

### Section I: General Terms and Conditions

This Section I is applicable to each and every Account of whatever nature now or subsequently opened with CSSL.

#### 1 Application and Definitions

1.1 In this Section I, unless the context otherwise requires, the following words and expressions shall have the following meanings:

**"Access Code"** means together the Password, the PIN and the User ID with respect to the Customers' use of Electronic Trading Service;

**"Account"** means any account of whatever nature now or subsequently opened in the name of the Customer with CSSL under this Agreement;

**"Agreement"** means this Client Trading Agreement comprising the Client Information Statement, the account opening form, these Terms and Conditions and any declaration and/or confirmation in respect of Professional Investor (if applicable), in each case as the same may be amended or supplemented from time to time;

**"Associate"** means a company or body corporate which is a member of the same "group of companies" (as defined in Section 2 of the Companies Ordinance);

**"Authorized Person"** means the person(s) authorized by the Customer under Clause 8 to give Instructions as notified to CSSL from time to time in such manner as CSSL requires;

**"Business Day"** means any day on which the relevant Exchange is open for trading other than Saturdays, Sundays, public holidays and such other days which are declared by the relevant Exchange to be non-business days;

**"Charged Securities"** has the meaning ascribed to it in Clause 4.1(a) of Section II of these Terms and Conditions?

**"Clearing House"** means HKSCC in relation to SEHK and, in relation to any other Exchange, the relevant clearing house providing similar services to such other Exchange;

**"Client Information Statement"** means the Client Information Statement to be completed and signed by the Customer for the purpose of opening of an Account;

**"Companies Ordinance"** means the Companies Ordinance (Cap. 622 of the laws of Hong Kong) as the same may be amended or supplemented from time to time;

**"Compensation Fund"** means the Investor Compensation Fund established under Section 236 of the Ordinance;

**"Credit Facilities"** means all or any of the credit facilities agreed to be made available or granted from time to time by CSSL to the Customer pursuant but subject to the limit and terms determined by CSSL and notified to the Customer from time to time, including but not limited to the Margin Facilities and the IPO Financing;

**"Customer"** means holder(s) of an Account, whose information are set out in the Client Information Statement;

**"Electronic Trading Service"** means the electronic trading services provided by CSSL in the form of trading through any electronic means under this Agreement including but not limited to CSSL Mail, any information contained in CSSL's website and the software comprised in them;

**"Exchange"** means SEHK and/or any foreign stock exchange;

**"FATCA"** means sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended, any current or future regulations or official interpretations thereof, any agreement entered into thereunder, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation thereof;

**"CSSL"** means China Sky Securities Limited, a securities broker licensed by the SFC to conduct Type 1 (Dealing in securities), regulated activities and designated with CE No. ACI678;

**"CSSL Mail"** means the secure messaging facility operated by CSSL for the delivery and receipt of confirmations, statements and other notices;

**"HKSCC"** means Hong Kong Securities Clearing Company Limited;

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

**"Instruction"** means any instruction, direction, notice or other communication for or related to the buying and selling of or otherwise dealing in the Securities given by the Customer or its Authorized Person in accordance with this Agreement;

**"IPO Financing"** has the meaning ascribed to it in Clause 23 of this Section I;

**"Margin Account"** means any margin securities trading account now or hereafter opened in the name of the Customer with CSSL for the trading

of Securities by CSSL for or on behalf of the Customer in respect of which CSSL provides the Customer with the Margin Facilities;

**"Margin Facilities"** means all or any of the credit facilities (exclusive of IPO Financing) agreed to be made available or granted from time to time by CSSL to the Customer on the Margin Account pursuant and subject to the limit and terms determined by CSSL and notified to the Customer from time to time, including all amounts debited to the Margin Account in accordance with the terms of this Agreement;

**"Ordinance"** means the Securities and Ordinance (Cap. 571 of the laws of Hong Kong) and any subsidiary legislation made thereunder as the same may be amended or supplemented from time to time;

**"Password"** means the Customer's personal password used in conjunction with the User ID to gain access to the Electronic Trading Service, CSSL Mail and/or other services provided by CSSL;

**"PIN"** means the Customer's personal identification number used when instructing CSSL;

**"Professional Investor"** shall have the same meaning as that defined in Schedule 1 to the Ordinance, as amended from time to time;

**"Securities"** shall have the same meaning as that defined in Schedule 1 to the Ordinance, as amended from time to time;

**"Securities Account Statement"** means a written confirmation sent by mail or other electronic communications from time to time by CSSL to the Customer in relation to the execution of Instructions;

**"SEHK"** means the Stock Exchange of Hong Kong Limited;

**"SFC"** means the Securities and Commission of Hong Kong;

**"SFC Code of Conduct"** means the Code of Conduct for Persons Licensed by or Registered with the Securities and Commission issued by the SFC, as may be amended from time to time;

**"Terms and Conditions"** means the terms and conditions set out in Sections I to VII, as may be amended or supplemented from time to time;

**"Transaction"** means a transaction in Securities effected by CSSL pursuant to or as a result of an Instruction or in accordance with the terms and conditions of this Agreement; and

**"User ID"** means the Customer's personal identification used in conjunction with the Password to gain access to the Electronic Trading Service, CSSL Mail and/or other services provided by CSSL.

**1.2 For the purpose of interpretation of the provisions of these Terms and Conditions:**

- (a) Words importing the singular shall include the plural and vice versa and words importing a gender shall include every other gender.
- (b) Where any provision contains the expression "and/or" then this shall mean the relevant provision may apply to either or both of the parties or matters that such expression shall connect.
- (c) The headings in these Terms and Conditions are inserted for ease of reference only, save where referred to otherwise, and shall not form the terms of these Terms and Conditions.
- (d) References to Clauses and Sections are to clauses and sections of these Terms and Conditions, unless otherwise specified.
- (e) References to "writing" includes letter, facsimile, e-mail and other electronic transmission.
- (f) The sub-headings in these Terms and Conditions are inserted for convenience only and shall be ignored in construing these Terms and Conditions.

**2 Customer Identification**

**2.1** Due to money laundering, counter terrorist financing or other requirements operating within the relevant jurisdiction, CSSL or its agent is required to ascertain and record client identity details before CSSL provides or continues to provide any services to the Customer. The Customer undertakes to provide CSSL promptly with information or documentation relating to client identity as so requested.

**2.2** CSSL reserves the right (at its discretion) to request additional information or documentation relating to client identity in accordance with the applicable laws, rules and regulations including but not limited to the SFC Code of Conduct.

**2.3** CSSL is required, upon the request of the Exchange, the SFC or other legal or regulatory or governmental authority (whether in Hong Kong or elsewhere), to disclose the name, beneficial identity and such other information concerning the Customer as the relevant authority may require, and the Customer agrees to provide such information as CSSL may require in order for CSSL to comply with such requirements.

**2.4** The Customer hereby acknowledges the existence of the Hong Kong Client Identity Rule Policy which is enforced by the SEHK and the SFC ("Regulators"). The Customer agrees to be bound by the terms and conditions and continuations set out in the Client Identity Rule Policy (see Section V of these Terms and Conditions). The Customer acknowledges that if relevant information is not provided to the relevant Regulators within two Business Days, CSSL must refuse the Customer's application or refuse to provide any services to the Customer.

**2.5** In consideration of CSSL providing services to the Customer, the Customer warrants that in relation to any Transaction (whether for own account or as agent for and on behalf of another) involving securities listed or traded on SEHK or derivatives, including over the counter derivatives, written over such securities regardless of where such trades are effected:

- (a) where the information is available to CSSL, CSSL is expressly authorized to release to a Regulator upon request client identity information such as the identity, address and contact details of the ultimate client of, or the person responsible for originating the Instruction for, such Transaction and/or the person that stands to gain the commercial or economic risks for, or bear the commercial or economic risks of, the Transaction ("Information") without the Customer's further consent;
- (b) the Customer will supply immediately to CSSL (or to the Regulator directly) the Information as requested by a Regulator;
- (c) where the Customer is acting as agent for and on behalf of another, the Customer has in place arrangements which will ensure that the Customer's client will provide the Information to CSSL (or to the Regulator directly) upon request;
- (d) the Customer will continue to provide, or ensure that the Customer's client provides, the Information as requested by a Regulator to CSSL (or to the Regulator directly) notwithstanding termination of CSSL's services to the Customer, in relation to any Transaction undertaken by the Customer prior to such termination; and
- (e) any right to confidentiality or any benefit of secrecy with respect to such Information under any applicable secrecy laws of the ultimate client of, or the person responsible for originating the Instruction for, such Transaction and/or the person that stands to gain the commercial or economic benefit for, or bear the commercial or economic risks of, the Transaction has been validly and irrevocably waived by them.

### 3 Professional Investors

- 3.1 A Customer may be classified and treated as a Professional Investor under the Ordinance, for all of the services that CSSL provides to the Customer.
- 3.2 Where the Customer is classified and treated as a Professional Investor (as defined under paragraph (j) of the definition of "professional investor" in Part 1 of Schedule 1 to the Ordinance), CSSL shall carry out an annual confirmation exercise in respect of this classification and the Customer agrees to deliver, immediately upon request, a form of confirmation to CSSL to assist with this exercise.
- 3.3 A request may be made by the Customer to withdraw at any time from being treated as a Professional Investor whether in respect of all products or markets or any part thereof.
- 3.4 The Customer acknowledges that certain provisions are waived for persons classified as Professional Investors as set out in further detail in the SFC Code of Conduct.

### 4 The Account

The Customer may access the Account through the Electronic Trading Service. Should the Customer experience any problems in reaching CSSL through the Electronic Trading Service, the Customer may attempt to communicate with CSSL by telephone and inform CSSL of the difficulty the Customer is experiencing.

### 5 Undertakings, Warranties and Representations

- 5.1 The Customer acknowledges, represents, warrants and undertakes that:
  - (a) the information set out in the Client Information Statement is complete, true and correct and CSSL is entitled to fully rely on such information and representation for all purposes. The Customer undertakes to inform CSSL in writing of any changes thereto immediately after the relevant change(s) has/have occurred;
  - (b) all necessary consents or authorizations which may be required for this Agreement have been obtained and are in full force and effect; and
  - (c) the Customer has the authority and legal capacity to enter into and perform the obligations under this Agreement and this Agreement constitutes the valid and legally binding obligations of the Customer.
- 5.2 CSSL is hereby authorized at any time to conduct credit enquiries on the Customer and to contact anyone, including the Customer's bankers, brokers or any credit agency to verify the information provided.
- 5.3 The Customer represents and warrants to CSSL that the Customer's use of the Account will comply with all applicable laws, rules and regulations, with all applicable policies and practices of the SEHK and other stock exchanges and associations, and regulatory or self-regulatory organizations and the policies and procedures (whether stated orally or in writing) applicable to the Account and this Agreement and any other agreement between CSSL and the Customer, as may be amended from time to time.

### 6 Applicable Rules and Regulations

- 6.1 All Transactions made as a result of any Instructions shall be subject to the relevant provisions of the constitution, rules, regulations, by-laws, customs and usages of the relevant Exchange and HKSCC and the Clearing House at which the Transaction is conducted and to the applicable laws as amended from time to time. All actions taken by CSSL in accordance with such constitution, rules, regulations, by-laws, customs, usages and laws shall be binding on the Customer.
- 6.2 In the event of any conflict between any provision in (i) this Agreement and (ii) any such constitution, rules, regulations, by-laws, customs and usages, and laws, the latter shall prevail. Such provision shall be deemed to be rescinded or modified in accordance with and to such extent required by any such constitution, rules, regulations, by-laws, customs and usages, and laws. However, in all other respects, this Agreement shall continue and remain in full force and effect until termination in accordance with these Terms and Conditions. In addition, CSSL may take or omit to take any action which it considers fit in order to ensure compliance with the same including, without limitation, disregarding any unexecuted order or rescinding any executed transaction.

## 7 Electronic Trading Services

7.1 The Customer agrees to abide by the provisions of this Agreement whenever the Customer uses the Electronic Trading Service. Any additional services offered through the Electronic Trading Service in the future will only be used by the Customer in accordance with the provisions of this Agreement and any additional provisions applicable thereto.

7.2 The Customer understands that the Electronic Trading Service is a semi-automated facility, which enables the Customer to send electronic Instructions to buy, sell and otherwise deal with Securities and receive information services.

7.3 The Customer acknowledges that the Electronic Trading Service and the software comprised in it are proprietary to CSSL and/or third party provider(s). The Customer agrees and undertakes that the Customer shall not, and shall not attempt to, tamper with, modify, decompile, reverse engineer or otherwise alter in any way, and shall not attempt to gain unauthorized access to, any part of the Electronic Trading Service and the software comprised in it. The Customer agrees that CSSL may, at CSSL's absolute discretion, suspend or terminate the Customer's Access Code and/or close the Account immediately without notice to the Customer, and take action against the Customer if the Customer at any time breach this Agreement or any other agreement or undertaking, rules, regulations, orders and laws of Hong Kong or of the country concerned or if CSSL at any time reasonably suspects that the Customer has breached the same. The Customer undertakes to notify CSSL immediately if the Customer becomes aware that any other person is doing any of the above.

7.4 The Customer shall be the only user of the Electronic Trading Service under the Account. The Customer shall be responsible for the confidentiality and use of the Access Code and agrees to undertake:

- (a) not to disclose any Access Code to any third party;
- (b) not to write down or record any Access Code in a way that could facilitate misuse or fraud; and
- (c) to immediately report any loss, unauthorized disclosure or misuse of the Customer's Access Code to CSSL.

The Customer acknowledges and agrees that the Customer shall be solely responsible for all Instructions entered through the Electronic Trading Service using its Access Code.

7.5 The Customer further acknowledges and agrees that, as a condition of using the Electronic Trading Service to give Instructions, the Customer shall immediately notify CSSL if:

- (a) immediately after an Instruction in respect of the Account has been placed through the Electronic Trading Service, the Customer has not received:
  - (i) an order reference number; and
  - (ii) an accurate acknowledgement of the Instruction or of its execution (whether by hard copy, electronic or verbal means);
- (b) the Customer has received acknowledgement (whether by hard copy, electronic or verbal means) of a Transaction which the Customer did not instruct or if any similar conflict arises; or
- (c) the Customer becomes aware of any unauthorized use of the User ID, Password or PIN.

7.6 The Customer agrees that if the Customer fails to notify CSSL forthwith when any of the situations described in Clause 7.5 occurs, neither CSSL nor any of CSSL's directors, employees, agents or representatives shall have any liability to the Customer, or to any other person for any obligations, claims or other liabilities with respect to the handling, mishandling or loss of any Instruction unless such loss results from the fraud, gross negligence or wilful default on the part of CSSL.

7.7 CSSL has no responsibility to inform the Customer of any difficulties CSSL or other third parties experience concerning use of the Electronic Trading Service or to take any action in connection with these difficulties. CSSL also will have no duty or obligation to verify, correct, complete or update any information displayed in the Electronic Trading Service. The Customer will make its own independent decision to access or use the Electronic Trading Service or to execute any Transaction and the Customer acknowledges and agrees that the Electronic Trading Service does not and will not serve as the primary basis for any of the Customer's investment decisions concerning its Accounts.

7.8 The Customer understands, acknowledges and agrees that:

- (a) the real-time quote service and other market information available at CSSL's website is provided by a third party service provider appointed by CSSL from time to time;
- (b) neither CSSL nor any of CSSL's directors, employees, agents, representatives or third party service provider shall be responsible to the Customer for any losses, costs, expenses, damages or claims which the Customer may suffer as a result of or in connection with any respect of the real-time quote service including the Customer's reliance on such service;
- (c) the market data and information available through the Electronic Trading Service is provided to CSSL by each participating Securities exchange(s) or association(s) or agent(s) (which disseminate such data and information) with assertion of a proprietary interest in such data and information;
- (d) CSSL will not be liable for any loss of profits or anticipated savings (in either case, whether direct or indirect) or any special, indirect, incidental or consequential damages which the Customer may incur or experience because the Customer entered into this Agreement or relied on the Electronic Trading Service, even if CSSL knows of the possibility of those losses or damages;
- (e) CSSL (and any of CSSL's affiliate) are not and will not be, by virtue of providing the Electronic Trading Service, an advisor or fiduciary for the Customer; and
- (f) no party guarantees the timeliness, sequence, accuracy or completeness of market data or any other market information and neither CSSL, CSSL's directors, employees, agents or representatives nor any disseminating party shall be liable in any way for any loss or damage arising from or caused by any inaccuracy, error or delay in or omission from any such data, information or message, or the transmission or delivery of the same, non-performance or interruption of any such data, message or information whether or not due to any negligent act of CSSL or any disseminating party, or shall be liable in any way for the correctness, quality, accuracy, security,

completeness, reliability, performance, timeliness, pricing or continued availability of the Electronic Trading Service or for delays or omissions of the Electronic Trading Service, or for the failure of any connection or communication service to provide or maintain the Customer's access to the Electronic Trading Service, or for any interruption or disruption of the Customer's access or any erroneous communications between the Customer and CSSL, or to any force majeure event as described under Clause 48 of this Section I, or any other cause beyond CSSL's control or the reasonable control of any disseminating party.

The Customer shall use all such data, information and real-time quotes for the Customer's personal use and reference only, and these must not be reproduced, duplicated, sub-listed or transmitted or used for commercial purposes, and the Customer shall not furnish such data to any other person or entity for any reason.

7.9 By applying for and using the Electronic Trading Service, the Customer represents and warrants that:

- (a) the Customer is legally entitled to open and use the Electronic Trading Service; and
- (b) no breach of any law, regulation or governmental or other requirement whether of the Customer's jurisdiction of residence or domicile, or any other relevant jurisdiction will arise as a result of any use by the Customer of the Electronic Trading Service.

7.10 The Customer agrees to indemnify CSSL on demand from all liabilities, losses, claims, damages, judgments, suits, actions, proceedings, costs (including legal fees) and expenses (collectively referred to as "Losses") CSSL may suffer or incur as a result of the Customer's use of the Electronic Trading Service, including any breach of this Clause 7 or breaches of security of the Electronic Trading Service (including any access or entry into any of CSSL's other systems not covered by this Agreement), except to the extent such Losses are due to CSSL's gross negligence or wilful misconduct.

## 8 Authorized Person(s)

8.1 From time to time, the Customer may appoint one or more Authorized Person(s) to give instructions to CSSL in relation to any matter regarding CSSL's services and CSSL's operations and to execute on the Customer's behalf in his/her name(s) any and all such acts, deeds and documents whatsoever.

8.2 All appointments and revocations of appointment of Authorized Person(s) shall be delivered to CSSL in writing and in such manner acceptable to CSSL at its absolute discretion. Such appointment, revocation or amendment shall only be effective upon expiry of three Business Days upon receipt and/or sufficient time has elapsed to allow CSSL to record the appointment, revocation or amendment on its operating system.

8.3 For the purpose of the above, but without prejudice to the generality of the foregoing, the Authorized Person(s) shall be authorized to do the following acts, deeds and things:

- (a) to withdraw money from the Customer's Account;
- (b) to ask for and receive from CSSL any and all information whatsoever relating to the Account, including but not limited to statements and all other notices and documents;
- (c) to give CSSL any and all Instructions whatsoever in relation to the services provided by CSSL;
- (d) to notify CSSL (which notification shall be deemed conclusive of the Customer's Instruction) of any change in particulars including but not limited to changes in addresses for communication; and
- (e) to amend and/or update his/her/their specimen signature(s) and/or personal details(s) from time to time, and CSSL is entitled to and hereby authorized to rely on the aforesaid amendments and/or updates made by the Authorized Person(s) without further notice to the Customer.

8.4 The Customer shall ratify all acts and matters within the scope of the powers of the Authorized Person(s).

8.5 CSSL shall be under no liability whatsoever in respect of any loss or damage which the Customer may suffer or incur as a result of the acts or omissions of the Authorized Person(s). The Customer shall be fully responsible for such acts or omissions of the Authorized Person(s) and agrees to keep CSSL fully indemnified against all losses, costs, claims damages or expenses which CSSL may suffer or incur in connection with such acts or omissions of the Authorized Person(s) and in accepting this authority from the Customer.

8.6 Nothing in this authority shall prejudice CSSL's rights, powers and remedies and the Customer's obligations and liabilities under this Agreement; and the Customer shall be and continue to be fully bound by all terms and conditions contained in this Agreement.

8.7 In the event of the Customer's death, the acts of the Authorized Person(s) shall be binding upon the Customer's executor or administrator as the case may be and all other persons claiming from or under him/her until notice in writing of such death shall have been given to CSSL.

## 9 Acting as the Customer's agent

9.1 CSSL will act as the Customer's agent to effect Transactions on the Customer's behalf unless CSSL indicates (in the Securities Account Statement for the relevant Transaction or otherwise) that CSSL is acting as principal. Nothing herein contained shall constitute CSSL a trustee of the Customer.

9.2 Whenever CSSL provides services to the Customer under this Agreement, it will always be on the basis that only the Customer is CSSL's Customer and so, if the Customer acts on behalf of another person, whether or not that other person is identified to CSSL, such person will not be CSSL's Customer and CSSL does not and will not have or accept in any circumstances whatsoever any responsibility towards any person on whose behalf the Customer may act and the Customer hereby acknowledges and agrees that the Customer shall be solely responsible for settling all liabilities resulting from Transactions affected pursuant to and in accordance with this Agreement in connection with or on behalf of any such

person.

9.3 The Customer agrees at CSSL's request to take such actions as are necessary or in CSSL's opinion desirable to ratify or confirm anything done by CSSL (or on CSSL's behalf) as the Customer's agent or on the Customer's behalf in the proper exercise of CSSL's rights and powers in relation to the Account.

9.4 Without prejudice to the above, where the Customer warrants that the Customer is acting as agent for and on behalf of another:

- (a) in doing so the Customer is expressly authorized by the Customer's principal to instruct CSSL in relation to the services to be provided in accordance with this Agreement;
- (b) the Customer's principal will be jointly and severally liable with the Customer to CSSL in respect of all obligations to be performed by the Customer pursuant to and in respect of such services; and
- (c) notwithstanding (b) above, the Customer will nevertheless be jointly and severally liable to CSSL with the Customer's principal as if the Customer were a principal in respect of all such obligations and liabilities

## 10 **Suitability Requirement**

If CSSL solicits the sale of or recommends any financial product (i.e. securities as defined under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) to the client, the financial product must be reasonably suitable for the client having regard to the client's financial situation, investment experience and investment objectives. No other provision of the Agreement or any other document CSSL may ask the client to sign and no statement CSSL may ask the client to make derogates from this clause.

## 11 **Instructions**

11.1 CSSL shall be entitled to buy and sell Securities for the Account upon receipt of Instructions given or that purported to be given by the Customer or its Authorized Person but CSSL may, at its discretion refuse to give effect to any Instructions and need not give reasons for such refusal.

11.2 CSSL shall be entitled to accept and rely on any Instructions or communications, whether or not in writing, given or purported to be given by any Authorized Person whether given by telephone, through the internet or in writing or are given in accordance with the Access Code arrangements for access to and use of the Electronic Trading Service or which CSSL believes to be genuine. The Customer shall be responsible for and bound by all such Instructions or communications and CSSL shall not be responsible for any loss, cost, claim, damage or expense incurred in respect of such Instructions or communications. Without prejudice to the foregoing, the Customer undertakes to confirm all oral Instructions in writing.

11.3 CSSL may record all telephone conversations with the Customer or any Authorized Person in order to verify the Instructions of the Customer or any Authorized Person. The Customer agrees to accept the contents of any such recording as final and conclusive evidence of the Instruction of the Customer or the Authorized Person in case of dispute.

11.4 Once given, an instruction, may not be amended, cancelled or withdrawn, unless, at CSSL's discretion, CSSL agrees and confirms (by electronic means or in writing) that any specific Instruction be amended, cancelled or withdrawn. All Instructions (as understood and acted on by CSSL in good faith), shall be irrevocable and binding on the Customer whether given by the Customer or by any other person. CSSL shall have no obligations or duty to verify authenticity of any Instruction or the identity or authority of any person giving any Instruction, other than to verify the Access Code used to gain access to the Electronic Trading Service in the case of Instructions given through the Electronic Trading Service.

11.5 CSSL may at CSSL's discretion aggregate the Customer's orders on the Customer's behalf with similar orders for CSSL's other clients or with CSSL's own orders. However, priority will be given to satisfying Customer's orders in any subsequent allocation, if all orders cannot be filled.

11.6 The Customer agrees that CSSL may (but shall not be obliged to) monitor electronically or record all or any Instructions. Any relevant electronic record or recording (or a transcript thereof) shall be conclusive evidence as between CSSL and the Customer of the contents and nature of such Instructions.

11.7 CSSL shall not be responsible for delays in the transmission, receipt or execution of Instructions due to either a breakdown or failure of transmission of communication facilities or unreliable medium of communication or due to any other cause or causes beyond CSSL's reasonable control.

## 12 **Deposits to the Account**

12.1 The Customer shall pay to CSSL in such manner as specified by CSSL the amount of the initial deposit of funds as required by CSSL in relation to the Customer's account application.

12.2 In respect of all deposits of funds into the Account, the Customer shall:

- (a) arrange for the deposit of funds to CSSL; and
- (b) deliver, mail or fax to CSSL the relevant bank deposit receipt or advice stating clearly the Customer's name and Account number.

The Customer acknowledges that the Account shall not be credited with funds until the receipt by CSSL of cleared funds.

12.3 In respect of deposits or transfers of Securities into the Account, the Customer shall:

- (a) complete the Securities deposit form available from CSSL's office;
- (b) arrange for the delivery or transfer to CSSL of the Securities described on the Securities deposit form.

The Customer acknowledges that:

- (i) the Securities shall not be credited to the Account until CSSL has received the Securities;
- (ii) where Securities are to be transferred to CSSL, the Customer shall be responsible for processing the transfer from the transferring party to CSSL;
- (iii) all transfer, handling and custodian fees and charges incurred in relation to the deposit or transfer of Securities into the Account, for which the Customer hereby undertakes to be responsible and which CSSL is authorized to deduct from the Account.

#### **13 Withdrawals from the Account**

- 13.1 For all withdrawals of funds from the Account, the Customer may make a verbal request, which the Customer understands will be recorded under CSSL's telephone recording system, or in writing, signed and sent to CSSL. CSSL shall only comply with such withdrawal Instruction if there are sufficient available funds in the Account, less all amounts which CSSL is entitled to deduct therefrom under any provision of this Agreement. If the Customer accesses the Electronic Trading Service, the Customer may also complete an on-line funds withdrawal form accessible through CSSL Mail. CSSL shall either issue a cheque payable to the Customer or transfer the funds to the Customer's bank account specified by the Customer on the Client Information Statement or in such manner as may be agreed from time to time. The Customer shall be responsible for any bank charges incurred. As a security measure, unless otherwise instructed by the Customer and agreed with CSSL, CSSL will not accept any Instruction for issue of a cheque, or for transfer of funds to a bank account, in the name of a third party. The Customer acknowledges the risk associated with verbal Instructions given under this Clause and the indemnity under Clause 34 of this Section I.
- 13.2 For all withdrawals or transfers of Securities from the Account, the Customer shall complete the Securities withdrawal form. Upon receipt of such form, CSSL shall arrange for the delivery to the Customer or the transfer to another participant of HKSCC (as the Customer shall request) of the Securities described on that form. The Customer shall be solely responsible for instructing any relevant participant of HKSCC to receive Securities transferred from CSSL and all handling and transfer fees and charges incurred shall be the Customer's responsibility and CSSL is authorized to deduct them from the Account. The Customer further acknowledges that a Securities withdrawal form received by CSSL after 3:00 p.m. (Hong Kong time) on any Business Day shall not be acted upon until the next Business Day.

#### **14 Documentation**

- 14.1 In respect of each Transaction for Securities entered into by CSSL on the Customer's behalf, CSSL will send the Customer by mail or by other electronic communication a Securities Account Statement specifying all relevant information required under Section 5 of the Securities and (Contract Notes, Statements of Account and Receipts) Rules under the Ordinance.
- 14.2 Every Transaction indicated or referred to in any notice, statement, confirmation or other electronic communication and every statement of account shall be deemed and treated as authorized and correct and as ratified and confirmed by the Customer unless CSSL shall receive from the Customer written notice to the contrary within three Business Days after the date after such notice, statement, confirmation or other communication is deemed to have been received by the Customer. The Customer agrees to settle the Account with CSSL on the terms set out in the Securities Account Statement from time to time. The Customer further acknowledges not to treat CSSL's confirmation telephone call as final notification or confirmation.
- 14.3 Where the Customer is a Professional Investor, it agrees that CSSL shall not be required to provide contract notes, statements of account and receipts to the Customer pursuant to the Securities and (Contract Notes, Statements of Account and Receipts) Rules (Cap. 571Q) and such agreement shall be valid from the date the Account is opened, but not if the Customer specifically withdraws its agreement which it may do by giving notice to CSSL.

#### **15 Constraints on Transactions**

The Customer recognises that in addition to delays due to internet related factors, including those referred to in Clause 10.7 of this Section I, due to rapid market price changes and other market factors, there can sometimes be delays in dealing at particular quoted prices or "at best" or "at market". The Customer accepts these constraints and agrees to accept and be bound by Transactions which take place pursuant to this Agreement and agrees that CSSL shall not be under any liability for any loss incurred as a result of such Transactions unless due to the wilful default of any of CSSL's employees or agents.

#### **16 Duration of Orders and Requests**

Unless the Customer gives specific Instructions to CSSL to the contrary, the Customer acknowledges that all Instructions are good for the relevant Business Day only and that they will lapse at the end of the relevant official trading day of the Exchange in respect of which they are given.

#### **17 Right of Disposal**

- 17.1 CSSL may without notice to the Customer, in such manner as CSSL sees fit, sell or realize any or all Securities or other property held in the Account, cancel any open orders for the purchase or sale of Securities or other property or realize any collateral deposited with CSSL at any time if upon the occurrence of any of the following:
  - (a) failure by the Customer to deliver scrip or to pay for Securities purchased;
  - (b) failure by the Customer to pay CSSL any amounts due or owing, on demand or to comply with any other of the Customer's obligations under this Agreement;
  - (c) failure to pay any Debts under Clause 30 within two Business Days of demand;

- (d) breach by the Customer of any by-law, rule or regulation of the Exchange or any other stock exchange on which CSSL conducts dealings on the Customer's behalf at that time;
- (e) bankruptcy or winding-up petition is presented against the Customer or a receiver appointed over the Customer's property or business or the Customer makes any arrangement or composition with the Customer's creditors generally; or
- (f) any consent, authorisation or board resolution required of the Customer to enter into this Agreement being wholly or partly revoked, suspended, terminated or ceasing to remain in full force and effect.

17.2 Unless otherwise agreed, when CSSL has executed a purchase or sale Transaction on the Customer's behalf, the Customer agrees that the Customer will by the due settlement date pay CSSL against delivery of or credit to the Account for purchased Securities, or make good delivery of sold Securities to CSSL against payment, as the case may be. Unless otherwise agreed, should the Customer fail to make such payment or delivery of Securities by the due date as mentioned above, CSSL may in its absolute discretion and for the purpose of satisfying the Customer's obligations to CSSL: -

- (a) in the case of a purchase Transaction, transfer or sell such purchased Securities; and
- (b) in the case of a sale Transaction, borrow and/or purchase Securities in order to settle the Transaction.

17.3 The Customer acknowledges and agrees that the Customer will be responsible to CSSL for any losses, costs, fees and expenses resulting from the Customer's settlement failure.

17.4 If CSSL exercises the above rights in this Clause 16, any sales proceeds may be applied:

- (a) first, in payment of all CSSL's costs and expenses in connection therewith;
- (b) second, in settlement of any liabilities the Customer may have to CSSL; and
- (c) third, the balance (if any) shall be returned to the Customer.

If such proceeds are insufficient to meet such liabilities, the Customer shall on demand (notwithstanding that the payment date or other date originally stipulated for settlement may not then have arrived) pay CSSL and indemnify and hold CSSL harmless against any shortfall arising therefrom or in the Account together with interest thereon and all professional costs and expenses (including legal and other professional advisers fees) incurred by CSSL in connection therewith.

## 18 Commissions and Charges

18.1 On all Transactions, the Customer agrees to pay CSSL's commissions at such rate or rates as CSSL may from time to time notify the Customer, orally or in writing, as being the rate or rates applicable to the Account, as well as applicable levies imposed by the Exchange, Clearing House or the SFC and all applicable stamp duties, charges, transfer fees, interest and other expenses in respect of the Account or any Transaction. CSSL is authorized to deduct such commissions, charges, levies and duties from the Account. The Customer will reimburse CSSL on demand in respect of any deficiency arising therefrom, such commission brokerage, levies, taxes and all other charges and all fees and expenses of any brokers, agents and nominees engaged by CSSL in connection with any Transactions conducted on behalf of and services rendered to the Customer.

18.2 Information on rates of commission, brokerage, fees and charges can be obtained in hard copy at CSSL's office and available at its website [www.chinaskysec.com.hk](http://www.chinaskysec.com.hk). These information are subject to changes without prior notice.

18.3 The Customer hereby expressly agrees that CSSL, any of CSSL's nominees, any of CSSL's agents and/or any third party may receive and retain for CSSL's benefit, their own benefit and/or any person's benefit and/or pay out to any party all or part of the commission, rebate or other fees arising out of CSSL or them acting for the Customer in effecting any Transaction or otherwise howsoever dealing with the Securities pursuant to the terms of this Agreement.

## 19 Payments

19.1 All payments by the Customer for settlement of Transactions or otherwise in connection with this Agreement shall be made in cleared funds in the currency and at the place specified by CSSL:

- (a) free of any restrictions, conditions or equities;
- (b) free and clear and without any deduction or withholding on account of any taxes; and
- (c) without deduction or withholding on account of any other amount, whether by way of set-off, counterclaim or otherwise.

19.2 The Customer acknowledges that CSSL may at any time require the Customer to deposit sufficient cleared funds in the Account before carrying out any Transactions in respect of any Securities on the Customer's behalf.

19.3 The Customer acknowledges and understands it is the Customer's primary responsibility to ensure that CSSL has been notified of the payment made and that payment must be received (for value) by CSSL by such date as CSSL is notified of the payment through either the receipt of deposit slip, fund transfer remittance receipt etc.

19.4 Notwithstanding anything to the contrary herein contained:

- (a) Any payment made by, or on behalf of CSSL (the "Payor") to, or for the benefit of, the Customer (the "Payee") shall be made subject to any withholding or deduction imposed on such payment pursuant to or on account of FATCA or any other arrangements with foreign governments or regulators and no additional payment shall be required, nor any payment increased, on account of any such withholding or deduction. The Payor shall not be required to indemnify the Payee on account of any loss, liability or cost imposed as a result of, or otherwise arising from, such withholding or deduction;
- (b) If the Payor is required to make any deduction or withholding pursuant to or on account of FATCA or any other arrangements with

foreign governments or regulators in respect of any payment, and the Payor does not so deduct or withhold and a liability resulting from such failure to withhold or deduct is assessed directly against the Payor, then the Payee hereby agrees to indemnify the Payor therefor (notwithstanding any limitation on indemnification otherwise included in this Agreement) and to promptly pay to the Payor the amount of such liability. The Payee's indemnification obligation hereunder shall include any related liability for interest and, if the Payee has failed to provide the Payor, in a timely fashion, with sufficient information necessary for the Payor to determine whether and/or to what extent it is required to make any deduction or withholding pursuant to or on account of FATCA or any other arrangements with foreign governments or regulators, shall include any related liability for penalties; and

- (c) The Payee hereby consents to the disclosure of information on the Payee by the Payor to local and foreign regulatory and/or tax authorities including those in the United States.

## 20 Dealings by CSSL

- 20.1 Nothing herein contained shall restrict and prevent CSSL or CSSL's Associates from acting in any capacity for CSSL or on behalf of any other person:
  - (a) from buying, holding or dealing in any Securities for CSSL or CSSL's Associates account or for the account of CSSL's other clients notwithstanding that similar Securities may be comprised in the Account;
  - (b) from purchasing for the Account Securities held by CSSL or CSSL's Associates for CSSL or CSSL's Associates account or for the account of CSSL's other clients; or
  - (c) from purchasing for CSSL's or CSSL's Associates account or for the account of CSSL's other clients Securities forming part of the Account.

Neither CSSL nor CSSL's Associates shall be liable to account to the Customer for any emoluments, commission, profits or any other benefits whatsoever resulting from CSSL or CSSL's Associates doing any of the aforementioned things.

- 20.2 Without prejudice to the foregoing, CSSL and any of its Associates, directors, officers, employees or agents may trade on its/their own account(s) from time to time on any Exchange or in any markets.

## 21 Dealing with the Account

- 21.1 The Customer agrees not to charge, pledge, allow to subsist any charge or pledge over, sell, grant an option over, or otherwise deal in any way with, or purport to sell, grant an option over or deal with, any Securities or cash forming part of the Account.
- 21.2 CSSL may affect all Transactions directly on any Exchange where CSSL is authorized to transact business and CSSL may, at its option, deal on any Exchange indirectly through any other brokers or agents (including any broker or agent which is related to or an Associate of CSSL) without any responsibility for any non-performance of such broker's or agent's failure to perform its duties and obligations or negligence, fraud, default or misconduct or act or omission.
- 21.3 The Customer hereby represents and warrants to CSSL that the Customer has good and unencumbered title to all Securities which the Customer instructs CSSL to sell for the Account and undertakes to deliver scrip for such Securities in time for CSSL to comply with the relevant rules of the relevant Exchange applicable thereto.

## 22 Short Selling

- 22.1 The Customer confirms and undertakes that all of the Customer's sell orders will be long sales and the Customer undertakes to notify CSSL when placing a "covered" sale order. The Customer acknowledges that naked short selling is strictly prohibited under the Ordinance.
- 22.2 In respect of all orders designated as "short" (where such orders are permitted by applicable laws and regulations in the relevant jurisdictions), the Customer warrants and represents that it has made adequate arrangements to obtain all equities necessary to cover the resulting short position by or before the applicable settlement time and will advise CSSL of such arrangements at the time the order is processed by such entity, or that it will advise CSSL that it has not made such arrangements and would like CSSL to make such arrangements itself.

## 23 Customer's Responsibility for Disclosure of Interests

The Customer acknowledges and agrees that CSSL shall not be responsible for advising or howsoever alerting the Customer of any disclosure obligations howsoever arising or which may arise from any instruction of the Customer or as a result of any Transaction effected by CSSL or from any holding of Securities or otherwise by or on behalf of the Customer. Such obligations of disclosure are personal obligations of the Customer and the sole responsibility of the Customer to comply and acquaint themselves with. CSSL shall not be obliged to give notice of holdings by or on behalf of the Customer in any form or by any time limit save for any notice or statement to be issued by CSSL as expressly set out in this Agreement. CSSL shall not be liable for any Losses suffered by the Customer arising from any failure or delay by the Customer or any other person to disclose interests in accordance with any such obligation nor any delay or default in notification to the Customer as to the carrying into effect of any Instructions and the Customer shall indemnify CSSL for any Losses arising from any such failure, delay or default which may be suffered or incurred by CSSL.

## 24 New Issue Application

- 24.1 Whenever the Customer requests and authorizes CSSL (or CSSL's nominee) to apply for Securities ("Application") in respect of a new listing and/or issue of Securities on the SEHK ("New Issue") on the Customer's behalf and/or requests for financing from CSSL ("IPO Financing") in respect of the Application, the Customer represents and warrants and undertakes ("Undertakings") to CSSL that:
  - (a) the Customer is eligible and has duly authorized CSSL and CSSL has the due authority to apply for the New Issue on behalf of the

Customer;

- (b) (if the Application is made for the Customer's own Account) no other application is being or will be made for the Customer's Account by the Customer or by anyone applying as the Customer's agent or by any other person in respect of each New Issue;
- (c) (if the Application is made by the Customer as agent for the account of another person) no other application is being made by the Customer as agent for or for the account of that person or by that person or by any other person as agent for that person in respect of each New Issue;
- (d) the Customer is fully entitled to make such Application and hold the Securities applied for and no breach of any law, regulation or other requirement in any part of the world will arise or result from the making or approval of any such Application;
- (e) the Customer will have, at the time of the Application and request for IPO Financing, read, understood, agreed and complied with all the terms and conditions governing the New Issue, including but not limited to those set out in the relevant prospectus(es)/offering document(s) and the application form(s) in respect of the New Issue;
- (f) the Customer gives to CSSL all the undertakings, representations and warranties which an applicant under the New Issue is required to give; and
- (g) the Customer is NOT a director (executive or non-executive) /senior executive officer / associate of China Sky Group Limited or its subsidiary.

24.2 The Customer acknowledges that, if an Application is made by an unlisted company that does not carry on any business other than dealing in shares and in respect of which the Customer exercises control, such an Application shall be deemed one made for the Customer's benefit.

24.3 The Customer declares that the Customer's Application through CSSL will be the only application made and the only application intended by the Customer to be made, for the Customer's Account or for the persons for whose account the Customer is applying. The Customer understands that the foregoing declaration/representation will be relied upon by CSSL in making the Application, and by the issuer in deciding whether to make allotment to such Application.

24.4 The Customer hereby further acknowledges to CSSL that:

- (a) the Application will be made by CSSL, or other party / parties designated by CSSL, as nominee on behalf of the Customer subject to terms and conditions of the prospectus(es)/offering document(s) of the New Issue. Securities successfully applied for and allotted will be:
  - (i) registered in name of CSSL or its nominee; and
  - (ii) pledged to CSSL as security for the relevant Account through which an IPO Financing is applied for until the amounts due to CSSL plus accrued interest, charges and costs, if any, are fully settled; and
- (b) the Undertakings are intended to be and will be relied upon by CSSL, from time to time and at any time, in deciding whether or not to make, as agent for the Customer, any Application for the relevant Securities in the New Issue; and
- (c) the Undertakings are intended to be and will be relied upon by the issuer of the New Issue in deciding whether or not to make any allotment of Securities in response to the Application made by CSSL as agent for the Customer.

24.5 Each of the above undertaking, representation and warranty is true and complete and is repeated at the time of making an Application and request for IPO Financing in respect of each New Issue and shall remain true and complete throughout the Application and IPO Financing period.

24.6 CSSL is authorized to enter into and give such undertakings, representations and warranties to, without limitation, the issuer of the Securities, sponsors, underwriters, placing agents, intermediaries, the Exchange and any regulatory body in reliance upon undertakings, representations and warranties given by the Customer to CSSL.

24.7 CSSL is authorized to debit the relevant Account through which an IPO Financing is applied for at such time determined by CSSL for the approved Application amount and relevant charges for such IPO Financing as may be notified to the Customer by CSSL and confirmed in writing. Interest on amounts standing to the debit of the Account pursuant to the IPO Financing is chargeable by CSSL and accrues at such interest rate specified by CSSL in its sole discretion until the earlier of due payment in full of all such outstanding sums or allotment. The Customer agrees to repay CSSL all amounts owed by the Customer to CSSL, interest accrued thereon, charges and costs on demand.

24.8 As security for amounts due under the relevant Account, the Customer agrees either (i) to deposit good funds on or before the prescribed down payment date of the New Issue of not less than 10% of the total Application money or such higher amount required by CSSL or (ii) to pledge (incorporating the power of sale) with CSSL at CSSL's option any credit balance and/or Securities standing to Customer's other Account(s) with CSSL to the same extent.

24.9 Refund on an unsuccessful Application (or part thereof) will be applied firstly towards the repayment of the IPO Financing plus accrued interest, charges and costs, if any, on refund day of the relevant New Issue.

24.10 If and when CSSL deems it necessary in its absolute discretion, CSSL is hereby given the right of set-off (incorporating the power of sale) to be exercised by CSSL at any time as CSSL sees fit without notice to the Customer. In particular, upon the failure to repay CSSL on demand, the Customer hereby authorizes CSSL to dispose of the Securities allotted as CSSL sees fit.

24.11 In the event of any deficiency after the sale of Securities whatsoever and howsoever arising, the Customer agrees to make good and pay on demand to CSSL such deficiency on a full indemnity basis. The Customer will fully indemnify CSSL and keep CSSL fully indemnified, on a continuing basis, against any loss, damage, claim, liability, cost of expense arising out of or in connection with any breach by the Customer of any of the Undertakings or any other provision herein.

24.12 CSSL shall not be liable to the Customer for any loss, expense, claim or liability whatsoever and howsoever arising in connection with any

Application or IPO Financing (including any refusal to accept any Application or grant such IPO Financing).

24.13 Notwithstanding anything contained herein to the contrary and without prejudice to any other rights and powers of CSSL herein contained or otherwise conferred by the laws of Hong Kong, the Customer agrees and acknowledges that the provision of the IPO Financing is at CSSL's sole discretion and subject to such terms and conditions as may be specified by CSSL. CSSL retains the right, without notice to the Customer, to withdraw, stop or cancel any part or the whole of the IPO Financing at any time up to the moment when the Application is made. In the event of CSSL exercising the aforesaid right, the IPO Financing (or any part thereof) shall automatically be withdrawn, stopped or cancelled, and the IPO Financing (or any part thereof) shall not thereafter be available to the Customer.

## 25 Telephone Recording

CSSL may record communications with the Customer or any Authorized Person(s) and any such telephone recording will be property of CSSL and constitute conclusive evidence of such communications.

## 26 Safekeeping of Securities

26.1 Where Securities are not registered in the Customer's name, any dividends or other benefits arising in respect of such Securities shall, when received by CSSL, be credited to the Customer's Account or paid or transferred to the Customer in accordance with the Securities and (Client Securities) Rules (Cap. 571H), as agreed with CSSL. Where Securities form part of a larger holding of identical Securities held for CSSL's clients, the Customer shall be entitled to the same share of the benefits arising on the holding as the Customer's share of the total holding.

26.2 Any Securities which are held by CSSL for safekeeping may, at CSSL's discretion:

- (a) (in the case of registrable Securities) be registered in the Customer's name or in the name of CSSL's nominee; or
- (b) be deposited in a safe custody in a designated account with CSSL's bankers or with any other institution which provides facilities for the safe custody of documents. In the case of Securities in Hong Kong, such institution shall be acceptable to the SFC as a provider of safe custody services.

26.3 In the case of a purchase Transaction, if the selling broker fails to deliver on the settlement date and CSSL has to purchase Securities to settle the Transaction, CSSL shall not be responsible to the Customer for the costs of such purchase.

26.4 CSSL and CSSL's nominee may hold any Securities on behalf of the Customer and are not bound to redeliver to the Customer the identical Securities received from or purchased for the Customer but may redeliver to the Customer, at the office at which the Account is kept, Securities of like quantity, type and description.

26.5 (Applicable to cash securities trading account only) CSSL does not have the Customer's written authority under Section 7 of the Securities and (Client Securities) Rules (Cap. 571H) under the Ordinance to:

- (a) deposit any of the Customer's Securities with a banking institution as collateral for an advance or loan made to CSSL, or with the Clearing House as collateral for the discharge of CSSL's obligations under the clearing system;
- (b) borrow or lend any of the Customer's Securities (unless prior written agreement has been entered between CSSL and the Customer); and
- (c) otherwise part with possession (except to the Customer or on the Customer's instructions) of any of the Customer's Securities for any purpose.

26.6 CSSL may at any time require the Customer to collect the Securities and documents of title thereto by 30 days' notice in writing. If the Customer fails to collect the Securities and documents of title thereto from CSSL within such period, CSSL may, at CSSL's discretion, sell all or any part of the Securities at such price and on such terms as CSSL will determine whether by public auction, private treaty or tender without incurring any liability to the Customer for any losses which may thereby arise. CSSL's liability for such Securities shall be fully discharged upon payment to the Customer from the proceeds of sale net of all expenses incurred in connection with the sale and other liabilities of the Customer to CSSL whether pursuant to this Agreement or otherwise to any of the Customer's Account(s) with CSSL.

26.7 Where the Customer has appointed a person as the Customer's agent to collect on the Customer's behalf Securities and documents of title thereto from CSSL delivery of Securities and documents of title thereto by CSSL into the possession of such agent shall discharge in full CSSL's responsibilities regarding such Securities. An acknowledgement of receipt signed by the Customer's agent shall, in the absence of manifest error, constitute conclusive evidence against the Customer that the Securities listed or referred to in the acknowledgement have been delivered into the possession of the Customer notwithstanding that such agents may at the same time be CSSL's employees or agents.

26.8 In relation to benefits accrued or losses incurred in respect of Securities in a pooled account, CSSL shall credit or debit the Account with the proportion of such benefit or loss equal to the proportion of the total number or amount of Securities which shall comprise Securities held on the Customer's behalf. Where a fractional interest arises in respect of any security held in a pooled account, the Customer hereby agrees that the benefit of and such entitlement to such fractional interest shall accrue absolutely to CSSL instead of the Customer.

## 27 Interest on Overdue Amounts

The Customer agrees to pay interest on all overdue amounts owing by the Customer to CSSL, after as well as before any judgment, at such rate and on such basis as CSSL may from time to time notify the Client or failing such notification at a rate six per cent or above plus the prevailing best lending rate of the DBS Bank (Hong Kong) Limited or other bank as determined by CSSL from time to time. Such interest shall accrue on a daily basis and be payable on the last day of each calendar month or upon demand by CSSL. The overdue interest shall be compounded monthly.

## 28 Interest on Credit Balance

CSSL is under no duty to pay interest on money held by CSSL to the Customer's credit. Should CSSL agree to pay interest on the credit balance of the Account, the interest will be at such rate as CSSL may notify the Customer from time to time. The Customer agrees that CSSL shall be entitled to retain for CSSL's account any difference between the interest earned by CSSL in respect of such money and the interest paid by CSSL to the Customer at the interest rate determined by CSSL.

## 29 **Monies in the Account**

- 29.1 CSSL is authorized by the Customer to deposit any cash balances in the Account with any financial institutions as CSSL shall think fit (including any Associate of CSSL from time to time) and the Customer hereby agrees that CSSL (and any such Associate of CSSL) shall be entitled to retain any interest amount on such deposit for its own benefit.
- 29.2 Subject to applicable laws and regulations, unless otherwise instructed by the Customer, CSSL shall pay within the time frame as stipulated in the Ordinance money received from or received on behalf of the Customer into one or more designated trust accounts. Such trust accounts shall be maintained as required under the Securities and (Client Money) Rules (Cap. 571).

## 30 **Standing Authority (Client Money)**

- 30.1 The Customer authorizes CSSL for the period from the date of this Agreement to the first 31st day of March following the date hereof (both days inclusive) to transfer funds from any Account(s) and pay to any account(s) opened in the name of the Customer with CSSL or vice versa for trading and/or settlement purposes and/or for the satisfaction of any of the Customer's obligations or liabilities under this Agreement, without notice to the Customer.
- 30.2 In consideration of CSSL agreeing to act in accordance with this Clause 29, the Customer undertakes to keep CSSL indemnified at all times against and to hold CSSL harmless from all actions, proceedings, claims, damages, costs and expenses which may be brought against CSSL or suffered or incurred by CSSL and which shall have arisen either directly or indirectly from CSSL so acting.
- 30.3 The standing authority given by the Customer under this Clause 29 is revocable by five (5) Business Days prior written notice duly signed by the Customer and served by the Customer on CSSL, provided that such revocation will not release the Customer from any liability under this Agreement in respect of any act performed by CSSL pursuant to the standing authority before the expiry of such time.
- 30.4 The Customer further agrees that the standing authority given by the Customer under this Clause 29 shall be automatically renewed for a further 12-month period if a written notice has been given to the Customer by CSSL at least fourteen (14) days prior to its expiry and the Customer does not object to the renewal before its expiry. Such automatic renewal shall be confirmed in writing by CSSL to the Customer within one (1) week from the date of expiry of the standing authority. In respect of Professional Investors, the standing authority may be renewed for any duration.

## 31 **Set-Off**

Notwithstanding anything else in this Agreement, CSSL shall be entitled to set off against any amount payable to the Customer by CSSL pursuant to this Agreement or on any other account whatsoever, any amounts owing by the Customer to CSSL or its Associates ("Debts") whether pursuant to this Agreement or on any other account whatsoever (whether or not such amounts are due and payable and irrespective of the currency in which such amounts are denominated) and shall also be entitled to use any monies held in the Account in the discharge of such Debts.

## 32 **Lien and Consolidation**

- 32.1 Without prejudice and in addition to any general lien, right of set-off or similar right to which CSSL may be entitled by law, any and all Securities, the dividends and other rights attached thereto and/or all other monies, funds, assets or properties belonging to the Customer or in which the Customer may have an interest, held or carried in the Account or any other accounts with CSSL or its Associates or which may be in the possession of CSSL or its Associates, whether for safe-keeping or otherwise, shall be subject to a general lien in CSSL's favour, for the performance and discharge of the Customer's indebtedness and obligations to CSSL arising in respect of CSSL's dealing in Securities for the Customer.
- 32.2 CSSL may, subject to applicable rules and regulations, sell such Securities or other properties, take all necessary actions in connection with such sale and utilise the proceeds to set-off and discharge all the Customer's obligations to CSSL regardless of whether any other person is interested therein or CSSL has made advances in connection with such property.
- 32.3 CSSL may, subject to applicable rules and regulations, at any time and without notice to the Customer, notwithstanding any settlement of the Account or other matter whatsoever, combine or consolidate all or any accounts of the Customer with CSSL or its Associates and set-off or transfer any sum standing to the credit of any one or more of such accounts in or towards satisfaction of any of the Customer's indebtedness, obligations or liabilities to CSSL or its Associates on any other account or in any other respect whatsoever, whether such indebtedness, obligations or liabilities be present or future, actual or contingent, primary or collateral, several or joint, secured or unsecured.
- 32.4 Without limiting or modifying the general provisions of this Agreement, CSSL is hereby specifically authorized to transfer any sum or sums among the different accounts that the Customer has with CSSL and its Associates.

**33 Currency Exposure**

For dealing in Securities and for cash settlement in currencies other than the Customer's base currency, the Customer acknowledges there may be profits or losses arising as a result of a fluctuation in exchange rates, which shall be entirely for the Customer's account and risk.

**34 Disclosure**

34.1 CSSL will keep information relating to the Customer's Account confidential, but may disclose any of such information to the extent required by any applicable legal or regulatory requirement or if requested by any Exchange, the SFC or other regulatory or governmental authority (whether in Hong Kong or elsewhere), and may provide to such persons as are entitled, details of the Account and dealings in relation to the Account and the identity of any other person(s) beneficially interested therein including the name of the ultimate beneficiary/beneficiaries of the Account. The Customer confirms that CSSL will not be liable in any way to the Customer (whether or not CSSL is legally obliged to respond to such a request) for providing such information.

34.2 Nothing herein shall require CSSL to disclose to the Customer any fact or matter which comes to CSSL's notice in the course of acting in any capacity for any other person.

34.3 The Customer understands that CSSL is subject to the Personal Data (Privacy) Ordinance of Hong Kong, which regulates the use of personal data concerning individuals. Further information on CSSL's policies and practices relating to personal data is set out in CSSL's Policy on Personal Data in force from time to time, the current version of which is set out in Section IV of these Terms and Conditions, and which the Customer agrees will apply to himself.

**35 Liability and Indemnity**

35.1 Neither CSSL's nor any of CSSL's officers, employees or agents shall be liable to the Customer for any Losses suffered by the Customer arising out of or in connection with any act or omission in relation to the Account unless such loss results from the fraud, gross negligence or wilful default of CSSL or any of CSSL's officers, employees or agents. The Customer agrees to indemnify on demand CSSL and CSSL's officers, employees and agents against all Losses arising out of or in connection with the lawful performance of CSSL's or their duties or discretion in relation to the Account or arising out of or in connection with any such act or omission, except to the extent such Losses are due to CSSL's gross negligence or wilful misconduct. For the avoidance of doubt, the Customer agrees to indemnify CSSL against all Losses arising out of CSSL's compliance with the Customer's Instructions whether verbal or written.

35.2 If in relation to any Securities deposited with CSSL which are not registered in the Customer's name, any Losses are suffered by CSSL therefrom, the Customer agrees to indemnify on demand CSSL against any such Losses and CSSL is hereby authorized to deduct such Losses from the Account.

**36 Termination**

36.1 CSSL reserves the right to terminate this Agreement or to suspend or terminate all or any of the services rendered by CSSL to the Customer at any time without giving notice and reason.

36.2 The Customer may end this Agreement by giving CSSL written notice at any time. This Agreement will end upon the expiry of the seven business day after CSSL's receipt of the Customer's notice (or on a later date specified by the Customer in the Customer's notice). Such notice shall not affect any Transaction entered into by CSSL prior to CSSL's receipt of such notice.

36.3 Upon the happening of any of the termination events set out in Clause 36.4, CSSL may, in its absolute discretion and without prejudice to any of its other rights, take one or more of the following actions with or without prior notice to the Customer:

- (a) cancel any or all outstanding orders or any other commitments made on behalf of the Customer;
- (b) close any or all contracts between the Customer and CSSL, cover any short position with the Customer through the purchase and/or borrowing of Securities on any Exchange or liquidate any long position with CSSL through the sale and/or transferring of Securities on any Exchange;
- (c) sell any or all Securities held or carried for or on behalf of the Customer (including the Charged Securities) at such price as CSSL may consider appropriate;
- (d) combine or consolidate all or any of the accounts with CSSL and its Associates; or
- (e) terminate this Agreement.

36.4 Termination events:

- (a) if the Customer defaults in paying to CSSL any margins or other sums and moneys due and payable under this Agreement in the currency and manner specified; or
- (b) if the Customer fails to observe or comply with any of the terms and conditions of this Agreement or any other agreement with CSSL or its Associates; or
- (c) if the Customer dies or become bankrupts; or
- (d) a petition for bankruptcy, winding-up or similar relief is filed against the Customer either by the Customer or any other party; or
- (e) upon the application for or appointment of a liquidator, receiver, trustee or similar official over all or, in the opinion of CSSL, a material part of the Customer's undertaking, property or assets; or
- (f) if any expropriation, attachment, sequestration, or a distress, execution or other process is levied or enforced against, all or part of the Customer's undertaking, property or assets; or

- (g) if the Customer is unable or admit inability to pay the Customer's debts of whatever nature as they fall due; or
- (h) if any other event occurs as a result of which CSSL in good faith consider that the Customer will not be able or is unwilling to meet any of the Customer's obligations under this Agreement;
- (i) any legal or regulatory requirement prohibits or renders it illegal for CSSL to provide services to the Customer;
- (j) there has been a material adverse change in the circumstances relating to the Customer, including its business or financial condition, legal status or capacity;
- (k) the services CSSL provides to the Customer are being used or is suspected of being used for unlawful or dishonest activities such as illegal gambling, money laundering and terrorist financing;
- (l) any representation undertaking or warranty made in respect of this Agreement including any certificate, statement or other document delivered to CSSL being or becoming incorrect in any respect;
- (m) any consents, authorizations, approvals, licenses or board resolutions required by the Customer either to enter into and operate under this Agreement being wholly or partly amended, modified, revoked, withdrawn, suspended, terminated or otherwise failing to remain in full force and effect;
- (n) the occurrence of any event, which, in the sole opinion of CSSL, might jeopardize any of its rights under this Agreement.

36.5 Upon termination of this Agreement howsoever arising, all amounts due or owing by the Customer to CSSL hereunder shall become immediately due and payable. CSSL shall immediately cease to have any obligations to provide any services or grant the Credit Facilities to the Customer or to purchase or sell Securities on behalf of the Customer.

36.6 Unless the Customer shall have fully discharged all of the Customer's liabilities and obligations to CSSL, as soon as and in so far as is practicable upon termination of this Agreement, CSSL shall sell, realize, redeem, liquidate or otherwise dispose of all or part of the Securities held or carried for or on behalf of the Customer (including the Charged Securities) for such consideration and in such manner as CSSL shall in its absolute discretion consider necessary to satisfy all indebtedness of the Customer to CSSL, at the Customer's sole risk and cost but without incurring any liability whatsoever for any loss howsoever arising. Any cash proceeds of such sale upon receipt by CSSL shall be credited to the Account, and thereafter the net credit balance on the Account (if any) shall be returned to the Customer, after first deducting or providing for all costs, charges, fees and expenses (including legal expenses) incurred by CSSL in such sale or realization and all other moneys and sums due or owing (including all amounts outstanding under the Credit Facilities) and other liabilities accrued or accruing due to CSSL and outstanding (whether actual or contingent, present or future or otherwise). All Securities not realized or disposed of together with any documents of title thereof in CSSL's possession shall be delivered to the Customer at the Customer's sole expense.

36.7 If the proceeds of such sale are insufficient for such purpose, notwithstanding that the time originally stipulated for settlement may not then have arrived, the Customer shall promptly upon demand pay to CSSL and indemnify and hold CSSL harmless against any deficiency arising therefrom, together with interest thereon and all professional costs and expenses incurred by CSSL in connection therewith and properly deductible by CSSL from any funds of the Customer in CSSL's possession.

36.8 The Customer shall be liable for the payment upon demand of any debt, balance or other obligations owing on any of the Account and shall be liable for any deficiency remaining in the Account in the event of the liquidation thereof, in whole or in part, by CSSL or by the Customer, together with interest thereon and all costs and expenses including legal expenses incurred by CSSL in connection with such liquidation.

36.9 When this Agreement ends, CSSL may charge the Customer for:

- (a) periodic charges which have accrued and are due;
- (b) any additional expenses CSSL or its agents necessarily incur on termination of this Agreement; and/or
- (c) any losses necessarily realized by CSSL in settling or concluding outstanding obligations.

36.10 Termination of this Agreement is without prejudice to the accrued rights and liabilities of the parties.

### 37 Market misconduct

The Customer undertakes to CSSL that neither the Customer (nor any of his/her Authorized Persons) will engage in, and that the Customer has proper safeguards in place to prevent the Customer's Authorized Person(s) from engaging in any activity which may constitute market misconduct under the Ordinance, and the Customer further agrees to inform CSSL immediately if the Customer becomes aware of any activity by any person (including the Customer's authorized signatories) that may result in the Customer being involved in market misconduct.

### 38 Joint Accounts

38.1 If the Account is opened in two or more names or a partnership, the Customer or each of the partners (as the case may be) represents and warrants that:

- (a) the Customers' liabilities hereunder shall be joint and several and each of the Customers shall have authority to exercise all the Customers' rights, powers and discretion hereunder and generally to deal with CSSL as if each of the Customers alone were the sole Account holder, without notice to the other;
- (b) CSSL may follow the Instructions of either/any of the Customers concerning the Account and make deliveries of Securities or payments of monies hereunder in accordance with the directions of either/any of the Customers. CSSL shall be under no obligation to inquire into or to see to the application or disposition of such Securities or monies;
- (c) the Customers enter into this Agreement as joint tenants with right of survivorship and not as tenants-in-common. Upon the death of either/any of the Customers, the Customers' entire interest in the Account shall be vested in the survivor (who shall have full authority to give Instructions) but without releasing any liabilities of the deceased, which shall be enforceable against the Customer's estate; and
- (d) upon the death of either/any of the Customers, the estate of the deceased and any survivor shall be liable, jointly and severally, to CSSL for any debt or loss in the Account arising from completion of Transactions instructed prior to CSSL's receipt of a written notice of such

death.

#### 39 Corporate Accounts

39.1 If the Account is opened by a body corporate, the Customer certifies, represents and warrants that:

- (a) it is duly incorporated and validly existing under the laws of its place of incorporation and has full power to execute and perform its obligations under this Agreement and to incur any indebtedness hereunder; and
- (b) the certified copy resolutions approving the opening of the Account(s) were duly passed at a meeting of its directors duly convened and held in accordance with its constitutional documents and were entered in its minute book and are in full force and effect.

#### 40 Individual Account

If the account is opened by an individual, the Customer represents and warrants that the Customer is legally capable of validly entering into and performing this Agreement and that the Customer has attained the age of 18 years and is of sound mind and legal competence and is not bankrupt.

#### 41 Investor Compensation Fund

41.1 If CSSL fails to meet obligations to the Customer pursuant to this Agreement, the Customer shall have a right to claim under the Compensation Fund established under the Ordinance, subject to the terms of the Compensation Fund from time to time.

41.2 The liability of the Compensation Fund as mentioned in Clause 41.1 will be restricted to valid claims as provided for in the Ordinance and the relevant subsidiary legislation, being qualifying clients (as defined in the Securities and (Investor Compensation-Claims) Rules (Cap.571T) and will be subject to the monetary limits specified in the Securities and (Investor Compensation - Compensation Limits) Rules (Cap. 571AC) and accordingly there can be no assurance that any pecuniary loss sustained by reason of such a default will necessarily be recouped from the Compensation Fund in full, in part or at all.

#### 42 Complaints

If the Customer has a complaint in respect of CSSL's services, the Customer should in the first instance write to the Complaint Officer at CSSL's office address. This is without prejudice to the Customer's right to complain to any relevant regulatory authority or other relevant body. If the Customer wants to exercise this right please let CSSL know and CSSL will send the relevant details to the Customer.

#### 43 Amendment

To the extent permitted by the law, CSSL may from time to time amend any of the terms and conditions of this Agreement by notifying the Customer in accordance with Clause 43 of this Section I. The Customer acknowledges and agrees that if the Customer does not accept any amendments as notified by CSSL from time to time, the Customer shall have the right to terminate this Agreement in accordance with Clause 35 of this Section I by notifying CSSL in writing within four (4) Business Days from the date of the Customer's deemed receipt of the notice in accordance with Clause 43 of this Section I.

#### 44 Notices and Communications

44.1 The Customer agrees that all notices and other communications and documents required or permitted to be given in relation to the Account may be sent by personal delivery, by post, facsimile, e-mail or other electronic communications (including posting on CSSL's website), or by prepaid post to the address, and marked for the attention of the person and otherwise in accordance with the details indicated in the Client Information Statement. All communications and documents so sent shall be deemed to have been received by the Customer within one (1) Business Day in the case of posting, upon delivery if personally delivered and upon a successful transmission message being obtained, if sent by facsimile, e-mail or other electronic transmission.

44.2 Where any written instruction or any other written communication from the Customer is given by e-mail or facsimile, the Customer hereby irrevocably authorises CSSL to accept such e-mail or facsimile message from the Customer as the original instruction or communication from the Customer and the Customer shall fully indemnify CSSL on demand against all losses, damages, interest, costs, expenses, actions, demands, claims, proceedings whatsoever which CSSL may incur, suffer or sustain as a result of or arising from CSSL's acceptance, reliance on or acting upon those instructions or communication.

#### 45 Survivorship

The terms and conditions herein shall survive any changes or succession in the Customer's/ CSSL's business, including the Customer's/ CSSL's bankruptcy or death and shall be binding on the Customer's/ CSSL's successor(s), heirs, executors, administrators and personal representative(s).

#### 46 No Waiver

CSSL's failure to insist at any time upon strict compliance with any provision in this Agreement or any continued course of conduct on the Customer's part shall not constitute or be considered a waiver generally or specifically of any of CSSL's rights or privileges, unless such waiver is granted by CSSL in writing.

#### 47 Severability

If any provision of this Agreement shall be held to be invalid or unenforceable by any court or legal or regulatory body, such invalidity or unenforceability shall attach only to such provision. The validity of the remaining provisions shall not be affected and this Agreement shall take effect and be construed as if such invalid or unenforceable provisions were not contained herein.

**48 Assignment**

This Agreement shall not be assigned by the Customer. CSSL may, without the Customer's consent, assign or transfer any or all of its rights, title or interest under this Agreement and in the Account to any person, firm or corporation which may carry on business in succession to CSSL or to any of CSSL's Associates.

**49 Force Majeure**

The Customer agrees that CSSL and CSSL's directors, officers, employees and agents shall not be liable for any delay or failure to perform any of CSSL's obligations hereunder or for any losses caused directly or indirectly by any condition or circumstances over which CSSL, CSSL's directors, officers, employees or agents do not have control, including but not limited to government restriction, exchange or market rulings, suspension of trading, failure of electronic or mechanical equipment or communication lines, telephone or other interconnect problems, unauthorized access, theft, war (whether declared or not), severe weather, earthquakes and strikes.

**50 Own Judgment**

The Customer agrees that the Customer, independently and without reliance on CSSL or any statements made by CSSL or CSSL's behalf, make the Customer's judgments and decisions with respect to each Transaction. CSSL shall be under no liability whatsoever in respect of any views, opinions, information or suggestions given by any of CSSL's directors, officers, employees or agents irrespective of whether or not such views, opinions, information or suggestions were given at the Customer's request.

**51 Material Changes**

The Customer will notify CSSL of material changes in respect of the Customer's information provided or personal circumstances or business, which may affect the services CSSL provides to the Customer, in accordance with Clause 43 of this Section I. CSSL will notify the Customer in respect of material changes of the company's information such as the full name, address, licensing status and the CE number with the SFC, nature of services to be provided or available to the Customer and significant revision of fees and charges.

**52 Governing Law and Jurisdiction**

52.1 This Agreement and all Instructions given shall be deemed to have been made in Hong Kong and shall be governed by and shall be enforced in accordance with the laws of Hong Kong.

52.2 The parties irrevocably agree that the courts of Hong Kong are to have exclusive jurisdiction, and that no other court is to have jurisdiction to:

- (a) determine any claim, dispute or difference arising out of or in connection with this Agreement ("Proceedings"); and
- (b) grant interim remedies, or other provisional or protective relief.

The parties irrevocably submit to the exclusive jurisdiction of such courts and waive any objection on the ground of venue or that the proceedings have been brought in an inconvenient forum. Accordingly, any Proceedings may be brought against a party or its assets in such courts.

**53 Service of Process**

If the Customer is, or after the Account has been opened becomes, resident overseas and/or has no address for service in Hong Kong, unless otherwise agreed by CSSL, the Customer must nominate a person as agent for service ("Process Agent") to accept on his behalf service all legal process arising out of or in connection with any suit or proceedings before the Hong Kong courts arising in connection with any services provided under this Agreement. In the event of a Customer becoming resident overseas or no longer having an address for service in Hong Kong, the Customer agrees to nominate a Process Agent in the form set out in Section VI of these Terms and Conditions prior to ceasing to be a resident or having an address for service in Hong Kong. Service of any such process by way of personal service on the Process Agent, by registered mail to such Process Agent, or in any other manner prescribed under Hong Kong law on the Process Agent shall be full, complete and effective service on the Customer and any failure by the Process Agent to notify the Customer of the process will not invalidate the proceedings concerned.

**54 Time is of the essence**

Time shall be of essence of the performance of the Customer's obligations under this Agreement.

**55 Language**

In the event that there is inconsistency or conflict between the English version and the Chinese version of this Agreement, the English version shall prevail.

## Section II: Additional Terms and Conditions for Margin Account

The provisions contained in this Section II shall, in conjunction with other Sections of these Terms and Conditions, apply to Margin Account. In the event of any inconsistency between this Section II and other Sections of these Terms and Conditions, this Section II shall prevail insofar as the inconsistency relates to Margin Account.

### 1 Application and Definitions

1.1 Unless otherwise defined, terms and references defined or construed in Section I of these Terms and Conditions shall have the same meaning and construction when used in this Section II. In addition, in this Section II, the following words and expression shall have the following meaning unless the context otherwise requires.

"**Charge**" means the charge over the Collateral constituted by Clause 4.1 of this Section II and "**Charged**" shall have the meaning accordingly;

"**Collateral**" means such assets of the Customer charged to CSSL as continuing security for the Margin Facilities granted by CSSL and for performance of all obligations of the Customer to CSSL from time to time pursuant to this Agreement, as more particularly described in Clause 4.1 of this Section II;

"**Facility Limit**" means the maximum aggregate principal amount to be made available by CSSL to the Customer under the Margin Facilities as may be determined by CSSL from time to time;

"**Marginable Value**" means the market value of Collateral multiplied by the prescribed margin of finance of respective Securities, which will be notified to the Customer from time to time and subject to change at CSSL's sole discretion.

### 2 Amount of the Margin Facilities

2.1 Subject to Clause 4.2 of this Section II and the terms and conditions of this Agreement, CSSL hereby agrees to grant to the Customer on the Margin Account the Margin Facilities up to the Facility Limit determined by CSSL and notified to the Customer from time to time.

2.2 CSSL reserves the right, at its absolute discretion at any time by notice to the Customer, to modify the Facility Limit, to cancel or terminate the Margin Facilities and to demand immediate payment of all moneys and sums, whether principal, interest or otherwise, then due or owing from the Customer. Further, CSSL may at any time refuse to grant or make available to the Customer any of the Margin Facilities notwithstanding that the Facility Limit applicable for the time being has not been exceeded and without the need to give reasons therefor.

2.3 The purpose of the Margin Facilities is to finance the purchase of Securities which the Customer instructs and authorizes CSSL to purchase as agent for or on account of the Customer upon and subject to the conditions of this Agreement.

2.4 The Customer hereby irrevocably ratifies and confirms any and all acts or omissions of CSSL in the performance of its duties under or pursuant to this Agreement.

### 3 Pre-Funding/Collateral

3.1 The Client understands and agrees that, as a precondition for obtaining margin financing, the Company will not provide financing for any securities purchase unless, at the point of transaction execution, such financing is adequately secured by sufficient funding/eligible securities collateral (including the securities to be purchased) held in the Client's account.

### 4 Grant, Condition and Amount of the Margin Facilities

4.1 Each advance under the Margin Facilities shall be made by CSSL to the Customer upon the making of any purchase of Securities as of the settlement date customarily set by the Exchange upon which the Securities are traded.

4.2 Without prejudice to the provisions of Clause 2.1 of this Section II and within the limit as from time to time notified to the Customer by CSSL, the maximum aggregate amount outstanding at any time under the Margin Facilities shall not be more than the aggregate Marginable Value of the Collateral.

### 5 Collateral

5.1 In consideration of CSSL granting or continuing to make available the Margin Facilities to the Customer, the Customer, as beneficial owner hereby charges, assigns and releases to CSSL the following assets of the Customer (as Collateral) as continuing security for the punctual payment to CSSL on the respective due dates of all amounts outstanding under the Margin Facilities and all other moneys and sums due or owing from the Customer to CSSL from time to time pursuant to this Agreement and for the performance of all the obligations of the Customer to CSSL from time to time pursuant to this Agreement:-

(a) all the Customer's rights, title and interest in and to the Securities which shall at any time hereafter and from time to time be purchased or held by CSSL or its nominee for or on account of the Customer pursuant to this Agreement and any Securities deposited with CSSL whether pursuant to Clause 5.1 of this Section II or otherwise, together with all dividends or interest paid or payable after the date hereof on or in respect of any of such Securities and all accretions thereto by way of bonus, distributions, options, rights or otherwise howsoever accruing or offered at any time hereafter (together the "**Charged Securities**"); and

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

5.2 CSSL is hereby irrevocably authorized to hold the Charged Securities in its own name or in the name of its nominee or be deposited in a safe custody in a designated account with its bankers or with any other institution which provides facilities for the safe custody of documents. In

the case of Securities in Hong Kong, such institution shall be acceptable to the SFC as a provider of safe custody services and the Customer hereby irrevocably authorizes CSSL to do and execute any and all acts or things and documents necessary to transfer, complete and/or vest title to all of the Charged Securities to it or its nominee and to do all such things and execute all such documents as it may reasonably require in order to perfect the security given hereunder.

- 5.3 The security given by the Customer hereunder shall be in addition to and may be enforced by CSSL without prejudice to any other guarantee, pledge, lien, indemnity, assurance, mortgage, charge, debenture or collateral security or other power, right or remedy now or at any time hereafter held or available to CSSL in respect of the Margin Facilities or the obligations of the Customer hereunder and shall be a continuing security notwithstanding the death, bankruptcy, liquidation, winding-up, insolvency, incapacity or any change in the constitution of the Customer or any intermediate or partial payment or settlement of account or satisfaction of the whole or any part of the amounts outstanding under the Margin Facilities or any obligations of the Customer under this Agreement.
- 5.4 The Customer hereby irrevocably undertakes to CSSL that all the Customer's rights, title and interest in and to the Collateral will at all relevant times constitute the legal and unencumbered property of the Customer free from any trust, lien, charge, mortgage, pledge or other encumbrance (save as created or required hereunder). The Customer shall provide CSSL with signed transfers or other instruments necessary for CSSL to exercise its rights under this Agreement.
- 5.5 All dividends, interests, income, payments or other distributions received by CSSL in respect of the Charged Securities will be credited to the Margin Account on receipt by CSSL.
- 5.6
  - (a) The Customer hereby represents and warrants to CSSL that during the continuance of the Charge:
    - (i) the Customer has and will maintain unencumbered and absolute title to the Charged Securities (subject only to the Charge);
    - (ii) the Charge constitutes and will continue to constitute the valid and legally binding obligations of the Customer enforceable in accordance with its terms.
  - (b) The Customer hereby undertakes and agrees that during the continuance of the Charge, the Customer shall:
    - (i) not mortgage, charge, pledge or otherwise encumber or assign, transfer or otherwise deal with or grant or suffer to arise any third party rights over or against the whole or any part of the Collateral or purport so to do ranking in priority to or pari passu with the Charge, except in CSSL's favour;
    - (ii) deposit with CSSL or to its order, at such place as CSSL may from time to time direct, all certificates, instruments and evidence of title to the Charged Securities, together, where appropriate, with all such necessary forms of transfer or other instructions, duly executed in favour of CSSL, as CSSL may from time to time require;
    - (iii) at any time and from time to time, execute and deliver such further assignments, charges, authorities and other documents as CSSL may from time to time require for perfecting its title to or for vesting or enabling CSSL to vest the full benefit of the Collateral in its favour, which assignments, charges, authorities and other documents shall be prepared by CSSL or on its behalf, at the cost of the Customer, and shall contain such provisions for CSSL's benefit as CSSL may reasonably require, for which purposes the Customer hereby irrevocably appoints CSSL as the Customer's lawful attorney; and
    - (iv) obtain and maintain in full force and effect all governmental and other approvals, authorities, licenses and consents required in connection with the Charge and to do or cause to be done all other acts and things necessary or desirable for the performance of all the obligations of the Customer pursuant to this Agreement.

## 6 Margin Position

- 6.1 The Customer shall maintain at all times the level of margin position ("Margin Position"), which for the purposes of this Agreement shall mean the aggregate Marginable Value of the Collateral, being equal to or more than the aggregate amount outstanding under the Margin Facilities. Without prejudice to the other rights of CSSL and the obligations of the Customer under this Agreement, if at any time, the Margin Position shall be less than such amount outstanding and notified by CSSL to the Customer from time to time, the Customer shall forthwith upon demand from CSSL transfer or otherwise deposit with CSSL additional Securities to be Charged in favor of CSSL pursuant to the terms of this Agreement to form part of the Charged Securities or, alternatively, deposit cash in the Margin Account to satisfy such requirement of CSSL or to reduce the aggregate amount outstanding under the Margin Facilities to a level satisfactory to CSSL.
- 6.2
  - (a) Without prejudice to Clause 35 of Section I of these Terms and Conditions, if at any time the Margin Position shall fall below the amount outstanding under the Margin Facilities and the Customer fails to transfer or otherwise deposit additional Securities to be charged in favor of CSSL to form part of the Charged Securities or pay sufficient cash into the Margin Account to reduce the aggregate amount outstanding under the Margin Facilities so as to maintain the Margin Position equal to or more than the amount outstanding under Margin Facilities immediately upon receipt of CSSL's request to do so, CSSL may without demand, notice, legal process or other action at any time thereafter terminate the Margin Facilities and sell, realize, redeem or liquidate, as appropriate, such of the Charged Securities or any part thereof as CSSL in its absolute discretion thinks fit, free from all trusts, claims, rights of redemption and equities of the Customer; and
  - (b) any proceeds resulting from such sale, realization, redemption or liquidation shall be deposited in the Margin Account and be set off in reduction of the aggregate amount outstanding under the Margin Facilities until the Margin Position shall be maintained equal to or more than the amount outstanding under Margin Facilities. CSSL shall have no responsibility, liability or obligation to ensure that only the exact amount of the Charged Securities needed to achieve such Margin Position shall be sold or otherwise realized. The Customer shall not have any right or claim against CSSL in respect of any loss arising out of any such sale or realization, howsoever such loss may have been caused, and whether or not a better price could or might have been obtained on such sale or realization of the Charged Securities or any part thereof by either deferring or advancing the date of such sale or realization or otherwise.
- 6.3 CSSL's rights in Clause 6.2 above are without prejudice to, and are in addition to, any other actions or proceedings that CSSL may take against the Customer.
- 6.4 For the purposes of this Clause and Clause 4.2 of this Section II, that part of the market value of the Collateral attributable to the Charged Securities shall be conclusively determined by CSSL to be the lower of (i) the closing prices of the Charged Securities on the relevant Exchanges on the day prior to the date on which each such valuation is made (or if the Exchanges are not open on that day, then the last day prior to such

date on which they were open) or the selling prices of the Charged Securities on the relevant Exchanges at the relevant time on the date of valuation, or (ii) such prices of the Charges Securities as determined by CSSL in its absolute discretion to be the relevant market value of the Charged Securities.

6.5 Whenever and for so long as the Margin Position shall fall below the amount outstanding under Margin Facilities and notwithstanding and without prejudice to the other provisions of this Agreement, CSSL shall have no obligations whatsoever hereunder to grant the Margin Facilities to the Customer or to execute the Customer's Instructions to purchase or sell any Securities pursuant to the terms of this Agreement.

## 7 Interest

The Customer agrees to pay interest on the aggregate amount outstanding under the Margin Facilities at such rates and on such basis as CSSL may from time to time notify the Customer, whether orally or in writing. Such interest shall accrue in arrears on a daily basis and be debited to the Margin Account on the last day of each calendar month or upon demand by CSSL. The interest shall be compounded monthly.

## 8 Standing Authority (Client Securities)

8.1 The Customer authorizes CSSL for the period from the date of this Agreement to the first 30th day of September following the date hereof (both days inclusive), in relation to all Charged Securities held for or on the Customer's behalf, to: -

- (a) deposit such Charged Securities with an authorized financial institution as defined in the Ordinance as collateral for loans or advances made to CSSL by such authorized financial institution; and/or
- (b) deposit such Charged Securities with a recognized Clearing House or another intermediary licensed or registered for dealing in securities as defined in the Ordinance as collateral for the discharge and satisfaction of CSSL's settlement obligations and liabilities; and/or
- (c) apply such Charged Securities pursuant to a securities borrowing and lending agreement as defined in the Ordinance, without notice to the Customer, pursuant to Section 7 of the Securities and (Client Securities) Rules under the Ordinance.

8.2 The Customer acknowledges that any consideration payable by or to the Customer for the borrowing, lending or deposit of such Charged Securities under this standing authority is to be set by separate treaty.

8.3 In consideration of CSSL agreeing to act in accordance with this Clause 7, the Customer undertakes to keep CSSL indemnified at all times against and to hold CSSL harmless from all actions, proceedings, claims, damages, costs and expenses which may be brought against CSSL or suffered or incurred by CSSL and which shall have arisen either directly or indirectly from CSSL so acting.

8.4 The standing authority given by the Customer under this Clause 7 is revocable by one (1) month's prior notice in writing served on CSSL by registered mail AND upon full settlement of the Customer's indebtedness to CSSL.

8.5 Until proper revocation of the standing authority under this Clause 7, CSSL shall remain responsible to the Customer for such Charged Securities borrowed, loaned or deposited under this standing authority.

8.6 The Customer further agrees that the standing authority given by the Customer under this Clause 7 shall be automatically renewed for a further 12-month period if a written notice has been given to the Customer by CSSL at least fourteen (14) days prior to its expiry and the Customer does not object to the renewal before its expiry. Such automatic renewal shall be confirmed in writing by CSSL to the Customer within one (1) week from the date of expiry of the standing authority. In respect of Professional Investors, the standing authority may be renewed for any duration.

8.7 The Customer understands that such Charged Securities may be subject to liens of third parties and return of such Charged Securities to the Customer may be subject to satisfaction of such liens.

**Section III: Risk Disclosure Statements**

The Customer understands, acknowledges and accepts that:-

**1 Risk of Securities Trading**

The price of securities can and does fluctuate, and any individual security may experience upward and downward movements, and may under some circumstances become valueless. The Customer appreciates that there is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.

**2 Risk of Leaving Securities with CSSL**

There may be risks in leaving securities in CSSL's safekeeping. For example, if CSSL is holding the Customer's securities and CSSL becomes insolvent, the Customer may experience significant delay in recovering the securities. This is a risk that the Customer is prepared to accept.

**3 Risk of Providing An Authority to Hold Mail or to Direct Mail to Third Parties**

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

**4 Risks of Client Assets Received or Held Outside Hong Kong**

The Customer's assets received or held by CSSL outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdiction which may be different from the Ordinance and the rules made thereunder. Consequently, such assets may not enjoy the same protection as that conferred on the Customer's assets received or held in Hong Kong.

**5 Risk of Trading Growth Enterprise Market ("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.

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

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

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

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

The securities under the NASDAQ-Amex Pilot Program ("PP") are aimed at sophisticated investors. The Customer should consult the Customer's dealer and become familiarised with the PP before trading in the PP securities. The Customer 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.

**7 Risk of Trading Equity-Linked Instrument**

The risk of loss in an equity-linked instrument may be substantial in certain circumstances. The Customer should not deal in them unless the Customer understands the nature of the transactions the Customer is entering into and the extent of the Customer's exposure to risk. The Customer should carefully consider whether the transactions are suitable for the Customer in the light of the Customer's circumstances and financial position.

The interest which may become payable on an equity-linked instrument is generally higher than the interest on an ordinary time deposit. However, this carries with equity risk. The Customer accepts a legal obligation to take the underlying instrument at the pre-agreed conversion price instead of receiving the principal of the equity-linked instrument, if the price of the underlying instrument falls below the conversion price. The Customer shall therefore receive an instrument that has fallen in value. The Customer shall lose the entire principal or deposit if the underlying instrument becomes worthless.

Equity-linked instrument may be "non-transferable" and it may be impossible for the Customer to close out or liquidate them.

Any recommendation or information given by CSSL to the Customer is for the Customer's reference only. Reliance on such recommendation or information is at the Customer's own risk. CSSL makes no representations regarding the performance of the Customer's investment or regarding any recommendation or information given by CSSL to the Customer.

The Customer confirms to CSSL that the Customer has sufficient knowledge and experience to be able to evaluate the merits and risks of entering into each equity-linked instrument, is acting in reliance solely upon the Customer's own judgment or upon professional advice obtained independently of CSSL as to those merits and risks (including, where relevant, the tax and accounting treatment of each equity-linked instrument) and are not relying upon CSSL's views or advice.

**8 Risk of Margin Trading**

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

## 9 Risk of Providing an Authority to Repledge the Customer's Securities Collateral etc.

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

If the Customer's securities or securities collateral are received or held by CSSL in Hong Kong, the above arrangement is allowed only if the Customer consents in writing. Moreover, unless the Customer is a Professional Investor, the Customer's authority must specify the period for which it is current and be limited to not more than 12 months. If the Customer is a Professional Investor, these restrictions do not apply.

Additionally, the Customer's authority may be deemed to be renewed (i.e. without the Customer's written consent) if CSSL issues to the Customer a reminder at least 14 days prior to the expiry of the authority, and the Customer does not object to such deemed renewal before the expiry date of the Customer's then existing authority. The Customer is not required by any law to sign these authorities. But an authority may be required by CSSL, for example, to facilitate margin lending to the Customer or to allow the Customer's securities or securities collateral to be lent to or deposited as collateral with third parties. CSSL should explain to the Customer the purposes for which one of these authorities is to be used.

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

A cash account not involving securities borrowing and lending is available from CSSL. If the Customer does not require margin facilities or does not wish the Customer's securities or securities collateral to be lent or pledged, the Customer does not need to sign the above authorities and may ask to open this type of cash account.

## 10 Risk of Trading and Transmission of Data through Electronic Means

All electronic channel and internet is, due to unpredictable traffic congestion and other reasons, an inherently unreliable medium of communication and such unreliability is beyond CSSL's control. The Customer acknowledges that, as a result of such unreliability, there are security risks and risks of failure or delay in the transmission and receipt of instructions and other information and that may result in an influence on integrity and privacy of data, failure or delay in the execution of instructions and/or the execution of instructions at prices different from those prevailing at the time the instructions were given.

The Customer further acknowledges and agrees that there are risks of interception of instructions as well as of misunderstanding or errors in any communications and such risks shall be absolutely borne by the Customer.

The Customer acknowledges and agrees that it is not usually possible to cancel an instruction after it has been given. The Customer understands and agrees to bear all risks involved in trade and transaction entered through electronic means.

## 11 Trading Facilities

Electronic trading facilities are supported by computer-based component systems for the order routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. The Customer's ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or participant firms. Such limits may vary: the Customer should ask CSSL for details in this respect.

## 12 Electronic Trading

Trading on an electronic trading system may differ from trading on other electronic trading system. If the Customer undertakes transactions on an electronic trading system, the Customer will be exposed to risks associated with the system including the failure of hardware. The result of any system failure may be that the Customer's order is either not executed according to the Customer's instructions or is not executed at all.

## 13 Risk of Receiving Statement of Accounts through Electronic Channel ("e-Statement")

13.1 CSSL provides an e-Statement services to Customers whereby their statements can be accessed through CSSL's website, [www.chinaskysec.com.hk](http://www.chinaskysec.com.hk) ("Access Service"). Risks regarding receipt of the Access Service include:

- (a) appropriate computer equipment and software, internet access and a specific email address provided and designated by the Customer are required for using the Access Service;
- (b) internet and email services may be subject to certain information technology risks and disruption;
- (c) the Customer may incur additional costs for using the Access Service;
- (d) email will be the Customer's only notice that e-Statement has been posted on CSSL's website, and the Customer should check his designated email address regularly for such notice;

- (e) revocation of consent to the provision of e-Statement by access through CSSL's website will be subject to the giving of such advance notice by the Customer as CSSL may reasonably require;
- (f) the Customer may be required to pay a reasonable charge for obtaining a hard copy of statement of account that is no longer available for access and downloading through CSSL's website.

13.2 The Customer is advised to:

- (a) inform CSSL as soon as practicable upon a change in the designated email address;
- (b) promptly review the e-Statement posted on the website upon receiving the email alert from CSSL to ensure that any errors are detected and reported to CSSL as soon as practicable; and;
- (c) save an electronic copy in the Customer's own computer storage or print a hard copy of the e-Statements for future reference.

**14 Risks Associated with Structured Products**

- (a) Issuer default risk
 

In the event that a structured product issuer becomes insolvent and defaults on their listed securities, the Customer will be considered as unsecured creditor and will have no preferential claims to any assets held by the issuer. The Customer should therefore pay close attention to the financial strength and credit worthiness of structured product issuers.
- (b) Uncollateralised product risk
 

Uncollateralised structured products are not asset backed. In the event of issuer bankruptcy, Customers can lose their entire investment. The Customer should read the listing documents to determine if a product is uncollateralised.
- (c) Gearing risk
 

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

Structured products have an expiry date after which the issue may become worthless. The Customer should be aware of the expiry time horizon and choose a product with an appropriate lifespan for their trading strategy.
- (e) Extraordinary price movements
 

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

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

SEHK 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, the Customer may not be able to buy or sell the product until a new liquidity provider has been assigned.

**15 Risks Involved in trading derivative warrants**

Derivative warrant trading involves high risks and is not suitable for every investor. The Customer should understand and consider the following risks before trading in derivative warrants:

- (a) Issuer Risk
 

Derivative warrant holders are unsecured creditors of an issuer and have no preferential claim to any assets an issuer may hold. Therefore, the Customer are exposed to credit risk in respect of the issuer.
- (b) Gearing Risk
 

Although derivative warrants may cost a fraction of the price of the underlying assets, a derivative warrant may change in value more or less rapidly than the underlying asset. In the worst case the value of the derivative warrants falls to zero and holders lose their entire purchase price.
- (c) Limited Life
 

Unlike stocks, derivative warrants have an expiry date and therefore a limited life. Unless the derivative warrants are in-the-money, they become worthless at expiration.
- (d) Time Decay
 

One should be aware that other factors being equal the value of derivative warrants will decrease over time. Therefore, derivative warrants should never be viewed as products that are bought and held as long term investments.

- (e) Volatility  
Other factors being equal an increase in the volatility of the underlying asset should lead to a higher warrant price a decrease in volatility lead to a lower derivative warrant price.
- (f) Market Forces  
In addition to the basic factors that determine the theoretical price of a derivative warrant, derivative warrant prices are also affected by all other prevailing market forces including the demand for and supply of the derivative warrants. Supply and demand forces may be greatest when a derivative warrant issue is almost sold out and when issuers make further issues of an existing derivative warrant issue.

## 16 Risks involving in trading Callable bull/bear contracts ("CBBC")

- (a) Mandatory call  
CBBC are a type of leverage investment. They may involve a higher degree of risk and are not suitable for all types of investors. Customers should consider their risk appetite prior to buying CBBC. In any case, one should not trade in CBBC unless he/she understands the nature of the product and is prepared to lose the total amount invested, since a CBBC will be called by the issuer when the price of the underlying assets hits the Call Price, and that CBBC will expire early. The payoff for Category N CBBC will be zero when they expire early. When Category R CBBC expire early, the holder may receive a small residual value payment, but there may be no residual value payment in some situations. Dealers may charge their clients a service fee for the collection of the residual value payment from the respective issuers.  
  
In general, the larger the buffer between the call price and the spot price of the underlying assets, the lower the probability of the CBBC being called, since the underlying assets of that CBBC would have to experience a larger movement in their price before it is called. However, the larger the buffer, the lower the leverage effect.  
  
Once the CBBC is called, even though the underlying assets may bounce back in the right direction from the Customer's point of view, the CBBC which has been called will not be revived and the Customer will not be able to profit from the bounce-back.  
  
Besides, the Mandatory Call Event ("MCE") of a CBBC with underlying assets overseas may be triggered outside the HKEX's trading hours.
- (b) Gearing effects  
Since a CBBC is a leveraged product, the percentage change in the price of a CBBC is greater compared with that of the underlying asset. Customer may suffer higher losses in percentage terms if they expect the price of the underlying assets to move one way but it moves in the opposite direction.
- (c) Limited Life  
A CBBC has a limited lifespan, as denoted by the fixed expiry date, of three months to five years. The life of a CBBC may be shorter if called before the fixed expiry date. The price of a CBBC fluctuates with the changes in the price of the underlying assets. A CBBC may become worthless after expiry or if the CBBC has been called early.
- (d) Movement of underlying assets' price  
Although the price of a CBBC tends to follow closely the price of its underlying assets, in some situations if may not (i.e. delta may not always be close to one). The price of a CBBC is affected by a number of factors, including demand for the CBBC and the supply, funding costs and time to expiry. Moreover, the delta for a particular CBBC may not always be close to one, in particular when the price of the underlying assets is close to the Call Price.
- (e) Liquidity  
Although CBBC have liquidity providers, there is no guarantee that the Customer will be able to buy/sell CBBC at their target prices any time they wish.
- (f) Funding cost  
When a CBBC is called, the CBBC holders will lose the funding cost for the full period, since the funding cost is built into the CBBC price upfront at launch, even though the actual period of funding for the CBBC turns out to be shorter when there is an MCE. In any case, the Customer should note that the funding costs of a CBBC after launch may vary during its life and the liquidity provider is not obliged to provide a quote for the CBBC based on the theoretical calculation of the funding costs for that CBBC at launch.
- (g) Trading of CBBC close to Call Price  
When the underlying assets are trading close to the call price, the price of a CBBC may be more volatile with wider spreads and uncertain liquidity. CBBC may be called at any time and trading will terminate as a result.  
  
All trades executed after an MCE (i.e. Post MCE Trades) will not be recognized and will be cancelled. Since there may be a time lapse between the MCE and termination of trading of the CBBC, some Post MCE Trades may be cancelled even though they may have been confirmed by brokers. Customers should therefore apply special caution when a CBBC is trading close to the call price.  
  
Issuer will announce the exact call time within 1 hour after the trigger of the MCE, and HKEX will send the list of Post MCE Trades to the relevant brokers who in turn will inform their clients accordingly. If the Customers are not clear whether their trades are Post MCE Trades or if they have been cancelled, they should check with their brokers.
- (h) CBBC with overseas underlying assets  
Customers trading CBBC with overseas underlying assets are exposed to an exchange rate risk as the price and cash settlement amount of the CBBC are converted from a foreign currency into Hong Kong dollars. Exchange rates between currencies are determined by supply

and demand, which are affected by various factors.

Besides, CBBC issued on oversea underlying assets may be called outside the SEHK's trading hours. In such cases, the CBBC will be suspended from trading on the SEHK in the next trading session or soon after the issuer has notified the SEHK about the occurrence of the MCE. There will be no automatic suspension of CBBC by the trading systems of SEHK's securities market upon occurrence of an MCE. For Category R CBBC, valuation of the residual value will be determined on the valuation day according to the terms in the listing documents.

## 17 Risks Associated with Exchange Traded Funds ("ETFs")

### (a) Market risk

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

### (b) 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.)

### (c) Trading at discount or premium

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

### (d) Foreign exchange risk

Customers 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.

### (e) Liquidity risk

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

### (f) Counterparty risk involved in ETFs with different replication strategies

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

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

#### (ii) Synthetic replication strategies

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

##### (1) Swap-based ETFs

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

##### (2) Derivative embedded ETFs

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

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

It is important that the Customer understands and critically assesses the implications arising due to different ETF structures and characteristics.

**Section IV: China Sky's Policy on Personal Data**

- 1 China Sky Securities Limited ("China Sky") is a financial services & investment as well as principal investment with presence in Hong Kong.
- 2 Hong Kong legislation controls the collection, use and storage of personal information ("data"). This policy is being provided to individuals dealing with China Sky in Hong Kong ("Relevant Persons") from whom data have been and/or may in the future be collected.
- 3 From time to time, it is necessary for Relevant Persons to supply China Sky with data in connection with the opening or continuation of accounts and the provision of securities trading / financial services or establishment or continuation of credit facilities.
- 4 Failure to supply such data may result in China Sky being unable to open or continue accounts or provide securities trading / financial services or establish or continue credit facilities.
- 5 It is also the case that data are collected from Relevant Persons in the ordinary course of carrying out China Sky's business with the Relevant Persons.
- 6 The purposes for which data relating to a Relevant Person may be used are as follows: -
  - (a) the daily operation of the securities trading / financial services and credit facilities provided to Relevant Persons;
  - (b) conducting credit checks at the time of application for credit and at the time of regular or special reviews which normally will take place one or more times each year and carrying out matching procedures;
  - (c) creating and maintaining China Sky's credit scoring models;
  - (d) assisting other financial institutions to conduct credit checks and collect debts;
  - (e) ensuring ongoing credit worthiness of Relevant Persons;
  - (f) researching, designing, launching banking, financial, insurance services or related products for Relevant Persons' use and monitoring the provision, operation and use of such services or products;
  - (g) marketing services, products and other subjects (please see further details in paragraph (8) below);
  - (h) determining amounts owed to or by Relevant Persons;
  - (i) the enforcement of Relevant Persons' obligations, including without limitation collection of amounts outstanding from Relevant Persons and those providing security or guarantee for Relevant Persons' obligations;
  - (j) complying with the obligations, requirements or arrangements for disclosing and using data that apply to China Sky or any of its branches or that it is expected to comply according to:
    - (i) any law binding or applying to it within or outside Hong Kong existing currently and in the future;
    - (ii) any guidelines or guidance given or issued by any legal, regulatory, governmental, tax, law enforcement or other authorities, or self-regulatory or industry bodies or associations of financial services providers within or outside Hong Kong existing currently and in the future;
    - (iii) any present or future contractual or other commitment with local or foreign legal, regulatory, governmental, tax, law enforcement or other authorities, or self-regulatory or industry bodies or associations of financial services providers that is assumed by or imposed on China Sky or any of its branches by reason of its financial, commercial, business or other interests or activities in or related to the jurisdiction of the relevant local or foreign legal, regulatory, governmental, tax, law enforcement or other authority, or self-regulatory or industry bodies or associations;
  - (k) complying with any obligations, requirements, policies, procedures, measures or arrangements for sharing data and information within the China Sky Group and/or any other use of data and information in accordance with any group-wide programmes for compliance with sanctions or prevention or detection of money laundering, terrorist financing or other unlawful activities;
  - (l) enabling an actual or proposed assignee of China Sky, or participant or sub-participant of China Sky's rights in respect of the Relevant Person to evaluate the transaction intended to be the subject of the assignment, participation or sub-participation;
  - (m) provision of reference (status enquiries); and
  - (n) Purposes relating thereto.
- 7 Data held by China Sky relating to a Relevant Person will be kept confidential but China Sky may provide such information to the following parties for the purposes set out in paragraph (6) above: -
  - (a) any agent, contractor or third party service provider who provides administrative, telecommunications, computer, payment or securities clearing or other services to China Sky in connection with the operation of its business;
  - (b) any other person under a duty of confidentiality to China Sky including a member of the China Sky Group which has undertaken to keep such information confidential;
  - (c) credit reference agencies, and, in the event of default, to debt collection agencies;
  - (d) any person to whom China Sky or any of its branches is under an obligation or otherwise required to make disclosure under the requirements of any law binding on or applying to China Sky or any of its branches, or any disclosure under and for the purposes of any guidelines or guidance given or issued by any legal, regulatory, governmental, tax, law enforcement or other authorities, or self-regulatory or industry bodies or associations of financial services providers with which China Sky or any of its branches are expected to comply, or any disclosure pursuant to any contractual or other commitment of China Sky or any of its branches with local or foreign legal, regulatory, governmental, tax, law enforcement or other authorities, or self-regulatory or industry bodies or associations of financial services providers, all of which may be within or outside Hong Kong and may be existing currently and in the future;
  - (e) any actual or proposed assignee of China Sky or participant or sub-participant or transferee of China Sky's rights in respect of the Relevant Person; and
    - (i) any member of the China Sky Group;
    - (ii) third party financial institutions, insurers, credit card companies, securities and investment services providers;

- (iii) external service providers (including but not limited to mailing houses, telecommunication companies, telemarketing and direct sales agents, call centres, data processing companies and information technology companies) that China Sky engages for the purposes set out in paragraph (6)(g) above; and
- (iv) any nominee, trustee, co-trustee, centralized securities depository or registrar, custodian, estate agent, solicitor or other person who is involved with the provision of services or products by a member of the China Sky Group to that Relevant Person.

Such information may be transferred to a place outside Hong Kong.

## 8 USE OF DATA IN DIRECT MARKETING

China Sky intends to use a Relevant Person's data in direct marketing and China Sky requires the Relevant Person's consent (which includes an indication of no objection) for that purpose. In this connection, please note that:

- (a) the name, contact details, products and services portfolio information, transaction pattern and behaviour, financial background and demographic data of a Relevant Person held by China Sky from time to time may be used by China Sky in direct marketing;
- (b) the following classes of services, products and subjects may be marketed: financial, insurance, banking and related services and products;
- (c) the above services, products and subjects may be provided by China Sky and/or any member of the China Sky Group.

If a Relevant Person does not wish China Sky to use his data in direct marketing as described above, the Relevant Person may exercise his opt-out right by notifying China Sky.

## 9 Under and in accordance with the terms of the Personal Data (Privacy) Ordinance (the "Ordinance") and the Code of Practice on Consumer Credit Data, any Relevant Person has the right: -

- (a) to check whether China Sky holds data about him and of access to such data;
- (b) to require China Sky to correct any data relating to him which is inaccurate;
- (c) to ascertain China Sky's policies and practices in relation to data and to be informed of the kind of personal data held by China Sky;
- (d) to be informed on request 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; and
- (e) in relation to any account data (including, for the avoidance of doubt, any account repayment data) which has been provided by China Sky to a credit reference agency, to instruct China Sky, upon termination of the account by full repayment, to make a request to the credit reference agency to delete such account data from its database, as long as the instruction is given within five years of termination and at no time was there any default of payment in relation to the account, lasting in excess of 60 days within five years immediately before account termination. Account repayment data include amount last due, amount of payment made during the last reporting period (being a period not exceeding 31 days immediately preceding the last contribution of account data by China Sky to a credit reference agency), remaining available credit or outstanding balance and default data (being amount past due and number of days past due, date of settlement of amount past due, and date of final settlement of amount in default lasting in excess of 60 days (if any)).

10 In the event of any default of payment relating to an account, unless the amount in default is fully repaid or written off (other than due to a bankruptcy order) before the expiry of 60 days from the date such default occurred, the account repayment data (as defined in paragraph (9)(v) above) may be retained by the credit reference agency until the expiry of five years from the date of final settlement of the amount in default.

11 In the event any amount in an account is written-off due to a bankruptcy order being made against a Relevant Person, the account repayment data (as defined in paragraph (9)(e) above) may be retained by the credit reference agency, regardless of whether the account repayment data reveal any default of payment lasting in excess of 60 days, until the expiry of five years from the date of final settlement of the amount in default or the expiry of five years from the date of discharge from a bankruptcy as notified by the Relevant Person with evidence to the credit reference agency, whichever is earlier.

12 In accordance with the terms of the Ordinance, China Sky has the right to charge a reasonable fee for the processing of any data access request.

13 The person to whom requests for access to data or correction of data or for information regarding policies and practices and kinds of data held are to be addressed is as follows: -

**The Data Protection Officer**  
**China Sky Securities Limited**  
**Unit 2302-03, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.**

14 China Sky may have obtained a credit report on the Relevant Person from a credit reference agency in considering any application for credit. In the event the Relevant Person wishes to access the credit report, China Sky will advise the contact details of the relevant credit reference agency.

15 Nothing in this policy shall limit the rights of Relevant Persons under the Ordinance.

16 To help us to provide a better service to you, please ensure that your contact details including your home and office addresses, your telephone

numbers (including your mobile telephone number), e-mail address and other details registered with us are up to date.

- 17 The provisions of this policy may form part of the account terms and conditions and/or the agreement or arrangements that you have or may enter into with China Sky. If any inconsistency is found, the provision of this policy shall prevail.
- 18 This policy is subject to change from time to time and any changes will be posted on China Sky's website at [www.chinaskysec.com.hk](http://www.chinaskysec.com.hk)
- 19 In this policy, "subsidiary" shall bear the same meaning given to it under the Companies Ordinance of Hong Kong.
- 20 In case of discrepancies between the English and Chinese versions, the English version shall prevail.

October 2017

**Section V: Hong Kong Client Identity Rule**

The client identity rule ("Rule") introduced by the Securities and Commission ("SFC") applies to (amongst others) all licensed corporations (such as China Sky Securities Limited) who deal in securities that are listed or traded on The Stock Exchange of Hong Kong Limited ("SEHK") or derivatives, including over the counter derivatives, written over such securities (as principal or agent) regardless of where such trades are effected ("Transaction").

Essentially, the SFC and/or the SEHK ("Regulators") can request that China Sky Securities Limited provide to them within two business days (or a shorter period in exceptional market conditions) client identity information such as the identity, address, occupation and contact details of the ultimate beneficiary of, and the person originating the instruction for, a Transaction.

If you, as the immediate client placing the order with China Sky Securities Limited, are yourself an intermediary then you must provide information relating to the ultimate beneficiary of the Transaction and details of the person originating the instruction for that Transaction to China Sky Securities Limited (or directly to the Regulator) immediately at the Regulator's request. This obligation continues notwithstanding the termination of China Sky Securities Limited's services to you.

If due to confidentiality reasons or applicable secrecy laws, you cannot disclose the identity of your principal at the time of the trade, then you must ensure that your principal agrees, before the trade is placed with China Sky Securities Limited, that he will authorize you to provide information about his identity (or the ultimate beneficiary's identity, if he is also acting as an intermediary) to China Sky Securities Limited immediately on a Regulator's request and that he agrees to waive his right to confidentiality or secrecy to that extent.

In the case of collective investment schemes, discretionary accounts or discretionary trusts, normally only the name of the scheme, account or trust in question and the person who ultimately originates the instruction for the Transaction (i.e. usually the individual investment manager responsible for the investment decision) is required.

If, in respect of a particular Transaction the discretion of the investment manager is overridden by one or more of the beneficiaries of a scheme, account or trust (or someone else), China Sky Securities Limited would require information about the beneficiary or beneficiaries (or others) who has or have given the instructions in relation to the Transaction.

For detail of the Rule, please visit the SFC's web-site at <http://www.sfc.hk>.

**Section VI: Nomination of Process Agent**

Date : .....

To : China Sky Securities Limited

From : .....

Subject: Nomination of Process Agent for service of process

I/We refer to the Client Trading Agreement for Margin/Cash Securities Trading Account entered into between myself/ourselves and China Sky Securities Limited ("CSSL") dated [\*] (the "**Agreement**").

I/we shall become resident overseas and/or has/have no address for service in Hong Kong with effect from [dd/mm/yyyy], and hereby nominate the following as agent for service ("Process Agent"):

[Insert full name of the Process Agent]

[Insert full address in Hong Kong]

to accept on my behalf service all legal process arising out of or in connection with in any suit or proceedings before the Hong Kong courts arising in connection with any services provided under the Agreement.

I/we acknowledge that any service of any process by way of personal service on the Process Agent, by registered mail to such Process Agent, or in any other manner prescribed under Hong Kong law on the Process Agent shall be full, complete and effective service on me and any failure by the Process Agent to notify me/us of the process will not invalidate the proceedings concerned.

Yours faithfully

.....  
[Company]

.....  
[Printed name]

.....  
[Title]

.....  
[Date]

**Section VII: Additional Terms and Conditions for Shanghai-Hong Kong Stock Connect Trading Services**

The provisions contained in this Section VII shall, in conjunction with other Sections of these Terms and Conditions, apply to the SHHK Stock Connect trading services offered by CSSL ("Stock Connect Services"). In the event of any inconsistency between this Section VII and other Sections of these Terms and Conditions, this Section VII shall prevail insofar as the inconsistency relates to the Stock Connect Services.

**1 Application and Definitions**

1.1 Unless otherwise defined, terms and references defined or construed in Section I of these Terms and Conditions shall have the same meaning and construction when used in this Section VII. In addition, in this Section VII, the following words and expression shall have the following meaning unless the context otherwise requires.

**"A-Shares"** means, except where the context otherwise requires, the A shares listed and traded on the SSE only and do not include those listed and traded on Shenzhen Stock Exchange;

**"CCASS"** means the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on SEHK;

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

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

**"Northbound Trading"** means the trading of SSE Securities by Hong Kong and overseas investors through the SHHK Stock Connect;

**"SHHK Stock Connect"** means Shanghai-Hong Kong Stock Connect, a securities trading and clearing links programme developed by HKEX, SSE and China Clear for the establishment of mutual market access between Hong Kong and Shanghai;

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

**"SSE Rules"** means the rules and regulations of SSE including any rules and regulations in relation to SHHK Stock Connect;

**"SSE Securities"** means securities listed and traded on SSE which may be traded by Hong Kong and overseas investors under SHHK Stock Connect.

**2 SHHK Stock Connect**

2.1 The Stock Connect Services offered by CSSL only support Northbound Trading. All trading under the SHHK Stock Connect must be conducted on SSE and no over-the-counter or manual trades are allowed.

2.2 The Customer acknowledges that day trading and naked short selling are not permitted under SHHK Stock Connect and the shares purchased by the Customer through SHHK Stock Connect cannot be sold before settlement. CSSL shall have the right to reject any orders that it considers to be not in compliance with the applicable laws, rules and regulations or upon the request of SEHK and/or other relevant authorities ("Relevant Authorities").

2.3 SSE Securities orders are subject to pre-trade checking and the Customer is only allowed to sell SSE Securities which are available in its Accounts at the end of the previous day (T-1). If the Customer maintains its SSE Securities purchased through SHHK Stock Connect with a custodian participant of HKSCC other than CSSL, the Customer shall transfer those SSE Securities to the corresponding CCASS account of CSSL before the commencement of trading on a trading day if he/she intends to sell the shares during that trading day. The Customer agrees to comply with any pre-trade checking requirements mandated by the Relevant Authorities and/or as notified by CSSL from time to time. CSSL shall have the right to reject any sell orders and perform such actions it considers necessary if the Customer fails to meet any applicable pre-trade checking deadline.

2.4 The Customer acknowledges that SSE Securities purchased through the SHHK Stock Connect is subject to foreign shareholding restriction and the related forced-sale arrangement. CSSL shall have the right to force-sell the Customer's shares upon receiving any forced-sale notification ("Forced-sale Notice") from the Relevant Authorities. If the Customer fails to sell the relevant shares within the time frame as stipulated by the Relevant Authorities, CSSL shall have the right to force-sell the relevant shares for the Customers in accordance with the Forced-sale Notice and the relevant rules and regulations. The Customer hereby authorizes CSSL to comply with the forced-sale arrangement where applicable and to sell or arrange for the sale of any relevant shares by such time and on such price and terms as CSSL may in its absolute discretion determine as necessary or desirable to comply with the applicable laws, rules and regulations.

2.5 Where any shares being the subject of any Forced-sale Notice have been transferred to another CCASS participant at the request of the Customer prior to receiving the Forced-sale Notice from the Relevant Authorities, the Customer shall transfer those shares back to CSSL. CSSL is expressly authorized by the Customer to provide instructions on the Customer's behalf to such CCASS participants to transfer the relevant shares to CSSL for sale and liquidation in accordance with the applicable laws, rules and regulations.

2.6 The Customer acknowledges that CSSL may not be able to send in the Customer's order cancellation requests in case of contingency such as when SEHK loses all its communication lines with SSE, etc and the Customer shall bear the settlement obligations if the orders are matched and executed. Further, CSSL shall have the right to cancel the Customer's orders in case of contingency such as hoisting of Typhoon Signal No.8 in Hong Kong.

2.7 Northbound Trading will follow the settlement cycle of the SSE A-Shares market, where securities will be settled on T-day and, unless CSSL agrees to prefund or other settlement arrangement, money will be settled on T+1.

- 2.8 The Customer acknowledges that trading in SSE Securities under SHHK Stock Connect is subject to the laws, rules and regulations relating to SHHK Stock Connect including but not limited to SSE Rules and the laws of Mainland China relating to trading in A Shares such as short-swing profit rule and disclosure obligations and the Customer agrees to comply with such laws, rules and regulations.
- 2.9 CSSL may from time to time be requested by the Relevant Authorities to provide information and materials about the Customer and his/her transactions to such Relevant Authorities for surveillance and investigation purposes. CSSL is hereby authorized to disclose and release to the Relevant Authorities upon request such information without the Customer's further consent.
- 2.10 The Customer acknowledges that SSE may request SEHK to require CSSL to issue warning statements (verbally or in writing) to the Customer and/or not to extend SHHK Stock Connect trading services to the Customer. CSSL shall not be liable for any loss or damage directly or indirectly suffered by the Customer arising from and in connection with any actions taken by CSSL unless such loss or damage results from the fraud, gross negligence or wilful default of CSSL.
- 2.11 The Customer agrees that HKEX, SEHK, SSE, their respective subsidiaries and directors, employees and agents shall not be responsible or held liable for any loss or damage directly or indirectly suffered by the Customer or any third parties arising from or in connection with Northbound Trading.

### **3 Major Risks relating to Trading under SHHK Stock Connect**

- 3.1 Not protected by Investor Compensation Fund  
Customers should note that any trading under SHHK Stock Connect will not be covered by the Compensation Fund established under the Ordinance.
- 3.2 Quotas used up  
Trading under SHHK Stock Connect will be subject to a maximum cross-boundary investment quota (i.e., Aggregate Quota), together with a daily quota ("Daily Quota"). When the Aggregate Quota balance is less than the Daily Quota, the corresponding buy orders will be suspended on the next trading day (sell orders will still be accepted) until the Aggregate Quota balance returns to the Daily Quota level. Once the Daily Quota is used up, acceptance of the corresponding buy orders will also be immediately suspended and no further buy orders will be accepted for the remainder of the day. Buy orders which have been accepted will not be affected by the using up of the Daily Quota, while sell orders will be continued to be accepted. Depending on the Aggregate Quota balance situation, buying services will be resumed on the following trading day.
- 3.3 Difference in trading day  
SHHK Stock Connect will only operate on days when both markets in HK and Shanghai are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Mainland market but Hong Kong investors cannot carry out any A-Share trading. Customers should take note of the days SHHK Stock Connect is open for business and decide according to their own risk tolerance capability whether or not to take on the risk of price fluctuations in A-Shares during the time when SHHK Stock Connect is not trading.
- 3.4 Restrictions on selling imposed by front-end monitoring  
For Customers who usually keep their A-Shares outside of CSSL, if they want to sell certain A-Shares they hold, they must transfer those A-Shares to the account of CSSL before the market opens on the day of selling (T day). If they fail to meet this deadline, they will not be able to sell those A-Shares on T day.
- 3.5 The recalling of eligible stocks  
When a stock is recalled from the scope of eligible stocks for trading via SHHK Stock Connect for various reasons, the stock can only be sold but restricted from being bought. Customers should therefore pay close attention to the list of eligible stocks as provided and renewed from time to time by SSE and SEHK.
- 3.6 Currency risks  
Hong Kong and overseas investor who holds a local currency other than Renminbi ("RMB") will be exposed to currency risk if he/she invests in a RMB product due to the need for the conversion of the local currency into RMB. During the conversion, currency conversion costs will be incurred. Even if the price of the RMB asset remains the same when you purchase it and when you redeem/sell it, investors will still incur a loss when he/she converts the redemption/sale proceeds into local currency if RMB has depreciated.
- 3.7 Disclosure obligations  
Customers holding a certain amount of A-Shares in the Mainland through Northbound Trading are required to disclose their shareholding to SSE. Such obligations of disclosure are personal obligations of the Customers and the sole responsibility of the Customers to comply and acquaint themselves with.
- 3.8 The Customer agrees to accept the risk concerning in trading under SHHK Stock Connect and acknowledges that the above does not disclose all the risks in trading under SHHK Stock Connect. The Customer should seek independent professional advice if he/she is in doubt of any aspect of the nature and risks involved in trading under SHHK Stock Connect.