

HEAD & SHOULDERS SECURITIES LIMITED

\*\*\*\*\*

CASH CLIENT AGREEMENT

\*\*\*\*\*

VERSION 2  
August 2015

## **CONTENTS**

PART I – DEFINITIONS .....	3
PART II – GENERAL TERMS AND CONDITIONS .....	7
1. COMPLIANCE WITH LAWS AND REGULATIONS .....	7
2. DEALING .....	8
3. SETTLEMENT .....	10
4. MONEY IN THE ACCOUNT .....	12
5. SECURITIES IN THE ACCOUNT .....	12
6. CHARGES, COSTS AND EXPENSES.....	14
7. ELECTRONIC TRADING SERVICE.....	15
8. NEW LISTING AND PLACING OF SECURITIES .....	17
9. DEFAULT.....	20
10. LIEN AND SET OFF .....	22
11. ASSIGNMENT AND SUCCESSION.....	23
12. NO WAIVER.....	23
13. LIABILITIES AND INDEMNITY.....	23
14. WARRANTIES AND UNDERTAKINGS.....	24
15. INFORMATION GIVEN TO CLIENT.....	25
16. DISCLOSURE OF INFORMATION ABOUT CLIENT .....	26
17. TRANSACTIONS CONDUCTED IN FOREIGN CURRENCY .....	28
18. AMENDMENTS .....	28
19. JOINT CLIENT .....	29
20. NOTICES .....	30
21. TERMINATION .....	30
22. GENERAL.....	30
23. DISPUTES AND GOVERNING LAW.....	31
PART III– RISK DISCLOSURE STATEMENT .....	33
PART IV – DATA PRIVACY POLICY .....	43

## HEAD & SHOULDERS SECURITIES LIMITED

### CASH CLIENT AGREEMENT

In consideration of HEAD & SHOULDERS SECURITIES LIMITED (the “**Broker**”) of Room 2511, 25/F, Cosco Tower, 183 Queen’s Road Central, Hong Kong (an Exchange Participant of the Stock Exchange of Hong Kong Limited and a Licensed Corporation (CE No:AFS455) licensed with the Securities and Futures Commission in respect of carrying on the regulated activities of dealing in securities and advising on securities) agreeing to allow the Client identified in the Client Information Statement to open one or more accounts with the Broker and providing services to the Client in connection with cash securities trading without margin financing facilities, the Client HEREBY AGREES that all Transactions executed by the Broker for any Account shall be subject to the Client Agreement as amended from time to time and notified to the Client. The Broker’s current provisions of the Cash Client Agreement are hereinafter set out:

## PART I – DEFINITIONS

1.1 In this Agreement, unless the context otherwise requires, the following words and phrases shall bear the following meanings:

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

“**Account(s)**” any cash account opened by the Client with the Broker for trading of securities without margin financing facility granted by the Broker;

“**Agreement**” the written agreement between the Client and the Broker regarding the opening, maintenance and operations of the Account(s) as amended from time to time, including but not limited to the General Terms and Conditions, the Client Information Statement, Risk Disclosure Statement, Data Privacy Policy and any authority given by the Client to the Broker with respect to the Account(s);

“**Authorized Person**” the person or any of the persons designated in or pursuant to this Agreement to issue instructions in relation to an Account;

“**Broker Group**” the Broker, its affiliates, its direct and indirect holding companies and subsidiaries of the

holding companies;

**“Broker Group Company”**

means any of them;

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

**“Client”** the person(s) with whom the Broker has entered into this Agreement and such person's successors in title and (if appropriate) personal representatives whose name(s) and other identity details set out in the Client Information Statement and shall include each Authorized Person;

**“Client Information Statement”**

Client information statement prescribed by the Broker to be provided by or on behalf of the Client;

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

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

**“Electronic Media”** any electronic or telecommunications media, including but not limited to the internet, interactive television systems, telephone, wireless application protocol or any other electronic or telecommunications devices or systems as the Broker may from time to time determine and prescribe;

**“Electronic Trading Service”**

any facility and service (including without limitation those relating to dealing services, information services, e-mail and the software comprised in any of the foregoing) provided or to be provided by the Broker or Broker's contractor or agent or service provider from time to time under this Agreement which enables the Client to give instructions relating to any Transaction in the Account(s) or to obtain quotation on prices of securities or other information through any Electronic Media;

<b>“Event(s) of Default”</b>	any of the events of default as specified in Clause 9 of the General Terms and Conditions;
<b>“Exchange”</b>	SEHK and any other exchange, market or association of dealers in any part of the world on which securities are bought and sold;
<b>“Hong Kong”</b>	The Hong Kong Special Administrative Region of The People's Republic of China;
<b>“HKSCC”</b>	Hong Kong Securities Clearing Company Limited;
<b>“Investor Compensation Fund”</b>	the Investor Compensation Fund established pursuant to the SFO;
<b>“Risk Disclosure Statement”</b>	the risk disclosure statement provided by the Broker to the Client before the opening of the Account and/or from time to time in form prescribed by the SFC from time to time with the current version set out in Part III;
<b>“securities”</b>	includes (a) items under the definition of securities in Schedule 1 to the SFO; (b) all investment products listed or traded on Exchanges; and (c) any investment products prescribed by the Broker as such;
<b>“SEHK”</b>	The Stock Exchange of Hong Kong Limited;
<b>“SFC”</b>	in relation to Hong Kong, The Securities and Futures Commission constituted under the SFO, in relation to any other regions, other statutory bodies performing similar functions as The Securities and Futures Commission and have jurisdiction over the relevant Exchanges;
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any subsidiary legislation made thereunder amended, consolidated or substituted from time to time; and
<b>“Transaction”</b>	the purchase, sale, exchange, disposal of and general dealing in securities and the disposition of funds for or on behalf of the Client in connection with this Agreement.

1.2 In this Agreement, words importing the singular shall, where the context permits, include the plural and vice versa and words importing gender or neuter include both gender and neuter. The expression "person" shall

include any firm, partnership, association of persons and body corporate and any such persons acting jointly and the personal representatives or successors in title of any such person. References to "writing" shall include telex, cable and facsimile transmission and texts transmitted through Electronic Media. Headings are for convenience only. Any reference to Clauses or Schedules in the General Terms and Conditions is a reference to the clauses of or the schedules to this Agreement, unless otherwise stated.

## PART II – GENERAL TERMS AND CONDITIONS

### 1. COMPLIANCE WITH LAWS AND REGULATIONS

- 1.1 All Transactions shall be subject to this Agreement and, in respect of those Exchanges and/or Clearing Houses where the Transactions are processed, the constitution, rules, regulations, practices, procedures and administrative requirements, as amended from time to time of the relevant Exchange and/or Clearing House (and in particular as regarding Transactions effected on SEHK the rules, regulations, practices, procedures and administrative requirements of SEHK and HKSCC) and to all applicable laws whether imposed on the Client or the Broker, as amended from time to time. All Transactions shall also be subject to the terms of business of dealer or other persons who have been involved in the processing of the Transactions where the Broker deems fit.
- 1.2 Client whose Transactions are executed in markets other than those organized by SEHK may have a markedly different level and type of protection in relation to those Transactions as compared to the level and type of protection afforded by the rules, regulations, practices, procedures and administrative requirements of SEHK and HKSCC.
- 1.3 The Client confirms that:
- (A) in the event of any conflict between (I) this Agreement and (II) any constitution, rules, regulations, practices, procedures, administrative requirements of the relevant Exchange and/or Clearing House and laws (collectively the “**Regulations**”), the latter shall prevail;
  - (B) the Broker may take or omit to take any action it considers fit in order to ensure compliance with the Regulations including without limitation, adjusting any Account, disregarding any unexecuted orders or rescinding any executed Transactions;
  - (C) the Regulations as are so applicable and all such actions so taken shall be binding upon the Client; and
  - (D) the Client shall be responsible for obtaining in advance and maintaining any governmental or other consents required in connection with the Client's entering into of this Agreement or the Broker effecting any Transaction in connection with this Agreement.
- 1.4 This Agreement shall not operate insofar as it removes, excludes or restricts any rights of the Client or obligations of the Broker under the laws of Hong Kong or any other relevant law. If any provisions hereof are or should become inconsistent with any present or future law, rule or regulation of SEHK, HKSCC and/or any Exchange

and/or any Clearing House or any other relevant authority or body having jurisdiction over the subject matter of this Agreement, such provision shall be deemed to be rescinded or modified in accordance with any such law, rule or regulation. In all other respects this Agreement shall continue and remain in full force and effect.

## **2. DEALING**

2.1 The Broker shall be authorized but not bound to act on an instruction given by the Client or the Authorized Person (if any) to carry out a Transaction (whether directly or through other dealer or otherwise). The Broker may at any time and from time to time impose any limits including position limits on any Account and the Client agrees not to exceed such limits. If any of the said limits are or to be exceeded, the Broker may decline such an instruction and/or is entitled to close the open position of the Transactions concerned. The Broker may in its absolute discretion refuse to act on any of the instructions received from the Client without giving any reason, in particular for sell order without evidence of sufficient securities, or buy order without evidence of sufficient funds. The Broker is not in any circumstances be liable in any way for any loss of profit or gain, damage, liability or cost or expense suffered or incurred by the Client arising from or in connection with the Broker's refusal to act on such instruction or omitting to notify the Client of such refusal.

2.2 The Broker shall act as an agent of the Client and not as a principal in relation to any Transactions undertaken by the Broker under this Agreement except where the Broker gives notice (in the contract note for the relevant Transaction or otherwise) to the Client to the contrary.

2.3 The Client undertakes that he will not give any instruction which involves the sale of securities which he does not own (that is, a short sale), unless the Client informs the Broker that such instruction for sale is a short selling order and, where required, the Client shall provide the Broker with the assurance in accordance with the SFO.

2.4 Because of physical restraints on any Exchange or the very rapid changes in the prices of securities that frequently take place, there may, on occasions, be a delay in making prices or in dealing. The Broker may not always be able to trade at the prices or rates quoted at any specific time or "at best" or "at market". The Broker shall not be liable for any loss howsoever arising by reason of its failing, or being unable, to comply with the terms of any limit order undertaken on behalf of the Client or under the circumstances contemplated in this Clause. Where the Broker is for any reason whatsoever unable to perform the Client's order in full, it may in its discretion effect partial performance only. The Client shall in any event accept and be bound by the outcome when any request to execute orders is made.

2.5 The Client acknowledges that it may not be possible to cancel or amend its instructions once given. The Client agrees to exercise caution before giving any instruction and accept full responsibility for the Transactions



partially or fully executed prior to the processing of the Client's cancellation or amendment.

2.6 The Client hereby acknowledges that the Broker and Broker Group Companies and their directors, employees and/or their associates may from time to time trade on their own accounts. Furthermore, the Client acknowledges the existence of the Broker's interest, relationship or arrangement that is material in relation to any instruction received or Transaction effected for the Client. In particular, the Broker may, without informing the client :

- (A) effect Transactions through the Broker Group Companies;
- (B) (subject to Clause 2.2) effect Transactions with the Client as principal for account of the Broker and its related parties including but not limited to any Broker Group Company or its employees, or directors;
- (C) take position opposite to the order of the Client either for its own account or others;
- (D) match the Client's orders with those of other clients of the Broker; and/or
- (E) combine the Client's order with orders of the Broker or of Broker Group Company or other clients of the Broker for execution, and neither the Broker nor its related parties shall be obliged to account to the Client or any third party for any profits or benefits received in connection therewith. In event of insufficient securities to satisfy orders so combined as mentioned in the above paragraph (E), the Broker may in its absolute discretion allocate the transactions between clients, the Broker and Broker Group Company, having due regard to market practice and fairness to the concerned clients. The Client acknowledges and accepts that such combination and/or allocation may on some occasions operate to the Client's advantages and on other occasions to the Client's disadvantages.

2.7 All orders shall be made by the Client orally either in person or by telephone, or in writing, delivered by post, by hand or transmitted by facsimile or through Electronic Media (applicable to Account with Electronic Trading Service) at the Client's risk. The Broker may act on such instructions which the Broker believes to come from the Client without any duty to verify the capacity of the person giving the instruction. The Broker shall not be responsible for the non-performance of its obligations hereunder by reason of any cause beyond the Broker's control, including, without limitation, transmission or computer delays, errors or omissions, strikes and similar industrial action or the failure of any dealer, Exchange or Clearing House to perform its obligations. The Client hereby confirms and agrees that the Client shall be responsible to the Broker for all engagements, indebtedness and any other obligations made or entered into in the Client's name whether in writing or orally and howsoever communicated and purporting to be given as aforesaid. In addition, in the event of receipt of conflicting instructions, the Broker may refuse to act on any of such instructions until the Broker receives unequivocal instruction(s).

2.8 The Client understands and confirms its agreement that the Broker may record conversations with the Client whether conducted on the telephone or through any other media or otherwise by tape or electronic means for

security, control or record purposes.

2.9 All instructions relating to purchase or sale of securities or otherwise given hereunder which may be executed on more than one Exchange may be executed on any Exchange the Broker selects. The Broker may also in its discretion direct the instructions of the Client to other dealers for execution without giving any notification to the Client.

2.10 the trading orders placed by the Client are good for the day and will be automatically cancelled at the close of business of the relevant Exchange to the extent not yet executed unless the Client has indicated to the Broker to the contrary.

2.11 Following execution of the orders of the Client, the Broker will send trade confirmations of the Transactions effected and relevant statements summarizing Transactions and securities and cash positions in the Account subject to Clause 7.8. Such trade confirmations and statements shall be conclusive and binding on the Client if not objected to in writing sent by registered mail to the Broker's office within three business days after transmission of the information contained in such confirmations and statements to the Client. The Broker may not provide the Client with monthly statements in relation to the Account in case during the relevant period there is no transaction or revenue or expense item and no outstanding balance or holding securities position in the Account.

2.12 Subject to the applicable laws and regulations, the Broker may in its absolute discretion determine the priority in the executions of the orders received from its clients, 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 orders received by the Broker.

2.13 If the services provided by the Broker to the Client is in relation to derivative products, including options, the Broker shall provide to the Client upon request product specifications and copies of prospectus and any other offering document relating to such products.

2.14 Client shall make the Client's own independent judgment and decision with respect to each instruction given to the Broker. The Broker is under no liability whatsoever in respect of any information or suggestion given by the Broker or any of its directors, officers, employees or agents irrespective of whether or not such information or suggestion is given at the Client's request.

### **3. SETTLEMENT**

- 3.1 Unless otherwise agreed or the Broker is already holding sufficient cash or securities on the Client's behalf to settle the Transaction, in respect of each Transaction, the Client shall
- (A) pay the Broker cleared funds or deliver to the Broker securities in deliverable form; or
  - (B) otherwise ensure that the Broker has received such funds or securities, by the settlement due date as required by the relevant Exchange and/or Clearing House or by such time as the Broker has notified (whether verbally or in writing) the Client in relation to the relevant Transaction.
- 3.2 Unless otherwise agreed, the Client agrees that if the Client fails to make such payment or delivery of securities by the due time as mentioned in Clause 3.1, the Broker is hereby authorized to:
- (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 such securities in order to settle the Transaction.
- 3.3 The Client hereby acknowledges that the Client shall be responsible to the Broker for any loss, costs, fees and expenses incurred by the Broker in connection with the Client's failure to meet the Client's obligations by the due time as set out in Clause 3.1.
- 3.4 In the case of a purchase Transaction, if the selling broker fails to deliver on the settlement date and the Client has to purchase securities to settle the Transaction, the Client shall not be responsible to the Broker for the costs of such purchase.
- 3.5 Without prejudice to any other rights and remedies available to the Broker, the Broker is authorized to dispose of any of the securities (and the Broker shall have the absolute discretion to determine which securities and such quantities are to be disposed of) from time to time received from or held on behalf of the Client in settlement of any liability owed by or on behalf of the Client to the Broker or a third person.
- 3.6 Without prejudice to other rights and authorities granted to the Broker, the Client authorises the Broker to set off any amount receivable from the Client against any amount payable to the Client where such amounts arise from the purchase and sale of securities by the Broker for and on behalf of the Client under the Agreement and to dispose of the securities held for the Client for the purpose of settling any of the amounts payable by the Client to the Broker. As such, the Broker is entitled to record the amounts of Transactions in an Account on a rolling balance basis.
- 3.7 The Client acknowledges and agrees that the Broker may appoint any person as its agent (the "debt collection agent") to collect any amount due by the Client to Broker under the Agreement and the Client shall be responsible for all costs and expenses which may be incurred by the Broker for that purpose on each occasion. Further, the Broker shall have, and the Client admits and agrees that the Broker does have, the right to disclose

to the debt collection agent any of the Client's personal data for that purpose on any occasion.

#### **4. MONEY IN THE ACCOUNT**

4.1 The money of the Client in the Account, after discharging all the indebtedness of the Client owing to the Broker, shall be treated and dealt with in compliance with the provisions of the SFO. The money of Client, after discharging all the indebtedness of the Client owing to the Broker (including without limitation for settlement of Transactions), which is received and held by the Broker on behalf of the Client in Hong Kong shall be deposited with a segregated account which is designated as a trust account or client account and maintained by the Broker in Hong Kong with an authorized financial institution or any other person approved by the SFC for such purpose. The Broker may pay the money of the Client out of the segregated account in accordance with a standing authority pursuant to the SFO.

4.2 For so long as there exists any indebtedness to the Broker on the part of the Client, the Broker may refuse any withdrawal of money in the Account and the Client shall not without consent of the Broker withdraw any such money.

4.3 The Client shall not be entitled to receive any interest accrued on the money of the Client in the Account; however, the Broker may at its full discretion pay part or all of such interest to the Client.

#### **5. SECURITIES IN THE ACCOUNT**

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

- (A) deposited in safe custody in a segregated account which is designated as a trust account or client account and maintained by the Broker in Hong Kong with an authorized financial institution, a custodian approved by the SFC or another intermediary licensed for dealing in securities; or
- (B) registered in the name of the Client.

5.2 In respect of any securities of the Client other than Local Securities ("Overseas Securities") held for safekeeping by any other party engaged by the Broker on the Client's behalf, the Client hereby authorizes the Broker to instruct the relevant party on behalf of the Client to deposit such Overseas Securities in the safe custody of that party or its custodian or with any other institution in the relevant jurisdiction where the relevant Transaction was effected which provides facilities for the safe custody of documents.

5.3 Any securities held by the Broker on behalf of the Client in the manner mentioned in Clauses 5.1 and 5.2 or otherwise shall be at the sole risk of the Client and the Broker has no obligation to insure the Client against any kind of risk. The Broker shall not be responsible for any losses, costs, damages, interests and charges arising from or in connection with such engagement or custody under the aforesaid clauses, including without limitation any losses arising from fraud or negligence of the party so engaged.

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

5.5 Securities purchased for the Client will be delivered to the Client (or as the Client may direct) PROVIDED THAT such securities are fully paid and are not subject to any lien, and/or are not held as collateral by the Broker or any Broker Group Company.

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

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

5.8 Except as provided in Clauses 3.2, 5.7, 9.2 and 10 or permitted under the SFO, the Broker shall not without the Client's oral or written direction or standing authority deposit, transfer, lend, pledge, re-pledge or otherwise deal with any securities of the Client.

5.9 Subject to the provisions of the SFO, the Client agrees that the Broker is entitled to retain for its own benefit and not accountable to the Client for any fee, income, rebate or other benefits resulting from any lending or deposit of the securities of the Client with any third party for any purpose by the Broker.

5.10 The Client agrees not to, and not purport to, create or allow to subsist, a charge, pledge or other encumbrance

over the Account or securities held or carried by the Broker for or in the Account.

## **6. CHARGES, COSTS AND EXPENSES**

6.1 The Client agrees to pay to the Broker all commissions, brokerage or other remuneration payable on all Transactions (including those pursuant to Clause 9) at the rates established from time to time by the Broker. The Client also agrees to reimburse the Broker on a full indemnity basis for all applicable levies (including but not limited to levies imposed by the Exchanges, Clearing Houses and the SFC), fees, stamp duties, expenses and other charges in respect of or connection with the Transactions. Commissions and brokerage are subject to change from time to time and can be ascertained by contacting the Broker. The Broker may impose additional charges for special services furnished at the request of the Client.

6.2 In addition to the charges payable under Clause 6.1, the Client agrees to pay the Broker the following:

- (A) all subscription, service and usage fees are payable in advance in the manner as prescribed by the Broker and such fees are non-refundable;
- (B) any fee/levies charges by Exchanges or other authorities,
- (C) any other reasonable fees and charges imposed by the Broker from time to time for services and facilities rendered to the Client; and
- (D) interest on all outstanding sums at such rate and at such mode as the Broker shall determine, and the Broker may at its discretion vary the rate of such fees and subscription at any time and from time to time without notice.

6.3 The Client acknowledges:

- (A) that every purchase or sale recorded on the stock market operated by SEHK or notified to the SEHK is subject to the charge of an Investor Compensation Fund levy and a levy pursuant to the SFO and the cost of each such charge and levy attributable to the Client shall be borne by the Client; and
- (B) that in the case of a default committed by the Broker or its associated persons in connection with securities listed or traded on a recognized stock market (including SEHK) as defined under SFO and the Client having suffered pecuniary loss thereby, the liability of the Investor Compensation Fund will be restricted to valid claims as provided for in the SFO and will be subject to the monetary limits specified in the Securities and Futures (Investor Compensation – Compensation Limits) Rules and accordingly that there can be no assurance that any pecuniary loss sustained by reason of such a default will necessarily be recouped from the Investor Compensation Fund in full, in part, or at all. For Transactions which are effected in an exchange other than a recognized stock market (as defined under the SFO), the Client hereby acknowledges and accepts that the valid claims in event of any default on the part of the Broker or its associated person will be subject to the rules in the relevant market.

6.4 The Client hereby agrees to the imposition upon its Account or Accounts from time to time as the Broker may determine, of a charge in respect of Accounts that maintain only a low level of account activity or portfolio balance as the Broker may from time to time determine.

6.5 The Client agrees that the Broker is entitled to solicit, accept and retain for the Broker's own benefit any rebate, brokerage, commission, fee benefit, discount and/or other advantage from any Transaction effected by the Broker. The Broker may also offer at its absolute discretion any benefit or advantage to any person in connection with such Transaction.

## **7. ELECTRONIC TRADING SERVICE**

7.1 The provisions in this Clause 7 shall apply only to any Account in respect of which the Client has requested and the Broker has agreed to provide with Electronic Trading Service on the terms and conditions of this Agreement, as amended or supplemented by any notice, letter, publication or such other documents as may be issued from time to time by the Broker.

7.2 When using the Electronic Trading Service, the Client warrants that the Client is the only authorized user of the Client's Access Codes and will be responsible for all instructions placed and all Transactions conducted with the use of the Access Codes. The Client shall be responsible for the confidentiality, security and use of the Access Codes issued to the Client by the Broker. The Broker may use authentication technologies in connection with the Electronic Trading Service.

7.3 The Client acknowledges that it may not be possible to change or cancel an instruction given through Electronic Trading Service and agrees to exercise caution before placing orders.

7.4 The Broker may (but not have obligations) monitor and/or record any of the Client's instructions given or orders transacted through the Electronic Trading Service. The Client agrees to accept such recording (or a transcript thereof) as final and conclusive evidence of the contents and nature of the relevant instructions and Transactions and as binding on the Client.

7.5 The Broker will not be deemed to have received or executed the instructions from the Client given through the Electronic Trading Service unless and until the Client has received the relevant acknowledgement or confirmation in such manner specified by the Broker from time to time (including without limitation by posting the status of the instructions in order journals on the website which is operated by the Broker and is freely accessible by the Client). The Broker is also entitled to correct any errors in such acknowledgement or confirmation without incurring any liability in connection therewith.

7.6 The Client shall immediately notify the Broker if:

- (A) an instruction has been placed through the Electronic Trading Service and the Client has not received an instruction number or acknowledgement of receipt of the instruction or of its execution from the Broker (whether by hard copy, electronic or verbal means); or
- (B) the Client has received acknowledgement of a Transaction (whether by hard copy, electronic or verbal means) which the Client did not instruct, or is inconsistent with the Client's instruction or the Client has any suspicion of unauthorized access to the Electronic Trading Service; or
- (C) the Client becomes aware of or suspicious of any loss, theft, or unauthorized disclosure or use of the Client's Access Codes; or otherwise, the Broker or its agents, employees or representatives will not be responsible or liable to the Client or any other person whose claim may arise through the Client for any claim with respect to handling, mishandling or loss of instruction placed through the Electronic Trading Service.

7.7 The Broker reserves the right to suspend the Electronic Trading Service if an incorrect Access Code has been input on or for more than 3 occasions. The Electronic Trading Service may also be not available for certain period of time to the Client without prior notice for maintenance or system update from time to time or any other reason that the Broker considers necessary.

7.8 Notwithstanding any other provisions in this Agreement, where the Client is provided with Electronic Trading Service, following execution of the Client's trading orders, the Client accepts that the Broker may send to the Client and the Client agrees to receive trading confirmations and records (including but not limited to contract notes and statement of transactions) at the Client's email address (as provided in the Client Information Statement or notified by the Client from time to time) or other electronic means in lieu of printed documents. Any such information will be freely accessible by the Client after such sending by the Broker and the Client shall print out such documents or make its own arrangement forthwith without delay to maintain its own records if necessary. If the Client insists to receive its trading confirmation and records in printed documents, the Broker is entitled to charge a reasonable fee for providing such service.

7.9 The Client agrees that should Client experience any problems in reaching the Broker through the Electronic Trading Service or vice versa, the Client shall attempt to use an alternative method or device, as the Broker may make available, to communicate with the Broker to place the Client's orders and to inform the Broker of the difficulty the Client has experienced.

7.10 The Client acknowledges that the Electronic Trading Service, the website operated by the Broker, and the software comprised in them, are licensed or proprietary to the Broker. The Client shall not, and shall not attempt to, tamper with, modify, decompile, reverse engineer or otherwise alter in any way or gain unauthorized access to, any part of the Electronic Trading Service, the website operated by the Broker or any of the software



comprised in them.

7.11 The Client acknowledges that the Client has fully understood the implications of the risks associated with the Electronic Trading Service as set out in the Risk Disclosure Statement but agrees that the benefits of using the Electronic Trading Service outweigh these risks and waive any claim the Client might have against the Broker or any Broker Group Company arising from:

- (A) systemic failures (including hardware and software failures);
- (B) the Broker's acceptance of any unauthorized instructions which appear or which the Broker believes to be from the Client;
- (C) failure or delay in the execution of instructions from the Client or execution of the Client's instructions at prices different from those prevailing at the time the instructions were given;
- (D) the Client's access to the website of the Broker or the Electronic Trading Service being limited or unavailable;
- (E) failure to or delay in dispatch or delivery of any notice or information provided or requested via the Electronic Trading Service or any inaccuracy, error or omission in or from any such notice or in or from any information contained in any such notice;
- (F) Client's failure to use the Electronic Trading Service in accordance with the Agreement or any relevant agreement between the Broker and the Client; and
- (G) the Client's reliance, use or otherwise acting upon any information or materials provided via the Electronic Trading Service or the website operated by the Broker.

7.12 The Client shall be responsible at his own costs and expenses for obtaining and maintaining the suitable equipment to have access to the Electronic Trading Service.

7.13 The Client acknowledges that the Client has read and understood the Broker's procedure guide relating to the use, operation, security measures and procedures of the Electronic Trading Service made available to the Client on the Broker's Internet website, and further acknowledges that such guide may be amended or supplemented by the Broker from time to time, which shall be binding on the Client in respect of the Client's use of the Electronic Trading Service.

## **8. NEW LISTING AND PLACING OF SECURITIES**

8.1 The provisions in this Clause 8 shall apply only to any Account in respect of which the Client has requested the Broker to apply on the Client's behalf for securities in new issue for listing on SEHK (an "Application") or to subscribe on the Client's behalf for placing of securities of companies listed on an Exchange ("Placement Subscription") on the terms and conditions of this Agreement. The Client acknowledges that the Broker shall not

be responsible for the accuracy or completeness of or any misstatement in any prospectus and other offering documents relating to the new listing and/or placing of securities.

8.2 The Client authorizes the Broker to complete such application form as may be required or to make submission by electronic means (for electronic initial public offers ("eIPO")) and represents and warrants to the Broker that all representations, warranties, confirmations and undertakings on the part of the applicant contained or incorporated in the application form or input electronically (for eIPO) are true and accurate in respect of the Client.

8.3 The Client agrees to be bound by the terms of the new issue and in particular, the Client hereby:

- (A) undertakes to make the declaration that he has already read and understood the contents of the related prospectus, application forms and/or other relevant offering documents (including the discretion of the relevant issuer to determine the final pricing of the securities) or, in the absence of any written offering documents, he fully understands the terms and conditions of the relevant subscription;
- (B) confirms that he is eligible to subscribe for the securities and will comply or has complied with all the terms and conditions as stated in such prospectus, application forms and/or other relevant offering documents or, in the absence of any written offering documents, will comply with or has complied with the terms and conditions of the relevant subscription;
- (C) warrants and undertakes that the Application shall be the only application made by the Client or on the Client's behalf for the Client's benefit in respect of the same issue of securities and the Client shall make no other application in that issue;
- (D) authorises the Broker to represent and warrant to SEHK that no other application shall be made or shall be intended to be made by the Client or for the Client's benefit;
- (E) acknowledges that any application made by an unlisted company which does not carry on any business other than dealing in securities and in respect of which the Client exercises statutory control, shall be deemed to be an application made for the benefit of the Client; and
- (F) acknowledges that the Broker will rely on the above declaration, confirmation, warranties, undertakings and authorizations in making the Application.

8.4 In relation to a bulk application to be made by the Broker on behalf of the Broker, the Client and/or Broker's other clients, the Client acknowledges and agrees:

- (A) that if such bulk application may be rejected for reasons which are unrelated to the Client, the Broker, in absence of fraud, gross negligence or wilful default, shall not be liable to the Client or any other person in consequence of such rejection; and
- (B) to indemnify the Broker in accordance with Clause 13.2 if such bulk application is rejected because of any breach of representations and warranties or otherwise arising from factors relating to the Client.

8.5 The Client may at the same time request the Broker to provide a loan to finance the Application (the "Loan"), the following provisions shall apply:

- (A) The Broker has discretion to accept or reject the request for the Loan.
- (B) Upon the acceptance of the request for the Loan, the employee or representative of the Broker will verbally or in writing confirm the terms of the Loan ("Agreed Loan Terms") as agreed between the Broker and the Client, which shall be conclusive and binding on the Client.
- (C) Before the provision of the Loan, the Client shall provide the Broker a deposit, which shall form part of the proceeds for the Application, in the amount and within the time in accordance with the Agreed Loan Terms.
- (D) Unless contrary to the Agreed Loan Terms:
  - (I) the Loan amount is the total price of the securities (including applicable charges) applied under the Application less the amount of deposit in Clause 8.5(C); and
  - (II) the Client has no right to repay the Loan, in part or full, before the date of repayment in accordance with the Agreed Loan Terms.
- (E) The interest rate applicable to the Loan shall be determined under the Agreed Loan Terms.
- (F) When the Broker receives any refund in respect of the Application, the Broker has the right, at its discretion, to apply the same or part of it towards the discharge of the Loan including any interest accrued thereon and/or return the same or the remaining balance (if any) to the Client, whether before or after the repayment date in accordance with the Agreed Loan Terms.
- (G) In consideration for the Broker's granting of the Loan to the Client, the Client charges to the Broker by way of first fixed charge as a continuing security for the full repayment of the Loan and the accrued interest thereon, all the securities acquired on behalf of the Client under the Application in respect of which the Loan is provided. The Client has no right to the possession of the aforesaid securities until the full repayment of the Loan (including interest accrued thereon). The Client authorizes the Broker to dispose of the aforesaid charged securities without prior notice to the Client for discharge of the liabilities owing to the Broker under the Loan so long as the Loan (including interest thereon) has not been repaid in full.

8.6 In relation to Placement Subscription, the following provisions shall apply:

- (A) when the Client makes written application for Placement Subscription to the Broker or verbally confirms his intention for Placement Subscription to the Broker, the written application and verbal confirmation shall constitute obligation and commitment with legal binding effect on the Client in respect of the relevant Placement Subscription;
- (B) the Client hereby undertakes that all the representations, warranties, confirmations and undertakings to be made or given by the Client during the process of application for the Placement Subscription or otherwise shall be true, complete and accurate in respect of the Client;
- (C) subject to the applicable laws and regulations, the Broker may in its absolute discretion determine the

allocation of securities to be successfully subscribed by the Client and the Client understands and permits the Broker to handle placement subscription of placement of securities for its other clients and Broker Group Company together with the Client's Placement Subscription; and

(D) the Client undertakes to comply with the applicable rules and regulations in relation to the Placement Subscription.

## 9. DEFAULT

9.1 The following shall constitute events of default (the "Events of Default") :

- (A) the Client's failure to provide sufficient cash or securities under Clause 3.1 to fulfil settlement obligations of any Transaction;
- (B) (for Client being an individual) the death of the Client or the Client becoming incapacitated from due performance of the terms and conditions of the Agreement;
- (C) the filing of a petition in bankruptcy or, as the case may be, winding up or the commencement of other analogous proceedings, or the appointment of a receiver, in respect of the Client;
- (D) ) the levying of an attachment against any Account;
- (E) default by the Client in the due performance or observance of any of the terms and conditions of this Agreement;
- (F) any representation or warranty made in or in pursuance of this Agreement or in any certificate, statement or other document delivered to the Broker being or becoming incorrect in any material respect;
- (G) any of the consents, authorizations, approvals, licenses, or board resolutions required by the Client to enter into this Agreement being modified in a manner unacceptable to the Broker or being wholly or partly revoked, withdrawn, suspended or terminated or expiring and not being renewed or otherwise failing to remain in full force and effect;
- (H) the continued performance of this Agreement becomes illegal or claim by any government authority to be illegal;
- (I) the Client being in breach, voluntary or otherwise, of any of the conditions contained herein or of the constitutions, rules and regulations of any Exchange or Clearing House;
- (J) material adverse change in the financial position of the Client; and
- (K) the occurrence of any event which, in the Broker's sole discretion, the Broker feels shall or might put in jeopardy the Broker's rights conferred under this Agreement.

9.2 Without prejudice to any other right or remedy which the Broker may have, if any one or more Events of Default occur, the Broker shall be authorized, in its absolute discretion, to take one or more of the following actions no matter separately, successively or concurrently (but shall not be bound to take any such action):

- (A) cover any short position in the Account through purchase of securities on the relevant Exchange and subject to Clauses 3.1 and 3.2 and/or dispose of any or all of the securities in the Account(s);

- (B) cancel any or all outstanding orders or contracts or any other commitments made on behalf of the Client and/or decline to take any orders from the Client;
- (C) call upon any security including but not limited to any guarantees and letters of credit which may have been issued to or in favour of the Broker as security for the Account(s);
- (D) set-off, combine, consolidate, realise and/or sell all or any of the accounts maintained by the Client with the Broker and any Broker Group Company (including any money or securities or other properties under such accounts);
- (E) close out without recourse any or all open positions under the Account;
- (F) borrow or buy in any property whatsoever found necessary by the Broker or required to make delivery against any sale (including a short sale) effected for the Client;
- (G) exercise any of its rights under this Agreement; and/or
- (H) ) terminate this Agreement forthwith.

9.3 In the event of sale of any securities in the Account under this Clause, the Broker shall not be responsible for any loss occasioned thereby howsoever arising if the Broker has already used reasonable endeavours to sell or dispose of any of the securities of the Client and/or close out or liquidate any outstanding position in the Account under the prevailing market conditions. The Broker is also entitled to exercise its own judgement in determining the time of the aforesaid sale or disposal or liquidation and to sell or dispose of any of such properties at current market price to any Broker Group Company (including the Broker) without any responsibility for any loss occasioned or being accountable for any profit made by any Broker Group Company.

9.4 After deducting all costs and expenses incurred in connection with taking any action referred to in Clause 9.2, the Broker may apply any remaining proceeds to the payment of any liabilities the Client may have to the Broker; and in the event such proceeds are insufficient for the payment of liabilities the Client shall promptly upon demand and notwithstanding that the time originally stipulated for settlement may not then have arrived pay to the Broker and indemnify and hold the Broker harmless against any differences or deficiencies arising therefrom or in any Account, together with interest thereon and all professional costs (including solicitor's and counsel's fees on a full indemnity basis should the Broker in its absolute discretion refer the matter to legal advisers) and/or expenses incurred by the Broker in connection with the enforcement of any outstanding position in the Account which shall be for the account of the Client and properly deductible by the Broker from any funds of the Client in its possession.

9.5 Without prejudice to Clause 9.4, the Broker may place any of the proceeds obtained from performing any actions in Clause 9.2 to the credit of a suspense account with a view to preserve the rights of the Broker to prove for the whole of the Broker's claim against the Client in the event of any proceedings in or analogous to bankruptcy, liquidation or arrangement for so long as the Broker in its absolute discretion determines without any obligation to apply the same or any part thereof in or towards discharge of any debts or liabilities due to or incurred by the

Client to the Broker.

9.6 The Client acknowledges that the rights the Broker is entitled to exercise under this Clause 9 are reasonable and necessary for its protection having regard to the nature of the securities trading, in particular the volatility in the prices of securities.

## **10. LIEN AND SET OFF**

10.1 1 In addition to and without prejudice to any general liens, right of set-off or other similar rights to which the Broker is entitled under law or this Agreement, all securities, receivables, money (in any currency) and other property of the Client (held by the Client individually or jointly with others) held by or in possession of the Broker at any time shall be subject to a general lien in favour of the Broker as continuing security to offset and discharge all of the Client's obligations, arising from the Transactions or otherwise, to the Broker and any Broker Group Company.

10.2 In the event that the Client has more than one accounts (of any nature whatsoever including accounts of other clients guaranteed by the Client and whether in single or joint names) maintained with the Broker or any Broker Group Company, in addition to and without prejudice to any general liens or similar rights, the Broker may by itself or as agent of any Broker Group Company at any time, and without notice to the Client, combine or consolidate all or any of them and set-off or transfer any monies or any other properties standing to the credit of any one or more of them in or towards satisfaction of any of the liabilities to the Broker or the Broker Group Company of the Client on any such accounts or in any other respect, including liabilities under facilities or accommodation for any unexpired fixed term or in respect of dealings in securities or under guarantees or indemnities or any other instruments whatsoever given or assumed by the Broker at the Client's request, whether such liabilities are present or future, actual or contingent, primary or collateral and joint or several.

10.3 Where any such set-off or combination requires the conversion of one currency into another, such conversion shall be calculated at the rate of exchange (as determined by the Broker and binding in all respects upon the Client) utilized by the Broker in the Broker's normal course of business for such currencies at the time of the combination or set-off.

10.4 The right of set off in this Clause 10 is a continuing security and is in addition and without prejudice to any security interest the Broker may now or hereafter hold. In respect of any payments to set off any liabilities or obligations of the Client to any other Broker Group Company, the Broker shall not be concerned with whether or not such liabilities or obligations exist provided demand has been made on the Broker by any other Broker Group Company.

10.5 Nothing herein shall restrict the operation of any general lien or other rights or lien whatsoever which the Broker may have, whether by law or otherwise, and the rights of set-off hereby conferred are in addition and without prejudice to any general right of set off arising by law or rights granted to the Broker by Clause 9 or 10 or any lien, guarantee, bill, note, mortgage or other security now or hereafter held by the Broker.

## **11. ASSIGNMENT AND SUCCESSION**

11.1 The Client shall not assign any rights or obligations under this Agreement without prior consent of the Broker.

11.2 Subject to the provisions of the SFO and any applicable law, the Broker may assign any rights or obligations under this Agreement to another person after written notice to the Client.

11.3 All the provisions of this Agreement shall survive any changes or successions in the Broker's business and shall be binding, where the Client is a corporation upon its successors, where the Client is a partnership upon the partners and their personal representatives, and where the Client is an individual upon his personal representatives.

## **12. NO WAIVER**

The Client acknowledges that no act, omission to act or forbearance by the Broker or any of its employees, servants or agents shall be, or be deemed to be, a waiver by the Broker of any rights against the Client, or any assets of the Client on hand with the Broker.

## **13. LIABILITIES AND INDEMNITY**

13.1 Neither the Broker, nor its directors, employees, agents or representatives (the "Relevant Persons") shall under any circumstances whatsoever be liable to the Client (whether under contract, in negligence or otherwise) in the absence of bad faith or wilful default of or by the Relevant Persons in respect of any loss, damage, injury sustained or liability incurred by the Client by reason of :

(A) any act, advice, statement (express or implied), default or omission of the Relevant Persons, whether such loss, damage, injury or liability be caused by breach or otherwise by the Relevant Persons or howsoever caused; or

(B) any conditions or circumstances which are beyond the reasonable control or anticipation of the Relevant Persons including but not limited to any delay in transmission of orders due to whatsoever reason, failure of electronic or mechanical equipment, telephone or other interconnection problems, unauthorized use of Access Code, prevailing fast moving market conditions, governmental agency or exchange actions, theft, war, severe weather, earthquakes and strikes; or

(C) the Broker exercising any of its rights conferred by the terms of this Agreement.

13.2 The Client agrees to indemnify the Relevant Persons against and hold the Relevant Persons harmless from all expenses, liabilities, claims and demands arising out of the following, in the absence of bad faith or wilful default of or by the Relevant Persons:

(A) anything lawfully done or omitted to be done by the Relevant Persons in connection with this Agreement;

or

(B) any breach by the Client of its obligations under this Agreement.

## 14. WARRANTIES AND UNDERTAKINGS

14.1 The Client hereby undertakes, represents and warrants on a continuing basis that:

- (A) the information given by the Client, or on the Client's behalf, to the Broker in the Client Information Statement or otherwise in connection with the opening of any Account is true, full and complete and the Broker shall be entitled to rely on such information until the Broker receives written notice from the Client of any changes thereto and the Broker is authorized by the Client to obtain references from banks and conduct credit check to ascertain the financial position and investment objectives of the Client;
- (B) he has the authority and capacity to enter into and execute this Agreement and no one except the Client (unless otherwise disclosed to the Broker pursuant to Clause 16) has an interest in the Account(s);
- (C) save as disclosed by the Client to the Broker pursuant to Clause 16 with the consent given by the Broker:
  - (I) the Client enters this Agreement as a principal and is trading on its own account and does not do so as nominee or trustee for any other person and there exist no arrangements whereby any person other than the person(s) signing this Agreements as the Client has or will have any beneficial interest in this Agreement; and
  - (II) the Client is the ultimate beneficiary of the Account and the person ultimately responsible for originating instruction about the Transactions;
- (D) this Agreement and its performance and the obligations contained in it do not and will not contravene any applicable laws and regulations, contravene any provisions of the memorandum and articles or bye-laws (for corporate client), or constitute a breach or default under any agreement or arrangement by the Client is bound;
- (E) subject to any security interest of any Broker Group Company and the information disclosed to the Broker, all properties including but not limited to securities provided by the Client for selling or crediting into the Account(s) are fully paid with valid and good title and whose legal and beneficial titles are owned by the Client and the Client will not charge, pledge or allow to subsist any charge or pledge or grant any option over such properties without the Broker's prior consent;
- (F) the Client has received, read and understood the contents of the Risk Disclosure Statement and the Client has sufficient experience to assess the suitability of the Transactions contemplated under this Agreement;
- (G) where the Client or any one of them is a body corporate (in respect of such person):-
  - (I) it is a corporation duly organized and is validly existing under the laws of the country of its incorporation and in every other country where it is carrying on business;
  - (II) this Agreement has been validly authorized by the appropriate corporate action of the Client and



when executed and delivered will constitute valid and binding obligations of the Client in accordance with the terms herein;

(III) the certified true copies of the Client's certificate of incorporation or registration, charter, statute or memorandum and articles or other instrument constituting or defining its constitution and the board resolutions of the Client delivered to the Broker are true and accurate and still in force; and

(IV) no steps have been taken or are being taken to appoint a receiver and/or manager or liquidator over the assets of, or to wind up the Client;

(H) where the Client or any one of them is an individual, the Client is legally capable of validly entering into and performing this Agreement and is of sound mind and legal competence and is not a bankrupt; and

(I) where the Client is a partnership and business is carried on under a firm's name, this Agreement shall continue to be valid and binding for all purposes notwithstanding any change in the partnership or constitution of the firm by the introduction of a new partner or by the death, insanity or bankruptcy or a retirement of any partner for the time being carrying on the business of or constituting the firm or otherwise.

14.2 The Client undertakes to notify the Broker immediately upon the occurrence of any material changes in the information supplied in this Agreement and/or the Client Information Statement. In particular, the Client agrees to inform the Broker of any change in contact information (including address and telephone number) upon occurrence of such changes. In event that in exercising its rights or discharging its duties under this Agreement, the Broker cannot communicate with the Client using the latest contact details provided by the Client for over a period of seven (7) days, the Client agrees that this provides sufficient evidence of material breach of the Agreement by the Client which constitutes an Event of Default under Clause 9.1(F).

14.3 The Broker will notify the Client of any material change to: (a) the name and address of its business; (b) its registration status with the SFC and its CE number; (c) the description of the nature of services provided by it; or (d) the description of the remuneration payable to the Broker and the basis for such payment.

## **15. INFORMATION GIVEN TO CLIENT**

15.1 The Broker may provide financial market data, quotes, news, research or other information, including graphic images (collectively, the "Information"), to Client by means of hardcopy, conversation, Electronic Media, website operated by the Broker or otherwise (no matter in writing or verbally). The Client acknowledges that the rights in the Information are the property of the Broker Group, the information providers or the licensors (the "Information Providers") and are protected by applicable copyright and other intellectual property laws and the Client is allowed to use the Information on the agreement of not engaging in any actions which may infringe the rights of the Information Providers.

15.2 The Client acknowledges that none of the Information Providers makes any representation or warranty of any kind (including but not limited to warranties of merchantability or fitness for any particular use) and does not guarantee the timeliness, sequence, accuracy, adequacy or completeness of the Information. In particular owing to market volatility and possible delay in data-transmission process, the market data containing in the Information may not be real-time market quotes for the relevant products. Whilst the Broker believes such data to be reliable, it has no independent basis to verify the accuracy or completeness of the Information provided. No recommendation or endorsement from the Broker shall be inferred from such data.

15.3 The Client acknowledges that the Information is provided for informational purpose only and should not be used as a basis for making business, investment or any kind of decision and the Information Providers do not accept any responsibility or liability for any loss or damage howsoever arising from any person acting or refraining from acting in reliance on the Information.

## **16. DISCLOSURE OF INFORMATION ABOUT CLIENT**

16.1 Subject to the provisions of this Agreement, the Broker will keep the information relating to the Accounts confidential. The Client acknowledges that there are laws, rules and regulations of the relevant markets and Exchanges which contain provisions requiring the Broker upon the request of SEHK, the SFC and/or any other regulator in Hong Kong (collectively, "relevant regulators") having jurisdiction over the Transactions, to disclose details of the Transactions, the name of the Client, beneficial identity of the Transactions and such other information concerning the Client as any such relevant regulators may require and that the Client agrees to provide such information concerning the Client as the Broker may require in order for the Broker to comply with the requirements.

16.2 Without limiting the disclosure to anything provided in Clause 16.1, the Client hereby irrevocably authorizes the Broker and any other Broker Group Company, without further notice and consent from the Client, to disclose to any person information, reports, records or documents pertaining to the Account together with such other information as may be required or the Broker may deem appropriate and to produce computerized record or other document relating to the Client and the Account if that disclosure is required by the relevant regulators for the purpose of assisting them with any investigation or enquiry they are undertaking or by a court of competent jurisdiction or if the disclosure is in the public interest or in the Broker's or the Client's interest or is made with the Client's expressed or implied consent.

16.3 The Client further agrees that the Broker may, whether during the continuance or after the termination of this Agreement, without notice to the Client, disclose any information relating to the Client and the Account(s) to any other Broker Group Company, or to any assignee of any of the rights or obligations of the Broker under this

Agreement.

16.4 The Client shall provide the information about the identity, address and contact details (“identity details”) of the persons or entities which (i) are the Client, (ii) are ultimately responsible for originating the instructions in relation to the Transactions, or (iii) stand to gain the commercial or economic benefit of the transactions and/or bear its commercial or economic risk or such other information concerning the Client as any relevant regulator may require in order for the Broker to comply with the applicable laws and regulations and the Client authorizes the Broker to provide such information about the Client to such relevant regulator without further consent from or notification to the Client.

16.5 Without prejudice to Clause 16.4, if the Client effects transactions for the account of its clients, whether on a discretionary or non-discretionary basis, and whether as agent or by entering into matching transactions as principal with any clients of the Client, the Client agrees that, in relation to a transaction where the Broker has received an enquiry from the relevant regulators, the following provisions shall apply:

(A) Subject to as provided below, the Client shall, immediately upon request by the Broker, inform the relevant regulators of the identity details of the client for whose account the transaction was effected and (so far as known to the Client) of the person with the ultimate beneficial interest in the transaction. The Client shall also inform the relevant regulators of the identity details of any third party (if different from the client/the ultimate beneficiary) originating the transaction.

(B) If the Client effects the transaction for a collective investment scheme, discretionary account or discretionary trust, the Client shall

(I) immediately upon request by the Broker, inform the relevant regulators of the identity details of the person(s) who, on behalf of the scheme, account or trust, has instructed the Client to effect the transaction; or

(II) as soon as practicable, inform the Broker when its discretion to invest on behalf of the scheme, account or trust has been overridden, and the Client shall immediately upon request by the Broker, inform the relevant regulators of the identity details of the person who has given the instruction.

(C) If the Client is a collective investment scheme, discretionary account or discretionary trust and in respect of a particular transaction, the discretion of the Client or its officers or employees has been overridden, the Client shall, as soon as practicable, inform the Broker when its discretion to invest on behalf of the beneficiaries of such scheme, account or trust has been overridden and immediately upon request by the Broker, inform the relevant regulators of the identity details of the person who has given the instruction in relation to the relevant transaction.

(D) If the Client is aware that its client is acting as intermediary for its underlying clients, and the Client does not know the identity details of any underlying client for whom the transaction is effected, the Client

confirms that:

- (I) the Client has legally binding arrangements in place with its client which entitle the Client to obtain the information set out in Clauses 16.5(A), (B) and/or (C) from its client immediately upon request or procure that it be so obtained; and
- (II) the Client will, upon request from the Broker in relation to a transaction, promptly request the information set out in Clauses 16.5(A), (B) and/or (C) from its client on whose instructions the transaction is effected, and provide the information to the relevant regulators as soon as it is received from its client or procure that it be so provided.

16.6 The Client hereby agrees that the Broker shall not be in any way liable for any consequences arising out of any disclosure made under this Clause 16.

16.7 The Client understands that the Client has supplied or may from time to time supply to the Broker or any other Broker Group Company personal data about the Client (the "Personal Data"), within the meaning ascribed in the Personal Data (Privacy) Ordinance (Chapter 486 of the laws of Hong Kong), in connection with the opening or maintenance of any Account(s) or the provision of services to the Client by the Broker or any other Broker Group Company. The Client acknowledges that the Client is not required to provide any Personal Data to the Broker and any other Broker Group Company unless the Client chooses to do so. However, if the Client fails to supply any such Personal Data, the Broker may not be able to open or maintain an Account(s) for the Client and/or provide the Client with any services.

16.8 The Client acknowledges that the Client has read the Data Privacy Policy of the Broker and agreed to the terms in it.

16.9 The terms contained in this Clause 16 shall continue in effect notwithstanding the termination of the Agreement.

## **17. TRANSACTIONS CONDUCTED IN FOREIGN CURRENCY**

In the event that any Transaction effected by the Broker on behalf of the Client involves conversion of a foreign currency (i.e. currency other than Hong Kong Dollars), the Client agrees that:

- (A) any profit or loss arising as a result of a fluctuation in the exchange rate affecting such currency will be entirely for the Client's account and risk; and
- (B) any conversion from one currency to another required to be made for performing any action or step taken by the Broker under this Agreement may be effected in such manner and at such time as it may in its absolute discretion decide.

## **18. AMENDMENTS**

18.1 To the extent permitted by law, the Broker may from time to time amend or supplement (whether by the addition of schedules to this Agreement or otherwise) any of the terms and conditions of this Agreement by notifying the Client in accordance with Clause 20. If the Client does not accept the same, the Client may terminate this Agreement by notifying the Broker in writing within seven (7) business days from the Client's receipt or deemed receipt of the notice in accordance with Clause 20. If the Client does not terminate this Agreement within such time or if the Client continues to operate the Account after receipt or deemed receipt of notice of the amendment or supplement, the Client shall be deemed to have accepted such amendment or supplement and shall continue to be bound by this Agreement as so amended or supplemented.

18.2 Subject to Clause 18.1, no provision of this Agreement may be amended or supplemented unless agreed to in writing signed by the Broker's authorized representative(s).

## **19. JOINT CLIENT**

19.1 Where the Client consists of more than one person:

- (A) the liability and obligations of each of them shall be joint and several and references to the Client shall be construed, as the context requires, to any one of them;
- (B) the Broker is entitled to, but shall not be obliged to, act on instructions or requests from any of them;
- (C) any notice, payment or delivery by the Broker to any one of the Client shall be a full and discharge of the Broker's obligations to notify, pay or deliver under this Agreement; and
- (D) the Broker is entitled to deal separately with any one of the Client on any matter including the discharge of any liability to any extent without affecting the liability of any others. Notwithstanding the above paragraph (B) and any agreement between any person of the Client with the Broker, the Broker reserves the right to demand all the persons of the Client to give instructions or requests in writing or in any such other manner determined by the Broker before the Broker's accepting or acting on such instructions.

19.2 Where the Client consists of more than one person ("joint account holder(s)"), on the death of any of such persons (being survived by any other such persons), the death of one person does not operate to terminate this Agreement automatically unless terminated in accordance with other provisions of this Agreement but such death constitutes an Event of Default (Clause 9.1(B)) and the interest in the Account of the deceased will thereupon vest in and enure for the benefit of the surviving joint account holder(s) provided any liabilities incurred by the deceased joint account holder(s) shall be enforceable by the Broker against such deceased person's estate. Notwithstanding the foregoing paragraph, in case that the Broker is aware of any claim received from a third party in relation to the assets in the Account of a deceased joint account holder or any joint account holder is incapacitated or a bankruptcy order is made against any joint account holder or the operation of the Account is affected by any Court order or notice from any competent authority against a joint account holder, the Broker is

entitled to take necessary action to solve the issue at its discretion, including without limitation suspension of the operations of and withdrawals of assets from the Account until the issue is solved (such as an administrator or receiver is appointed or the consent of the receiver or Official Receiver is obtained or the Court order is discharged or the relevant notice is removed).

## **20. NOTICES**

20.1 In the event of the Broker being required to give any reports, written confirmations, notice to, or make any demand or request of the Client or otherwise being obliged to contact the Client in connection with this Agreement notice may be personally delivered, transmitted by post, telex or facsimile or by telephone or through Electronic Media in each case to the address or telex, facsimile, telephone numbers or email address set out in the Client Information Statement or otherwise as notified to the Broker in writing from time to time.

20.2 Notices to be delivered by the Client to the Broker may be personally delivered, transmitted by post, telex or facsimile or by telephone in each case to the address or telex, facsimile or telephone numbers set out in this Agreement or otherwise as notified by the Broker from time to time.

20.3 All notices and other communications shall be deemed to be given at the time of transmission if delivered personally, by telex, facsimile or telephone or through Electronic Media or two days after the date of posting if transmitted by mail whichever shall be the first to occur; provided that any notice or other communication to be given to the Broker shall be effective only when received by the Broker.

## **21. TERMINATION**

21.1 Without prejudice to Clauses 9 and 18, the Broker and the Client may terminate this Agreement by giving to the other written notice. This does not affect the undertakings and indemnities given by and obligations of the Client under this Agreement (including but not limited to Clauses 13, 14, 15 and 16) and any rights and obligations under this Agreement outstanding as of the date of termination, all of which shall survive the termination. Without prejudice to the forgoing, any termination shall not affect the rights or liabilities of either party arising out of or in connection with any Transactions entered into before the time of termination, until all such contracts have been closed out or settlement and/or delivery has been effected and all such liabilities fully discharged.

21.2 Notwithstanding Clause 21.1, the Client has no right to terminate this Agreement if the Client has sums owing to the Broker, open position or any other outstanding liabilities or obligations.

## **22. GENERAL**

22.1 This Agreement sets forth the entire agreement and understanding between the parties hereto as to the matters

set out herein and the opening, maintenance and operations of the Account(s), and supersedes all previous representations, agreements, understandings, whether oral or written or otherwise, between them.

22.2 This Agreement may be translated into Chinese language but in the event of any conflict arising the English version shall prevail.

22.3 Time shall in all respects be of the essence in the performance of all the Client's obligations under or in connection with this Agreement.

22.4 Except where the Broker is given express written instructions to the contrary, in accordance with the terms of this Agreement, it may make payment of any amounts owing to the Client by crediting the same to the Account, details of which are specified in this Agreement. Payment to such Account shall constitute payments to the Client for all purposes.

22.5 All sums payable by the Client in connection with this Agreement shall be exclusive of all taxes, duties or other charges of similar nature. If any tax, duty or other charge of similar nature is required by law to be withheld from such payments, the amount payable by the Client shall be increased to the extent necessary to ensure that, after the making of any withholding, the Broker receives on the due date a net sum equal to what it would have received and retained had no deduction been made.

22.6 Any provision in this Agreement which is invalid for any reason in any jurisdiction shall be ineffective to the extent of such invalidity and shall be severed from this Agreement in that jurisdiction without affecting the validity of the remaining provisions of this Agreement in that jurisdiction or affecting validity of such provision in any other jurisdiction.

22.7 The Client hereby declares that he has read this Agreement in the language of the Client's choice of English or Chinese and that the Client understands and agrees to be bound by the terms of this Agreement.

22.8 The Client hereby irrevocably appoints the Broker with full power and authority as the Client's attorney, to the fullest extent permitted by law, to act for and on behalf of the Client for the purpose of carrying out the provisions of this Agreement and taking any action and executing any document or instrument in the name of the Client or the Broker which the Broker may deem necessary or desirable to accomplish the purposes of this Agreement.

## **23. DISPUTES AND GOVERNING LAW**

23.1 This Agreement and its enforcement shall be governed by the laws of Hong Kong and its provisions shall be continuous, shall cover individually and collectively all Accounts which the Client may open or re-open with the

Broker, and shall inure to the benefit of, and bind the Broker, the Broker's successors and assigns, whether by merger, consolidation or otherwise as well as heirs, executors, administrators, legatees, successors, personal representatives and assigns of the Client.

23.2 Any dispute arising under or in connection with this Agreement is to be settled by arbitration or by court proceedings in the Broker's absolute discretion which shall be binding absolutely on the Client.

23.3 Any dispute which, in the Broker's discretion, is referred to arbitration shall be settled at the Hong Kong International Arbitration Centre conducted in Hong Kong according to the securities arbitration rules of the Hong Kong International Arbitration Centre. The Client hereby expressly agree to accept the finding of any such arbitration as absolute and final.

23.4 By execution and delivery of this Agreement the Client hereby irrevocably submits to and accepts unconditionally the non-exclusive jurisdiction of the courts of Hong Kong. In the event of any legal proceedings being brought in the courts of Hong Kong this Agreement shall in all respects be governed by and construed in accordance with the laws of Hong Kong PROVIDED ALWAYS THAT the Broker shall have the right to proceed against the Client in any other court which has jurisdiction over the Client or any of the Client's assets and the Client hereby submits to the non-exclusive jurisdiction of such courts.



## **PART III– RISK DISCLOSURE STATEMENT**

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

### **1. RISK OF 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 OF TRADING GROWTH ENTERPRISE MARKET STOCKS**

- 2.1 Growth Enterprise Market (“GEM”) stocks involve a high investment risk. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. GEM stocks may be very volatile and illiquid.
- 2.2 You should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.
- 2.3 Current information on GEM stocks may only be found on the internet website operated by the SEHK. GEM companies are usually not required to issue paid announcements in gazetted newspapers.
- 2.4 You should seek independent professional advice if you are uncertain of or have not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of GEM stocks.

### **3. RISKS OF CLIENT ASSETS RECEIVED OR HELD OUTSIDE HONG KONG**

Client assets received or held by the Broker or its nominee(s) outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdiction which may be different from the Securities and Futures Ordinance (Cap. 571) and the rules made thereunder. Consequently, such client assets may not enjoy the same protection as that conferred on client assets received or held in Hong Kong.

### **4. RISK OF PROVIDING AN AUTHORITY TO HOLD MAIL OR TO DIRECT MAIL TO THIRD PARTIES**

If you provide the Broker with an authority to hold mail or to direct mail to third parties, it is important for you to promptly collect in person all contract notes and statements of the Accounts and review them in detail to ensure that any anomalies or mistakes can be detected in a timely fashion.

### **5. RISK OF TRADING NASDAQ-AMEX SECURITIES ON THE SEHK**

The securities under the Nasdaq-Amex Pilot Program (“PP”) are aimed at sophisticated investors. You should consult the Broker and become familiarized with the PP before trading in the PP securities. You should be aware that the PP securities are not regulated as a primary or secondary listing on the Main Board or GEM of the SEHK.

## **6. ELECTRONIC TRADING**

Trading on an electronic trading system may differ from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you 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 your order is either not executed according to your instructions or is not executed at all. In particular, your attention is drawn to the following:

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

## **7. 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. Your 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 and you should ask the firm with which you trade for details in this respect.

## **8. RISK OF OFF-EXCHANGE TRANSACTIONS**

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your 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 undertaking such transactions, you should become familiarised with the applicable rules and attendant risks.

## **9. RISK OF SECURITIES BORROWING AND LENDING**

In relation to your securities that you have authorised the Broker to apply under securities borrowing and lending agreement, you face a risk of loss of such securities.

## **10. RISK IN RELATION TO AUTHORISED THIRD PARTY**

There is substantial risk in allowing authorised third party to trade or operate the Account and it is possible that instruction could be given by persons not properly authorised and trading in the Account may go beyond the authority given by you. You accept all of the risks of such operation and irrevocably releases the Broker from all liabilities arising out of or in connection with such instructions, whether taken by the Broker or not.

## **11. RISK OF DEPOSITED CASH AND SECURITIES WITH THE BROKER**

You should familiarise yourselves with the protection given to the assets which you deposit for domestic or foreign transactions, particular in the event of a firm's insolvency. The extent to which you may recover your property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in event of a shortfall.

## **12. TRANSACTIONS IN OTHER JURISDICTIONS**

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before trading, you should enquire about any rules relevant to his particular transactions. Your local regulatory authority may be able to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask the firm with which you deal for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before starting to trade.\

## **13. CURRENCY RISK**

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

## OTHER RISKS

### (A) RISKS OF STRUCTURED PRODUCTS – SOME RISKS ASSOCIATED WITH STRUCTURED PRODUCTS

#### 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 HKEx corporate website.

#### 2. Uncollateralised product risk

Uncollateralised 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 uncollateralised.

#### 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.

#### 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.

#### 5. Extraordinary price movement

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.

#### 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.

## **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.

## **8. Some Additional Risks Involved in Trading Derivative Warrants**

### **I. 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.

### **II. 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.

## **9. Some Additional Risks Involved in Trading CBBCs**

### **I. 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.

### **II. 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.

For more information on derivative warrants and CBBCs, please visit the HKEx corporate website:

Derivative Warrants, Products & Services Section

(<http://www.hkex.com.hk/eng/prod/secprod/dwrc/dw.htm>)

Callable Bull/Bear Contracts, Products & Services Section

(<http://www.hkex.com.hk/eng/prod/secprod/cbbc/Intro.htm>)

## **(B) RISKS OF ETFS – SOME RISKS ASSOCIATED WITH EXCHANGE TRADED FUNDS (ETFS)**

### **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.

### **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.)

### **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. 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.

### **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.

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

### **i. 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.

### **ii. 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:

#### **1. 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.

#### **2. 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. Please refer the List of Physical and Synthetic ETFs to see the summary classification of the currently listed ETFs on the HKEx securities market.

For more information on ETFs, please visit the Products & Services section of the HKEx corporate website:

<http://www.hkex.com.hk/eng/prod/secprod/etf/etfmain.htm>

Additional information on ETFs can also be found on the SFC website:

ETF Leaflet

<http://www.invested.hk/invested/en/pdf/etfleaflet.pdf>

Index Tracking Exchange Traded Fund - Getting Started

[http://www.invested.hk/invested/en/html/section/products/funds/ETF/etf\\_key.html](http://www.invested.hk/invested/en/html/section/products/funds/ETF/etf_key.html)



## **( C ) RENMINBI SECURITIES PRODUCTS**

THE FOLLOWING RISK DISCLOSURE STATEMENTS ARE NOT EXHAUSTIVE. FOR THE AVOIDANCE OF DOUBT, THE TRANSACTION INVOLVING SECURITIES PRODUCT DENOMINATED IN RENMINBI CURRENCY (“RENMINBI SECURITIES PRODUCTS”) IS ALSO SUBJECT TO THE CONDITIONS STATED BELOW.

### **RENMINBI CURRENCY RISKS**

Renminbi is subject to exchange rate risk and is currently not freely convertible. Provision of Renminbi conversion and other services through and/or by the Broker in Hong Kong is subject to the relevant regulatory and other policy requirements and restrictions as may be changed from time to time.

The Transaction of buying and selling Securities involving Renminbi currency may be subject to multiple currency conversion costs, as well as the Renminbi exchange rate fluctuations and bid/offer spreads when assets are sold to meet redemption requests and other capital requirements (including e.g. settling operating expenses).

The Mainland China government regulates the conversion between Renminbi and other currencies. If the restrictions on Renminbi convertibility and the limitations on the flow of Renminbi funds between Mainland China and Hong Kong become more stringent, the depth of the Renminbi market in Hong Kong may become further limited.

The value of the Renminbi against the Hong Kong dollar and other foreign currencies is affected by a number of facts inter alia any changes in the Mainland China and international political and economic conditions and therefore fluctuates. In addition, the value of the Renminbi Securities Products in Hong Kong dollar terms may decline if the value of Renminbi depreciates against the Hong Kong dollar.

### **Limitation on the provision of Renminbi Funding**

If the Client does not have sufficient Renminbi funding to subscribe or purchase Renminbi Securities Products or is required by the Broker to convert credit balance in the Account into Renminbi currency for any subscription or purchase of Renminbi Securities Products, subject to the compliance with all applicable laws, rules and regulations, the Broker may assist the Client or on Client's behalf to convert the credit balance in other currencies in the Account into Renminbi currency. However, the Broker will not guarantee the provision of sufficient Renminbi funding to the Client. If there is no sufficient Renminbi funding required for the relevant Transaction due to any factors inter alia limitation on the flow of Renminbi funds in Hong Kong, the Broker may cancel or unwind the relevant Transaction and the Client's investment may be adversely affected.

For the purpose of settlement, clearing or receiving any monies such as dividend on behalf of the Client, the Broker has sole and absolute discretion to nominate or determine a settlement currency from time to time for any Transaction involving inter alia any Securities denominated in currency other than Hong Kong dollar. In this case, proceeds of

settlement or monies denominated in currencies other than the nominated settlement currency received by the Broker on behalf of the Client may be converted into the nominated settlement currency. The Broker may be required to buy or sell foreign currency (spot or forward). The exchange rate that shall apply is the exchange rate determined by the Broker or the Affiliates/Group or its agent (or any other company being a financial institution licensed or authorized by a relevant monetary authority as the Broker may elect) on the basis of prevailing market in the Broker's discretion, unless otherwise agreed.

Notwithstanding anything mentioned in the Agreement to the contrary, the Client shall not be entitled to receive any interest on any credit balance denominated in currency other than Hong Kong dollars in the Account, unless otherwise agreed.

## PART IV – DATA PRIVACY POLICY

- (1) As a client (the “**Client**”) of Head & shoulders Securities Limited (the “**Broker**”), it is necessary from time to time for the Client to supply his/her personal data (“**Personal Data**”), within the meaning ascribed in the Personal Data (Privacy) Ordinance (Chapter 486 of the laws of Hong Kong) (the “**Privacy Ordinance**”) to the Broker or Broker Group Companies when opening or continuation of accounts, or in the establishment, continuation or provision of investment, dealing or related services (including, as the case may be, discretionary investment management services).
- (2) Failure to supply Personal Data may result in the Broker being unable to open or continue accounts or establish, continue or provide investment, dealing or related services.
- (3) Personal Data may also be collected in the ordinary course of continuation of the business relationship with Broker Group.
- (4) Subject to the provisions of the Privacy Ordinance, any Personal Data may be used for the following purposes:
  - (A) the daily operation of the services provided to the Client;
  - (B) (in case of provision of discretionary investment management services) making investment decisions on behalf of the Client;
  - (C) ) conducting credit checks;
  - (D) ensuring ongoing credit worthiness of the Client;
  - (E) marketing investment, dealing or related services or products;
  - (F) supporting any statements made in any documents in connection with the services of the Broker;
  - (G) assisting other relevant parties, professionals, institutions or relevant regulatory authorities to verify certain facts in connection with the services of the Broker;
  - (H) meeting the requirements to make disclosures under the requirements of any laws and/or regulations binding on the Broker;
  - (I) forming part of the records of the recipient of the data as to the business carried on by it; and
  - (J) any other purposes relating to or incidental to any of the above.
- (5) The Broker will keep Personal Data confidential but the Broker may provide Personal Data to the following persons in furtherance of the purposes set in the above paragraph (4):
  - (A) any agent or third party service provider who provides services to the Broker in connection with the operation of

- its business;
- (B) an appropriate person under a duty of confidentiality to the Broker including any Broker Group Company which has undertaken to keep such information confidential;
  - (C) any person or institution with which the Client has or proposes to have dealings;
  - (D) ) credit reference agencies and debt collection agencies (in the event of default payment);
  
  - (E) any regulatory authorities or exchanges which relate to or govern any business of the Broker and any Broker Group Company;
  - (F) any assignee, transferee, delegate, successor or person to whom the account of the Client is transferred and the authorised person of the Client; and
  - (G) any of the Broker's actual or proposed assignee or participant or sub-participant or transferee.
- (6) The Personal Data may be transferred to any place outside Hong Kong, whether for the processing, holding or use of such data outside Hong Kong, and also to service providers which offer services to any Broker Group Company in connection with the operation of its business.
- (7) To the extent permitted by law, the Personal Data collected by the Broker from time to time may be used and disclosed in accordance with the Data Privacy Policy.
- (8) In accordance with the terms of the Privacy Ordinance, any individual has the right to:
- (A) check whether the Broker holds data about him/her and access to such data;
  - (B) require the Broker to correct any data relating to him/her which is inaccurate;
  - (C) ascertain the Broker's policies and practices in relation to data and be informed of the kind of personal data held by the Broker; and
  - (D) in relation to customer credit, request to be informed which items of personal data are routinely disclosed to credit reference agencies or debt collection agencies, and be provided with further information to enable the making of an access and correction request to the relevant credit reference agency or debt collection agency.
- (9) In accordance with the Privacy Ordinance, the Broker has the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data (when client considers that his/her personal data, supplied by the Broker following a data access request, are inaccurate) or for information regarding policies and practices and kinds of data held should be addressed as follows:

Data Privacy Officer

Room 2511, 25/F, Cosco Tower, 183 Queen's Road Central, Hong Kong

Telephone number: 3103 8388