

# 信控國際證券有限公司

XinKong International Securities Limited

XINKONG INTERNATIONAL SECURITIES LIMITED

信控國際證券有限公司

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CLIENT AGREEMENT

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XinKong International Securities Limited  
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**THIS CLIENT AGREEMENT** is made the date stated in the Account Application Form  
**BETWEEN**

(1) XinKong International Securities Limited, a company incorporated in Hong Kong with its principal place of business at Rooms 1703-1704, YF Life Centre, 38 Gloucester Road, Wan Chai, Hong Kong and a corporation licensed for Type 1, Type 2, Type 4 regulated activities under the Securities and Futures Ordinance with CE no. ACV085 and an exchange participant of the SEHK (“**XinKong**”, “**we**”, “**our**” or “**us**”); and

(2) The party whose name, address and details are set out in the Account Application Form (the “**Client**”, “**you**”, “**your**”).

You agree to be bound by the terms in this Client Agreement, and wish to engage XinKong to provide the services herein.

## **1. DEFINITIONS AND INTERPRETATION**

1.1 In this Client Agreement, the following expressions have the following meanings:

“**Account Agreement**” means this Client Agreement and the various Annexures attached hereto and the Account Application Form as originally executed or as thereafter from time to time amended or supplemented by such other documents as we may require from you for the operation of any Accounts and/or provision of any Services.

“**Account Application Form**” means the account opening form signed by you and which contains the mandate to XinKong in relation to any Accounts and/or Services.

“**Account(s)**” means any account(s) or sub-account(s) that you now or hereafter have opened or maintain with us in your name whether denominated in HKD, RMB, USD or any other currency in connection with the Account Agreement.

“**Agent**” means anyone who acts as the XinKong's agent in effecting Transactions or clearing the same in Hong Kong or elsewhere, including any member of an Exchange or Clearing House.

“**AEOI**” or “**Automatic Exchange of Financial Account Information**” means any Applicable Law that requires and facilitates the collection, reporting and exchange of information between governments or tax authorities, including but not limited to the Inland Revenue (Amendment) (No. 3) Ordinance 2016. Under the AEOI standard, we are required to identify account holders and controlling persons of certain entity account holders who are reportable foreign tax residents and report their Financial Account Information to the IRD, which will transfer this information to the tax authority of the reportable foreign tax resident's country of tax residence on a regular, annual basis.

“**Affiliate**” means in relation to XinKong:

- (a) any entity controlled, directly or indirectly, by XinKong;
- (b) any entity that controls, directly or indirectly, XinKong; or
- (c) an entity directly or indirectly under the common control with XinKong.

“**Annexure**” means any annexure to this Client Agreement as may be provided to you.

**“Applicable Law”** means (i) any local or foreign law, statute, ordinance, regulation, demand, guidance, guidelines, rules, codes of practice, whether or not relating to an intergovernmental agreement between the governments or regulatory authorities of two or more jurisdictions (including but not limited to any applicable intergovernmental agreements entered into pursuant to FATCA and AEOI) which in XinKong’s sole discretion XinKong is obligated to comply with; (ii) any agreement between XinKong and any domestic or foreign government authority; and (iii) any code of conduct, best practices, or internal XinKong policies adopted or implemented to facilitate XinKong’s compliance with (i) or (ii).

**“Authorised Person”** means any person you have authorised to give Instructions to us, as designated in or pursuant to the Account Agreement or as you may otherwise advise us in writing.

**“Business Day”** means a day (other than Saturday and Sunday) on which banks in Hong Kong are open for normal banking business and/or such other day or days as we may determine, either generally or in any particular case, provided that where, as a result of a Number 8 or higher Typhoon Signal, Black Rainstorm Warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day will not be a Business Day unless we otherwise determine.

**“China Connect”** means Shanghai-Hong Kong Stock Connect together with Shenzhen-Hong Kong Stock Connect.

**“China Connect Trading Agreement”** means the trading agreement in respect of China Connect Securities set out in Annexure 7 of this Client Agreement.

**“Clearing House”** means HKSCC in relation to SEHK and, in relation to any other Foreign Stock Exchange, the clearing house providing services similar to those of HKSCC to such Foreign Stock Exchange.

**“Client Agreement”** means this client agreement.

**“Client Money Standing Authority”** means the client money standing authority that you granted to XinKong in the terms set out in Annexure 4 as amended from time to time.

**“Code of Conduct”** means the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

**“Confidential Information”** means any information designated as confidential by any Party, relating to such Party or to the affairs of such Party of which either Party is in possession or control during the term of this Client Agreement, provided that Confidential Information will exclude information which at the time of its disclosure is, or which thereafter becomes, (in each case otherwise than as a result of any act or default by the recipient) part of the public domain by publication or otherwise.

**“Electronic Services”** means the electronic services which enable you to access information, obtain quotations and give electronic Instructions to us and/or receive trade confirmations and statements of account, via computer or other electronic transmission for use on compatible personal, home or small business computers, including internet appliance with modems, terminals or network computers that can connect to a telecommunication network.

**“Event of Default”** means:

- (a) your failure to comply with any provision of the Account Agreement and the observance of any by-laws, rules and regulations of the appropriate Exchange and/or Clearing House;
- (b) your failure to make any payment or delivery when due in accordance with this Client Agreement or to take any delivery when required to do so under a Transaction;
- (c) your failure to provide Margin when called upon to do so;
- (d) you becoming Insolvent;
- (e) your death or upon any judicial declaration of incompetence or incapacity made against you;
- (f) the levy or enforcement of any attachment, execution or other process against you;
- (g) any consent, authorization or board resolution required by you (being a corporation or a partnership) to enter into the Account Agreement being wholly or partly revoked, suspended, terminated or ceasing to remain in full force and effect;
- (h) any change in Applicable Law that prohibits or renders illegal the maintenance and operation of your Accounts;
- (i) any representation or warranty made by you in or in relation to this Client Agreement being or becoming incorrect or misleading in any material respect; or
- (j) the occurrence of any event or circumstance which, in our opinion, causes you to become unable or unwilling to, or which may have a material adverse effect on your ability to, perform or comply with one or more of your obligations under this Client Agreement.

**“Exchange”** means the SEHK, or the relevant exchange on which the relevant Securities are listed or traded.

**“FATCA”** means

- (a) sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended or supplemented from time to time;
- (b) any intergovernmental agreements, treaties, regulations, guidance, standards, memorandums of understanding, undertakings and any other arrangements between governments and regulators in connection with (a) above including as entered into by the Government of Hong Kong;
- (c) agreements between XinKong and its Affiliates and other regulators or government agencies including the IRS pursuant to or in connection with (a) and (b) above; and
- (d) any laws, rules, regulations, interpretations or practices adopted in the U.S., Hong Kong or elsewhere pursuant to any of the foregoing.

**“FDRC”** means the Financial Dispute Resolution Centre.

**“Financial Account Information”** means

- (a) any information concerning the Client’s identity or in relation to the Client and the controlling persons of the Client as defined under AEOI and FATCA (including

without limitation, name, address, the Client's and the controlling persons' jurisdiction(s) of tax residence, taxpayer identification number(s) (or its functional equivalent in the absence of taxpayer identification number) in that jurisdiction(s), place of birth, date of birth, the account number (or a functional equivalent in the absence of an account number), the name and identifying number of the reporting financial institution, account information (including without limitation its account balance or value, payments made to the account and the fact of closure of the account), and

- (b) any documentation or information (including without limitation self-certification forms, accompanying statements, waivers, and consents) as XinKong may from time to time require or as the Client and the controlling person may from time to time give pursuant to the Applicable Law.

**“Force Majeure Event”** means any event preventing us from performing any or all of our obligations under this Client Agreement which arises from or is attributable to acts, events, omissions or accidents beyond our reasonable control, including but not limited to an act of terrorism or of God, fire, storm, flood, tempest, earthquake, war, nuclear leakage, riot, civil commotion, rebellion, pandemic; act of any government or other competent authority; any change of law or regulation; lock-outs, strikes or other industrial disputes; failure or breakdown in communications, computer facilities or software; and the failure of any relevant Exchange, clearing house, settlement system or broker for any reason to perform its obligations.

**“Foreign Stock Exchange”** means a stock exchange which is permitted to operate in a country or territory outside Hong Kong by the law of that country or territory, or any over the counter market.

**“Futures Contracts”** has the meaning given in Schedule 1 to the SFO.

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

**“HKSCC”** means the Hong Kong Securities Clearing Corporation Limited.

**“Instructions”** means any instructions, communications or requests made or given, or which purported to have been made or given, by you or your Authorised Person(s) in any form (whether orally or in writing) and by such means (whether by hand, facsimile, electronically or otherwise) as we may allow. **“Instructions”** in the Account Agreement are deemed to include electronic instructions given by means of the Electronic Services.

**“Insolvency”** or **“Insolvent”** means, in relation to a person:

- (a) the person being insolvent or bankrupt;
- (b) any action being instituted by or against the person for the purpose of the person entering into winding-up, dissolution, bankruptcy, reorganisation or any similar arrangement under any bankruptcy or insolvency law;
- (c) any order being made by any competent court or any resolution being passed for the appointment of a liquidator, receiver, custodian, executor, judicial manager, administrator or trustee of the whole or any part of the person’s assets or business;
- (d) the person entering into any arrangement or composition with or assignment for the benefit of the person’s creditors; or

- (e) the person ceasing or threatening to cease to carry on its business, becoming unable to pay its debts as they mature, or committing any act of insolvency.

**"IRD"** means the Inland Revenue Department of Hong Kong.

**"IRS"** means the U.S. Internal Revenue Services.

**"Loss"** includes but is not limited to losses, damages, costs, claims, liabilities, charges, demands and expenses.

**"Margin"** means cash, Securities, funds, and/or other assets or collateral acceptable to us.

**"Margin Client Agreement"** means the margin client agreement set out in Annexure 6 of this Client Agreement.

**"Margin Requirement"** means the amount of Margin that you are required to deposit and/or hold with us as consideration for entering into a Transaction and/or maintaining an open position.

**"Party"** means a party to this Client Agreement.

**"PDPO"** means the Personal Data (Privacy) Ordinance (Cap. 486 of the laws of Hong Kong).

**"person"** includes, where the context permits, an individual, sole proprietorship, partnership, trust, corporation and unincorporated body of persons.

**"Personal Data"** has the meaning given in section 2 of the PDPO.

**"PRC"** means the People's Republic of China, and shall not include Hong Kong, the Macau Special Administrative Region and Taiwan.

**"Regulator"** means the SFC and any government body, regulatory authority, self-regulatory organisation, exchange or clearing house which has jurisdiction in any market(s) in respect of any Transactions or Services, wherever located.

**"Risk Disclosure Statement"** means the risk disclosure statement set out in Annexure 1 of this Client Agreement.

**"RMB"** means Renminbi, the lawful currency of the PRC.

**"Schedule of Commission and Services Charges"** means the schedule outlining the commissions, fees, charges, taxes, stamp duty, levies and other relevant fees and expenses in respect of the Accounts and Services, as amended or supplemented.

**"Securities"** has the meaning given in Schedule 1 to the SFO.

**"SEHK"** means The Stock Exchange of Hong Kong Limited and include its successors, assigns and any resulting or surviving entity into or with which it may consolidate, amalgamate or merge.

**"Services"** means any and all facilities, products and/or services granted and/or made available by us to you.

**"SFC"** means the Hong Kong Securities and Futures Commission.



“**SFO**” means the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong).  
“**Short Selling Order**” has the meaning given to it in Schedule 1 to the SFO.

“**Transactions**” means all transactions in Securities made under the Account Agreement, including the purchasing, subscribing, selling, exchanging of, or the acquiring, disposing of, and other dealings in and with, any and all kinds of Securities on any Exchange including (but not limited to) safe-keeping of securities and the provision of nominee or custodian service therefor and other transactions effected under or pursuant to the Account Agreement, as we may agree.

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

“**U.S. Person**” includes any natural person who is a citizen of or resident in the United States; a corporation, partnership or other business organisation organised or incorporated under the laws of the United States or any political subdivision thereof, any estate or trust which is administered by an executor or trustee who is a U.S. person or the income of which is subject to U.S. federal income taxation regardless of its source; any account (other than any estate or trust held by a dealer or fiduciary for the benefit of a U.S. person) and any partnership or corporation organised and incorporated under the laws of any foreign jurisdiction which was formed by U.S. person principally for the purpose of investing in securities not registered under the United States Securities Act of 1933. “U.S. Person” shall not include any branch or agency of a United States bank or insurance company that is operating outside the United States for valid business reasons as a locally regulated branch or agency engaged in the banking or insurance business and not formed primarily for the purpose of investing in securities not registered under the United States Securities Act of 1933. For purposes of this definition, the “United States” includes the United States of America, its states, territories and possessions and the District of Columbia. We reserve the right to amend this definition of “U.S. Person” by notice to the Client as may be necessary to conform to applicable law and authoritative interpretation thereof.

1.2 In this Client Agreement, unless the context requires otherwise:

- (a) a reference to any legislation or legislative provision includes any statutory modification, re- enactment or replacement of and any subordinate legislation under that legislation or legislative provision;
- (b) headings are for convenience of reference only and do not affect interpretation;
- (c) a reference to a Clause or Annexure is to a Clause or Annexure of this Client Agreement;
- (d) a Clause or Annexure forms part of this Client Agreement; and
- (e) the singular includes the plural and vice versa.

## **2. SERVICES AND ACCOUNTS**

2.1 All Services described in Annexure 2 are available upon our written confirmation to you of the availability of such Services and provided that you have satisfied all conditions precedent prescribed by us with respect to the provision of such Services. The Services will be available subject to the terms and conditions contained in Annexure 2.

2.2 An Account may be opened when you sign the Account Application Form and any other documents we require. We may open a sub-account for each Service and/or for each currency that you deposit with us or in which any of your investments are denominated. We reserve the right to reject any Account Application Form and/or any other documents in our discretion.

You acknowledge and agree that we may impose additional terms for the provision of a particular Service or Account in the Annexures, Account Application Form or such other documentation.

- 2.3 We may introduce and provide new Services and notify you of the terms governing such new Services. The terms of the new Services, provided that they are consistent with this Client Agreement, will apply and be binding on you. If there is any conflict between this Client Agreement and the terms for the new Services, the terms for the new Services will (unless we determine otherwise) prevail.
- 2.4 You agree to:
- (a) provide all documents required under the Account Application Form, including certified copies of all such documents as we may reasonably request;
  - (b) do such things as may be necessary or desirable for the opening and maintenance of the Accounts; and
  - (c) ratify or confirm anything done or to be done by us or our agents in the exercise of your rights and powers under this Client Agreement.
- 2.5 This Client Agreement takes effect when you signify your acceptance by placing an Instruction with us, or when you otherwise use the Services or operate the Accounts.
- 2.6 Where the Client has now hereafter opened any margin securities account with XinKong, in so far as such margin securities account is concerned you hereby agree to be bound by the terms and conditions set out in the Margin Client Agreement set out in Annexure 6 of this Client Agreement.
- 2.7 Where the Client has now hereafter applied for any trading services of China Connect Securities with XinKong, in so far as such China Connect trading services is concerned you hereby agree to be bound by the terms and conditions set out in the China Connect Trading Agreement set out in Annexure 7 of this Client Agreement.

### **3. DELEGATION**

- 3.1 Subject to Applicable Law, you agree and authorise that:
- (a) we may in our absolute discretion select and engage another entity, whether in Hong Kong or outside Hong Kong, as our agent to provide any of the Services or in respect of any Transaction on such terms as we determine; and
  - (b) we will be treated as having entered into Transactions on your behalf, and the rules of any Exchange or Clearing House through such Transactions are executed and settled shall apply to such Transactions and shall be binding on you and that this Client Agreement will be construed accordingly.
- 3.2 We will use due care in the selection of agents but we will not be liable for the acts, omissions or default of any agent, on delivery, Loss or destruction of any investment or any Loss incurred by you in connection with the use or appointment of or delegation to such agent, in connection with the Services.

### **4. JOINT ACCOUNT**

- 4.1 Where you consist of two or more persons:

- (a) you agree that you have entered into this Client Agreement as joint tenants with a right of survivorship;
- (b) the obligations and warranties of each person will be joint and several, and we will be entitled to deal with any one of them as agent for all of them in the absence of any written Instructions to the contrary;
- (c) if we receive conflicting Instructions or orders from any persons constituting you, we will be entitled to act on the latest written Instructions or act on the mandate of all the persons constituting you or refuse to act altogether, and in any of the aforesaid events, we will not be held liable or responsible for any Losses whatsoever in respect of any such action; and
- (d) any delivery of payments or Securities to any one of such individuals shall be a valid and complete discharge of our obligations to each individual regardless of whether such delivery are made before or after the death of any one of more of such individuals.
- (e) we will be entitled to serve demands, notices, confirmations, statements and other communications on any person, which will be deemed to be effective and binding service on all such persons constituting you.

The Account Agreement shall be binding on your heirs, executors, administrators, personal representatives, successors and assigns, as the case may be.

4.2 Without prejudice to the foregoing, if the Accounts are opened in the name of a partnership:

- (a) any requests, orders, Instructions or receipts given by any partner or any other partner admitted hereafter to the partnership will be binding on all of the partners of the partnership;
- (b) this Client Agreement will be binding on the partners and persons deriving title under them and will not be terminated or in any way affected or prejudiced by any change in the constitution of the partnership, other than in accordance with this Client Agreement; and
- (c) you will notify us in writing of any changes in the constitution of the partnership and on such change, we will be entitled to terminate this Client Agreement.

4.3 On the death, mental and/or other legal incapacity, or Insolvency, of any one of you:

- (a) you undertake to give us immediate notice in writing of the death, mental and/or other legal incapacity, or Insolvency of any of you, including any evidence thereof;
- (b) without prejudice to Clause 4.3(a), on the death of any one of you, the surviving person, or the executor or administrator of the deceased person's estate, must produce and deliver to us an original, or a properly certified true and complete copy, of the death certificate, declarations and any other relevant documents in relation to the death of the deceased person;
- (c) we may treat the death, mental and/or other legal incapacity, or Insolvency, of any of you as an Event of Default under this Client Agreement and take any action, or accept and treat the Instructions of the surviving person as an affirmation of the validity of this Client Agreement;
- (d) subject to Clause 4.3(b), as at the date of death and at any time thereafter:

- (a) the estate of the deceased person will have no interest in any Securities or Futures Contracts, monies or other investments held by us on your behalf;
- (b) we will hold all credit balances and interests in any Securities or Futures Contracts, monies or other investments in the Accounts to the order of the surviving person (or, in the event of death of all of you, to the executor or administrator of the last surviving person's estate). Any payment by us to the surviving person or to the executor or administrator of the last surviving person's estate will be the full, absolute and conclusive discharge of our liabilities and obligations to all of you; and
- (c) the estate of the deceased person will remain liable, jointly and severally, with the surviving person(s), for any liabilities or any Loss suffered or incurred by us in relation to this Client Agreement. In this event, we will be entitled to exercise our right of set-off pursuant to Clause 19;
- (e) you agree and acknowledge that all Instructions and Transactions will be subject to the claims or objections of any relevant authority but will be without prejudice to:
  - (a) any rights which we may have arising out of any liens, charges, pledges, set-off, claims, counterclaims or otherwise whatsoever; and
  - (b) any legal proceedings or other steps which we may deem necessary or desirable to take in view of any claim by any person other than the survivors, or executors or administrators of the deceased person's estate; and
- (f) we may require such information and/or take such steps as we may at our discretion deem necessary or desirable to protect our interests with respect to any Loss we may incur under Applicable Law.

## **5. AUTHORISED PERSONS**

- 5.1 Subject to our approval, you may appoint Authorised Persons to give us Instructions on your behalf regarding any Accounts and/or Services by providing a written power of attorney or such other form of authorisation in a form that is to our reasonable satisfaction.
- 5.2 All acts of the Authorised Persons will be binding on you and you authorise us to rely on, and treat as fully authorised, any Instruction or communication (by whatever means of communication and whether or not in writing) which purports to be given on your behalf by any Authorised Person. We will accept any Instruction or communication in good faith without further enquiry and will not be liable or responsible for any Losses arising from an Authorised Person's error.
- 5.3 All persons who are joint holders of the Accounts will be considered Authorised Persons for those Accounts.

## **6. TRANSACTIONS**

- 6.1 All Transactions will be effected in accordance with and will be subject to Applicable Law, this Client Agreement and our trading policies and procedures. All actions taken by us in accordance with Applicable Law will be binding on you.
- 6.2 You authorise us to accept, act on and rely on any Instructions. All Instructions are irrevocable unless we agree otherwise. Any Transaction effected by us on the basis of your Instructions will be binding on you, whether made with or without your authority, knowledge or consent.

Under no circumstance should we have any duty to enquire or verify the identity or authority of the person giving instruction by any accepted means. You must immediately notify us if you become aware that there are Transactions in the Accounts in respect of which you did not give any Instructions. You agree to fully indemnify and keep indemnified us and our Affiliates against any loss, cost, claim, liability or expense, including legal fees arising from this authorization.

6.3 You agree that we may require you to:

- (a) in respect of Instructions given orally, confirm in writing to us immediately following such Instructions being given; and
- (b) in respect of written Instructions given by facsimile, email or any other means of communication, sign on our request such other documents.

6.4 You acknowledge that telephone conversations between you and us and your Instructions may be recorded and that the recording will, to the extent permitted by Applicable Law, be conclusive evidence of the contents and nature of the relevant conversations and your Instructions. You agree and consent to such recording by us and agree to the admissibility into evidence of such recording in any legal or regulatory proceedings between you and us.

6.5 Unless we decide otherwise or you give us specific and precise Instructions to the contrary, Instructions are valid for the day on which the relevant Instructions are received by us and will lapse on the market close of the relevant Exchange(s) or market(s) on that day. If the relevant Exchange or market is closed at the time of our receipt of the Instructions, the Instructions will be treated as an Instruction received for execution on, and will remain valid for the duration of, the next Business Day.

6.6 You agree that:

- (a) subject to Applicable Law, we have no obligation to accept, execute or cancel all or any part of the Instruction and may decline to accept, act on or rely on any Instructions without giving you any reason;
- (b) we have no obligation to act in accordance with your Instructions if we believe that such Instructions may result in us or you breaching Applicable Law; and
- (c) we will not be liable in any way for any Loss suffered or incurred by you arising out of or in connection with us declining to act on any Instructions from you or by us omitting to notify you of such decision or action taken by us.

6.7 You confirm that:

- (a) the Accounts is operated solely for your account and benefit, and not for the benefit of any other person; or
- (b) you have disclosed to us in writing the name of the person(s) for whose benefit your Accounts are being operated.

6.8 You agree that you are solely responsible for compliance with all notifications, reports, disclosure and other relevant requirements under the Applicable Law and this Client Agreement in connection with your interests in Securities, Futures Contracts and other investments.

6.9 You agree that you are not related to or associated with any of XinKong's employees or agents. If, after the date of this Client Agreement, you become related to or associated with any of

XinKong's employees or agents, you will promptly notify us in writing of the existence and nature of such relationship or association.

6.10 Without prejudice to Clause 16.1(d), you agree not to engage in market misconduct, including but not limited to insider dealing, false trading and market manipulation, in which case you agree to take full responsibility for any consequences.

6.11 You agree that:

(a) If we solicit the sale of or recommend any financial product to you, the financial product must be reasonably suitable for you having regard to your financial situation, investment experience and investment objectives. No other provision of this Client Agreement or any other document we may ask you to sign and no statement we may ask you to make derogates from this Clause 6.11.

(b) In relation to Transactions entered by you without or inconsistent with any of our solicitations or recommendations, we are not responsible to you with respect to the suitability of the Transaction. Nor are we responsible for the profitability, tax, legal or accounting consequences of any such Transactions.

(c) Before you enter any transactions, you should note that we have no ongoing responsibility to ensure that a product we have solicited the sale of or recommended to you remains suitable for you and that if circumstances relating to you, such product, such product's issuer or general market conditions change, such product may no longer be suitable for you.

6.12 We undertake that, in relation to derivative products, including Futures Contracts and options, we will, upon your written request, provide product specifications and any prospectus or other offering documents concerning such products to you.

6.13 You authorize us, at any time and at our absolute discretion, for the purpose of obtaining a better execution price and/or reducing the volume of instructions, to consolidate and/or disaggregate your Instructions to purchase and/or sell Securities on your behalf with similar instructions received from our other clients. You agree that in the event of there being insufficient Securities available to satisfy the purchase/sell orders so consolidated, the number of Securities actually purchased/sold shall be attributed to the relevant customers in the order in which those orders were received by us.

6.14 You acknowledge that due to the trading practices of the Exchange or other markets in which Transactions are executed, it may not always be able to execute orders at the prices quoted "at best" or "at market" and you agree in any event to be bound by Transactions executed by us following Instructions given by you.

6.15 Relevant regulators, Agents or we may withdraw an order from our order processing system. It is your responsibility to maintain sufficient contact with us while there is an outstanding order on your Account so as to enable you to identify and resubmit a withdrawn order. While we may endeavour to notify you of a withdrawn order, we are under no obligation to do so and accept no responsibility for any loss incurred directly or indirectly by you as a result of the withdrawal or expiry of an order.

- 6.16 Subject to Applicable Laws and regulations and market requirements, we may in our absolute discretion determine the priority in the execution of our clients' orders, having due regard to the sequence in which such orders were received, and we shall not have any claim of priority to another client in relation to the execution of any order received by us.
- 6.17 Unless otherwise agreed, in respect of each Transaction, unless we are already holding cash or Securities on your behalf to settle the Transaction, you shall pay us cleared funds (including payment in a currency other than Hong Kong dollars) or deliver to us Securities which are fully paid with valid and good title and in deliverable form by such time as you have notified us in relation to the Transaction. You shall be responsible to us for any Losses and expenses resulting from your settlement failures.
- 6.18 You shall immediately notify us after payment of funds to us by delivering to us written evidence of such payment. You acknowledge that payment of funds to us may not be accredited to your Account or reflected in any account statement until such notification is received by us. You agree that any interest payable to or receivable by you under Clause 7.4 shall be calculated on this basis.
- 6.19 We will act as your agent in effecting transactions pursuant to the Account Agreement unless we indicate (in the contract note for the relevant transaction or otherwise) that we are acting as principal. For the avoidance of doubt, in the case in any trading of shares listed in the PRC, we will be maintaining an omnibus account with the Agents.

## **7. COMMISSIONS, FEES AND LEVIES**

- 7.1 We will charge you commissions, fees (including but not limited to administrative fees, arrangement fees, top-up fees and service fees), charges, taxes, stamp duty, levies (including all transactions and other levies imposed by any Exchange or Regulator), bank charges, transfer fees, interest, custodian expenses and other relevant fees and expenses in respect of the Accounts and Services, as we may determine and notify you from time to time; or in accordance with our Schedule of Commission and Services Charges, as amended; or which are required by the Applicable Law.
- 7.2 Without prejudice to Clause 7.1, you will pay or reimburse us, within such period as we may notify you, all commissions, fees (including but not limited to administrative fees, arrangement fees, top-up fees and service fees) and charges payable to us and our agents, taxes, stamp duty, levies (including all transactions and other levies imposed by any Exchange or Regulator), bank charges, transfer fees, interest, custodian expenses and other relevant fees and expenses for the provision of the Services or otherwise in connection with this Client Agreement.
- 7.3 We may deduct from all monies held in the Accounts (including, without limitation, any interest accrued on such monies) such amounts as are necessary to settle or partially settle all outstanding liabilities you owe to us (including any commissions, fees and charges and other amounts referred to in Clause 7.1).
- 7.4 All amounts due or payable by you will be payable promptly in freely transferable, cleared and immediately available funds in the currency in which it is due (unless otherwise required by us), without deduction (whether in respect of a set-off, counterclaim, taxation or otherwise). If you are required by any Applicable Laws to make such deduction, you will pay us the full amount owed to us net of such deduction.

- 7.5 You must pay interest on all overdue balances in the Accounts (including interest arising as a result of an Event of Default, or after a judgement debt is obtained against you); or an amount otherwise owing to us at any time at such rate as may be specified or notified to you from time to time by us; or without any such specification, at such rates and on such terms as we may determine and notify you. The rates shall be determined by us at our sole discretion and may be notified to you based on the prime rate quoted by the Standard Chartered Bank from time to time (plus or minus any margin as determined by us at our absolute discretion from time to time). Such interest will be calculated on a daily basis assuming a 365-day year and payable on the last day of each calendar month or on demand.
- 7.6 Your payment obligations will be discharged in the currency in which the payment is due (“**Stipulated Currency**”) (whether pursuant to a judgments or otherwise). If the amount so paid, on prompt conversion to the Stipulated Currency, does not yield the amount due in the Stipulated Currency, you will fully indemnify us against the deficiency and in respect of all other Losses (including the cost of making any currency purchase or exchange) which we may incur or suffer, provided that we will not be obliged to make such purchase or exchange and it will be sufficient for us to show that we would have suffered the deficiency had an actual purchase or exchange taken place.
- 7.7 We shall, at our absolute discretion, be entitled to solicit, accept and retain any benefit in connection with any transaction effected with any person for you pursuant to the terms and subject to the conditions of this Client Agreement, including any commissions, rebates or similar payments received in connection therewith, and rebates from standard commissions charged by brokers or other agents to their clients. We shall also, at our absolute discretion be entitled to offer any benefit in connection with any transaction effected with any person to you pursuant to the terms and subject to the conditions of this Client Agreement, including any benefit relating to commissions or similar payments in connection therewith.

## 8. CLIENT IDENTIFICATION

If you effect Transactions in Securities for the account of clients, whether on a discretionary or non-discretionary basis, and whether as agent or by entering into matching transactions as principal with your clients, you hereby agree that, in relation to a Transaction where we have received an enquiry from the SEHK or the SFC or any other exchange, governmental or regulatory authority in any jurisdiction (collectively the “**relevant regulators**”) the following provisions shall apply.

- 8.1 Subject as provided below, you shall, immediately upon request by us (which request shall include the relevant contact details of the relevant regulators), inform the relevant regulators of the identity, address, occupation and contact details of the client for whose account the Transactions was effected and (so far as known to you) of the person with the ultimate beneficial interest in the Transactions. You shall also inform the relevant regulators of the identity, address, occupation and contact details of any third party (if different from the client/ ultimate beneficiary) who originated the Transactions.
- 8.2 If you effected the Transactions for a collective investment scheme, discretionary account or discretionary trust you shall, immediately upon request by us (which request shall include the relevant contact details of the relevant regulators) , inform the relevant regulators of the identity, address and contact details of the scheme, account or trust and, if applicable, the identity, address, occupation and contact details of the person who, on behalf of the scheme, account or trust, instructed you to effect the Transactions.



- 8.3 If you effected the Transactions for a collective investment scheme, discretionary account or discretionary trust, you shall, as soon as practicable, inform us when your discretion to invest on behalf of the scheme, account or trust has been overridden. In the case where your investment discretion has been overridden, you shall, immediately upon request by us (which request shall include the relevant contact details of the relevant regulators), inform the relevant regulators of the identity, address, occupation and contact details of the person(s) who has or have given the instruction in relation to the Transactions.
- 8.4 If you are aware that your client is acting as intermediary for its underlying clients, and you do not know the identity, address, occupation and contact details of the underlying client for whom the Transactions was effected, you confirm that: (i) you have arrangements in place with your client which entitle you to obtain the information set out in Clauses 8.1 and 8.2 from your client immediately upon request or procure that it be so obtained; and (ii) you will, on request from us in relation to a Transaction, promptly request the information set out in Clauses 8.1 and 8.2 from the client on whose Instructions the Transactions was effected, and provide the information to the relevant regulators as soon as received from your client or procure that it be so provided.
- 8.5 For the purposes of investigating suspicious Transactions, you shall, immediately upon request by us inform us of the identity, address, occupation and contact details of the client for whose account the Transactions were effected.
- 8.6 You confirm that, where necessary, you have obtained all relevant consents or waivers from clients, collective investment schemes, discretionary accounts or discretionary trusts for whose account Transactions may be effected to release information to us and relevant regulators of the identity and contact details of such clients, collective investment schemes, discretionary accounts or discretionary trusts, and of the person(s) with the ultimate beneficial interest in any such Transactions, and (if different from the client/ ultimate beneficiary) of the person(s) who originated the Transactions.
- 8.7 The provisions of this Clause shall continue in effect notwithstanding the termination of this Client Agreement.

## **9. RISK DISCLOSURE**

- 9.1 You acknowledge and confirm that you:
- (a) have been provided with the Risk Disclosure Statement in a language of your choice, in either English or Chinese; and
  - (b) have been invited to read the Risk Disclosure Statement, to ask questions and take independent advice,
- as evidenced by your signature on the relevant Account Application Form or other documents.
- 9.2 You acknowledge and understand that:
- (a) opening and maintaining the Accounts and accepting any of our Services will involve risks, including but without limitation to, Losses arising as a result of entering into any investment; and

- (b) the information contained in the Risk Disclosure Statement cannot disclose the nature of all risks of all products or services, and is only a general description of the risks associated with the specific products or services that we may provide to you.

9.3 You acknowledge and agree that:

- (a) we cannot give any guarantee that any unsecured email sent by or to you will be received without having being falsified or on time or that they will reach the correctly entered addressee;
- (b) we give no guarantee that any email showing us as the sender actually comes from us (and, in the case of doubt, you must consult us by telephone or in person);
- (c) we may, without having to state the grounds for such refusal and without any liability, refuse to act upon any communications received via email as we think appropriate; and
- (d) we are under no duty to inquire into the authenticity of any email communication or the identity or the authority of the person giving or purporting to give such Instructions.

9.4 Notwithstanding that you may have informed us of any of your investment objectives, you shall be solely responsible for making your own independent investment decision and you give all Instructions in reliance on your own judgment. In addition we shall not owe you a duty (save only to the extent required by the rules of the SFC) to exercise judgment on your behalf as to the merits or suitability of the Transaction concerned. While any information given or view expressed by us will be in good faith, neither us nor any person who gives any information or expresses any view shall have any responsibility or liability in respect of that information or view.

9.5 You represent, warrant and agree that you understand the risks involved in entering into a Transaction (including those contained in the Risk Disclosure Statement) and you are willing and able to assume the risks and bear the potential Losses of such Transactions.

## **10. CONFLICTS OF INTEREST**

10.1 We will provide the Services on a non-exclusive basis. You acknowledge and agree that we are entitled to provide Services in a nature similar or identical to those provided in respect of the Service to others.

10.2 We may effect transactions with or for you in which we have a material interest or a relationship of any description with another party which gives rise to an actual or potential conflict with our duty to you. In such transactions, we:

- (a) will disclose such material interest or conflict to you before dealing in relation to such transactions; and
- (b) will execute such transactions on arm's length terms, consistent with best execution standards and at commission rates no higher than customary institutional rates.

10.3 We will not be liable to account to you for any profits, commissions or remunerations made or received from or by reason of transactions described in Clause 10.2 or to disclose the same or the identity of any other Client or counterparty involved in such transactions, nor will our fees, unless otherwise provided, be abated.

10.4 We may aggregate orders on your behalf with those of other clients. We will promptly allocate such orders in a fair and equitable manner in accordance with the requirements of the Code of

Conduct. You acknowledge and agree that such aggregation may operate to your advantage or disadvantage.

## **11. REBATES AND COMMISSION**

11.1 Subject to the Applicable Law, you agree that we will be entitled to:

- (a) accept goods and/or services (i.e. soft dollars) from any counterparty in consideration of directing transactions or businesses on your behalf to such counterparty; and
- (b) accept and retain cash and/or money rebates, brokerages and/or commission in relation to transactions effected on your behalf, provided that we provide you with periodic quantifications of the value of rebates returned; and
- (c) obtain and keep without being liable to you, any commission payable by any Affiliates or other third parties in connection with the provision of the Services.

11.2 Subject to Clause 11.1 and the Applicable Laws, you agree that we will be entitled to retain for our own account and benefit any profits, remunerations, fees, benefits, discounts and/or other advantages arising out of or in connection with the provision of the Services.

## **12. CONFIRMATIONS AND STATEMENTS**

12.1 Unless waived by us and to the extent required by the Applicable Laws, we will send you periodic statements reflecting Transactions and balances in the Accounts and a confirmation evidencing such Transaction carried out by you and/or the Authorised Person.

12.2 Every Transaction indicated or referred to in a confirmation, statement of account or other communication will be deemed correct unless we receive from you written notice to the contrary within 5 Business Days after the date of such confirmation, statement of account or other communication is deemed to have been received by you in accordance with Clause 25.

12.3 Every confirmation and statement of account will, in the absence of manifest error, be conclusive and binding on you as to the amount standing to the debit or credit of the Accounts.

## **13. TRANSACTIONS INVOLVING CURRENCY CONVERSIONS**

13.1 If we determine, at our discretion, that it is necessary to convert one currency into another currency for the purpose of us effecting a Transaction on your behalf, you agree that:

- (a) any currency conversions may be effected in such manner, and at such time and price, as we may determine;
- (b) any profits or Losses arising as a result of a fluctuation in the exchange rate affecting the relevant currencies will be entirely for your account and risk; and
- (c) you are responsible for any expenses and charges that may be incurred as a result of such currency conversion.

## **14. ELECTRONIC SERVICES**

14.1 Electronic Services described in Annexure 3 are available upon your request and our written confirmation to you of the availability of such Services; provided that you have satisfied all the conditions precedent prescribed by us with respect to the provision of such Services.

- 14.2 The Electronic Services will be available subject to the terms and conditions contained in Annexure 3.

## 15. FATCA AND AEOI

- 15.1 If we determine that it is required to make a deduction or withholding for or on account of tax imposed under, pursuant or incidental to the FACTA (or the United States Treasury Regulations or other guidance issued under it, any associated intergovernmental agreement, any similar or associated non-U.S. law or any agreement that we enter into with any supranational, governmental, quasi-governmental, regulatory, administrative, law enforcement or supervisory body, entity, department, office, institution or court or tribunal of competent jurisdiction, stock exchange, clearing house or any other authority, body, entity, department, office or institution (each an “**Authority**”) pursuant to any of the foregoing) (the “**FATCA Withholding Tax**”) as a result of the Client’s status under U.S. tax laws and regulations, the Client authorizes us to make such deduction or withholding in respect of any sum payable by us to you that is subject to the FATCA Withholding Tax, so that any payment to the Client will be made net of such deduction or withholding, and to pay any such deduction or withholding as may be necessary to the IRS, another Authority or any other person on behalf thereof.
- 15.2 The Client agrees to provide to us, and consents that we may gather, store, use, process, disclose and report to the IRS, IRD and relevant tax authorities, any Authority or any other person such information (including any information relating to any of the Account(s) with us and any transaction or dealing with the Client and the personal data of any person who is a direct or indirect beneficial owner, beneficiary or controlling person of the Client) necessary or helpful for us to comply, as a result of the tax residency status of the Client, the beneficial owner of the Client and the controlling person of the Client, with any obligation that we have or may become subject to in the future, whether in accordance with the provisions of any law, directive, regulation, rule, judicial or administrative order, judgment, injunction, government act, sanction, decree, writ or other form of judicial or administrative process, or assumed by us pursuant to an agreement with the IRS or another Authority, to provide information or documentation, or necessary or helpful for us to comply with FATCA and AEOI and to avoid or minimize the application of the FATCA Withholding Tax on payments that we may receive or that we may make to the Client.
- 15.3 The Client acknowledges that before the Client provides any information regarding the controlling persons, the Client has notified the controlling persons and obtained their consent that the Client can provide such information to us, Affiliates of XinKong, its agents and its service providers that such information may be provided to the IRS, IRD and relevant tax authorities for the purpose of compliance with FATCA and AEOI. XinKong and its Affiliates shall not be responsible or accountable for the consequences of any occasion where such consent has failed to be obtained.
- 15.4 The Client acknowledges that we may take or refrain from taking any action we reasonably determine is required by FATCA to take or refrain from taking, including without limitation closing, transferring or blocking Account(s).
- 15.5 The Client agrees to provide us, within 30 days upon our request of all such information and documents as may be necessary to verify the Client’s identity and do all such acts and things as may be necessary to enable us to comply with the Applicable Law. In particular, the Client:
- (a) shall provide us with any documentation or information relating to its identity and tax residency status and that of any person who is a direct or indirect beneficial owner, beneficiary or controlling person of the Client, including but not limited to IRS Forms W- 9, W-8BEN, W-8BEN-E, W-8IMY, FATCA and/or AEOI self-certification (for Financial Account Information to enable us to comply with its obligations pursuant to

the Applicable Law, including FATCA and AEOI) and other forms for serving the similar purposes;

- (b) shall provide us with any documentation or information relating to the direct or indirect ownership or holding of any of the Account(s) with us or any product, service, assistance or support whatsoever provided by us to the Client from time to time;
- (c) undertakes to comply with all requests made by XinKong for Financial Account Information to enable us to comply with its obligations, requirements or arrangements for disclosing or using Financial Account Information; and
- (d) shall provide us with such written consents and waivers of applicable data protection legislation or other rules or regulations in a form provided or approved by us from the Client's direct and indirect beneficial owners for the purpose of permitting us to take the actions set forth in Clause 15.2.

15.6 The Client agrees to inform us within 30 days if any of the foregoing information (including information contained in the documentation and forms, including the Financial Account Information, described above) changes and such change affects the tax residency status of the Client and the controlling person or causes any of the information contained in the self-certification to be incorrect or incomplete or is inaccurate, and to provide us with updated documentation, forms, self-certification and information.

15.7 If the Client fails to provide us with the information, documentation, forms, consents or waivers as described in Clauses 15.4 and 15.5 above in a timely and accurate fashion, we shall be entitled to reach whatever conclusions it consider to be appropriate as to the status of any account(s) of the Client with us or product, service, assistance or support whatsoever provided by us to the Client from time to time and report required information to the relevant tax authorities.

15.8 The Client hereby agrees that we shall not be in any way liable for any consequences arising out of any disclosure or any act under this Clause 15.

## **16. REPRESENTATIONS AND WARRANTIES**

16.1 You represent and warrant that:

- (a) the information relating to you provided pursuant to this Client Agreement is true, accurate and complete and we are entitled to rely on such information until we have received notice in writing from you of any changes therein.;
- (b) you have full power, authority, licences, consents and approvals and you have undertaken all necessary action to enable you to lawfully enter into and perform your obligations under this Client Agreement and the transactions contemplated by this Client Agreement;
- (c) the execution and performance of this Client Agreement does not violate any Applicable Law, or any document which is binding on you;
- (d) you are lawfully authorized to trade in any foreign securities, including shares listed in the PRC;

- (e) you will report to us all changes in the status of either your or the beneficiary owner's tax residency and/or nationality status for the purposes of satisfying our inter-jurisdictional tax compliance obligations, foreign securities ownership restriction rules and/or any other Applicable Laws.
  - (f) you will not engage or attempt to engage, and that you have proper safeguards in place to prevent yourself from engaging, in any activity which may constitute market misconduct under the SFO, and further agree to inform us immediately if you become aware of any activity by any person that may result in you being involved in market misconduct;
  - (g) this Client Agreement and each Transaction is your valid and legally binding obligations, enforceable against you in accordance with its terms;
  - (h) no Event of Default or any event which may become an Event of Default has occurred and/or is continuing;
  - (i) you will promptly provide to us all information or documents that are reasonably necessary for us to discharge our duties under this Client Agreement or which is required by the Applicable Law (including such information or documents as are deemed necessary by us to comply with our anti- money laundering programmes and related responsibilities);
  - (j) information or documentation provided by you or any Authorised Persons to us under this Client Agreement is accurate, complete, up to date and not misleading; and
  - (k) funds or other assets deposited in the Accounts were from legitimate sources and not derived from any activities that may contravene anti-money laundering laws or regulations.
- 16.2 You must promptly notify us if any representation ceases to be true, accurate or complete in any material respect.

## **17. PERSONAL DATA**

- 17.1 From time to time, it will be necessary for you to supply to us data (including Personal Data) in connection with the establishment or continuation of the Accounts or the provision of the Services. Failure to supply, or to allow us to use or disclose, such data may result in us being unable to provide, or continue to provide, the Services to you.
- 17.2 Your attention is drawn to the provisions of the Notice to Client Relating to the Personal Data (Privacy) Ordinance set out in Annexure 5, which is a notice regarding our use of your Personal Data.

## **18. LIABILITY AND INDEMNITY**

- 18.1 You acknowledge and agree that any action which we may take or omit to take in connection with the Accounts, the Services or any Instructions will be solely for your account and risk. Neither XinKong, its Affiliates or their respective directors, officers, employees and permitted delegates will be liable for any Loss which you may incur or suffer under this Client Agreement, except to the extent that such Loss is the direct result of any act or omission taken or omitted by us under this Client Agreement which constitutes gross negligence, wilful default or fraud.
- 18.2 We will not be liable in any circumstances for any Loss that constitutes indirect, special or consequential Loss, or Loss of profits, opportunity, goodwill or reputation in connection with

or arising out of this Client Agreement, including but not limited to any loss, expenses or damages suffered by you as a result of:

- (a) any inability, failure or delay on the part of us to comply with or carry out any such instruction or any ambiguity or defect in any such Instruction;
- (b) we in good faith acting or relying on any Instruction given by you, whether or not such instruction was given following any recommendation, advice or opinion given by us or any Affiliate or by any of our directors, officers, employees or agents;
- (c) we failing to perform our obligations hereunder by reason of any cause beyond our control, including any governmental or regulatory restriction, closure of or ruling by any Exchange (or any division thereof), suspension of trading, breakdown or failure of transmission or communication or computer facilities, postal or other strikes or similar industrial action, or the failure of any Exchange, Clearing House, Agent or other person to perform its obligations;
- (d) any Exchange, Clearing House, Agent or other person ceasing for any reason to recognize the existence or validity of Transactions entered into by us on your behalf, or failing to perform or close out any such contract provided that such cessation or failure shall not affect your obligations hereunder in respect of any such contracts or other obligations or liabilities of you arising therefrom; or
- (e) the mis-understanding or mis-interpretation of any Instruction given or placed verbally or electronically, or delays or errors in transmission owing to electronic traffic congestion or any other causes, or any mechanical failure, malfunction, suspension or termination of the continued operation or availability and mechanical failure or inadequacy of our telephone or telecommunication system or installation in connection with the receipt and processing of Instructions transmitted by telecommunication devices and all other related equipment, facilities and services.

- 18.3 You agree to hold harmless, fully indemnify and keep indemnified, XinKong, its Affiliates and their respective directors, officers, employees and permitted delegates against any and all Losses which may be paid, suffered or incurred by any of them in connection with the Accounts, the Services or any Instructions, or otherwise arising out of any action or omission by XinKong in accordance with the terms of this Client Agreement, or arising out of any breach by the Client of any of its obligations under this Client Agreement, including any costs reasonably incurred by t XinKong or its Affiliates in collecting any debts due to XinKong or any unpaid deficiency in the Account, in enforcing the rights of the Company hereunder or in connection with the closure of the Account, and any penalty charged as a result of any Transaction to the XinKong by any Exchange and/or Clearing House, including any Losses arising from market misconduct referred to in Clause 6.10, except to the extent that such Losses result directly from our gross negligence, wilful default or fraud.

## **19. SET-OFF AND CONSOLIDATION OF ACCOUNTS**

- 19.1 All Securities and monies held for or on your behalf, whether held by us or to our order through a third party and whether for safe custody or otherwise, will be subject to a general lien in our favour and held as security for the performance of your obligations under this Client Agreement. Subject to the Applicable Law, you agree that we may sell or otherwise realise such Securities and to apply the proceeds of such sale or realisation in discharge of your obligations and indebtedness under this Client Agreement.
- 19.2 Subject to and in addition to the Applicable Law, we may combine or consolidate any or all of the Accounts (whether alone or held jointly with any other person(s)) and set-off or transfer any

money, Securities or other property in any one or more Accounts to satisfy your indebtedness, obligations or liabilities (whether such indebtedness, obligations or liabilities are actual or contingent, primary or collateral, secured or unsecured, or joint or several, and whether or not such obligations and liabilities arise from the purchase and sale of securities by you on a cash-against-delivery basis) under this Client Agreement.

- 19.3 Without limiting or modifying the general provisions of this Client Agreement, we may, without notice, transfer any assets between any Accounts and any other accounts of its Affiliates in accordance with the Applicable Law.
- 19.4 In addition to any lien, right of set-off or other rights which we may have, we will be entitled to set-off the indemnity given under this Client Agreement or any such commission, charge, fee or monies owing to us in respect of the Services rendered against any of the Accounts, whether in Hong Kong or elsewhere, notwithstanding that the credit balances on such Accounts and your liabilities may not be expressed in the same currency.

## **20. TAX AND ACCOUNTING**

You will remain responsible for the management of your affairs for tax and accounting purposes. We will not provide you with tax or accounting advice or services and we are not responsible for reporting to you on the tax consequences of your Transactions.

## **21. EVENT OF DEFAULT**

- 21.1 If an Event of Default occurs, without prejudice to any other rights or remedies that we may have against you and without further notice to you, we shall be entitled to:
- (a) immediately close the Account;
  - (b) terminate all or any part of this Client Agreement;
  - (c) cancel any or all outstanding orders or any other commitments made on behalf of you;
  - (d) close any or all contracts between you and us, cover any short position of you through the purchase of Securities on the relevant Exchange(s) or liquidate any long positions of you through the sale of Securities on the relevant Exchange(s);
  - (e) dispose of any or all Securities held for or on behalf of you and to apply the proceeds thereof and any cash deposit(s) to settle all outstanding balances owing to us or its Affiliates including all costs, charges, legal fees and expenses including stamp duty, commission and brokerage properly incurred by us in transferring or selling all or any of the Securities or properties in the Account or in perfecting title thereto;
  - (f) borrow or buy any Securities required for delivery in respect of any sale effected for you; and
  - (g) combine, consolidate and set-off any or all Accounts of you in accordance with Clause 19. All amounts due or owing by you to us under this Client Agreement shall immediately become due and payable if an Event of Default occurs.
- 21.2 In the event of any sale pursuant to this Clause:
- (a) we shall not be responsible for any loss occasioned thereby howsoever arising if we have used reasonable endeavours to sell or dispose of the Securities or any part thereof at the then available market price;



- (b) we shall be entitled to keep for itself or sell or dispose of the Securities or any part thereof at the available market price to any person at its discretion without being in any way responsible for Loss occasioned thereby howsoever arising and without being accountable for any profit made by us and/ or any of the Affiliates; and
  - (c) you agree to pay to us any deficiency if the net proceeds of sale shall be insufficient to cover all the outstanding balances owing by you to us.
- 21.3 In the event of any Event of Default, you agree to authorize us to appoint receiver of any or all Securities held on your behalf. The receiver shall have the authority to take necessary actions based on our instructions, including but not limited to:
- (a) Acting as your agent to exercise all rights related to the Securities under the Account;
  - (b) Removing any Authorized Person;
  - (c) Appointing another Authorized Person in addition to or in place of any existing Authorized Person;
  - (d) Assessing and managing all Securities held;
  - (e) Conducting necessary transactions to protect the value of the assets;
  - (f) Selling or disposing of any held assets as instructed by us to repay amounts owed by you to us;
  - (g) The receiver shall not be liable for any losses or liabilities arising from the exercise of this right during the disposal of assets;
  - (h) We shall not be responsible for the actions of the receiver, and you shall be responsible for a receiver's acts;
  - (i) Any fees incurred by the receiver shall be determined by us which shall be deducted from the proceeds of selling your assets or shall be payable by us.

## **22. TERMINATION**

- 22.1 Notwithstanding any other provision in this Client Agreement, we may:
- (a) immediately suspend or terminate any or all of the Services at any time without prior notice to you;
  - (b) close your Accounts on giving you at least two Business Days prior notice; and/or
  - (c) immediately close any or all of your Accounts or suspend or terminate any or all of the Services without giving prior notice to you on the occurrence of an Event of Default.
- 22.2 On closure of the Accounts and/or termination of the Services, all amounts owed by you in respect of the closed Accounts and/or terminated Services (as applicable) will become immediately due and payable. We will cease to have any obligations to provide Services to you in accordance with the provisions of this Client Agreement, notwithstanding any Instructions from you to the contrary.
- 22.3 Subject to Applicable Law, on the closure of the Accounts and/or termination of the Services, we are authorised to:

- (a) cancel any or all outstanding Instructions or any other commitments made on your behalf;
- (b) close out any or all Transactions between you and us, cover any of your short positions through the purchase of Securities or liquidate any long position held by you through the sale of the Securities; and/or
- (c) sell, dispose of or otherwise deal with in whatever manner any Securities in the Accounts and any collateral security deposited by you with us and apply the proceeds in or towards satisfaction of your outstanding liabilities (if any) to us, our brokers and agents and any other third parties in respect of your Securities, Transactions and other investments,

in respect of the closed Accounts and/or terminated Services.

- 22.4 Any net cash proceeds received by us pursuant to a sale, realization, redemption, liquidation or other disposal under this Clause shall be credited to the Account and the net credit balance on the Account (if any) shall be returned to you, after first deducting or providing for all monies and sums due or owing and other liabilities accrued or accruing due to us and outstanding (whether actual or contingent, present or future or otherwise). All Securities not realized or disposed of together with any relevant documents of title in our possession shall be delivered to you at your sole risk and expense.
- 22.5 If a debit balance on the Account exists after application of the cash proceeds and deduction of any sums pursuant to this Clause, you shall immediately pay to us an amount equal to such debit balance together with our cost of funding such amount as notified to you by us up to the date of actual receipt of full payment by us (after as well as before any judgment).
- 22.6 We may effect such currency conversions as are necessary for the purposes of this Clause in each case at the spot rate of exchange (as determined by us in our absolute discretion) prevailing in the relevant foreign exchange market (as determined by us in our absolute discretion) on the relevant date.
- 22.7 You may request termination of any Accounts or Services on giving us 10 Business Days' prior written notice.
- 22.8 Termination will not affect any transaction effected before the date of termination of this Client Agreement and will be without prejudice to the rights and obligations which have arisen under this Client Agreement before the date of termination.

## **23. SUSPENSION OF INACTIVE ACCOUNT**

- 23.1 Notwithstanding our suspension powers under Clause 22.1 above, we may suspend any or all of the Services (including Electronic Services) commencing from the second anniversary of the last Transaction in any Accounts ("**Suspension Period**") without prior notice to you.
- 23.2 Following our decision to suspend Services and/or your Accounts in accordance with Clause 23.1, you agree and acknowledge that we will cease to provide any Services to you, including, without limitation,
  - (a) transferring monies in or out of any Accounts;
  - (b) providing you with any confirmation, statement of account or other communications reflecting the status of your Accounts, subject to the extent required by Applicable Law; and

- (c) acting and/or omitting to carry out any Instructions received from you following the Suspension Period.
- 23.3 You agree to waive your rights to make any claims against us for actions and/or omissions to perform any obligations under this Client Agreement over the Suspension Period and thereafter until you have re-activated your Accounts (“**Dormant Period**”) by following the steps set out in Clause 23.4 below.
- 23.4 In order to re-active any Accounts or conduct any Transaction, you agree to:
  - (a) provide all documents required under the latest Account Application Form, including certified copies of all such documents as we may reasonably request;
  - (b) acknowledge and abide by the latest Client Agreement;
  - (c) do such things as we consider necessary or desirable for the re-activation of the Accounts; and
  - (d) ratify or confirm anything done or to be done by us or our agents in the exercise of your rights and powers during the Dormant Period.
- 23.5 We will re-activate your Accounts and resume the provision of all Services to you upon our written confirmation to you of the availability of such Services and provided that you have satisfied all conditions precedent prescribed by us set out in Clause 23.4.
- 23.6 For the avoidance of doubt, your Accounts will be regarded as “dormant” during the Dormant Period and will not be closed by us until we terminate any or all our Services and/or close your Accounts in accordance with Clause 21.

## **24. CONFIDENTIALITY**

- 24.1 Neither Party may, either before or after the termination of this Client Agreement, disclose to any person any Confidential Information. Each Party will use all reasonable endeavours to prevent the disclosure of any Confidential Information.
- 24.2 The obligations of confidentiality under Clause 24.1 will not apply where Confidential Information is:
  - (a) used by or disclosed to an employee, director, officer, representative, agent or delegate of a Party on a need-to-know basis for the purpose of fulfilling that Party’s obligations under this Client Agreement or with the prior written consent of the other Party;
  - (b) required to be disclosed to any governmental or regulatory authority or stock exchange or otherwise required to be disclosed by any law or order of any court of competent jurisdiction to which the Party required to make the disclosure may be subject; or
  - (c) disclosed in confidence to the recipient’s advisers, lawyers, auditors or insurers where reasonably necessary for the performance of such advisers’, lawyers’, auditors’ or insurers’ professional services.

You irrevocably authorise us to make any such disclosure as stipulated in this Clause 24.2.

- 24.3 The obligations of confidentiality under Clause 24.1 survive termination of this Client Agreement.

## **25. NOTICES**

25.1 Any notices, demands or communications to be made or given by either Party under this Client Agreement will be in writing and addressed to the last known address, facsimile number, email address or such other contact address or number (as applicable) of the other Party.

25.2 Every notice, demand or communication sent in accordance with [Clause 25.1] will be effective as follows:

- (a) if delivered by hand, at the time of delivery;
- (b) if posted, where the addressee's address is in the same country as the country of posting, within 3 Business Days after the day of posting;
- (c) if posted, where the addressee's address is not in the same country as the country of posting, within 6 Business Days after the day of posting;
- (d) if sent by facsimile, at the time of transmission, provided that the transmission is confirmed by the transmission report showing the correct number of pages having been transmitted; or
- (e) if sent by email transmission, at the time of receipt when the email enters the recipient's information processing system,

provided that any such notice, demand or communication which would take effect after 4:00 p.m. on any particular day will not take effect until 10:00 a.m. on the immediately succeeding Business Day in the place of the addressee.

25.3 In proving service by post, it will be sufficient to prove that an envelope containing the notice was duly addressed, stamped and posted.

25.4 A facsimile transmission will be regarded as legible unless the addressee telephones the other party within 1 Business Day after transmission is received (or regarded as received under Clause 25.1) and informs the sender that the facsimile transmission is not legible.

## **26. ENGLISH AND CHINESE VERSIONS**

26.1 You acknowledge and confirm that:

- (a) this Client Agreement was provided to you in either, at your choice, English or Chinese;
- (b) you have read the English or Chinese version (as applicable) of this Client Agreement and the contents of this Client Agreement have been fully explained to you in either, at your choice, English or Chinese.

26.2 If any inconsistency arises between the English and Chinese versions of this Client Agreement, the English version will prevail.

## **27. AMENDMENT**

We may vary, modify, add or delete any terms of this Client Agreement by giving reasonable notice to you and any such amendment will take effect from such date as we may stipulate. The revised terms will be incorporated into the Client Agreement between us and you and will supplement and amend (to the extent consistent) this Client Agreement. Continued use by you

of the Accounts or the Services will constitute your acknowledgement and acceptance of the revised Client Agreement.

## **28. ASSIGNMENT**

- 28.1 You may not assign, transfer or otherwise dispose of any of your rights or obligations under this Client Agreement without obtaining our prior written consent.
- 28.2 We may assign our rights under this Client Agreement to one or more of our Affiliates or any other person as we think fit by giving you notice in writing, which must specify a date on which the assignment will become effective.

## **29. DEATH OR LEGAL INCAPACITY**

Subject to Clause 4.3, our rights under this Client Agreement will not be affected by your death or your mental and/or other legal incapacity.

## **30. FORCE MAJEURE**

- 30.1 We will not be liable for any failure or delay in performing any of our obligations under this Client Agreement, and any failure or delay in performing our obligations will not constitute a breach of this Client Agreement, if and to the extent that such failure or delay is due to a Force Majeure Event.
- 30.2 If we are unable to perform any or all of our obligations under this Client Agreement due to a Force Majeure Event, we will promptly notify you of the nature and extent of the relevant Force Majeure Event.

## **31. GOVERNING LAW AND DISPUTE RESOLUTION**

- 31.1 This Client Agreement is governed by, and will be construed in accordance with, the laws of Hong Kong and you agree to submit to the non-exclusive jurisdiction of the Hong Kong courts.
- 31.2 At the sole option of XinKong and in its absolute discretion, any dispute, controversy, difference or claim arising out of or relating to this Client Agreement, including the existence, validity, interpretation, performance, breach or termination thereof or any dispute regarding non-contractual obligations arising out of or relating to it shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre under the Hong Kong International Arbitration Centre Administered Arbitration Rules in force when the notice of arbitration is submitted. The law of this arbitration clause shall be Hong Kong law. The seat of arbitration shall be Hong Kong.
- 31.3 Notwithstanding the above, in the case of an individual, the Client shall be able to elect for any such disputes to be managed and resolved under the Financial Dispute Resolution Scheme administered by the FDRC.

## **32. MISCELLANEOUS**

- 32.1 Time will be of the essence in respect of all of your obligations under this Client Agreement (including in respect of any Transaction).
- 32.2 All Transactions shall be effected in accordance with all laws, rules and regulatory directions, by-laws, customs and usage as amended from time to time of the Exchange and the Clearing House applying to us and shall be binding on you.

- 32.3 No failure on the part of any Party to exercise, and no delay on its part in exercising, any right or remedy under this Client Agreement will operate as a waiver of that right or remedy, nor will any single or partial exercise of any rights or remedies preclude any other or further exercise of such right or remedy or the exercise of any other rights or remedies. The rights and remedies provided in this Client Agreement are cumulative and not exclusive of any rights or remedies provided by law.
- 32.4 Each of the term of this Client Agreement is severable and distinct from the others. The illegality, invalidity or unenforceability of any provision of this Client Agreement will not affect the legality, validity or enforceability of this Client Agreement nor the legality, validity or enforceability of any other provisions of this Client 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 Client Agreement shall continue and remain in full force and effect.
- 32.5 We shall notify you in writing of any material change in the information contained in this Client Agreement.
- 32.6 This Client Agreement together with the terms of any statements or confirmations given by us to you (as may be amended from time to time), contains all of the terms of and constitutes the entire agreement between us and you and supersedes all previous agreements and arrangements (if any) made between us and you in relation to the Account.

## ANNEXURE 1 – RISK DISCLOSURE STATEMENT

**This risk disclosure statement forms an integral part of the Client Agreement. You should read this statement carefully.**

Where we are providing the Services to you or for your Accounts, you should inform yourself and be aware of the risks generally and, in particular, the risks warnings set out below. However, please note that not all of the following risk disclosures may be relevant to your particular circumstances or the Services currently provided to you.

You should further note that the following is not an exhaustive list of all the risks of engaging us to provide the Services and/or Accounts. You should, therefore, carefully consider whether the transactions you are proposing to enter into are suitable for you in light of your own experience, financial position and investment objectives. You should be aware that this is your sole responsibility.

### **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 a profit made as a result of buying and selling Securities.

### **Risk of Trading Main Board Stocks**

#### **1. Product Knowledge and Risk Tolerance**

Before trading in any Securities, investors should carefully read the most up-to-date prospectuses/listing documents, financial statements, announcements and other information published either on the issuers' websites, HKEx corporate (<http://www.hkex.com.hk>) and HKExnews websites (<http://www.hkexnews.hk>) to learn about the product features and risk factors involved. Investors should not trade any Securities unless it suits their investment objectives, financial resources and risk tolerance.

#### **2. Price and Liquidity Risks**

The price of any Securities may go up or down so there is an inherent risk that Losses may be incurred as a result of buying and selling Securities. Security prices may also fluctuate due to various market factors, and investors' exposure to risk may vary according to the type of orders they input (e.g. short selling orders, market orders, at auction orders), the way the transaction is financed (e.g. Margin financing) and the nature of the Security product concerned (e.g. whether it is leveraged or issued with a fixed expiry date). Liquidity of Securities may also fluctuate, resulting in situations where an investor may not be able to buy or sell the Security in a timely manner at their preferred price range if the turnover volume was to drop significantly.

#### **3. Counterparty risk**

Some Securities such as structured products and exchange traded funds ("ETFs") may carry exposure to counterparty risk of financial intermediaries involved in structuring or managing the products concerned or providing liquidity to support trading of the Securities. The following table summarises some common types of financial intermediaries involved in structured products and ETFs:

Product Types		Types of Financial Intermediaries	
		Issuer/Manager	Securities Market Makers (SMMs)

1	Structured Products (e.g. derivative warrants and callable bull/bear contracts ("CBBCs"))	*	-
2	Exchange Traded Funds (ETFs)		
	(a) Full Replication and Representative Sampling Strategies	*	*
	(b) Synthetic Replication Strategies	*	*

### **Risk of Trading GEM Stocks**

**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.

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

Current information on GEM stocks may only be found on the internet website operated by the SEHK. GEM Companies are usually not required to issue paid announcements in gazetted newspapers.

You should seek independent professional advice if you are uncertain of or have not understood any aspects of this risk disclosure statement or the nature and risks involved in trading GEM stocks.

### **Risk of Client Assets Received or Held Outside Hong Kong**

Client assets received or held by the licensed or registered person outside Hong Kong are subject to the Applicable Laws and regulations of the relevant overseas jurisdiction which may be different from the SFO and the rules made thereunder. Consequently, such Client assets may not enjoy the same protection as those Client assets received or held in Hong Kong.

### **Risk of providing an Authority to Repledge your Securities Collateral**

There is a risk that if you provide the licensed or registered person with an authority that allows such person to apply your Securities or Securities collateral in accordance with a Securities borrowing and lending agreement, repledge your Securities collateral for financial accommodation or deposit your Securities collateral as collateral for the discharge and satisfaction of its settlement obligations and liabilities.

If your Securities or Securities collateral are received or held by the licensed or registered person in Hong Kong, the above arrangement is permissible only if you consent in writing. Moreover, unless you are a professional investor, your authority must specify the period for which it is current and the period must be limited to not more than 12 months. If you are a professional investor, these restrictions do not apply.

Additionally, your authority may be deemed to be renewed, without your written consent, if the licensed or registered person issues you a reminder at least 14 days before the expiry of the authority, and you do not object to such deemed renewal before the expiry date of your then existing authority.

You are not required by any laws to sign these authorities. However, an authority may be required by licensed or registered persons, for example, to facilitate Margin lending to you or to allow your Securities or Securities collateral to be lent to, or deposited as collateral with, third parties. The licensed or registered person should explain to you the purposes for which one of these authorities is to be used.



If you sign one of these authorities and your Securities or Securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on your Securities or Securities collateral. Although the licensed or registered person is responsible to you for Securities or Securities collateral lent or deposited under your authority, a default by it could result in the Loss of your Securities or Securities collateral.

A cash securities account not involving securities borrowing and lending is available from most licensed or registered persons. If you do not require Margin facilities or do not wish your Securities or Securities collateral to be lent or pledged, do not sign the above authorities and ask to open this type of cash securities account.

### **Risk of Providing an Authority to hold mail or to direct mail to Third Parties**

If you provide the licensed or registered person 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 your account and review them in detail to ensure that any anomalies or mistakes can be detected in a timely fashion.

### **Risk of Margin Trading**

The risk of Loss in financing a transaction by deposit of collateral is significant. You may sustain Losses in excess of your cash and any other assets deposited as collateral with the licensed or registered person. Market conditions may make it impossible to execute contingent orders, such as “stop-loss” or “stop-limit” orders. You may be called on at short notice to make additional Margin deposits or interest payments. If the required Margin deposits or interest payments are not made within the prescribed time, your collateral may be liquidated without your consent. You should closely monitor your position, as in some market conditions XinKong may be unable to contact you or provide you with sufficient time to make the required deposits and forced liquidation may be necessary. Moreover, you will remain liable for any resulting deficit in your Account and interest charged on your Account. You should therefore carefully consider whether such a financing arrangement is suitable in light of your own financial position and investment objectives.

### **Risk of Trading Nasdaq-Amex Securities at the SEHK**

The securities under the Nasdaq-Amex Pilot Programme (“PP”) are aimed at sophisticated investors. You should consult the licensed or registered person and become familiarised 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 the GEM of the SEHK.

### **Some risks associated with Structured Products**

#### **1. Issuer Default Risks**

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 Derivative Warrant Issuer and Liquidity Provider Information sub-section under Derivative Warrants and under CBBCs section on the HKEx corporate website.

#### **2. Uncollateralised Product Risks**

Uncollateralised structured products are not asset-backed. In the event of the issuer becoming bankrupt, investors can lose their entire investment. Investors should read the listing documents to determine if a product is uncollateralised.

3. Gearing Risks

Structured products such as derivative warrants and 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 Movements

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

6. Foreign Exchange Risks

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

7. Liquidity Risks

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 fulfil its role, investors may not be able to buy or sell the product until a new liquidity provider has been assigned.

**Some additional Risks involved in Trading Derivative Warrants**

1. Time Decay Risks

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

2. Volatility Risks

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.

**Some additional Risks involved in trading CBBCs**

1. Mandatory Call Risks

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.

2. Funding Costs

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

**Some Risks associated with Exchange Traded Funds (“ETFs”)**

1. Market Risks

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 a 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 Risks

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 Risks

Securities Market Makers (“SMMs”) are participants of the SEHK 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 fulfil their role, investors may not be able to buy or sell the product.

6. Counterparty Risks involved in ETFs with different Replication Strategies

(a) Full Replication and Representative Sampling Strategies

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

(b) Synthetic Replication Strategies

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

(a) 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 honour their contractual commitments.

(b) Derivative Embedded ETFs

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

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

### **Risks of Trading Bonds**

1. The Client has to understand that the trading of bonds involves certain degree of risk and there is no 100% guarantee of positive return but loss may be incurred. Investing in emerging markets bonds involves special consideration and higher risks, such as greater price volatility, less developed regulatory and legal framework, economic, social and political instability, etc. Before making a bond transaction, the Client should seek for independent and professional/financial/tax advice if needed.
2. Default or Credit Risk  
There is a risk that the bond issuer fails to promptly pay the Client the interest or principal if a credit event or default occurs on the bond issuer. A bond's own credit rating is assigned by credit rating agencies, such as Standard & Poor's and Moody's. The higher the rating, the better the Client's chance of receiving payment for the principal and interest. In addition, the interest payment of such bond product and settlement on the maturity date will be subject to the financial position of the issuer/guarantor. The Client should be aware that if the issuer/guarantor bankrupts or liquidates prior to the maturity date, the Client may lose all the Client's investment.
3. Interest Rate Risk  
In general, the price of bonds with fixed coupon rate drops if interest rate rises. If the Client wants to sell the bond before the maturity date, the proceeds the Client receives may be less than the original amount of investment.
4. Exchange Rate Risk

If the bond is denominated in a foreign currency, the Client will be exposed to exchange rate fluctuation. When the foreign currency depreciates, the Client may suffer loss in the principal and interest the client receives when converting into the Client's local currency.

5. Liquidity Risk

After purchasing a bond, if the Clients are in need of cash or intend to use such fund for other purposes before maturity, the Clients may not be able to cash in the bond as a result of an illiquid secondary market. Some bonds may have designated market makers to provide liquidity. If the Clients hold a bond which allows them to sell it back to the issuer before maturity (i.e. a puttable bond) and they wish to sell it, the issuer must buy back their bond under the conditions specified in the offer document.

6. Political Risk

Un-popular governments, wars and social unrest can affect the risk level of investments linked to these countries.

7. Policy Risk

Changes in government policies and regulations can also impact on investments.

## **Risks of Trading through the Shanghai-Hong Kong Stock Connect (“Shanghai Connect”) and Shenzhen-Hong Kong Stock Connect (“Shenzhen Connect”, together with the Shanghai Connect, “China Connect”)**

China Connect is a trading links program developed by, among others, SEHK, Shanghai Stock Exchange (“SSE”), Shenzhen Stock Exchange (“SZSE”), China Securities Depository and Clearing Corporation Limited (“ChinaClear”) and Hong Kong Securities Clearing Company Limited (“HKSCC”) to establish mutual stock market access between Shanghai and Hong Kong, and Shenzhen and Hong Kong respectively.

China Connect is currently comprised of a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, investors, through their appointed Hong Kong brokers and a securities trading service company established by SEHK, may trade eligible securities listed on the SSE and SZSE (“China Connect Securities”) by routing orders to SSE or SZSE respectively.

For the Northbound Trading Link of Shanghai Connect, the eligible securities as determined from time to time include all the constituent stocks of the SSE 180 Index and the SSE 380 Index. For the Northbound Trading Link of Shenzhen Connect, the eligible securities as determined from time to time include all the constituent stocks of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index, each with an average daily market capitalization of RMB 6 billion or above in the previous six months (or since the date of listing, if it is less than six months). For the Northbound Trading Link of both Shanghai Connect and Shenzhen Connect, the eligible securities as determined from time to time also include all the respective SSE-listed or SZSE-listed A Shares that are not included as constituent stocks of the relevant indices but which have corresponding H Shares listed and traded on SEHK, except for (i) the respective SSE-listed or SZSE-listed shares which are not traded in RMB; and (ii) the respective SSE-listed or SZSE-listed shares which are placed under “risk alert” by the SSE or SZSE respectively.

### **1. Quota Limitation Risk**

Trading through the Northbound Trading Link is subject to a daily quota (“Daily Quota”). The Daily Quota is imposed to limit the maximum net buy value of cross-boundary trades under China Connect for each day and will be reset every day. In particular, if the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call auction session or the continuous auction session (or closing call auction session for SZSE), new buy orders will be rejected for the remainder of the day (though investors are allowed to sell their cross-boundary securities or input order cancellation requests regardless of the quota balance). Quota limitations may restrict investors’ ability to invest in China Connect Securities through China Connect on a timely basis, and investors may not be able to effectively pursue their investment strategies.

### **2. Settlement Risk**

HKSCC is responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors. China Connect Securities traded through China Connect are issued in scripless form. Therefore, Hong Kong and overseas investors do not hold any physical China Connect Securities acquired through the Northbound Trading Link. Hong Kong and overseas investors are required to maintain their China Connect Securities with their brokers’ or custodians’ stock accounts with the Central Clearing and Settlement System operated by HKSCC for clearing securities listed or traded on SEHK (“Central Clearing System”).

In relation to sell orders for China Connect Securities, SEHK conducts pre-trade checks on exchange participants (“Pre-Trade Checking”) to ensure there is no overselling by any individual exchange participant. Due to this Pre-Trade Checking requirement, an investor may

be required to deliver the China Connect Securities to the exchange participant in advance of, or at the time of, placing the sell order.

If the exchange participant becomes insolvent while it is holding or safekeeping the China Connect Securities, there is a risk that any creditor of the exchange participant may assert that such China Connect Securities are owned by the exchange participant in question, if it is not made clear that the exchange participant acts as a custodian in respect of such China Connect Securities. Given the short timescale within which China Connect Securities are required to be settled, should an alternative broker be required (whether due to a systems failure or otherwise), there is also a risk that investors or their broker will be unable to find an alternative broker to execute and settle orders within the requisite timeframes.

### 3. Suspension Risk

SEHK, SSE and SZSE each reserves the right to suspend the relevant Northbound and/or Southbound Trading Link(s) if necessary to ensure a fair and orderly market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is applied. In the event of such a suspension, investors' ability to access the PRC market will be adversely affected.

### 4. Manual and Block Trades

Manual trade, block trade, internalization or reporting are not allowed for China Connect Securities.

### 5. Restrictions on Day Trading

Day (turnaround) trading is not permitted on the A Share market. If an investor buys China Connect Securities on "T" day, the investor will only be able to sell China Connect Securities on or after "T+1" day. This will limit investors' investment options, in particular, where investors wish to sell China Connect Securities on a particular trading day.

### 6. Differences in Trading Day

China Connect will only operate on days when both the PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. Therefore, it is possible that China Connect is closed and investors cannot trade when the A Share market is open for trading due to the differences in business days and public holidays between the PRC and Hong Kong. Investors should note the business days of China Connect and may be subject to a risk of price fluctuations in the A Share market during the time when China Connect is closed as a result.

### 7. Operational Risk

China Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in China Connect subject to meeting certain information technology capabilities, risk management and other requirements that are specified by the relevant Exchange and/or clearing house. The securities regimes and legal systems of the PRC and Hong Kong markets differ significantly. Therefore, market participants may need to address issues arising from the differences on an on-going basis.

Further, China Connect requires the routing of orders across the border of Hong Kong and the PRC. This requires the development of new information technology systems on the part of SEHK and exchange participants (i.e. the system used for the trading of China Connect

Securities on SSE and SZSE respectively, as operated by SSE and SZSE respectively to which exchange participants need to connect to).

There is no assurance that these systems will function properly or will continue to be adapted to changes and developments in both markets. If the relevant systems fail to function properly, any trading of China Connect Securities in both markets through China Connect could be disrupted. As a result, an investor's ability to access the A Share market (and hence to pursue their investment strategies) may be adversely affected.

8. Nominee Arrangements in Holding China Connect Securities

HKSCC is the "nominee holder" of China Connect Securities and holds China Connect Securities on behalf of Hong Kong and overseas investors.

Under the applicable China Connect rules, investors enjoy the rights and benefits of China Connect Securities acquired through China Connect in accordance with applicable laws and therefore would be recognized as having beneficial ownership in China Connect Securities under the applicable PRC laws. HKSCC does not have any proprietary interest in China Connect Securities and such proprietary interest rests with the beneficial owners under applicable PRC laws and ChinaClear rules. Investors, as beneficial owners of China Connect Securities, shall exercise their shareholder rights in relation to China Connect Securities through HKSCC as "nominee holder", in accordance with applicable Central Clearing System rules. Separately, there is uncertainty in relation to a beneficial owners' ability to take legal action for the enforcement of rights to the PRC courts. Consequently, investors cannot ensure that their ownership of China Connect Securities or title thereto is assured in all circumstances.

9. Recalling of Eligible China Connect Securities

A stock may be recalled from the scope of eligible stocks for trading via China Connect, and in such event, the stock can only be sold but restricted from being bought. This may adversely affect investors' abilities to implement their investment strategies.

10. Risk of Default of ChinaClear

HKSCC and ChinaClear have established clearing links, and each has become a participant of the other to facilitate clearing and settlement of cross-boundary trades initiated from their own markets. HKSCC and ChinaClear undertake settlement obligations of their respective clearing participants' cross-boundary trades and settles with the other clearing house.

As the national central counterparty of PRC's securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear established a risk management framework and measures that are approved and supervised by CSRC. The possibility of ChinaClear defaulting is considered to be remote.

In the remote event that ChinaClear defaults as the host central counterparty in the PRC, for Northbound trades in China Connect Securities, HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In turn, HKSCC will distribute the stocks or monies recovered to the Clearing and Settlement System participant on a pro-rata basis. In that event, investors may suffer delay in the recovery process or may not be able to fully recover their losses from ChinaClear.

11. Certain Disclosure Obligations



Under the applicable PRC rules, when an investor holds more than 5% of the issued shares of a SSE-listed or SZSE-listed company, the investor is required to disclose its interest within three working days to the listed company, report in writing to the CSRC and the SSE or SZSE respectively. During these three days, the investor cannot continue to trade the shares of that listed company. The investor is also required to disclose within three working days when a change in his shareholding reaches 5% or the change is less than 5% but results in the shares held by the investor falling below 5% and comply with the relevant trading rules in according to the applicable PRC rules.

## 12. Participation in Corporate Actions and Shareholders' Meetings

HKSCC will keep Central Clearing System participants informed of corporate actions of China Connect Securities. Hong Kong and overseas investors will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. Central Clearing System participants). The time for them to take actions for some types of corporate actions of China Connect Securities may be as short as one business day only. Therefore, investors may not be able to participate in some corporate actions in a timely manner.

HKSCC, in its capacity as nominee holder for Hong Kong and overseas investors, can attend shareholders' meetings as shareholder since it is the shareholder on record of SSE-listed or SZSE-listed companies. If the articles of association of a listed company does not prohibit the appointment of proxy or multiple proxies by its shareholders, when instructed, HKSCC will make arrangements to appoint investors as its proxies to attend shareholders' meetings. In applicable circumstances and under the relevant regulations and requirements, investors may, through their Clearing and Settlement System participants, pass on proposed resolutions to listed companies via HKSCC.

In addition, any corporate actions in respect of China Connect Securities will be announced by the relevant issuer through the SSE website or the SZSE website and certain officially appointed newspapers. Investors engaged in trading of China Connect Securities may refer to the SSE website or the SZSE website and the relevant newspapers for the latest listed company announcements or, alternatively, SEHK's website, for corporate actions in respect of China Connect Securities issued on the previous trading day. However, SSE-listed or SZSE-listed issuers publish corporate documents in Chinese only, and English translations will not be available.

## 13. No Protection under the Investor Compensation Fund

Investment through China Connect is conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations. Trading under the Northbound Trading Link is not covered by Hong Kong's Investor Compensation Fund. In addition, Hong Kong investors trading under the Northbound Trading Link are not protected by the China Securities Investor Protection Fund.

## 14. Regulatory Risk

China Connect may be subject to new regulations, which may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement action and co-operation under China Connect.

The regulations are untested and there is no certainty as to how they will be applied. In addition, the current regulations are subject to change. There can be no assurance that China Connect will not be abolished. Investors trading through China Connect may be adversely affected as a result of such changes.

## 15. Application of PRC Laws, Rules and Regulations

China Connect Securities traded through the Northbound Trading Link under China Connect remain subject to the relevant PRC laws, rules and regulations, including (without limitation) foreign shareholding restrictions, disclosure requirements in respect of substantial holdings, etc. Any change in the relevant laws, rules and/or regulations may adversely affect investors' investment. Investors are solely responsible for compliance with all notifications, reporting, disclosures and other relevant requirements in connection with their interests in China Connect Securities.

## 16. Currency Risk

Northbound investments in China Connect Securities will be traded and settled in RMB. If you hold a local currency other than RMB, you will be exposed to currency risks if you invest in a RMB product. Investors may also incur currency conversion costs.

## **Risk of Trading in Futures Contracts and Options**

The risk of loss in trading futures contracts or options is substantial. In some circumstances, you may sustain losses in excess of your initial margin funds. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily avoid loss. Market conditions may make it impossible to execute such orders. You may be called upon at short notice to deposit additional margin funds. If the required funds are not provided within the prescribed time, your position may be liquidated. You will remain liable for any resulting deficit in your account. You should therefore study and understand futures contracts and options before you trade and carefully consider whether such trading is suitable in the light of your own financial position and investment objectives. If you trade options you should inform yourself of exercise and expiration procedures and your rights and obligations upon exercise or expiry.

Trading in Futures Contracts and options is not suitable for many members of the public. In light of the risks in trading in Futures Contracts and options, you should only undertake such transactions if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

## **Futures Contracts**

### 1. Effect of "Leverage" or "Gearing"

Transactions in futures carry a high degree of risk. The amount of initial Margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit: this may work against you as well as for you. You may sustain a total Loss of initial Margin funds and any additional funds deposited with the firm to maintain your position. If the market moves against your position or Margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a Loss and you will be liable for any resulting deficit.

### 2. Risk-reducing Orders or Strategies

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

## Options

### 1. Variable Degree of Risks

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

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or the purchaser acquiring or delivering the underlying interest. If the option is on a futures contract, the purchaser will acquire a futures position with the associated liabilities for the Margin (see the section on Futures Contracts above). If the purchased options expire and become worthless, you will suffer a total Loss from your investment which will consist of the option premium plus the transaction costs. If you are contemplating on purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling (“writing” or “granting”) an option generally entails considerably greater risks than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a Loss well in excess of that amount. The seller will be liable for additional Margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a futures contract, the seller will acquire a position in a Futures Contract with associated liabilities for Margin (see the section on Futures Contracts above). If the option is “covered” by the seller holding a corresponding position in the underlying interest or a Futures Contract or another option, the risks may be reduced. If the option is not covered, the risk of Loss can be unlimited.

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

## Additional risks common to Futures and Options

### 1. Terms and Conditions of Contracts

You should ask about the terms and conditions of the specific futures or options which you are trading and associated obligations (e.g. the circumstances under which you may become obliged to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances, the specifications of outstanding contracts (including the exercise price of an option) may be modified by the Exchange or the clearing house to reflect changes in the underlying interest.

### 2. Suspension or Restriction of Trading and Pricing Relationships

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

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

3. Deposited Cash and Property

You should familiarise yourself with the protections given to money or other properties you deposit for domestic and foreign transactions, particularly in the event of insolvency or bankruptcy of the firm. The extent to which you may recover your money or property may be governed by specific legislations or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be calculated pro-rata in the same manner as cash for purposes of distribution in the event of a shortfall.

4. Commission and other charges

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your Loss.

5. Transactions in other jurisdictions

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

6. Currency Risks

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

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; you should ask for details in this respect.

8. 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.

## 9. Off-exchange Transactions

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm you deal with may be acting as your counterparty to the transaction. It thus 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 risks. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarise yourself with the applicable rules and risks.

### **Risks of Trading RMB Products**

RMB products involve specific risks. You should give careful consideration to the following factors, among others, in evaluating the merits and suitability of such investments. The value of RMB products may fall as well as rise and the amount originally invested may not be returned to you. Different RMB products are subject to different risks. You should read the relevant terms and conditions and risk disclosure statement before making any investment decision. The following risks should be carefully considered by you, but the list does not purport to be exhaustive.

#### 1. RMB Currency Risks

RMB is not currently fully and freely convertible and conversion of RMB through banks in Hong Kong is subject to a daily limit. You should allow time for the exchange of RMB from/to another currency in the case of RMB conversions exceeding the daily limit.

For RMB products that are not denominated in RMB or with underlying assets that are not RMB denominated, such products will be subject to multiple currency conversion costs involved in making investments and liquidating investments, as well as RMB exchange rate fluctuations and bid/offer spreads when assets are sold to meet redemption requests and other capital requirements (e.g. settling operation expenses).

The PRC government regulates currency conversions between RMB and other currencies. If restrictions on RMB convertibility and the limitations on the flow of RMB funds between the PRC and Hong Kong become more stringent, the depth of the RMB market in Hong Kong may become further limited.

#### 2. Currency Exchange Risks

RMB products are subject to exchange rate fluctuations which may provide both opportunities and risks. If you choose to convert RMB to other currencies at an exchange rate that is less favorable than the rate at which you originally made the RMB conversion, you may suffer Loss.

#### 3. Interest Rate Risks

The PRC government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase the volatility of interest rates. For RMB products that are, or that may invest in RMB debt instruments, such instruments are susceptible to interest rate fluctuations, which may adversely affect the return and performance of the RMB products.

#### 4. Limitation on the Provision of RMB Funding

You should have RMB bank accounts and ensure that you have sufficient RMB for settlement and clearing purposes. If you do not have sufficient RMB funding to subscribe for RMB products, subject to compliance with all Applicable Laws, we may assist you in converting other currencies that you hold to RMB. However, we do not guarantee that this can provide

sufficient RMB funding for you, due to the limitation on the flow of RMB funds in Hong Kong. We may unwind your trades due to insufficient RMB funding and your investment may be adversely affected if you suffer Losses due to settlement failures.

5. Limited availability of Underlying Investments denominated in RMB

For RMB products that are not eligible to invest directly in the PRC, their available choice of underlying investments denominated in RMB outside the PRC may be limited. Such limitation may adversely affect the return and performance of such RMB products.

6. No Guaranteed Projected Returns

For some RMB investment products, their return may not be guaranteed or may only be partly guaranteed. You should carefully read the statement of illustrative return attached to such products and in particular, the assumptions on which the illustrations are based, including, for example, any future bonuses or dividend declarations.

7. Long Term Commitment

For RMB products which involve a long period of investment, if you redeem the investment before the maturity date or during the lock-up period (if applicable), you may incur a significant Loss of principal if the proceeds are substantially lower than the invested amount. You may also suffer from early surrender/ withdrawal fees and charges as well as Loss of returns (where applicable) as a result of redemption before the maturity date or during lock-up period.

8. Issuer Risks/Counterparty Risks

RMB products are subject to credit and insolvency risks of their issuers. Prospective investors should carefully consider the creditworthiness of the issuers before investing. As RMB products may invest in derivative instruments, counterparty risks may also arise because a default by derivative issuers may adversely affect the performance of the RMB products and result in substantial Losses.

9. Liquidity Risks

RMB is less liquid than other currencies. RMB products may not be regularly traded or may not have an active secondary market. You should be aware that payments and redemptions of RMB products may not always be made within the expected timescales, or may have to be sold at a deep discount to its value.

10. Possibility of not receiving RMB upon redemption

For RMB products with a significant portion of non-RMB denominated underlying investments, there is a possibility of not receiving the full amount in RMB upon redemption. This may be the case if the issuer is not able to obtain a sufficient amount of RMB in a timely manner, due to the exchange controls and restrictions applicable to the currency.

## **ANNEXURE 2 – SERVICES**

### **PART A: SECURITIES DEALING**

#### **1. Applicability**

Part A of Annexure 2 will apply to any Securities dealing with the Services we provide to you as your agent.

#### **2. Securities Transactions**

2.1 You may instruct us and we may on your behalf, purchase, sell and/or otherwise deal with Securities subject to the rules and requirements of the relevant Exchange, clearing house or depository.

2.2 In respect of each Transaction, unless we hold cash (in the applicable currency denomination) or Securities on your behalf to settle the Transaction and all applicable commissions, levies and duties, you must pay us cleared funds (in the applicable currency denomination) or deliver to us Securities in deliverable form by such time as the normal settlement time or by such time as we have notified you (whichever is earlier). If you fail to do so, we may without any liability on our part:

- (a) in the case of a purchase Transaction, sell the purchased Securities and/or any other Securities which we hold on your behalf to satisfy your obligation; and
- (b) in the case of a sale Transaction, borrow and/or purchase Securities in order to settle the Transaction.

We will not be responsible for any Loss which may arise in exercising our powers under paragraphs 2.2(a) and 2.2(b) above.

2.3 We are authorised to purchase Securities from any bank, broker, financial and other institutions in accordance with your Instructions, and you agree to be bound by, and confirm you are in full compliance with, the terms of the Transaction and any Applicable Law. You agree that you are bound to enter into such Transaction in your oral or written Instructions to us.

2.4 We will use our reasonable endeavours to provide, or ensure that our agents provide, you with “best execution” of an Instruction to the extent not inconsistent with any Applicable Law. However, we may not always be able to execute Instructions immediately in full or at prices designated by you.

2.5 Unless agreed otherwise, we are responsible for the safekeeping of all Securities in connection with Transactions effected or settled by us on your behalf under this Client Agreement. We may accept for safe custody such other Securities that are delivered by you provided that such Securities are delivered at your own risk. We may not accept or may return any Securities that are not acceptable to us. Custody of the Securities will be subject to Annexure 4 to this Client Agreement.

2.6 Securities that are traded exclusively or primarily outside the jurisdiction where the Accounts are opened and maintained will, as a general rule, be held in custody abroad or, if they are delivered elsewhere, will be transferred to the Accounts, at your sole risk and expense. Securities held in custody are subject to the Applicable Laws and regulations of the relevant jurisdiction.

#### **3. SHORT SELLING**

- 3.1 You acknowledge that Applicable laws and regulations may prohibit us from placing a sale order on your behalf when the order relates to Securities which you do not own (“**Short Selling Order**”). If a Transaction constitutes a Short Selling Order, at the time of giving the Instructions to us to effect the Transaction, you must provide a written or electronic confirmation to us that:
- (a) the Transaction is a Short Selling Order;
  - (b) you have a presently exercisable and unconditional right to vest the Securities to which the relevant sale Transaction relates in the purchaser of those Securities; and
  - (c) to the extent that you have borrowed the Securities or obtained a confirmation from the lender that it has the Securities available to lend, the lender has the Securities available to lend or deal with you.
- 3.2 In addition, and without prejudice to the foregoing, you agree to expressly inform us when a sell order is in respect of Securities which you do not own (that is, where a Transaction is a short sale) at the time of giving the Instructions to effect that sale. If you do not inform us that a sale is a short sale, we will be entitled to assume that the sale in question is not a short sale.
- 3.3 You acknowledge that we have a right to request delivery of a copy of documentary evidence relating to the relevant Securities borrowing transaction e.g. the lender's confirmation.
- 3.4 Each market has its own Applicable Laws relating to short selling, and you acknowledge and agree to comply with the relevant requirements in the relevant market(s) every time you short sell any Securities.



## **PART B: OPTIONS DEALING**

### **1. Applicability**

Part B of Annexure 2 will apply to any dealing Services we provide to you with respect to your dealings in options (“**Exchange Traded Options**”) traded through the SEHK.

### **2. Options Contract**

#### **2.1 You acknowledge and agree that:**

(a) the terms of the Standard Contract (as defined in the Options Trading Rules of the SEHK and the Operation Procedures for Options Trading Exchange Participants of the SEHK, together, the “**Rules**”) for the relevant options series will apply to each contract between you and us (“**Contract**”), and that all Contracts will be created, exercised, settled and discharged in accordance with the Rules; and

(b) we may place limits on the open positions or delivery obligations that you may have.

#### **2.2 On exercise of a Contract by or against you, you undertake to perform your delivery obligations under the relevant contract, in accordance with the Standard Contract and as you have been notified by us.**

#### **2.3 You acknowledge that where there is a change in the capital structure or composition of the issuer of the underlying security of an option class, or in other exceptional circumstances, The SEHK Options Clearing House Limited may make such adjustments to the terms and conditions of that option class as are, in its opinion, necessary or desirable to ensure that all parties to the Contracts comprised in open positions in that option class are treated fairly. You agree that all such adjustments will be binding on you.**

### **3. Margin and Premium**

#### **3.1 You acknowledge and understand that we will collect Margin requirement and premium in accordance with the Rules.**

#### **3.2 You agree that:**

(a) you will provide us with the Margin as may be agreed from time to time as security for your obligations to us and you will pay or deliver such Margin to us as demanded; and

(b) the amounts required by way of Margin should not be less than, but may exceed, the amounts as may be required by the Rules in respect of your open positions and delivery obligations, and further Margin may be required to reflect changes in market value.

#### **3.3 If we accept Securities by way of Margin, you will promptly upon our request provide us with such authority as we may require to authorise us to deliver such Securities, through an options exchange participant, to The SEHK Options Clearing House Limited as collateral, and we do not have any further authority from you to borrow or lend your Securities or otherwise part with possession (except to you or pursuant to your Instructions) of any of your Securities for any other purpose.**

#### **3.4 In respect of all Contracts effected on your Instructions, you agree to pay us, within the time period notified by us to you:**

- (a) the amount payable by a holder and payable to a writer of a Contract in respect of the writing of that Contract (“**Premium**”); and
- (b) any commissions, fees, charges, taxes, duties, levies and other relevant fees and expenses in accordance with our Schedule of Commission and Services Charges, as amended, or which are required by Applicable Law.

You further agree that we may deduct such Premium, commissions, fees, charges, taxes, duties, levies and other relevant fees and expenses from your Accounts.

3.5 If you fail to comply with any of your obligations and/or to meet your liabilities under this Client Agreement, including failure to provide Margin, you agree that we may:

- (a) decline to accept further Instructions from you in respect of dealings in Exchange Traded Options;
- (b) terminate some or all of your Contracts with us;
- (c) enter into contracts, or into transactions in Securities, futures or commodities, in order to settle obligations arising or to hedge the risks to which we are exposed in relation to your failure; and
- (d) dispose of Margin, and apply the proceeds thereof to discharge your liabilities to us, provided that any proceeds remaining after discharge of all your liabilities to us should be paid to you.

#### **4. Further Confirmations relating to the Trading of Exchange-Traded Derivative Products**

4.1 If you trade derivative products traded on the SEHK (“**Exchange Derivative Products**”), you certify that neither you nor any beneficial owner (each a “**Holder of the Product**”) of the Exchange Derivative Products or other products (including, without limitation, equity linked notes) (the “**Products**”) purchased by you from us and/or transacted through the Accounts is:

- (a) a U.S. person (as such term is defined under Regulation S of the United States Securities Act of 1933, as amended) (“**Securities Act**”) or a person within the United States (as such term is defined in Regulation S under the Securities Act); or
- (b) a person who is subject to any other limitations in respect of the trading in the Products.

4.2 You must notify us in writing forthwith upon any changes in any such status of the Holder of the Product. We are entitled to rely fully on any of your certification and confirmations, unless we receive notice in writing of any changes thereof.

## **PART C: FUTURES CONTRACTS AND OPTIONS DEALING**

### **1. Applicability**

Part C of Annexure 2 will apply to any dealing Services we provide to you with respect to your dealings in futures contracts and options traded on the Hong Kong Futures Exchange Limited (“**Exchange Traded Futures and Options**”).

### **2. Dealings in Futures Contracts and Options**

2.1 You agree and acknowledge that:

- (a) Transactions related to Exchange Traded Futures and Options will be subject to the rules of the relevant markets and Exchanges; and
- (b) you may have a varying level and type of protection in relation to Transactions on different markets and Exchanges.

2.2 You agree to promptly provide us, upon our request, with such information concerning you, including your name and beneficial identity, as the SFC may request. You acknowledge that we will in such case provide such information concerning you to the SFC.

2.3 Subject to Applicable Law, you agree that we may take the opposite position to your order in relation to any Exchange Traded Futures and Options, whether on our own account, for the account of an Affiliate or for any other clients; provided that such trade is executed competitively on or through the facilities of the Hong Kong Futures Exchange Limited, in accordance with its rules.

### **3. Client Assets**

You understand that all monies, Securities and other properties received by us from you or from any other person (including a clearing house) for your Accounts will be held by us as trustee and segregated from our own assets. These assets held by us will not form part of our assets for insolvency or winding up purposes but will be returned to you promptly upon the appointment of a provisional liquidator, liquidator or similar officer over all or any part of our business or assets.

## **PART D: MARGIN FINANCING**

### **1. Applicability**

- 1.1 Annexure 6 – Margin Client Agreement is supplemental and annexed to this Client Agreement entered by you and us whereby we agree to provide Margin financing to you and you authorise us to open and maintain one or more Accounts in your name for the purposes of providing you with Margin financing (“**Margin Securities Account**”).
- 1.2 We may only provide Margin financing to you for the purposes of “securities margin financing” as defined in Part 2 of Schedule 5 of the SFO. This means we can only offer you this particular service to facilitate the acquisition of Securities and the continued holding of these Securities (whether or not those or other Securities are pledged as security for the financing) and for no other purpose.
- 1.3 Where any conflict arises between this Client Agreement and the provisions of the Margin Client Agreement, the provisions of the latter shall prevail.

## **PART E: NEW LISTING OF SECURITIES**

### **1. Applicability**

Part E of Annexure 2 will apply only to any Accounts in respect of which you have requested us to apply on your behalf for Securities in new issue for listing on SEHK (“**Application**”).

### **2. Terms for New Listing of Securities**

- 2.1 You shall familiarize yourself and comply with all the terms and conditions governing the Securities of the new listing and/or issue and the application for such new Securities set out in any prospectus and/or offering document and the application form or any other relevant document in respect of such new listing and/or issue and you agree to be bound by such terms and conditions in any such transaction you may have with us.
- 2.2 You authorise us to complete such application form as may be required, and represent and warrant to us that all representations, warranties, confirmations and undertakings in connection with the applicant contained or incorporated in the application form are true and accurate in respect of you.
- 2.3 You agree to be bound by the terms of the new issue and in particular, you:
  - (a) gives us all the representations, warranties and undertakings which an applicant for Securities in a new listing and/or issue is required to give (whether to the issuer, sponsors, underwriters or placing agents of the relevant Securities, the Exchange or any other relevant regulator or person);
  - (b) warrant and undertake that the Application will be the only Application made by you or on your behalf for your benefit in respect of the same issue of Securities and you will make no other Application with respect to that issue. You acknowledge and accept that the aforesaid declaration and warranty will be relied upon by us and by the issuer, sponsors, underwriters or placing agents of the relevant Securities, the Exchange or any other relevant regulator or person in respect of any application made by us as your agent;
  - (c) authorise us to represent and warrant to SEHK that no other Application will be made or will be intended to be made by you or for your benefit;
  - (d) acknowledge 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 you exercise statutory control will be deemed to be an Application made for your benefit; and
  - (e) acknowledge that we will rely on the above warranties, undertakings and authorisations in making the Application.
- 2.4 You recognize and understand that the legal, regulatory requirements and market practice in respect of applications for Securities may vary from time to time as may the requirements of any particular new listing or issue of Securities. You undertake to provide to us such information and take such additional steps and make such additional representations, warranties and undertakings as may be required in accordance with such legal, regulatory requirements and market practice as we may in our absolute discretion determine from time to time.
- 2.5 In relation to a bulk Application to be made by us on our own behalf, on your behalf and/or on behalf of any of our other clients, you acknowledge and agree:

- (a) that if the bulk Application is rejected in the absence of any fraud, gross negligence or willful default on our part, we will not be liable to you or any other person in consequence of such rejection;
- (b) to indemnify us in accordance with Clause 18 of this Client Agreement, if the bulk Application is rejected because of any breach of your representations and warranties, or of any other factor relating to you; and
- (c) notwithstanding Clause 6.15 of this Client Agreement, in the event that the bulk application is only partially filled, you agree that we are entitled to distribute the Securities allotted in our absolute discretion, including distributing the Securities equally between all clients under the bulk application and you shall not have any claim to the Securities or claim of priority to another client in relation to the application.

2.6 In relation to any Over-The-Counter (“OTC”) transactions, including without limitation trading of any New Securities before their listing on the Exchange, entered or to be entered into by you, you acknowledge and agree that:

- (a) subject to Clause 7.2 of this Client Agreement above, we are acting as your agent and do not guarantee the settlement of such OTC transactions;
- (b) your orders may be partially executed or not executed at all. Trades executed will be cancelled and void if the relevant security subsequently fails to list on the Exchange;
- (c) in the event that you in selling any Securities fails to deliver such Securities, we are entitled to purchase in the market (at the prevailing market price) the relevant Securities required for delivery in respect of such sale effected for you in order to complete the settlement of the relevant transaction. You shall bear all losses arising out of or in connection with such transaction;
- (d) in the event that (1) you buy Securities from a seller and such seller fails to deliver the relevant Securities and (2) the purchase of the relevant Securities cannot be effected or we in our absolute discretion determine not to purchase the relevant Securities pursuant to Clause 2.6 of this Part E of Annexure 2 (3) you will not be entitled to obtain the relevant Securities at the matched price and shall only be entitled to receive the money paid for the purchase of the relevant Securities;
- (e) in the event that you in buying any Securities fails to deposit the necessary settlement amount, we are entitled to sell any and all Securities or collateral held in your Account and use the sale proceeds after deducting all costs in settlement of the transaction. However, if you are the seller under such transaction and such transaction cannot be settled, you shall only be entitled to the relevant Securities but not the sale proceeds of the relevant Securities; and
- (f) without prejudice to the above, you shall bear your own losses or expenses and shall be responsible to us for any losses and expenses resulting from your and/or your counterparty's settlement failures.

2.7 If you request us to provide to you a loan to finance the Application (“**Loan**”), the following provisions will apply:

- (a) we may determine whether to accept or reject your request for the Loan;

- (b) upon our acceptance of your request for a Loan, we will provide you with the terms of the Loan (“**Agreed Loan Terms**”) in writing, which will be conclusive and binding on you;
- (c) as a condition precedent to our provision of the Loan, you will provide us with a deposit in an amount and within such time as is required in the Agreed Loan Terms;
- (d) subject to the Agreed Loan Terms:
  - (i) the amount of the Loan will be the total price of the Securities (including applicable charges) applied under the Application (“**New Securities**”) less the amount of deposit specified in Clause 2.4(c) of this Part E of Annexure 2; and
  - (ii) you have no right to repay the Loan, in part or full, before the date of repayment specified in the Agreed Loan Terms;
- (e) the interest rate applicable to the Loan will be determined under the Agreed Loan Terms;
- (f) when we receive any refund in respect of the Application, we may:
  - (i) apply the refund (in whole or in part) towards the discharge of the Loan including any interest accrued thereon; and/or
  - (ii) return the refund or the remaining balance (if any) to you,

whether before or after the repayment date specified in the Agreed Loan Terms;
- (g) in consideration of our granting of the Loan to you, you charge to us by way of a first fixed charge as a continuing security (for the full repayment of the Loan and the accrued interest thereon,) (all the New Securities acquired on your behalf under the Application in respect of which the Loan is provided). You expressly authorise us to:
  - (i) accept and retain all documentation evidencing title to the New Securities that may be allotted by an issuer to you;
  - (ii) register any New Securities in our name in accordance with the provisions of the Agreed Loan Terms, until such time as you fully repay the Loan (including interest accrued thereon) to us;
  - (iii) collect and receive all dividends and other income payments and distribution in respect of any New Securities;
  - (iv) dispose of, or take any action we deem appropriate in respect of the New Securities, without prior notice to you for the discharge of the liabilities owing to us under the Loan, so long as the Loan (including interest thereon) has not been repaid in full; and
  - (v) retain any proceeds from the sale of New Securities pursuant to Clause 2.7(g)(iv) of this Part E of Annexure 2.

## ANNEXURE 3 – ELECTRONIC SERVICES

### 1. Applicability

This Annexure 3 applies to the provision of Electronic Services by us to you.

### 2. Service and Equipment

- 2.1 All title, ownership rights and intellectual property rights in or relating to any software, hardware, application, interfaces and/or network communication device (together, the “**Equipment**”) provided in relation to the Electronic Services and any information transmitted in connection with or through the Electronic Services shall remain the exclusive property of XinKong, save and except for any information and Equipment which is proprietary to a third party.
- 2.2 We grant you a non-exclusive, non-sub licensable, and non-transferable licence (“**Licence**”) to access and use the Electronic Services and Equipment. In accepting this Licence, you agree that:
- (a) the Equipment will be used only in connection with the Electronic Services and you will not, nor will you permit a third party to, disassemble, decode, alter, copy, amend, develop or commercially exploit the Electronic Services and/or the Equipment;
  - (b) you will keep the Electronic Services, Equipment and any manuals and instructional materials provided, in whatever form, confidential at all times. All forms of materials referred to in this paragraph will be immediately returned by you to us upon reasonable request or termination of access or use;
  - (c) you will not, without the prior written consent of XinKong, permit any person (other than your properly authorised employees) to view or use the Electronic Services or Equipment. You will be responsible for maintaining secure internal and, to the fullest extent possible, external controls on access to and use of the Electronic Services and Equipment. You acknowledge that we are under no duty of enquiry regarding the capacity of any person submitting orders and any such person will be viewed as having the authority to bind you. We are not under any duty to verify any information which is transmitted by means of the Equipment;
  - (d) we will use reasonable efforts to provide notice of material changes or enhancements in relation to the Electronic Services and the Equipment; and
  - (e) you will follow any guidelines for the use of and access to the Electronic Services and/or Equipment as may be notified to you by us either orally or in writing from time to time. If you need to deviate your use of the Electronic Services and/or Equipment from any such guidelines, you will discuss and agree any alternative use directly with us.
- 2.3 If you use any service or network of a third party vendor to access the Electronic Services (“**Vendor Services**”), then all installations, uses and maintenance of any delivery components are the sole responsibility of the vendor, and we have no responsibility for the hardware, the software or any communication link required or related to the Vendor Service. You agree that Vendor Service is beyond our control and is not in any way warranted or supported by us.

### 3. Access and Use of the Electronic Services



- 3.1 You represent and warrant that you and your officers, employees or agents that you have selected to have access to the Electronic Services (“**Client Users**”) are fully aware of, and will comply at all times with, all applicable Client Agreement, including this Annexure 3.
- 3.2 We will provide you with one or more unique usernames, passwords and/or other devices (“**Authenticators**”) to authenticate or validate the identity and authority of the Client Users, which will grant the Client Users secure access to use the Electronic Service. You will need to provide the Authenticators each time you wish to use the Electronic Services.
- 3.3 You acknowledge and undertake that you will:
- (a) take all reasonable measures to ensure the security of the Authenticators and to prevent unauthorised use of the Electronic Services;
  - (b) assume full responsibility for any use of the Electronic Services by you, the Client Users, or any other person using your Authenticators; and
  - (c) immediately notify us if you become aware of, or have reasonable grounds to suspect, the loss, theft or disclosure to any third party or of any unauthorised use of your Authenticators.
- 3.4 You represent and warrant that:
- (a) you and your Client Users:
    - (i) are fully aware of, and fully understand the markets in which they transact and the financial instruments they trade via the Electronic Services;
    - (ii) have the appropriate qualifications for your jurisdiction, and if requested by us, you will provide a copy of such qualifications and you agree to immediately inform us of any revocation or loss of any such qualifications;
  - (b) all Client Users are authorised to access and use the Electronic Services and Equipment on your behalf and that in using the Electronic Services and Equipment, the Client Users will at all times be acting within the scope of their authority. You acknowledge that we will not be liable for any Losses arising as a result of any unauthorised use of the Electronic Services on your behalf; and
  - (c) you will not, and will ensure that your Client Users do not, do any act, whether on its own or in combination with other acts, which is illegal or in violation of any Applicable Laws.
- 3.5 You will ensure that all Client Users have been given suitable and requisite training in the use of the Electronic Services and Equipment and you will make available to Client Users any user guide or training material as may be provided by us. If we decide to provide any training or assistance (including, for example, providing a user guide or access to a simulated market), such training or assistance will be provided at your sole risk and we will bear no liability in the event that you suffer any Losses, liabilities or costs whatsoever arising out of such training.

#### **4. Trade Confirmations and Statements of Account**

- 4.1 You agree that we may provide you with trade confirmations and statements of account through the Electronic Services and you acknowledge and agree that:

- (a) before accessing trade confirmations and statements of account through the Electronic Services, you are required to provide to us a specific email address for delivery of our notices to you;
- (b) we will send notices to your designated email address notifying you that the trade confirmations and statements of account (as applicable) are available through the Electronic Services and you should check your designated email address regularly for such notice; and
- (c) you may revoke your consent to receive trade confirmations and statements of account by access through the Electronic Services by giving at least 10 Business Days' prior written notice.

4.2 You agree to:

- (a) promptly review the trade confirmations and statements of account provided through the Electronic Services upon receiving notice from us to ensure that any errors are detected and reported to us as soon as practicable; and
- (b) save an electronic copy in your own computer storage or print a hard copy of the trade confirmations and statements of account for future reference.

**5. Transactions via the Electronic Services**

5.1 This Clause 5 will apply where you have requested, and we have provided you with our written confirmation of the availability of, the Electronic Services for conducting transactions, provided that you have satisfied all conditions precedent prescribed by us with respect to the provision of such Electronic Services.

5.2 You acknowledge that we have the right to set limits and/or parameters to control your ability to use the Electronic Services. Such limits and/or parameters may be amended, increased, decreased, removed or added to the Electronic Services provided by us in our absolute discretion and may include:

- (a) controls over maximum order amounts and maximum order sizes;
- (b) controls over our total exposure to you;
- (c) controls over the price at which orders may be submitted;
- (d) controls over the origin of your orders; and
- (e) any other limits, parameters or controls which we may be required to implement under any Applicable Law or regulation.

Such limits may constitute our confidential intellectual property and we reserve the right not to disclose certain limits and/or parameters to you. Where any such limits and/or parameters are notified to you, you undertake to comply with those limits and/or parameters. Further, you will maintain adequate arrangements to monitor orders entered through the Electronic Services.

5.3 We have the right to accept or reject any orders on the Electronic Services and/or Equipment. You acknowledge that you will receive an electronic notification from us when an order has been received into the Electronic Services or rejected therefrom and also a notification of the execution of the order.

- 5.4 Where required by any Exchange or regulatory authority, we have the right to cancel, amend or vary the terms of any trade which fails to meet the requirements of any Exchange's rules. We also have the right to amend the terms of an order for bona fide performance reasons with notice to you before or as soon as reasonably practicable after such amendment.
- 5.5 You acknowledge that, where required by the Exchange or any other regulatory authorities, we will provide all relevant information concerning the orders transmitted and/or executed via the Electronic Services. You further acknowledge and agree that you will co-operate fully and promptly with all our requests for the provision of any other information in your possession, custody or control which we may require to produce to the Exchange or any regulatory authority.
- 5.6 Prior to entering an order, you will advise us of any legal restrictions on the transfer of any Securities or other financial instruments you sell and you will provide any necessary documents to us (including prospectuses or opinions) to satisfy such legal transfer requirements. You are responsible for any delays, expenses and Losses associated with the compliance or failure to comply with any restrictions on the transfer of Securities or other financial instruments.
- 5.7 Responsibility for Trade Errors
- (a) You acknowledge that any orders submitted to the Electronic Services is at your sole risk and will be irrevocable unless we otherwise consent.
  - (b) You accept continuing responsibility for order(s) submitted, notwithstanding that such order(s) may have been submitted erroneously or by an unauthorised user, or that its data is inaccurate or incomplete when submitted to the Electronic Service, or you subsequently determine for whatever reason that the order should not have been submitted. You will reimburse us for any monetary Loss caused to us or any of our Affiliates due to such trade error.
  - (c) If you are aware that an incorrect order has been sent via the Electronic Services or if you become aware of any other unauthorised use of the Electronic Services, you should immediately notify us. A request to cancel an order will not be effective until you receive an acknowledgement from us that the order has been cancelled and you will be responsible for any orders executed prior to your receipt of such acknowledgement.

## **6. Risks of Using the Electronic Services; Limitation of Liability and Indemnity**

- 6.1 The Electronic Services and Equipment are provided on an "as is", "as available" basis without warranties of any kind, either express or implied, including, those of information access, order execution, merchantability and fitness for a particular purpose.
- 6.2 You acknowledge and accept that the Electronic Services, Equipment and the electronic communication systems (including the internet) may be subject to technical difficulties including among others, disruptions, failures, delays, malfunctions, software erosion or hardware damage ("**Disruptions**"), which may cause orders not to be transmitted, received or executed as a result of such Disruptions and/ or economic and data loss. Neither XinKong nor any of its directors, officers, employees, agents and contractors warrant that the Electronic Services and Equipment will be uninterrupted or error free nor do any of them make any warranty as to the results that may be obtained from the use of the Electronic Services or as to the timeliness, sequence, accuracy, completeness, reliability or content of any information, the Electronic Services or any Transaction provided through the Electronic Services or with respect to the Equipment.

- 6.3 We will use commercially reasonable efforts to, in a timely manner (a) inform you of the causes or possible causes of such Disruptions and how your orders will be handled, and (b) rectify such Disruption.
- 6.4 Market data and other information made available to you through the Electronic Services and Equipment may be obtained by us from third parties. While we believe such market data or information to be reliable, neither we nor such third parties guarantees the accuracy, completeness or timeliness of any such market data or information.
- 6.5 You agree to hold harmless, fully indemnify and keep indemnified, XinKong, its Affiliates and their respective directors, officers, employees and permitted delegates against any and all Losses which may be paid, suffered or incurred by any of them in connection with you and/or the Client Users negligence or breach of the terms in this Annexure 3.

## **7. Fees and Charges**

- 7.1 We may impose a fee for use of the Electronic Services, and we may provide you with a schedule of fees for the said services (including reasonable fees for obtaining a hard copy of any trade confirmations and statements of account that are no longer available for access through the Electronic Services). We may change the fees by giving notice to you in accordance with the applicable provisions of the Client Agreement.
- 7.2 You will be liable for any fees charged for any use of the Electronic Services including any fees chargeable for the use of the Electronic Services by a Client User, whether such service was requested by you or the Client User.

## **8. Termination**

- 8.1 We may suspend, deny and/or terminate your access to the Electronic Services and/or Equipment without notice to you for any reason whatsoever, including but not limited to the unauthorised use of the Electronic Services and/or Equipment, breach of the terms in this Annexure 3, discontinuance of our access to any information from any third parties or termination of one or more agreements between us and the third parties in relation to the Electronic Services and/or Equipment.
- 8.2 If we terminate your access to the Electronic Services and/or Equipment, we will on a pro-rata basis refund the pro-rata portion of any fee that has been paid by you for the part of the Electronic Services and/or Equipment not furnished to you as of the date of such termination.

## **ANNEXURE 4 – CUSTODY OF CLIENT SECURITIES AND MONIES**

### **1. Applicability**

This Annexure 4 applies to you in respect of the custodial Services and activities described herein.

### **2. Custody of Securities**

2.1 To the extent that you have requested that we provide custody Services and we have agreed to do so, we will establish one or more custody Accounts for the safekeeping of all Securities and other investment products which you deposit with us. We may place any or all of the Securities with custodians or sub-custodians such as correspondent banks, depositories or other institutions wherever located, on their customary terms and conditions or as agreed by us. We may commingle such Securities and investments with other Securities and investments held by us or our nominee on behalf of other clients.

2.2 Subject to Applicable Law, any Securities which are held by us for safekeeping may:

- (a) (in the case of registrable Securities) be registered in your name or in the name of a nominee appointed by us; or
- (b) be deposited in safe custody in a designated account with our bankers or with any other institutions which provide facilities for the safe custody of documents.

2.3 Where Securities are held by us or by our nominee on your behalf:

- (a) any dividends or other benefits arising in respect of such Securities will, when received by us, be credited to the Accounts or paid or transferred to you, as agreed with us. Where the Securities form part of a larger holding of identical Securities held for other clients, you will be entitled to the same share of the benefits in proportion with your holding;
- (b) we will comply with any directions received, in sufficient time to enable us to make the necessary arrangement from you as to the exercise of any voting or other rights attaching to or conferring on such Securities provided that if any payment or expense is required to be made or incurred in connection with such exercise, neither we nor our nominee shall be required to comply with any directions received from you unless and until we or our nominee receive all amounts necessary to fund such exercise;
- (c) we will use our reasonable efforts to give you notice of any necessary information which we receive in relation to any calls, rights, benefits, entitlements or obligations attached to or derived from such Securities which require Instructions from you;
- (d) we or our nominee may, but without any obligation or liability whatsoever, exercise any rights or perform any actions which may be exercisable in relation to any such Securities held for the Accounts, and where you have provided us or our nominee with any necessary Instructions and executed any applicable authorisations;
- (e) we will be under no duty to investigate, participate in or take affirmative action concerning attendance at meetings, voting or other rights attached to or derived from such Securities except in accordance with your Instructions;
- (f) we will have no duty or responsibility in respect of any proxy, circular, or other document received by us in respect of the Securities or to send any proxy, circular or

other document or to give any notice of the receipt of the same to you except in accordance with your Instructions;

- (g) if we do not receive any instructions or in sufficiently reasonable time, we may take or omit to take any action;
- (h) you acknowledge and agree that you will be liable and we will have no responsibility for any liabilities in respect of unpaid calls or any other sums, costs or expenses payable in respect of any Securities held by us on your behalf; and
- (i) we or our nominee will not be required to deliver to or return to you the identical Securities delivered to or deposited with us provided that the Securities actually delivered or returned are of the same class, denomination and nominal amount and have equal rank in every respect with the Securities originally delivered or deposited subject to any capital reorganisation or conversion or other corporate action that may have occurred in the interim.

2.4 Mail addressed to you and received by us in connection with our provision of the custodial Services and activities will be forwarded unopened to the forwarding address supplied by you to us. We will not bear any responsibility for any delay howsoever caused in mail reaching your forwarding address. In particular, we will only receive, open or deal directly with mail which is addressed to you personally.

2.5 Securities held by us for safekeeping pursuant to this Clause are held by us at your sole risk. We will not be liable for the acts, omissions and/or Insolvency of any custodian or sub-custodian selected by us in good faith. Our only obligation to you in respect of the same is, at your cost and expense, to assign to you any rights of recourse in respect of the custodians or sub-custodians where the same are capable of being assigned under Applicable Law.

2.6 Insofar as any such Securities do not constitute “Collateral” as defined in any Margin Client Agreement entered into by XinKong and you, you hereby expressly authorize us to dispose of such Securities for the purpose of settling any liability owed by you (or who is the beneficial owner of such Securities) to us for dealing in Securities or financial accommodation provided by us to you which remains after we have disposed of all other assets designated as Collateral for securing the settlement of that liability.

2.7 We are entitled to, at any time, close any such custody Account(s) maintained in your name and/or on your behalf without ascribing any reason for doing so.

### **3. Client Monies**

3.1 Subject to Applicable Law, we may deposit any cash held in any Accounts in one or more segregated account(s) with any financial institution.

3.2 You authorise us to place, withdraw and renew cash deposits in such currencies on your behalf and to debit the Accounts for any such deposits placed or renewed and to credit the Accounts for deposits withdrawn.

3.3 You agree that we may retain all or part of the interest accrued on all amounts held by us for or on account of you or pay to you interest on such amount at such rate as we may determine and notify you.

### **4. Client Money Standing Authority**

- 4.1 The Client Money Standing Authority covers money held or received by XinKong in Hong Kong (including any interest derived from the holding of the money which does not belong to XinKong) in one or more segregated account(s) on your behalf ("**Monies**").
- 4.2 You authorise XinKong to:
- (a) combine or consolidate any or all segregated accounts of any name whatsoever and either individually or jointly with others, maintained by XinKong and/or any of its Affiliates (together "**XinKong International Group**") from time to time and XinKong may transfer any sum of Monies to and between such segregated account(s) to satisfy your obligations or liabilities to XinKong International Group, whether such obligations and liabilities are actual, contingent, primary or collateral, secured or unsecured, or joint or several; and
  - (b) transfer any sum of Monies interchangeably between any of the segregated accounts maintained at any time by XinKong International Group.
- 4.3 You acknowledge and agree that XinKong may do any of the things set out in paragraph 4.2 above without giving you notice.
- 4.4 The Client Money Standing Authority is given without prejudice to other authorities or rights which XinKong or any of its Affiliates may have in relation to dealing in Monies in the segregated account(s).
- 4.5 The Client Money Standing Authority shall be valid for a period of not more than 12 months from the date of this Client Agreement, subject to renewal by you or deemed renewal set out in paragraph 4.7 below.
- 4.6 The Client Money Standing Authority may be revoked by you giving written notice to XinKong at the address specified in the said authority. Such notice shall take effect upon the expiry of two weeks from the date of our actual receipt of such notice.
- 4.7 You understand that the Client Money Standing Authority shall be deemed to be renewed on a continuing basis without your written consent if XinKong issues to you a written reminder at least 14 days prior to the expiry date of the said authority, and you do not object to such deemed renewal before such expiry date.

## **5. Security Interest, Collateral and Right of Use**

- 5.1 As continuing security for the payment and discharge of all obligations and liabilities, you agree to charge, by way of first fixed charge in favour of us, with full title guarantee and free from any adverse interest whatsoever, the Custody Assets and all of your rights, title or interest in, to or under any contract with us (subject to the set-off, consolidation and other rights we have under this Client Agreement) whether arising prior to the date of this Client Agreement or thereafter and whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, financial, physical, secured or unsecured ("**Security Interest**"). For the purpose of this paragraph 5, "Custody Assets" means the cash, Securities, funds, and/or other assets or collateral (including any Margin delivered to us or as directed by us) that we have agreed with you to take custody of.
- 5.2 The Security Interest will remain in full force and effect by way of continuing security and will not be affected in any way by any settlement of your Accounts or other matter whatsoever and will be in addition to any other security, guarantee or indemnity now or hereafter held by us.

5.3 You irrevocably authorise us at any time after the occurrence of an Event of Default, if any amount due to us from you has not been paid when due (or on demand, if so payable):

- (a) to sell or otherwise realise all or any of the Custody Assets in such manner, at such time and to such person as we think fit; and
- (b) to apply the proceeds of sale in or towards the discharge of your obligations and liabilities in such order and manner as we think fit.

We will use reasonable efforts to obtain the best price available in the circumstances for any sales or realisations of the Custody Assets.

5.4 At your request, we may permit you to dispose of or otherwise deal with any of the Custody Assets. You will not otherwise be entitled to dispose of or otherwise deal with any of the Custody Assets. If at any time we consent to such disposal or dealing, such consent will in no way constitute a waiver of our right to refuse to give our consent to any other request.

5.5 You agree that we may, and authorise us to, at any time borrow, lend, pledge, charge, rehypothecate, dispose of or otherwise use for our own purposes any Custody Assets which are for the time being subject to the Security Interest without giving notice of such borrowing, lending, pledge, charge, rehypothecation, disposal or other use to you. We may retain for our own account all fees, profits and other benefits received in connection with any such borrowing, loan or use. Upon:

- (a) borrowing, lending or other use of such Custody Assets will become our absolute property, free from the Security Interest and free from any equity, right or title of yours; and
- (b) a charge, pledge or rehypothecation of any Custody Assets, all of the Custody Assets, including your interest in those Custody Assets, will be subject to the charge or other Security Interest created by such charge, pledge or rehypothecation.

Upon any such use by us, you will have a right against us for the delivery of equivalent assets. We may deliver equivalent assets to you by causing such equivalent assets to be transferred, appropriated or designated to your Accounts. Such equivalent assets, will upon such transfer, appropriation or designation by us, become Custody Assets, subject to all of the provisions of this Client Agreement, including without limitation, the Security Interest and this Clause 5.5.

5.6 We agree that when the income is paid in relation to any investments which we have used pursuant to Clause 5.5, we will, on the date of payment of such income, pay and deliver a sum of money or property equivalent to such income to the Accounts, irrespective of whether such income was received by us.



## **ANNEXURE 5 – NOTICE TO CLIENT RELATING TO THE PERSONAL DATA (PRIVACY) ORDINANCE**

Unless otherwise specified, all defined terms contained in this notice shall bear the same meanings as those in this Client Agreement.

1. From time to time, it is necessary for the Client to supply XinKong with data in connection with the opening or continuation of the Client's Accounts and the receipt of the Services provided under this Client Agreement.
2. Unless such data can be obtained from other Affiliates of XinKong to which the Client has previously provided the same, failure to supply such data to XinKong may result in it being unable to open or continue the Client's Accounts, to provide Services under this Client Agreement or to comply with any laws or guidelines issued by regulatory or other authorities.
3. The personal information collected by XinKong (whether provided by the Client or any other person, and whether provided before or after the Client opens the Accounts) may be used by XinKong for the following purposes necessary in providing Services to the Client:
  - (a) operating internal control/verification procedures, including procedures in compliance with anti- money laundering laws and regulations;
  - (b) conducting credit and other status checks and assisting other institutions to conduct such checks;
  - (c) ongoing administration of the Client's Accounts;
  - (d) providing the Client with trading and related Services including those related to Securities, futures and options;
  - (e) collection of any sums outstanding from the Client and those providing security for the Client's obligations;
  - (f) (in case of provision of discretionary investment management services) making investment decisions on behalf of the Client;
  - (g) marketing services or products as described in paragraph 5 below;
  - (h) supporting any statements made in any documents in connection with the services of XinKong;
  - (i) assisting other relevant parties, professionals, institutions or relevant regulatory authorities to verify certain facts in connection with the services of XinKong;
  - (j) maintenance of business records;
  - (k) designing further services and products to the Client, including but not limited to (i) the services and/or products provided by XinKong and its Affiliates or (ii) services and/or products provided by a broker or issuer authorised by or related to XinKong and its Affiliates;
  - (l) meeting any legal, governmental or regulatory requirements of Hong Kong or other relevant jurisdiction including any disclosure or notification requirements;
  - (m) complying with any obligations, requirements or arrangements that XinKong and/or its Affiliates have or may have in the future with local or foreign regulatory or tax

authorities, whether imposed by law or assumed by them for the protection of their financial, commercial business or other legitimate interests in or related to such jurisdictions, including but not limited to compliance with obligations binding on XinKong and/or its Affiliates pursuant to arrangements in relation to the FATCA and AEOI;

- (n) for establishing whether you are a citizen of the United States, resident of the United States for its federal income tax purposes or otherwise subject to tax in the United States and/or to substantiate whether your account has U.S. status for the purposes of FATCA; and
- (o) any purpose relating thereto.

4. Personal data collected by XinKong relating to the Client will be kept confidential but XinKong may provide such information (whether provided by the Client or any other person, and whether provided before or after the Client opens the Accounts) to the following parties, within or outside of Hong Kong, for the purposes set out in paragraph 3 above:

- (a) any Affiliates of XinKong;
- (b) any director, officer, employee of XinKong or Affiliates of XinKong only when carrying out their respective business activities;
- (c) any agent, contractor or third party service provider who provides administrative, telecommunications, computer, payment or Securities clearing, nominee, custodian, anti-money laundering or other services to XinKong or its Affiliates;
- (d) any trustee, registrar or custodian of any unit trust or collective investment scheme in connection with the provision of any services to the Client by XinKong or its Affiliates, or any centralised Securities depositary or registrar for any securities held on behalf of the Client;
- (e) credit reference agencies and, in the event of default, debt collection agencies;
- (f) any person to whom XinKong transfers, assigns or proposes to transfer or assign its interests and/or obligations in respect of the Accounts or any Services provided to the Client;
- (g) selected companies for the purpose of marketing services or products as described in paragraph 5 below;
- (h) an appropriate person under a duty of confidentiality to XinKong including any of its Affiliates which has undertaken to keep such information confidential;
- (i) any person or institution with which the Client has or proposes to have dealings;
- (j) any person to whom XinKong and/or its Affiliates is under an obligation to make disclosure under the requirements of any law, rules, regulations, court orders, codes of practice, guidelines or voluntary arrangements binding on XinKong and/or its Affiliates including, without limitation, any applicable regulators, governmental bodies, or industry recognized bodies such as exchanges, fiscal and monetary authorities, securities and banking associations and credit reference agencies, (all of which may be within or outside Hong Kong) and where otherwise required by law, including, without limitation, to any tax authority of any jurisdiction (including but not limited to the IRS and IRD) for the purposes specified above (including but not limited to the compliance

with FATCA and AEIOI), or where we have reason to believe you may be a resident for tax purposes, citizen or otherwise subject to tax; or

- (k) any assignee, transferee, delegate, successor or person to whom the account of the Client is transferred and the authorised person of the Client.
5. XinKong intends to use the Client's personal data in direct marketing and XinKong requires the Client's consent (which includes an indication of no objection) for that purpose. In this connection, please note that:
- (a) the name, contact details, age, gender, identity document reference, marital status, products and other service portfolio information, transaction pattern and behaviour, financial background and demographic data of the Client collected by XinKong from time to time may be used in direct marketing;
  - (b) the following classes of services, products and subjects may be marketed :
    - i. securities, futures, foreign exchange, mutual funds/unit trusts, bonds, derivatives, insurances, mandatory provident fund schemes, commodities, precious metals, investment, asset management, capital investment entrant scheme, insurance and related services and products;
    - ii. reward, loyalty or privileges programmes in relation to the class of marketing subjects as referred to in paragraph (b)i above ;
    - iii. services and products offered by XinKong's Affiliates in relation to the class of marketing subjects as referred to in paragraph (b)i above; and
    - iv. donations and contributions for charitable and/or non-profit making purposes;
  - (c) the above services, products and subjects may be provided or (in the case of donations and contributions) solicited by XinKong and/or:
    - i. any member of XinKong's Affiliates;
    - ii. third party financial institutions, insurers, securities, commodities and investment services providers ;
    - iii. third party reward, loyalty, co-branding or privileges programme providers ;
    - iv. any business partners with whom XinKong or its Affiliates maintain business referral or other arrangements,
    - v. third party marketing service providers; and
    - vi. charitable or non-profit making organizations;

(collectively, "**Third Parties**")
  - (d) In addition to marketing the above services and products itself, XinKong also intends to provide the above personal data of the Client to Affiliates of XinKong and all or any of the Third Parties for use by them in marketing their services and products, and XinKong requires the Client's written consent (which includes an indication of no objection) for that purpose;

- (e) XinKong is not allowed to use the personal data of any Client for the above voluntary purposes without such Client's consent. In the absence of any "opt-out" request, XinKong shall treat this Client Agreement entered into with the Client as an indication of no objection of such Client to the use of his personal data for the above voluntary purposes; and
  - (f) If the Client does not wish XinKong to use or provide to other persons his data for use in direct marketing as described above, the Client may exercise his "opt-out" right by notifying XinKong at the address set out in paragraph 8 below.
6. The Client has the right in accordance with the terms of the PDPO to:
- (a) check or enquire whether XinKong holds personal data about the Client;
  - (b) request access to any such personal data held by XinKong within a reasonable time, in a reasonable manner and in a form that is intelligible;
  - (c) request the correction of the Client's personal data which is inaccurate;
  - (d) be given reasons if a request for access or correction is refused;
  - (e) ascertain XinKong's policies and practices in relation to data and to be informed of the kind of personal data held by XinKong; and
  - (f) in relation to consumer credit, request to be informed which items of 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.
7. XinKong may charge a reasonable fee for processing any data access request.
8. The Client may direct any request for access to and/or correction of personal data or for information regarding policies and practices of and the kinds of data held by XinKong or the exercise of any "opt-out" right to the following address:
- Data Privacy Officer
- XinKong International Securities Limited
- Unit A, 16<sup>th</sup> Floor and Unit A, 17<sup>th</sup> Floor, Two Pacific Place, 88 Queensway, Hong Kong
- Telephone number: (+852) 3965 3965.
9. Nothing in this notice shall limit the rights of the Client under the PDPO.

## ANNEXURE 6 - MARGIN CLIENT AGREEMENT

This Margin Client Agreement forms an integral part of the Client Agreement entered into by us and you whereby your Account is allowed to conduct margin trading (“**Margin Securities Account**”) and we agree to grant credit facilities (“**Facility**”) to you at your request for your Transactions.

This Margin Client Agreement shall be read in conjunction with and as a supplement of the Client Agreement.

Where any conflict arises between the Client Agreement and the provisions of this Margin Client Agreement, the provisions of the latter shall prevail.

### 1. Definitions

- 1.1 Terms defined in this Margin Client Agreement have the same meanings as in the Client Agreement unless stated otherwise.
- 1.2 References to “**Account**” in the Client Agreement is deemed to include the Margin Securities Account as established pursuant to this Margin Client Agreement.
- 1.3 “**Client Securities Rules**” means the Securities and Futures (Client Securities) Rules made pursuant to Section 148 of the Securities and Futures Ordinance as amended from time to time.
- 1.4 “**Client Securities Standing Authority**” means the client securities standing authority granted by you to us in the terms set out in Clause 5 as amended from time to time.
- 1.5 “**Collateral**” means all monies and Securities of you which are now or which shall at any time hereafter be deposited with, transferred or caused to be transferred to or held by us or our Affiliates, or transferred to or held by any other person in circumstances where we accept the same as security for your obligations under the Account Agreement. The Collateral shall include those monies and securities that shall come into the possession, custody or control of us or our Affiliates from time to time for any purpose whatsoever (which shall include any additional or substituted securities and all dividends or interest paid or payable, rights, interest, monies or property accruing at any time by way of redemption, bonus, preference, options or otherwise on or in respect of any such Securities or additional or substituted Securities).
- 1.6 “**Credit Limit**” is the maximum amount of Facility that we will grant you irrespective of the amount of your Collateral and Margin Ratio.
- 1.7 “**Margin Ratio**” is the percentage of the value of the Collateral up to which you are permitted to borrow (or otherwise to secure other forms of financial accommodation) from us against the Collateral.

### 2. Margin Facility

- 2.1 The Facility is extended to you in accordance with the provisions set out in this Margin Client Agreement, any fees and charges sheet from us to you and in the Client Agreement (collectively called “**Margin Facility Terms**”). You agree to use the Facility only in connection with the acquisition or holding of Securities by us for you.

- 2.2 Subject to Clause 2.4 below, we may grant you Facility of such amount up to the Credit Limit as may be notified to you from time to time. The Credit Limit available to you and the Margin Ratio may be varied by notice by us from time to time. Notwithstanding the credit limit as notified to you, we may at its discretion extend Facility to you in excess of the Credit Limit and you agree that you shall be liable to repay the full amount of any Facility given by us in accordance with Clause 2.6.
- 2.3 We are instructed and authorized by you to draw on the Facility to settle any amounts due to us or our Affiliates in respect of your purchase of Securities, margin maintenance obligations for any positions required by us or our Affiliates, or payment of any commission or other costs and expenses owing to us or our Affiliates.
- 2.4 We will not at any time be obliged to provide any Facility to you. In particular, you understand that we may not provide any Facility to you if any of the following circumstances should arise:
- (i) you are in default of any provisions of the Account Agreement; or
  - (ii) in the opinion of us there is or has been a material adverse change in your financial condition or in the financial condition of any person which might adversely affect your ability to discharge your liabilities or perform your obligations under the Account Agreement; or
  - (iii) making an advance would cause the applicable Credit Limit to be exceeded; or
  - (iv) we in our absolute discretion consider it prudent or desirable for our protection not to do so.
- 2.5 For so long as there exists any indebtedness to us on your part, we shall be entitled at any time and from time to time to refuse any withdrawal of any or all of the Collateral and you shall not without the prior written consent of us be entitled to withdraw any Collateral in part or in whole from your Account.
- 2.6 You shall on demand from us make payments of deposits or Margin in monies, Securities and/or other assets in such amount and in such form into a designated account and within such time as specified by us (referred to as a “**Margin Call**”), as we in our absolute discretion determine necessary to provide adequate security in respect of the Facility. For the purpose of a Margin Call, we shall use our reasonable endeavours to contact you promptly by phone on the telephone numbers indicated by you on the Account Application Form and/or by sending to you a Margin Call notice by post, fax, email or otherwise. You agree that you shall be deemed properly notified of the Margin Call even if we fail to contact it by phone or you fail to receive the written notice.
- 2.7 Any failure by you to comply with Clause 2.6 of this Margin Client Agreement will constitute an Event of Default under Clause 21 of the Client Agreement.

- 2.8 You agree to pay interest on a daily basis on the amount of Facility extended to you. The interest rate shall be at a percentage above our cost of funds which will vary according to the prevailing money market situation and as notified to you by us from time to time. Such interest charges may be deducted by us from the Margin Securities Account or any other account of you with us or our Affiliates.

### **3. Transactions on a Margin Basis**

- 3.1 You agree to provide us with the Margin, as notified by us to you, before entering into any Transaction (“**Margin Requirement**”). The Margin Requirement varies with each type of Transaction and the amount is determined by us in our discretion. Notwithstanding the entry into the Transaction, the Margin required may be changed at any time by us. You must satisfy any and all Margin Requirements immediately as a condition to entering into any Transaction and we may decline to enter into a Transaction if you do not have sufficient Margin in your Margin Securities Accounts to satisfy the Margin Requirement for that Transaction at the time the relevant order is placed.
- 3.2 The Margin will be provided by pledging or assigning or charging assets acceptable to us. The valuation of the Margin is made according to our prevailing practices.
- 3.3 The Margin provided by you may fall below the Margin Requirement due to various reasons including, without limitation, book Losses arising from mark-to-market valuation of outstanding Transactions, Losses arising from closed-out Transactions or a fall in the value of the Margin. If we determine that the Margin is less than the Margin Requirement, we may take such action, including without limitation:
- (a) calling upon you on short notice to provide such additional Margin as we determine. This amount may be substantial and may exceed the amount originally committed as Margin;
  - (b) realising part or all of the Margin as we deem necessary to satisfy your liability without notice to or consent from you; and/or
  - (c) closing out, liquidating, setting off (notwithstanding that any of the same has not yet matured), realising or otherwise dealing with any or all outstanding Transactions (whether or not any additional Loss may thereby arise) by such time and by such means or in such manner as we consider appropriate without notice to or consent from you. If the Transactions are liquidated at a Loss and the Loss exceeds the aggregate Margin deposited, you will be liable for any shortfall.
- 3.4 Subject to the Applicable Laws, Margin will not be required where we have expressly agreed to reduce or waive all or part of your Margin Requirement. The period of such waiver or reduction may be temporary or may be in place until further notice. Any such waiver or reduction must be agreed in writing by us and will not limit, fetter or restrict in any way our right to seek further Margin from you.

- 3.5 We will be entitled at any time to retain or make deductions from credit balances which we owe to you and you consent to the money in your Accounts being subject to a general lien in our favour in order to meet any liabilities which you may have incurred to us, for example, for sums to be paid in settlement of Transactions or Margin Call.
- 3.6 The high degree of leverage resulting from a relatively small Margin Requirement can work against you as well as in your favour. The use of leverage may result in large Losses as well as gains. You should therefore consider the suitability of transacting with us on a Margin basis carefully in light of your financial positions and investment objectives.

## **4 Charge**

### **4.1 Fixed Charge**

You, as beneficial owner, charge in favour of us by way of first fixed charge all your respective rights, title, benefits and interests in and to all Collateral as a continuing security (“**Charge**”) for the payment and satisfaction on demand of all monies and liabilities (absolute or contingent) and performance of all obligations under the Margin Facility Terms which are now or at any time hereafter may be due, owing or incurred from or by you to us or our Affiliates, or for which you may be or become liable to us or our Affiliates on any account or in any manner whatsoever (whether alone or jointly with any other person and in whatever name style or firm) together with interest from the date of demand to the date of repayment, and any commission, legal and other costs, charges and expenses as they appear in the records of us or our Affiliates. Unless and until rebutted, a certificate issued and signed by our authorised officer shall become the final evidence on the amount due or owing from you to us.

### **4.2 Floating Charge**

(a) You, as a continuing security for the payment and satisfaction of all monies and liabilities under the Margin Facility Terms, which are now or at any time hereafter may be due or owing to XinKong together with interest, charges by way of a first floating charge all the Collateral not at any time otherwise effectively charged or mortgaged by way of a first fixed charge under Clause 4.1.

(b) The first floating charge created by you under this Clause 4.2 shall crystallise into a first legal charge forthwith and automatically upon the earlier of (i) the creation and issue to or receipt by you of the relevant Collateral, (ii) any corporate action, legal proceedings or other formal procedure or formal step is taken in relation to the winding-up, dissolution or re-organisation of you, (iii) the occurrence of any Event of Default, (iv) any person taking any step to effect any expropriation, attachment, sequestration, distress or execution against any of the Collateral, or (v) the issue of a written notice by XinKong to you if XinKong considers it desirable to convert any floating charge created pursuant to this Clause 4.2 in order to protect or preserve the security over the Collateral and/or the priority of the Charge.



- 4.2 The Charge shall be a continuing security notwithstanding any intermediate payment or settlement of account or satisfaction of the whole or any part of any sum owing by you to us and/or our Affiliates and notwithstanding the closing of any of your accounts with us and which are subsequently reopened or the subsequent opening of any account by you either alone or jointly with others and shall extend to cover all or any sum of monies which shall for the time being constitute the balance due from you to us or our Affiliates on any account or otherwise.
- 4.3 You represent and warrant that the Collateral is legally and beneficially owned by you, that you are entitled to deposit the Collateral with us or our Affiliates that the same is and will remain free from any lien, charge or encumbrance of any kind, and any stocks, shares and other securities comprised in the Collateral are and will be fully paid up.
- 4.4 Upon irrevocable payment in full of all sums which may be or become payable under the Client Agreement and the full performance of your obligations under the Margin Facility Terms, we will at your request and expense release to you all the rights, title and interests of us in the Collateral and will give such Instructions and directions as you may require in order to perfect such release.
- 4.5 Until the Charge becomes enforceable, (i) we will have the right, subject only to giving you notice, to exercise rights relating to the Collateral to protect the value of the Collateral; and (ii) except as otherwise provided in this Margin Client Agreement, you may direct the exercise of other rights attaching to, or connected with, the Collateral, but not in any manner which is inconsistent with your obligations under the Margin Facility Terms, or which in any way may prejudice our rights in relation to the Collateral.

## **5 Powers of Attorney**

You by way of security irrevocably appoint us to be your attorney on your behalf and in your name to do all acts and things and to sign, seal, execute, deliver, perfect and do all deeds, instruments, documents, acts and things which may be required for carrying out any obligation imposed on you by or pursuant to the Margin Facility Terms and generally for enabling us to exercise the respective rights and powers conferred on us by or pursuant to the Margin Facility Terms or by law including (but without limitation):

- (i) to execute any transfer or assurance in respect of any of the Collateral;
- (ii) to perfect its title to any of the Collateral;
- (iii) to ask, require, demand, receive, compound and give a good discharge for any and all monies and claims for monies due or to become due under or arising out of any of the Collateral;
- (iv) to give valid receipts and discharges and to endorse any cheques or other instruments or orders in connection with any of the Collateral; and

- (v) generally to file any claims or take any lawful action or institute any proceedings which it considers to be necessary or advisable to protect the security created under the Margin Facility Terms.

## **6 Client Securities Standing Authority**

6.1 By entering into this Margin Client Agreement, you hereby agree to provide your Client Securities Standing Authority set out under Clause 6.2 in respect of the Client's Securities and Collateral, subject to your right to revoke such Client Securities Standing Authority at any time in accordance with Clause 6.7. You understand and acknowledge the risks to you associated with giving the Client Securities Standing Authority. If you do not agree to provide such Client Securities Standing Authority at the time of entering into this Margin Client Agreement, you shall submit a written notice to us together with your completed Account Application Form which indicates clearly that you do not agree to give such Client Securities Standing Authority to us.

6.2 You hereby authorise us to:

- (i) apply any of your Securities or Collateral pursuant to a securities borrowing and lending agreement between us and a third party, subject to compliance with the Client Securities Rules and/or other applicable regulatory rules;

- (ii) subject to the Client Securities Rules regarding repledging limits, deposit any of your Collateral with an authorised financial institution as Collateral for financial accommodation provided to us;

- (iii) deposit any of your Collateral with HKSCC as collateral for the discharge and satisfaction of our settlement obligations and liabilities. You understand that HKSCC will have a fixed charge over your securities to the extent of our obligation and liabilities;

- (iv) deposit any of your Collateral with any other recognised clearing house, or another intermediary licensed or registered for dealing in securities, as collateral for the discharge and satisfaction of our settlement obligations and liabilities; and

- (v) apply or deposit any of your Collateral in accordance with Clauses 6.2(i), 6.2(ii), 6.2(iii) and/or 6.2(iv) above if we provide financial accommodation to you in the course of dealing in securities and also provides financial accommodation to you in the course of any other regulated activity for which we are licensed or registered.

6.3 You acknowledge and agree that we may do any of the things set out in this Clause 6 without giving you further notice.

6.4 You also acknowledge that:

(i) You have been informed of the replying practice of us and you have provided us with a standing authority to repledge your Securities or Collateral;

(ii) the Client Securities Standing Authority is given without prejudice to other authorities or rights which we or our Affiliates may have in relation to dealing in your Securities and Collateral in the segregated accounts; and

(iii) the Client Securities Standing Authority shall not affect our right to dispose or initiate disposal by our Affiliates of your Securities or Collateral in settlement of any liability owed by or on behalf of you to us, the associated entity, or a third person.

6.5 You understand that a third party may have rights to your Securities, which we must satisfy before your Securities can be returned to you.

6.6 The Client Securities Standing Authority shall be valid for a period of 12 months from the date of this Margin Client Agreement, subject to renewal by you or deemed renewal under the Client Securities Rules (as the case may be) as referred to in Clause 6.8.

6.7 The Client Securities Standing Authority may be revoked by giving us written notice addressed to the XinKong International Securities Limited at our address specified in the Account Application Form or such other address which we may notify you in writing for this purpose. Such notice shall take effect upon the expiry of 10 days from the date of our actual receipt of such notice. This is provided that no such revocation shall be effective if there is any indebtedness in the Margin Securities Account.

6.8 You understand that the Client Securities Standing Authority shall be deemed to be renewed on a continuing basis without your written consent if we issue you a written reminder at least 10 days prior to the expiry date of the Client Securities Standing Authority, and you do not object to such deemed renewal before such expiry date.

6.9 If you request for revocation of the Client Securities Standing Authority or it has not been renewed by you whom we called upon to do so, we reserve the right to terminate this Margin Client Agreement and operations of the Margin Securities Account and then you shall forthwith settle any indebtedness owing to us and/or our Affiliates.

## **7 Disposal of Collateral**

You agree that in the event of any sale pursuant to the Client Agreement or the Margin Facility Terms, any Collateral will be sold or disposed of in the absolute discretion of us and upon any sale by us, a declaration made by an officer of us that the power of sale has become exercisable shall be conclusive evidence of the fact in favour of any purchaser or other person deriving title to any of the Collateral under the sale and no person dealing with us or our nominees shall be concerned to inquire into the circumstances of the sale.

## **8 Termination of Facility**

8.1 The Facility is repayable on demand and may be varied or terminated in the absolute discretion of us. In particular the Facility will be terminated upon the occurrence of any one or more of the following events: (i) the withdrawal or non-renewal of your authorization to us as required by Section 7 of the Securities and Futures (Client Securities) Rules; or (ii) any termination in accordance with Clauses 21 and 22 of the Client Agreement, and any notice of termination for that purpose shall be deemed to be a notice of termination of the Facility.

8.2 Upon termination of the Facility, any outstanding indebtedness by you shall forthwith be repaid to us.

8.3 Repayment of all or any of the loan amounts owed to us will not of itself constitute cancellation or termination of the Margin Facility Terms.

## **9. Security Unaffected**

Without prejudice to the generality of the foregoing, neither the Charge nor the amounts thereby secured will be affected in any way by:

- (i) any other security, guarantee or indemnity now or hereafter held by us or our Affiliates under or in respect of the Margin Facility Terms or any other liabilities;
- (ii) any other variation or amendment to or waiver or release of any security, guarantee or indemnity or other document (including, except to the extent of the relevant variation, amendment, waiver or release, the Charge);
- (iii) the enforcement or absence of enforcement or release by us or our Affiliates of any security, guarantee or indemnity or other document (including the Charge);
- (iv) any time, indulgence, waiver or consent given to you or any other person whether by us or our Affiliates;
- (v) the making or absence of any demand for payment of any sum payable under the Margin Facility Terms made on you whether by us or any other person;
- (vi) the insolvency, bankruptcy, death or insanity of you;

- (vii) any amalgamation, merger or reconstruction that may be effected by us with any other person or any sale or transfer of the whole or any part of the undertaking, property or assets of us to any other person;
- (viii) the existence of any claim, set-off or other right which you may have at any time against us or any other person;
- (ix) any arrangement or compromise entered into by us with you or any other person;
- (x) the illegality, invalidity or unenforceability of, or any defect in, any provision of any document relating to the Facility or any security, guarantee or indemnity (including the Charge) or any of the rights or obligations of any of the parties under or in connection with any such document or any security, guarantee or indemnity (including the Charge), whether on the ground of ultra vires, not being in the interests of the relevant person or not having been duly authorized, executed or delivered by any person or for any other reason whatsoever;
- (xi) any agreement, security, guarantee, indemnity, payment or other transaction which is capable of being avoided under or affected by any law relating to bankruptcy, insolvency or winding-up or any release, settlement or discharge given or made by you on the faith of any such agreement, security, guarantee, indemnity, payment or other transaction, and any such release, settlement or discharge shall be deemed to be limited accordingly; or any other thing done or omitted or neglected to be done by us or any other person or any other dealing, fact, matter or thing which, but for this provision, might operate to prejudice or affect your liabilities under the Margin Facility Terms.

#### **10. Acknowledgement in respect of the SEHK Option Clearing House (“SEOCH”) Margining on a portfolio basis**

You acknowledge that you hereby authorize us to submit a claim with the SEOCH in respect of your open positions to the effect that SEOCH will calculate and collect margin in respect of such positions on a portfolio basis. You further acknowledge that you were invited to read the reporting requirements and the responsibilities of reporting set out in the Rules of the HKEx and in the Securities and Futures (Contracts Limits and Reportable Positions) Rules and related guidance notes issued by the SFC.

#### **11. Risk Disclosure**

We refer you to the Risk Disclosure Statement contained in Annexure 1 of the Client Agreement.

## ANNEXURE 7 – CHINA CONNECT TRADING AGREEMENT

This China Connect Trading Agreement is supplemental to the Client Agreement entered into by us and you to which this China Connect Trading Agreement is annexed whereby you are allowed to conduct trading of China Connect Securities through China Connect and XinKong agrees to provide such trading services to the Client. Where any conflict arises between the Client Agreement and the provisions of this China Connect Trading Agreement, the provisions of the latter shall prevail.

### Important Notes

The following describes some of significant aspects of trading the Shanghai Stock Exchange (“SSE”) and/or Shenzhen Stock Exchange (“SZSE”) securities via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (collectively referred to as “China Connect”) through XinKong.

### Compliance with Applicable Laws and Rules

You must and hereby agree to observe relevant laws and regulations of Mainland China and Hong Kong as well as the rules of the exchanges. You must accept and hereby agree the aforesaid and acknowledge the risks related to China Connect, including but not limited to being liable or responsible for breaching the SSE Listing Rules, SSE Rules, SZSE Listing Rules, SZSE Rules and other applicable laws and regulations before giving instructions. Some of these rules are referred to below; detailed information on trading via China Connect can be referred to on HKEX or our website or our application.

1. **Day Trading is Not Permitted**  
The Client is not allowed to carry out day trading through China Connect. A shares bought on trade day (T-day) can only be sold on or after T+1 day.
2. **Over-the-counter (“OTC”) Trading is Not Permitted**  
All trading must be conducted on SSE and or SZSE, i.e. no OTC or manual trades are allowed.
3. **Naked Short Selling is Not Permitted**  
You must have shares transferred to the XinKong’s corresponding CCASS account before the commencement of trading on a trading day if you intend to sell the shares during a trading day. If you do not have sufficient shares in your account to cover a proposed share order we may in our absolute discretions reject your sell order. You hereby agree to bear and be responsible for any risk, loss or cost resulting from the non-compliance of this rule.
4. **Stock and Money Settlement Arrangement**  
For SSE and SZSE shares trading, stock settlement will be conducted on T-day, while money (including the transaction amount as well as the related fees and levies) will settle on T+1 day. You should ensure you have sufficient RMB in your account for settlement.
5. **Right to Cancel Orders**  
We may, in our absolute discretion, refuse to execute any order made by you without prior notice (in any form, whether in writing or not), if (for example and without limitation) such order does not comply with any rules, laws, or regulations or if we are required by the SEHK,

SSE, SZSE or any other China Connect Authority to reject orders from you. We may further cancel your orders in case of contingencies such as the hoisting of Typhoon Signal No 8 or any other incident beyond the control of XinKong which may affect order placing or settlement of the transaction.

6. **Quota Restrictions**  
Purchases of SSE and or SZSE securities through China Connect are subject to certain daily quota controls. As a result, there is no assurance that a buy order can be successfully placed through China Connect.
7. **Difference in trading day and trading hours**  
China Connect allows trading only on the days when both Hong Kong and the respective Mainland Chinese markets are open for trading, and banking service are available in both markets on the corresponding settlement days. You should also note that A shares trading will follow the trading hours of the Exchange where it is listed.
8. **Foreign Shareholding Restriction**  
Under Mainland China laws, there is a limit as to the number of shares a single foreign investor is permitted to hold in a single Mainland China listed company. We have the right to force-sell your shares upon receiving a forced-sale notification from SEHK. Accordingly, you should ensure you fully understand the Mainland rules and regulations in relation to shareholding restrictions and disclosure obligations and follow such rules and regulations.
9. **Short Swing Profit Rule**  
Under Mainland China laws, the “short swing profit rule” requires investors to return any profits made from purchases and sales in respect of China Connect securities of a Mainland China listed company if (a) your shareholding in the Mainland China listed company exceeds the threshold prescribed by the relevant China Connect authority from time to time and (b) the corresponding sale transaction occurs within the six months after a purchase transaction, or vice versa.
10. **Not Covered by Investor Compensation Fund**  
You should note that both SSE and SZSE trading under China Connect will not be covered by Hong Kong’s Investor Compensation Fund. You also acknowledge that you understand that Hong Kong investors are not protected by Protection Fund on the Mainland
11. **Warnings**  
SSE and/or SZSE may request SEHK to require us to issue warning statements (verbally or in writing) to you, and not to extend SSE and/or SZSE trading service to certain clients.
12. **Liability**  
SEHK, SEHK parent companies and subsidiaries, SSE, SSE subsidiary, SZSE and SZSE subsidiary and their respective directors, employees and agents shall not be responsible or held liable for any loss or damage directly or indirectly suffered by us, our clients including you or any third parties arising from or in connection with SSE and/or SZSE trading or the China Stock Connect System (“CSC”).
13. **Margin Trading**  
The margin trading of China Connect shares is subject to eligibility requirements as determined by the SSE or the SZSE. The list of eligible shares and their margin ratios may change from time to time. Should the volume of margin trading in a specific share exceed the threshold, the SSE or SZSE will suspend further margin trading of the stock on the next trading day.

You hereby acknowledge that you may be liable to regulatory investigations and any legal

consequences if you are in breach of or fail to comply with the Applicable Laws, rules, or regulations of the SEHK, SSE, SZSE or any other China Connect Authority.

You also hereby acknowledge and accept that we may, in our absolute discretion, suspend, terminate or limit the your access to the China Connect through us without advance notice in any form to you including but not limited to where requested by the SEHK, SSE, SZSE or any other China Connect Authority.

In the event that the SEHK, SSE, SZSE or any other China Connect Authority have reasonable cause to believe that you have failed to comply with or has breached any Applicable Laws, rules, or regulations, you shall, upon the request of us provide such information (including translations into Chinese if so requested) as we may reasonably request to enable us to assist the SEHK, SSE, SZSE or any other China Connect Authority to assess whether there is any non-compliance or breach of the Applicable Laws, rules or regulations and/or extent of any non-compliance or breach.

### **Risk Disclosure**

You confirm that you have read the Risk Disclosure Statement contained in Annexure 1 of the Client Agreement and understand the risks relevant to China Connect trading.

You are hereby advised that you should undertake transactions only if you understand the nature of China Connect trading and the extent of the your exposure to risk. You should carefully consider (and consult independent advisers where necessary) whether trading is appropriate for yourself in light of your trading experience, objectives, financial resources and other relevant circumstances.

### **Processing of Personal Data as part of the China Connect**

In view of our provision of China Connect Trading Services to you, you hereby acknowledge and agree that we will be required and is given your explicit permission to:

- (i) tag each of your orders submitted to the China Connect with a Broker-to-Client Assigned Number ("**BCAN**") that is unique to you (*for a single account*) or to each joint account with XinKong, as appropriate; and
- (ii) provide to the SEHK your assigned BCAN and such identification information ("**Client Identification Data**" or "**CID**") relating to you as the SSE or the SZSE may request from time to time under the Rules of the Exchange.

By instructing us in respect of any transaction relating to China Connect Securities, you hereby acknowledge and agree that we may collect, store, use, disclose, and transfer personal data relating to you as required for the purposes of complying with the requirements of the Exchange and its rules as in force from time to time in connection with the China Connect, including as follows:

- (a) to disclose and transfer your BCAN and CID to the Exchange and the relevant SEHK Subsidiaries from time to time, including by indicating your BCAN when inputting a China Connect Order into the CSC, which will be further routed to the relevant China Connect Market Operator on a real-time basis;
- (b) to allow each of the Exchange and the relevant SEHK Subsidiaries to: (i) collect, use and store your BCAN, CID and any consolidated, validated and mapped BCANs and CID information provided by the relevant China Connect Clearing House (in the case of storage, by any of them or via HKEX) for market surveillance and monitoring purposes and enforcement of the Rules of the Exchange; (ii) transfer such information to the relevant China Connect Market Operator (directly or through the relevant China Connect Clearing House) from time to time for the purposes set out in (c) and (d) below; and (iii) disclose such information to the relevant regulators and law enforcement agencies in Hong Kong so as to facilitate the performance of their statutory functions with respect to the



Hong Kong financial markets;

- (c) to allow the relevant China Connect Clearing House to: (i) collect, use and store your BCAN and CID to facilitate the consolidation and validation of BCANs and CID and the mapping of BCANs and CID with its investor identification database, and provide such consolidated, validated and mapped BCANs and CID information to the relevant China Connect Market Operator, the Exchange and the relevant SEHK Subsidiary; (ii) use your BCAN and CID for the performance of its regulatory functions of securities account management; and (iii) disclose such information to the Mainland regulatory authorities and law enforcement agencies having jurisdiction over it so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets; and
- (d) to allow the relevant China Connect Market Operator to: (i) collect, use and store your BCAN and CID to facilitate their surveillance and monitoring of securities trading on the relevant China Connect Market through the use of the China Connect Service and enforcement of the rules of the relevant China Connect Market Operator; and (ii) disclose such information to the Mainland regulatory authorities and law enforcement agencies so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets.

You also hereby acknowledge that despite any subsequent purported written withdrawal of consent by you, your personal data may continue to be stored, used, disclosed, transferred and otherwise processed for the above purposes, whether before or after such purported withdrawal of consent.

**Consequences of failing to provide Personal Data or Consent**

Failure to provide us with the consent as described above will mean that we will not be able to provide you with the services in respect of China Connect Trading or such relevant services.