credit any account, or relates to disposition of any money, securities or documents, or purports to bind the Client to any agreement or other arrangement with the Company or with any other or to commit the Client to any other type of transaction or arrangement whatsoever, regardless of the nature of the transaction or arrangement or the amount of money, involved and notwithstanding any error or misunderstanding or lack of clarity in the terms of such notice, demand, instruction or other communication. In consideration of the Company acting in accordance with this Clause and where the Company acts in good faith, the Client undertakes to indemnify the Company against all losses, claims, actions, proceedings, demands, damages, costs and expenses incurred or sustained by the Company of whatever nature and howsoever arising out of or in connection with such notices, demands or other communications.

## 20. **Amendment**

The Company may at its discretion amend, delete or substitute any of the terms in this Agreement or add new terms thereto by sending to the Client a written notice setting out such amendment, deletion, substitution or addition, which shall be deemed to have been accepted by the Client unless a written notice of objection is received by the Company within fourteen (14) Business Days after the date of despatch of such written notice. In relation to amendments, deletions or substitutions which reflect legal or regulatory requirements or developments, such amendment, deletion, substitution or addition shall be effective on such date as required by Applicable Laws and Regulations.

## 21. **Termination**

- 21.1 Without prejudice to the Company's rights under this Agreement and subject to this Clause 21, this Agreement may be terminated at any time by prior written notice of not less than seven (7) Business Days by either party to the other, provided that the Client shall have no right to terminate this Agreement if the Client has open positions or outstanding liabilities or obligations under this Agreement or any Margin Terms.
- 21.2 Any termination pursuant to this Clause 21:-
- (a) is without prejudice to any other provisions of this Agreement;
  - (b) shall not affect the accrued rights and liabilities of any of the parties to this Agreement;
  - (c) shall not affect any warranties, undertakings and indemnities given by the Client; and
  - (d) shall not affect any rights of the Company over any of the Client's property in the possession or control of the Company whether the same be held for safe custody, margin or otherwise and whether pursuant to this Agreement or otherwise so long as there is any outstanding liability of the Client to the Company.

- 21.3 Without prejudice to Clause 21.1 above, the Company may, at its sole and absolute discretion and without giving any reason or notice, suspend or terminate the Account and at any time cease to act on the Client's behalf with immediate effect. Upon termination of the Account, all monies owing from the Client to the Company shall immediately become due and payable and Client shall immediately repay such monies to the Company.
- 21.4 Termination of this Agreement shall not affect any action by the Company, or any of its agents or any third party under this Agreement initiated prior to the date of termination or any liability, indemnity or warranty arising or given by the Client under this Agreement. Notwithstanding the closure of the Account or the suspension of the Company's services in relation to the Account, the Client shall continue to be bound by this Agreement and applicable Margin Terms to the extent that they relate to any of the Client's obligations or liabilities which remain to be performed or discharged.
22. **New Issue**
- 22.1 The Client may request the Company as agent to apply on the Client's behalf and benefit or on behalf and for the benefit of another person (for which the Client is acting as agent) for securities in a new issue for listing on an Exchange (an "**Application**") and the provisions of this Clause 22 shall apply. The Client authorizes the Company to complete such forms as may be required for the Application, and represents and warrants to the Company that all representations, warranties, confirmations and undertakings on its part contained or incorporated in such forms and the terms and conditions governing the new issue of securities may be given by the Company on behalf of the Client, and such representations, warranties, confirmations and undertakings shall be true and accurate in respect of the Client.
- 22.2 The Client agrees to be bound by the terms of the new issue and the Client hereby:-
- (a) warrants and undertakes that the Application shall be the only application made for the Client's benefit in respect of the same issue of securities and that the Client shall make no other application in that issue;
  - (b) authorizes the Company to represent and warrant to the Exchange that no other application shall be made or shall be intended to be made by the Client or for the Client's benefit;
  - (c) acknowledges that the Company will rely on the above warranties, undertakings and authorizations in making the application;
  - (d) acknowledges that the Company accepts no responsibility to send the Client the listing document which sets out the terms and conditions of the new issue of securities ("**Prospectus**"). The Client confirms that it shall obtain such Prospectus and any other relevant offering documents relating to the new issue of securities from elsewhere, and the Client has read and understood the terms and conditions, and the Application is not in breach of such terms and conditions. The Client agrees to be bound by such terms and conditions in any transaction the Client may have with the Company.
  - (e) confirms that it shall not request subscription for new issues of securities unless eligible to do so under the applicable securities legislation, and the Client undertakes to provide to the Company such information and to take such additional steps and make such additional representations, warranties and undertakings as may be required in accordance with applicable legal and regulatory requirements and prevailing market practice as the Company may in its absolute discretion deem necessary to ascertain the Client's eligibility and/or compliance with such applicable securities legislation;
  - (f) represents and warrants that he is not a connected person of the issuer of securities that are subject of the new issue; and
- 22.3 In relation to bulk Applications to be made by the Company or the Company's agent on the Company's own account and/or on behalf of the Client and/or the Company's other clients, the Client acknowledges and agrees (i) that such bulk Applications may be rejected for reasons which are unrelated to the Client and the Client's Application and neither the Company nor the Company's agent shall, in the absence of fraud, gross negligence or wilful default (as determined by a competent court in relation to the conduct



of the Company or the Company's agent, as the case may be), be liable to the Client or any other person in consequence of such rejection; and (ii) to indemnify the Company in accordance with Clause 16 if a bulk Application is rejected either in circumstances where the representations and warranties required in the Application have been breached by the Client or because of factors otherwise relating to the Client. The Client acknowledges that the Client may also be liable in damages to other persons affected by such breach or other factors.

**23. General**

- 23.1 The Client hereby undertakes to do and/or execute any act, deed, document or thing which the Company shall require the Client to do and/or execute in connection with the implementation, execution and enforcement of this Agreement and any applicable Margin Terms, including without limitation the rights referred to in Clause 14.
- 23.2 The Client hereby authorizes the Company to conduct a personal credit enquiry or check on the Client for the purpose of ascertaining the financial situation and investment objectives of the Client.
- 23.3 Nothing in this Agreement shall oblige the Company to disclose to the Client any fact or information which comes to its notice in the course of acting in any capacity for any other person or in its own capacity.
- 23.4 Time shall in all respects be of the essence in the performance of the Client's obligations under this Agreement.
- 23.5 The failure of the Company to insist at any time on strict compliance with any of the terms or conditions of this Agreement or any continued course of such conduct on the part of the Company shall in no event constitute or be considered as a waiver by the Company of its powers, rights, remedies or privileges.
- 23.6 Each of the provisions of this Agreement is severable and distinct from the others and, if one or more of such provisions is or becomes illegal, invalid or unenforceable, the remaining provisions shall not be affected in any way. In the event that any provision of this Agreement would be invalid if part of the wordings thereof were not deleted, the provision shall apply as if the relevant wordings were deleted.
- 23.7 This Agreement shall be binding upon the Client and all the Client's executors, administrators, personal representatives, successors, receivers, trustees in bankruptcy and assigns provided that the Client may not assign, transfer, charge or otherwise dispose of rights or obligations under this Agreement without the prior written consent of the Company. In the event of the death, insanity or bankruptcy of the Client, whether or not executors, administrators, receivers or trustees in bankruptcy of any estate and property shall have been qualified or appointed, the Company may cancel any open orders for the purchase or sale of any securities or other property in the Account. The Company may place orders for the sales of securities or other property which the Company may be carrying for the Client and for which payment has not been made or buy any securities or other property of which the Account may be short or any part thereof, upon and subject to the same terms and conditions set out herein, as though the Client were alive and competent, without prior notice to or demand or call of any kind upon any of the Client's executors, administrators, personal representatives, successors, receivers, trustees in bankruptcy or assigns.
- 23.8 This Agreement and the documents referred herein constitute the entire agreement and supersede any previous agreement between the Client and the Company in relation to the subject matter of this Agreement.
- 23.9 Where the Account is a joint account, the Account shall be held by the joint account holders as joint tenants with the right of survivorship and each such individual shall be jointly and severally liable for all obligations and liabilities in connection with this Agreement and in respect of the Account, and references to the Client in this Agreement shall be construed, as the context requires, to any or each of the joint account holders. Unless written instruction is otherwise given by the Client, the Company may accept instructions from any of the joint account holders. The Company shall be entitled to deal separately with any of the joint account holders on any matter including the discharge of any liability to any extent without affecting the liability of any other joint account holder. The Company has no obligation to inquire into the purpose or propriety of any instruction given or to see to the application of any funds delivered by the Client or any or more of the joint account holders in respect of the Account.

The Company shall be at liberty to release or discharge any of the joint account holders from their liability hereunder or to accept any proposition from or make other arrangements with any of the joint account holders without releasing or discharging any other joint account holders or otherwise prejudicing or affecting the rights and remedies of the Company against any other joint account holders and the death of any one of the joint account holders shall not release or discharge any of the liabilities or obligations of the remaining joint account holders under this Agreement. Any notice hereunder to any joint account holder shall be deemed effective notice to all joint account holders. Upon the death of any of joint account holder (being survived by any other such joint account holders), this Agreement shall not be terminated and the interest in the Account of the deceased will thereupon vest in and enure for the benefit of the survivor(s) provided that any liabilities incurred by the deceased Client shall be enforceable by the Company against such deceased Client's estate, including any lien, charge, pledge, set-off, counter-claim or otherwise that the Company may have or to any step which the Company may deem desirable to take in view of any claim by any person (including us) other than the surviving joint account holders. The surviving Client(s) shall give the Company written notice immediately upon any of them becoming aware of any such death.

- 23.10 This Agreement is written in an English version and a Chinese version. The Client declares that it or he has read and agreed to the terms and conditions of this Agreement, which have been explained to him in a language that he understands. In the event of any difference in interpretation or meaning between the Chinese and English versions of this Agreement, the English version shall prevail.
- 23.11 If the Company fails to meet its obligations to the Client pursuant to this Agreement, the Client shall have a right to claim under the compensation fund established under the SFO, subject to the terms of the compensation fund from time to time. Where the Transactions are effected in markets other than those organized by the Exchange, compensation arrangements for defaults of the Company with respect to this Agreement shall be subject to the rules of the relevant exchange or market and the Client acknowledges that its right to claim for compensation may be restricted.
- 23.12 Save as expressly provided in this Agreement, no failure to exercise, or delay in exercising, on the part of any party hereto any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. No waiver by the Company shall be effective unless it is in writing. The rights and remedies of the Company are cumulative and not exclusive of any rights or remedies provided by Applicable Laws and Regulations.
- 23.13 The Client shall not assign, delegate, sub-contract, transfer or otherwise dispose of any rights or obligations under this Agreement to any person without the Company's prior written consent. Subject to Applicable Laws and Regulations, the Company may assign, sub-contract, delegate, transfer or otherwise dispose of any of its rights and obligations under this Agreement as the Company may see fit without the prior consent of the Client. In the event that the Company consolidates, amalgamates, reorganizes or transfers its business to another entity (including within the group companies of the Company), the Company may assign any of the rights and obligations under this Agreement to such entity without the prior consent of the Client. The Company shall give the Client notice which will specify a date upon which the assignment will become effective. This date will be at least ten (10) Business Days after the date of the notice. Such assignment will have the effect of creating a novated agreement between Client and the entity to which such rights or obligations are assigned. Therefore, in such event, the Client hereby consents for any future assignment of this Agreement by the Company.
- 23.14 In the event of war, terrorism, revolution, insurrection, restraint of rules, military disturbances, riot, civil commotion, civil disobedience or other similar action involving any country, strike or lockout or stoppage or restraint of labour, seizure or confiscation of assets or other governmental action having a similar effect, any imposition of currency exchange control or restraint of capital movement or transmission by any government, any "Act of God", epidemic, pandemic, vandalism, disruption of the operation of any Exchange, breakdown of computer systems and/or communication facilities, or any other similar event outside the control of the Company which hinders or prevents the performance by the Company of its obligations under this Agreement (an "**event of force majeure**"), then the Company may, as an alternative to any performance otherwise required, at its absolute discretion either (a) postpone its performance until the event of force majeure no longer has such effect or (b) where any delivery or payment is required, provide or require a cash settlement based upon the prevailing price of a security or instrument relevant to such settlement on the second (2<sup>nd</sup>) Trading Day prior to the occurrence of the

event of force majeure, such prevailing price being conclusively determined by the Company. The Company shall not be responsible or held liable for any loss suffered by Client arising out of or in connection with an event of force majeure. The Client agrees to bear solely the risk of such event of force majeure.

- 23.15 A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623) to enforce or to enjoy the benefit of any term of this Agreement. The consent of any person who is not a party to this Agreement is not required to rescind or vary this Agreement at any time.

24. **Governing Law and Jurisdiction**

This Agreement shall be governed by and construed in accordance with, the laws of Hong Kong. The Client and the Company submit to the non-exclusive jurisdiction of the courts of Hong Kong in relation to all matters arising from or in connection with this Agreement.

25. **Process Agent**

- 25.1 Without prejudice to any other mode of service allowed under any relevant law, if the Client is an individual who does not have any address in Hong Kong or is a company or entity incorporated outside Hong Kong and has not been registered with the Hong Kong Companies Registry, the Client:

- (a) irrevocably appoints, at its sole costs and expenses, the party named as its process agent in the form as specified by the Company for such purpose, or if no such party is so named, such other persons as may be designated by the Company, as its agent for service of process in relation to any proceedings before the Hong Kong courts in connection with this Agreement and/or the Account;
- (b) agrees that such service shall be deemed completed on delivery to the Client's process agent at its Hong Kong address last known to the Company and any service of any legal process on the process agent shall constitute sufficient service on the Client for the purpose of legal proceedings in the Hong Kong courts and failure by such process agent to notify the Client of the process will not invalidate the proceedings concerned;
- (c) irrevocably agrees that if for any reason, any process agent of the Client ceases to be able to act as such or no longer has an address in Hong Kong, the Client shall forthwith appoint a substitute process agent acceptable to the Company and deliver to the Company a copy of the new agent's acceptance of that appointment within 7 days of such appointment, failing this, the Company may appoint another process agent for this purpose, and the Client shall indemnify the Company against any loss, damage, claim, liability, cost and expenses arising out of or in connection therewith;
- (d) undertakes to promptly notify the Company in writing of any change in the Hong Kong address of its process agent; and
- (e) understands and agrees that the Company shall be entitled to deduct from the Account any fees payable by the Client to its process agent in accordance with Clause 8.3 above.

- 25.2 Any change in the Hong Kong address of the Client's process agent shall be deemed to be not known to the Company until the expiration of five (5) Business Days after the receipt by the Company of any written notification of the change from the Client.

## **CONSENT TO TRADE SECURITIES ON INTERNET**

The Client shall be the only authorized user of internet trading services provided by the Company under the Account. The Company may from time to time determine or specify the scope and features of the internet trading services and are entitled to modify, expand, reduce or terminate the same at any time with or without notice to the Client.

The Client understands that the Client shall be wholly responsible for the confidentiality and use of a personal identification number used to access the Company's internet trading service and undertakes to notify the Company immediately upon becoming aware of any unauthorized use of the personal identification number and/or internet trading services under the Account.

The Client acknowledges and agrees that the Client shall be wholly responsible for the confidentiality of the Personal Identification Number used to enter and/or input all the instructions through the internet trading services of the Company. The Client hereby declares that all the instructions input and/or entered through the internet trading services (include using of the mobile applications) of the Company are all made by the Client personally and the Client shall be wholly liable for the same. The Client agrees that the Company will not be deemed to have received the Client's instructions or have executed the Client's instructions unless and until the Client is in receipt of the Company's message acknowledging receipt or confirming execution of the Client's instructions, either electronically or by hard copy.

The Client understands that the internet is not a completely reliable medium of communication. There is in itself inherent and unforeseeable traffic delay and other unforeseeable factors that may be beyond the control of the Company. The Client acknowledges that owing to the existence of such unreliability, there may be a time delay in the transmission and receipt of the Client's instruction or other information and this may result in a delay in the execution of the Client's instructions or may result in execution of the Client's instructions at a different market price from that as and when the Client's instructions were given or the Client's orders may not be executed at the price as indicated on the internet. The Client agrees that the Company shall not be liable for any of the following: system, software or hardware breakdown, failure or interruption or transmission failure, delay in transmission, receipt or execution of instructions via the Company's internet trading services due to reason(s) beyond the scope of control of the Company or any other unforeseeable reason(s). The Client agrees that the Company shall not be liable for any loss or damage to the Client or any other person as a result of using or attempting to use the Company's internet trading services.

The Client also confirms acknowledges and agrees that the Company does not guarantee the timeliness, sequence, accuracy or completeness of market data or any market information accessible through or provided by the Company's internet trading services, and the Client further agrees that the Company shall not be liable in any way for any losses arising from or caused by any inaccuracy, error in or omission from any such data, information or message, any unavailability or suspension of such data, information or message or any delay in the transmission or delivery thereof beyond the scope of control of the Company or any other unforeseeable reason(s).

The Company may, without incurring any liability, terminate the Client's access to the Company's website and the use of the Company's internet trading service (a) for any cause at any time with immediate effect by notice to the Client at the time of such termination or as soon as practicable thereafter; or (b) with notice to the Client of not less than thirty (30) days (or such shorter period as the Company may in its reasonable discretion determine if such termination is due to circumstances beyond the Company's reasonable control).

The Client undertakes and warrants that the Client shall not, and shall not attempt to, tamper with, modify, decompile, reverse engineer, damage, destroy or otherwise alter in any way, and shall not attempt to gain unauthorized access to any part of the Company's internet trading services.

## OVERSEAS SECURITIES TRADING AUTHORIZATION LETTER

Where the Client trades overseas securities, the following provisions will be applicable. The Client hereby authorizes the Company as his agent to conduct overseas securities trading on his behalf and agrees to the following terms and conditions.

### 1. **Authorization of trading Overseas Securities**

Unless specified otherwise, the Client hereby appoints the Company as his agent to trade securities listed in markets outside of Hong Kong (“**Overseas Securities**”) on his behalf. The Client has signed the Account Opening Information Form to accept and agree to be bound by the Margin Client’s Agreement (“**Agreement**”) with the Company to trade Hong Kong securities and under the same terms and conditions in the Agreement shall apply to the extent applicable for Overseas Securities trading purposes.

### 2. **Settlement, Trading hours and Charges**

- (a) The Client agrees that the safe custody of his Overseas Securities will be entrusted to a designated broker of the Company.
- (b) The Client agrees that the Client should refer to the website of the Company to view specific trading hours and settlement arrangement, or the Client can contact the Client Service Department at (852) 2147-8836 for most updated information.
- (c) Transaction costs (including but not limited to commissions, transaction levies, settlement fees) are collected as specified in the fee schedule provided by the Company (as amended from time to time).

Remarks: All charges may be revised from time to time and subject to change in overseas countries.

### 3. **Risk of Trading in Other Jurisdictions**

The Client understands that transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose the Client to additional risk. Such markets may be subject to regulations which may offer different or diminished investor protection. Before trading in overseas markets, the Client acknowledges that it should enquire about any rules relevant to the Client’s particular transactions. Local regulatory authorities in Hong Kong are unable to compel the enforcement of the rules of regulatory authorities or markets in overseas jurisdictions where the Client’s transactions have been effected. In particular, Overseas Securities trading is not regulated by The Stock Exchange of Hong Kong Limited and will not be covered by the Investor Compensation Fund. The Client would ask the firm with which the Client deals for details about the types of redress available in both his home jurisdiction and other relevant jurisdictions before the Client starts to trade.

### 4. **Withholding Tax Arrangement**

The Client should properly complete the 《W-8BEN》 form for US tax withholding purpose. The Client can obtain the 《W-8BEN》 form from the Company’s website if necessary.

(Note: All non-US persons are required to submit 《W-8BEN》 in order to enter into US stock trading. The Client understands that the Company will not provide US stock trading to US person or US citizen.)

The Client should also complete any forms or documents in relation to withholding tax arrangements that may apply in any other jurisdiction from time to time.

## **BONDS TRADING AUTHORIZATION LETTER**

Where the Client trades bonds, the following provisions will be applicable and prevails over the terms of the Agreement in case of any inconsistency. The Client hereby authorizes the Company as his agent to conduct bonds trading on his behalf and agrees to the following terms and conditions.

### **1. Authorization of trading bonds**

Unless specified otherwise, the Client hereby appoints the Company as his agent to trade bonds on his behalf. The Client has signed the Account Opening Information Form to accept and agrees to be bound by the Agreement with the Company to trade Hong Kong securities and under the same terms and conditions in the Agreement for bonds trading purpose.

### **2. Settlement**

The Client will deposit the net payable to the Company's designated bank account on or before Settlement date. The Company will also deposit the net receivable to his bank account on settlement date. The Client agrees that the safe custody of his bonds will be entrusted to a designated broker of the Company.

### **3. Trading hours, charges and investment amount**

- (a) The Client will refer to the Company website to view specific trading hours and settlement arrangement, or contact the Client Service Department at (852) 2147-8836 for most updated information.
- (b) Commission, Safe Custody, Interest Collection and Redemption Fee (if any) vary with different bonds.
- (c) The minimum and incremental investment amount varies from bond to bond. The Client will consult the Company for more details (where necessary).

### **4. Important Risk Warning**

- (a) The Client understands that any bond with a credit rating of 'BBB/Baa' or above by S&P/Fitch/Moody's belongs to investment grade, which means the bond issuer has at least adequate protection parameters to meet its financial commitment on the obligation. The higher the rating, the stronger the issuers' capacity to meet their obligation.
- (b) Bond is an investment product. The Client understands that bond investments are not bank deposits. It is NOT protected under the Hong Kong Deposit Protection Scheme. The Client will not invest in the bond unless the Client fully understands and is willing to assume the risks associated with it. For bonds not listed on The Stock Exchange of Hong Kong Limited, any dealings in them are off-exchange transactions, investor will not be covered by any investor compensation fund established to provide compensation in respect of listed securities in the event of intermediary default.
- (c) The Client understands that the bond is subject to both the actual and perceived measures of credit worthiness of the issuer. There is no assurance of protection against a default by the issuer in respect of the repayment obligations. In the worst case (e.g. upon insolvency of issuer), the Client might not be able to recover the principal and any coupon if the issuer defaults on the bond.
- (d) The Client understands that bonds are mainly for medium to long-term investment, not for short-term speculation. The Client should be prepared to invest Client's funds in bonds for the full investment tenor; the Client could lose part or all of Client's investment if the Client chooses to sell his bonds prior to maturity.

- (e) The Client understands that it is the issuer to pay interest and repay principal of bonds. If the issuer defaults, the holder of bonds may not be able to receive back the interest and principal. The holder of bonds bears the credit risk of the issuer and has no recourse to the Company unless the Company is the issuer itself.
- (f) The Client understands that the Company does not guarantee the existence of a secondary market for bonds, therefore the circumstances in which the holder of bonds may be able to realize their investment may be limited, the Client may not be able to sell the bond if the liquidity of the secondary bond market is low.
- (g) The Client understands that if he holds a callable bond, when the interest rate goes down, the issuer may redeem the bond before maturity. If this happens and the Client has to re-invest the proceeds, the yields on other bonds in the market will generally be less favourable.
- (h) Indicative bond prices are available and bond prices do fluctuate when market changes. The Client understands that the rise and fall of a rating influences the corresponding bond price significantly, factors affecting market price of bonds include, and are not limited to, fluctuations in Interest Rates, Credit Spreads, and Liquidity Premiums. The fluctuation in yield generally has a greater effect on prices of longer tenor bonds. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling bonds.
- (i) The Client understands that trading bonds may have counterparty risk. Counterparty risk means the risk to each party of a contract that the counterparty will not live up to its contractual obligations. The Client understands that counterparty risk should be considered when evaluating the contract.
- (j) The Client understands that if the bond is denominated in a foreign currency, there may be exchange rate risks if the Client chooses to convert payments made on the bonds to his home currency.
- (k) The Client understands that the return on bonds will lose purchasing power if commodity prices go up. Inflation is therefore a serious concern for those who need to rely on the regular income from bonds.
- (l) The Client understands that if the bond is “convertible” or “exchangeable”, the holder of bonds also face equity risk associated with the stock. A fall in the stock price will usually cause the bond price fall.
- (m) The Client understands that a corporate event such as a merger or takeover may lower the credit rating of the bond issuer. In case the corporate restructurings are financed by the issuance of a large amount of new debt-burden, the company’s ability to pay off existing bonds will be weakened.
- (n) The Client understands that investment decision is Client’s, but the Client should not invest unless the intermediary who sells it to him has advised him that it is suitable for him and has explained why, including how buying it would be consistent with Client’s investment objectives. If the Client is not sure of the suitability of the product, the Client should not subscribe to it.
- (o) The Client should carefully consider whether any investment products or services mentioned herein are appropriate for him in view of his investment experience, objectives, financial resources, risk profile and other relevant circumstances.

## **RISK DISCLOSURE STATEMENTS - GENERAL**

The Client acknowledges, understands and accepts the risks set out below:

### **1. Risk Disclosure Statements for Securities Trading**

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.

### **2. Risk Disclosure Statements for Trading NASDAQ – Amex Securities at The Stock Exchange of Hong Kong Limited (the “Exchange”)**

The securities under the Nasdaq – Amex Pilot Program (“PP”) are aimed at sophisticated investors. The Client should consult the Client’s dealer 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 (“GEM”) of the Exchange.

### **3. Risk Disclosure Statements for Trading GEM Stocks**

3.1 The Client acknowledges that the price of securities traded on GEM can and does fluctuate, and any individual security may experience upwards or downwards movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities traded on GEM. The Client also acknowledges that there may be risks in leaving securities in the Company’s safekeeping. For example, if the Company is holding the Client’s securities and the Company becomes insolvent, the Client may experience significant delay in recovering the securities. These are risks that the Client is prepared to accept.

3.2 The Client understands that GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, the Client understands that companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. The Client appreciates that there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate.

3.3 The Client is aware of the potential risks of investing in such companies and understands that the Client should make the decision to invest only after due and careful consideration. The Client understands the greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

3.4 Given the emerging nature of companies listed on GEM, the Client understands there is a risk that securities traded on GEM may be susceptible to higher market volatility compared to securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

3.5 The Client further understands that the principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Companies listed on GEM are not generally required to issue paid announcements in gazetted newspapers. Accordingly, the Client acknowledges that the Client needs to have access to up-to-date information on GEM-listed companies as published on the GEM website.

3.6 The Client acknowledges that this Risk Disclosure Statements does not purport to disclose all the risks and other significant aspects of GEM. The Client understands that the Client should undertake the Client’s own research and study on the trading of securities on GEM before commencing any trading activities.

3.7 The Client understands that the Client should seek independent professional advice if the Client is uncertain of or has not understood any aspect of this Risk Disclosure Statements or the nature and risks involved in trading of securities on GEM.



3.8 The Client understands that the signing of this Risk Disclosure Statements is mandatory under the Rules of the Exchange. The Client understands that the Company will not be able to effect the Client's instructions to deal in securities on GEM if this statement is not signed and acknowledged by the Client.

#### 4. **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 the Client's cash and any other assets deposited as collateral with the Company. Market conditions may make it impossible to execute contingent orders, such as "stop-loss" or "stop-limit" orders. The Client may be called upon at short notice to make additional margin deposits or interest payments. If the required margin deposits or interest payments are not made within the prescribed time, the Client's collateral may be liquidated without the Client's consent. Moreover, the Client will remain liable for any resulting deficit in the Account and interest charged on the Account. The Client should therefore carefully consider whether such a financing arrangement is suitable in light of the Client's own financial position and investment objectives.

#### 5. **Risk of Providing an Authority to Repledge the Client's Securities Collateral etc.**

5.1 There is risk if the Client provides the Company with an authority that allows it to apply the Client's securities or securities collateral pursuant to a securities borrowing and lending agreement, repledge the Client's securities collateral for financial accommodation or deposit the Client's securities collateral as collateral for the discharge and satisfaction of its settlement obligations and liabilities.

5.2 If the Client's securities or securities collateral are received or held by the Company in Hong Kong, the above arrangement is allowed only if 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.

5.3 Additionally, the Client's authority may be deemed to be renewed (i.e. without the Client's written consent) if the Company issues the Client a reminder at least 14 days prior to the expiry of the authority, and the Client does not object to such deemed renewal before the expiry date of the Client's then existing authority.

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

5.5 If the Client signs one of these authorities and the Client's securities or securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on the Client's securities or securities collateral. Although the Company is responsible to the Client for securities or securities collateral lent or deposited under the Client's authority, a default by it could result in the loss of the Client's securities or securities collateral.

5.6 A cash account not involving securities borrowing and lending is available from the Company. If the Client does not require margin facilities or does not wish the Client's securities or securities collateral to be lent or pledged, does not sign the above authorities and asks to open a cash account.

#### 6. **Risk of Client Assets Received or Held outside Hong Kong**

Client assets received or held by the Company outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdiction which may be different from the SFO 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.

#### 7. **Risk of Providing an Authority to Hold Mail or Direct Mail to Third Parties**

If the Client provides the Company with an authority to hold mail or to direct mail to third parties, the Client understands that it is important for the Client to promptly collect in person all contract notes and

statements of the Account and review them in detail to ensure that any anomalies or mistakes can be detected in a timely fashion.

**8. Risk of Providing Authorization to Third Parties**

The Client understands and is fully aware of the potential risk arising from the third parties' authorization. The Client also acknowledges that the Company shall be entitled to assume that any of the third parties has full and unrestricted powers and authority to perform trading on behalf of the Client and shall not be under any duty to verify the authenticity of the instructions or identity of such person(s). The Client agrees to be bound by instructions given on behalf of the Client by third parties.

**9. Risk of Providing Services through Electronic Means**

Due to unpredictable traffic congestion and other reasons, electronic transmission may not be a reliable medium of communications. Information transmitted or transactions conducted via electronic means are subject to delays in transmission and receipt of the Client's instructions or other information, delays in execution or execution of the Client's instructions at prices different from those prevailing at the time the Client's instructions were given, transmission interruption or blackout. There are risks of misunderstanding or errors in communication. It is also usually not possible to cancel an instruction after it has been given.

The Company may make available e-statements to Clients via the internet. Given the risks associated with the internet and technical limitations generally, there may be delays in the Company's provision of such e-statements or the Client's ability to access such e-statements via the Company's website or mobile application.

**10. Risk of Trading in Other Jurisdictions**

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose the Client to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before the Client trades he or she should enquire about any rules relevant to his or her 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 he or she deals for details about the types of redress available in both his or her home jurisdiction and other relevant jurisdictions before the Client starts to trade.

**11. Commissions and other Charges**

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

**12. Currency Risks**

The profit or loss in Transactions in foreign currency-denominated contracts (whether they are traded in the Client's own jurisdiction or in another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert the currency denomination of the Transaction contract(s) from one currency to another currency.

**13. Market Risk**

Market risk, or systematic risk, stems from the economic, geographical, political, social or other factors of the relevant market, and is affected by variables that are related to the entire market. For example, if the Client invests in a financial product listed in Hong Kong, this investment will be subject to the systematic risk related to the entire Hong Kong market. When any event affects the systematic risk of the market, all financial products will be impacted either in the form of a rise or fall in the prices. This will apply whether the Client holds one single financial product or a diversified portfolio of financial products in that market. As long as the Client keeps their holdings, the exposure to the systematic risk of

the market cannot be avoided. Clients should be aware that market risk cannot be eliminated, no matter how their holdings are diversified. Clients should seek professional advice as they think appropriate or necessary to manage (but not eliminate) market risk, and should be careful about the proportion of investments into a single market.

#### 14. **Off-exchange Transactions**

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The Company 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 familiarise itself with applicable rules and attendant risks.

#### 15. **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 Company for details in this respect.

Clients have the option to opt out of "trade execution" notifications. However, there are risks associated with opting out of such notifications, including the Client not being notified or a delay in the Client's discovery as to whether trades have been successfully executed or if there are unusual trades or mistakes.

#### 16. **Emerging Markets Risk**

Special risks may be associated with transactions and investments in financial products of or related to issuers and counterparties established under the laws of, based or principally engaged in, business in emerging markets countries ("**Emerging Markets Products**"). Emerging markets countries include all countries where financial markets are less well developed than in the countries such as those of the Organisation for Economic Cooperation and Development (the "**OECD**").

The risks associated with Emerging Markets Products may arise because, among other things, there are political and economic uncertainties that are greater than in OECD countries. Additionally, some of the emerging markets countries do not have fully developed or clear legal, judicial, regulatory or settlement infrastructures, and the accounting standards may differ markedly. The markets of such emerging countries may be far less liquid or transparent than in OECD countries. There may be other special risks associated with Emerging Markets Products and the foregoing is not intended to be a thorough and exhaustive description of all possible risks.

Transactions in Emerging Markets Products should be made only by Clients with sufficient ability to appreciate the special risks, and with the resources to bear any losses that may be incurred in such markets. Before making any investment in an Emerging Markets Product, Clients should independently satisfy itself that it (and, if applicable, its underlying client) understands and appreciates the significance of the relevant risks, and that such an investment is appropriate and suitable for it (or, if applicable, its underlying client) in light of its or their objectives, experience, financial and operational resources and other relevant circumstances. Client should also ensure that it (and, if applicable, its underlying client) fully understands the nature of the transaction, the contractual relationship into which it or they are entering and the nature and extent of its or their exposure to risk of loss.

#### 17. **Information and Documents Provided by Third Parties**

The Company and its employees shall have no responsibility or liability for the completeness, accuracy or validity of the contents of any documents or instructions relating to securities issued or provided by third party(ies) to the Company. Clients shall conduct their own independent assessment and research on the contents of those documents or instruments. The prices for securities are provided by the relevant

exchange and/or other information provider(s) as selected by the Company. The Company and the relevant exchange and/or the other information provider(s) do not guarantee the accuracy and reliability of such information and shall not be responsible for any losses suffered by the Clients as a result of inaccuracy and incompleteness of the information.

18. **Electronic Trading**

Trading on a particular electronic trading system may differ from trading on other electronic trading systems. If the Client undertakes transactions on an electronic trading system, 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 its instructions or is not executed at all.

Due to unpredictable connections or technical difficulties in communication and other reasons, electronic services may not be reliable and may be subject to transmission interruptions or blackouts. Transactions conducted via electronic services may be subject to delays with respect to the transmission and receipt of the Client's instructions or other information, which may result in the execution of the Client's its instructions at prices different from those prevailing at the time instructions were given. There are also risks of hacking, misunderstanding or errors in communication, and it may not be possible to cancel an instruction after it has been given via an electronic trading system.

## **RISK DISCLOSURE STATEMENTS – DERIVATIVE PRODUCTS**

This brief statement does not disclose all of the risks and other significant aspects of trading in derivative or structured products (such as Derivative Warrants, Callable Bull/Bear Contracts, Exchange Traded Funds and Equities Linked Instruments) (collectively referred as “**Derivative Products**”). In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. Trading in derivative or structured products is not suitable for many members of the public. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. If you are in doubt about this statement or any specific issue of the sale and purchase of derivative or structured products or otherwise, you should consult your solicitor, accountant or other independent professional adviser(s).

### **1. General Risk of Trading in Derivatives and Structured Products**

Derivative Products are complex and leveraged investment products. It may be not capital guaranteed and its return will be dependent on its underlying asset(s) which are affected by a wide range of factors and may rise or fall rapidly. It is very important that you should read all the relevant offering documents to fully understand the features and risks of Derivatives Products and the legal terms and conditions of the documentation for such Derivative Product before deciding to invest.

#### **1.1 Issuer default risk**

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

(Note: “Issuers Credit Rating” showing the credit ratings of individual issuers is now available under the Issuer and Liquidity Provider Information sub-section under Derivative Warrants and under CBBCs section on the Hong Kong Exchanges and Clearing Limited’s (“**HKEX**”) corporate website (<http://www.hkex.com.hk>).

#### **1.2 Uncollateralized product risk**

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

#### **1.3 Gearing risk**

Structured products such as derivative warrants and callable bull/bear contracts (CBBCs) are leveraged and can change in value rapidly according to the gearing ratio relative to the underlying assets. Investors should be aware that the value of a structured product may fall to zero resulting in a total loss of the initial investment.

#### **1.4 Expiry considerations**

Structured products have an expiry date after which the issue may become worthless. Investors should be aware of the expiry time horizon and choose a product with an appropriate lifespan for their trading strategy.

#### **1.5 Extraordinary price movements**

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

## 1.6 Foreign exchange risk

Investors trading structured products with underlying assets not denominated in Hong Kong dollars are also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value, also affecting the structured product price.

## 1.7 Liquidity risk

The Exchange requires all structured product issuers to appoint a liquidity provider for each individual issue. The role of liquidity providers is to provide two way quotes to facilitate trading of their products. In the event that a liquidity provider defaults or ceases to fulfill its role, investors may not be able to buy or sell the product until a new liquidity provider has been assigned.

## 2. Specific Risk of Trading Derivative Warrants (“DW”)

### 2.1 Time decay risk

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

### 2.2 Volatility risk

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

## 3. Specific Risk of Trading Callable Bull/Bear Contracts (“CBBC”)

### 3.1 Mandatory call risk

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

### 3.2 Funding costs

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

## 4. Specific Risk of Trading Exchange Traded Funds (“ETFs”)

### 4.1 Market risk

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

## 4.2 Tracking errors

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

## 4.3 Trading at discount or premium

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

## 4.4 Foreign exchange risk

Investors trading ETFs with underlying assets not denominated in Hong Kong dollars are also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value, also affecting the ETF price.

## 4.5 Liquidity risk

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

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

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

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

### (b) Synthetic replication strategies

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

#### (i) Swap-based ETFs

- Total return swaps allow ETF managers to replicate the benchmark performance of ETFs without purchasing the underlying assets.
- Swap-based ETFs are exposed to counterparty risk of the swap dealers and may suffer losses if such dealers default or fail to honor their contractual commitments.

#### (ii) Derivative embedded ETFs

- ETF managers may also use other derivative instruments to synthetically replicate the economic benefit of the relevant benchmark. The derivative instruments may be issued by one or multiple issuers.
- Derivative embedded ETFs are subject to counterparty risk of the derivative instruments' issuers and may suffer losses if such issuers default or fail to honour their contractual commitments.

Even where collateral is obtained by an ETF, it is subject to the collateral provider fulfilling its obligations. There is a further risk that when the right against the collateral is exercised, the market value of the collateral could be substantially less than the amount secured resulting in significant loss to the ETF. It is important that investors understand and critically assess the implications arising due to different ETF structures and characteristics.

## 5. **Specific Risk of Trading Equities Linked Instrument (“ELI”)**

ELIs are structured products involving derivatives and its return component is based on the performance of the underlying asset. When an investor purchases an ELI, he is indirectly writing an option on the underlying shares. Investors should pay attention to the points below.

### 5.1 **Exposure to equity market**

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

### 5.2 **Possibilities of losing investment**

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

### 5.3 **Price adjustment**

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

### 5.4 **Interest rates**

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

### 5.5 **Potential yield**

Investors should consult their brokers on fees and charges related to the purchase and sale of ELI and payment / delivery at expiry. The potential yields disseminated by HKEx have not taken fees and charges into consideration.