



**LIPPO SECURITIES LIMITED**  
**力寶證券有限公司**

**Margin Client's Agreement**

**保證金客戶協議書**

(Corporate / Individual / Joint)

(公司 / 個人 / 聯名)

Securities and Futures Commission  
證券及期貨事務監察委員會  
Central Entity Number : AAK018  
中央編號 : AAK018

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# Notice to Clients relating to the “Hong Kong” Personal Data (Privacy) Ordinance

## Reasons for the collection of personal data

From time to time, it is necessary for clients to supply Lippo Securities Limited (“Lippo”) with data in connection with the opening or continuation of accounts and the establishment or continuation of margin facilities or provision of services in accordance with the Personal Data (Privacy) Ordinance (Cap. 486) (the “Ordinance”) issued by the Office of the Privacy Commissioner for Personal Data.

Failure to supply such data may result in Lippo being unable to open or continue accounts or establish or continue margin facilities or provide services.

It is also the case that data are collected from clients in the ordinary course of the continuation of the servicing relationship, for example, when clients withdraw cheques.

## Purposes

The purposes for which data relating to a client may be used are as follows:-

- the daily operation of the services and margin facilities provided to clients;
- conducting credit checks;
- assisting other financial institutions to conduct credit checks and collect debts;
- ensuring ongoing credit worthiness of clients;
- marketing services, products and other subjects (please see further details in Use of Data in Direct Marketing below);
- determining the amounts owed to or by clients;
- collection of amounts outstanding from clients and those providing security for clients' obligations;
- complying with the obligations, requirements or arrangements for disclosing and using data that apply to Lippo or that it is expected to comply according to:
  - any law binding or applying to it within or outside the Hong Kong Special Administrative Region (“Hong Kong SAR”) existing currently and in the future (e.g. the Inland Revenue Ordinance and its provisions including those concerning automatic exchange of financial account information);
  - 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 the Hong Kong SAR existing currently and in the future (e.g. guidelines or guidance given or issued by the Inland Revenue Department including those concerning automatic exchange of financial account information);
- 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 Lippo 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;
- complying with any obligations, requirements, policies, procedures, measures or arrangements for sharing data and information within the group of Lippo 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; and
- purposes relating thereto.

## Transfer of personal data

Data held by Lippo relating to a client will be kept confidential but Lippo may, where it considers necessary or appropriate, provide such information to the following parties for the purposes set out in the above paragraph:-

- any agent, contractor or third party service provider who provides securities clearing or other services to Lippo in connection with the operation of its business;
- any other person under a duty of confidentiality to Lippo including a group company of Lippo which has undertaken to keep such information confidential;
- credit reference agencies and, in the event of default, to debt collection agencies;
- any person to whom Lippo, or affiliates of Lippo including the ultimate holding company of Lippo, its subsidiaries, representative offices, and associated companies, where in the discretion of any one of them it is deemed such disclosure necessary or appropriate under the requirements of any law binding on or applying to Lippo, 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 Lippo are expected to comply, or any disclosure pursuant to any contractual or other commitment of Lippo 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 the Hong Kong SAR and may be existing currently and in the future;

- any actual or proposed assignee of Lippo or participant or sub-participant or transferee of Lippo's rights in respect of the client; and
- Lippo's group companies;

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

## Use of Data in Direct Marketing

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

- the name, contact details, products and services portfolio information, transaction pattern and behaviour, financial background and demographic data of a client held by Lippo from time to time may be used by Lippo in direct marketing;
- services, products and subjects offered by Lippo's group companies may be marketed;
- the above services, products and subjects may be provided or solicited by Lippo and/or Lippo's group companies.

**If a client does not wish Lippo to use or provide to other persons his data for use in direct marketing as described above, the client may exercise his opt-out right by notifying Lippo.**

## Access and correction of personal data

Under the Ordinance, any individual has the right to ascertain whether Lippo holds individual's personal data, to obtain a copy of the data, and to correct any data that is inaccurate. Individual may also request Lippo to inform him/her of the type of personal data held by Lippo. All data access requests shall be made using the form prescribed by the Privacy Commissioner for Personal Data (“Privacy Commissioner”) which may be found on the official website of the Office of the Privacy Commissioner.

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

Requests for access and correction or for information regarding policies and practices and kinds of data held by Lippo should be addressed in writing and sent to Lippo as follows:-

The Data Protection Officer  
Lippo Securities Limited  
1802 Tower One, Lippo Centre  
89 Queensway, Central, Hong Kong

Fax: 2845 2119

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

Nothing in this Notice shall limit the rights of client under the Ordinance.

In case of discrepancies between the English and Chinese versions of this Notice, the English version shall prevail.

## Client's Information (Individual / Joint Account)

### Personal Information

Name of Client (in English)		(in Chinese)	
HKID/Passport No.	Nationality	Date of Birth	
Home Address			
Correspondence Address (if different)			
Estimated Net Worth		Estimated Annual Income	
Any relationship with any staff of Lippo Securities Limited?		Yes <input type="checkbox"/>	No <input type="checkbox"/>
If yes, with who?		Relationship	
Employed by			
Are you an employee of a financial services company whereby we would or might be required to notify your employer of this account?		Yes <input type="checkbox"/>	No <input type="checkbox"/>
Business Address			
Nature of Business		Position Held	
Bankers		Bank Account No.	
Tel No. (Res)	(Mobile)	(Ofc)	E-mail

### Investment Objectives (please tick as appropriate, you may tick more than one item)

Income	Capital Gain	Short Term Growth
Long Options	Write Covered Options	Write Uncovered Options
Hedging	Options Speculation	Options Strategic

### Investment Experience

	Stocks	Warrants	Options	Futures
No. of Year(s)				
No. of Transactions per year				
Typical Transaction Size (in HK\$)				

The information provided above is true, complete and correct. I/We will notify your company of any material changes to the above information.

\_\_\_\_\_

Date

\_\_\_\_\_

Client's Signature

- Proof of Residential Address
- Please attach HKID or Passport copy.
- For Joint Account, please make extra copy of this form and complete for each individual account name.
- The signing instruction for Joint Account is:  
(Please specify signing singly or two jointly etc.)

**Client's Information**  
**(Corporate/Sole Proprietor/Partnership Account)**

**Corporate Information**

Name of Account (in English)				
Name of Account (in Chinese, if any)				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Private Ltd Co	Public Ltd Co	Sole Proprietor	Partnership	Others
Place of Incorporation			Date of Incorporation	
Certificate of Incorporation No.			Business Registration No.	
Nature of Business				
Registered Address				
Business Address (if different)				
Correspondence Address (if different)				
Tel No.		Mobile No.		E-mail

**Persons authorized to operate the account (the "Authorised Persons")**

Name	HKID/Passport No.	Telephone No.	Specimen Signature
The signing instruction for Authorised Person is (Please specify signing singly; any two jointly or wholly etc.)			

**Directors**

Name	HKID/Passport No.	Nationality

**Shareholders**

Name	HKID/Passport No.	Nationality	% of Shareholding

**Financial Position** (in HK\$)

Authorised Share Capital	Issued Share Capital
Turnover	Gross Profit/(Loss) for the last year
Net Worth	Net Profit/(Loss) for the last year

**Investment Objectives** (Please tick as appropriate, you may tick more than one item.)

Income	Capital Gain	Short Term Growth
Long Options	Write Covered Options	Write Uncovered Options
Hedging	Options Speculation	Options Strategic

**Investment Experience**

	Stocks	Warrants	Options	Futures
No. of Year(s)				
No. of Transactions per year				
Typical Transaction Size (in HK\$)				

**Bank Reference**

Name of Bank		
Account Number		
Address		

The information provided above is true, complete and correct. Our company will notify your company of any material changes to the above information.

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 Date

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 Authorised Signature(s)

Please attach certified copies of the following documents:-

- Memorandum and Articles of Association
- Certificate of Incorporation
- Certificate of Business Registration
- Hong Kong Identity Card or Passport of all Authorised Persons and at least 2 directors (including the managing director)
- The most recent Annual Return
- [Group shareholding chart]
- [Names and copies of Hong Kong Identity Cards/Passports of substantial shareholders]
- Proof of Business and Residential Address

## Margin Client's Agreement

To: LIPPO SECURITIES LIMITED

1802, Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong.

(Licensed with the Securities and Futures Commission (“SFC”) for Type 1 regulated activity: dealing in securities and an Exchange Participant and an Options Trading Member (“OTM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”). Its Central Entity Number assigned by the SFC is AAK018.)

In consideration of your agreeing to act as my/our broker for the purpose of purchasing, investing in selling, exchanging, otherwise disposing of and generally dealing in and with all kinds of securities including but not limited to shares, stocks, warrants, options, bonds, debentures, notes, bills of exchange, certificates and commercial paper of any description whatsoever and wherever issued, quoted, dealt in or located (all of which are referred to as the “Securities”), and (where expressly agreed in writing between you and me/us) in consideration of your extending or continuing to extend credit to me/us in connection therewith, I/we request you to open and maintain, upon the terms and conditions of this Margin Client's Agreement (“Agreement”), a securities dealing account in my/our name and at any time hereafter to open and maintain accounts in my/our name (all of which accounts referred to as the “Account(s)”) as I/we may from time to time direct.

I/We acknowledge and agree that all Account(s) opened, maintained and operated in my/our name(s) or on my/our behalf will be opened, maintained and operated in accordance with my/our oral or written instructions, or to the extent authorised by me/us orally or in writing, at your discretion upon and subject to the following terms and conditions.

1. In relation to the purchase and/or sale of any Financial Product:
  - a) You may solicit the sale of or recommend a Financial Product to me/us in accordance with clause 1.1a;
  - b) I/we may enter into a transaction with you without or inconsistent with any recommendation or solicitation made by you in accordance with clause 1.1b.
- 1.1a If you solicit the sale of or recommend any Financial Product to me/us, the Financial Product must be reasonably suitable for me/us having regard to my/our financial situation, investment experience and investment objectives. No other provision of this Agreement or any other document you may ask me/us to sign and no statement you may ask me/us to make derogates from this clause.

Note: “Financial Product” means any securities, futures contracts or leveraged foreign exchange contracts as defined under the Securities and Futures Ordinance (Cap. 571). Regarding “leveraged foreign exchange contracts”, it is only applicable to those traded by persons licensed for Type 3 regulated activity.

Making available to me/us any Lippo Securities Limited advertisements, marketing or promotional

materials, market information or product information shall not, by itself, constitute solicitation of the sale or recommendation of any Financial Product.

1.1b For any transaction I/we enter into with you without or inconsistent with any recommendation or solicitation made by you, before entering into such transactions, I/we accept and agree with the statements below, and by my/our instructing to enter into such transactions you can rely on the following:

- (a) They are entered into by me/us solely at my/our own request and based on my/our own judgement;
- (b) I/We are fully aware of and understand the nature, terms and risks of such transactions;
- (c) I/We have evaluated my/our own circumstances, including but not limited to my/our financial situation, investment experience, risk appetite and investment objectives;
- (d) Where necessary, I/we will seek independent professional advice about such transactions; and
- (e) You are under no obligation to provide any investment information or specifications to me. If you do so, it is purely provided for information purposes.

1.2 Without derogating from clause 1.1a, before I/we enter into a transaction with you, I/we accept and agree that you are entitled to rely on the following:

- (a) Any information provided to you by me/us, including but not limited to my/our financial situation, investment experience, risk appetite and investment objectives is complete, accurate and up-to-date;
- (b) If my/our circumstances change, or the circumstances of the Financial Product, the Financial Product's issuer or general market conditions change, the Financial Product which you solicited the sale of or recommended may not continue to be suitable for me/us;
- (c) You have no responsibility to ensure that a Financial Product you have solicited the sale of or recommended continues to be suitable to me/us;
- (d) To make any informed decision, it is necessary for me/us to understand the Financial Product I/we wish to buy concerning all of its terms and risks in relation to my/our risk appetite, experience, objectives and own portfolio balance including assets that I/we hold elsewhere; and
- (e) When needed, I/we will take independent professional advice as regards Financial Products I/we wish to buy from you.

1.3 If any provision in this Agreement or in any other document signed by me/us or any statement made at your request by me/us provides that I/we purport to acknowledge that I/we have placed no reliance on any recommendation made or advice given by you, then such provision shall have no effect.

1.4 Clause 1.1a shall not apply to Professional Investors.

Note: "Professional Investors" are customers to whom you are not required to assume or discharge any obligation for ensuring the suitability of any Financial Product in accordance with the Securities and Futures Commission's Code of Conduct.



- 1.5 Without derogating from clause 1.1a, I/we agree and accept that any decision to buy or sell any Financial Product is based on my/our own judgment.
2. If services are to be provided to me/us in relation to derivative products, including options, you shall provide to me/us upon request product specifications and any prospectus or other offering document covering such products.
3. If I/we consent to the use of your electronic “e-Doc” service, I/we hereby acknowledge and agree to receive the daily/monthly statements of account(s) and any notice, document or communication (collectively “Notices”) via the electronic “e-Doc” service from you, which shall be deemed to have been personally received by me when transmitted and that such Notices are not required to be signed by you or on your behalf. I/We understand and acknowledge that no hard copy of such Notices will be provided by you thereafter. I/We understand the potential risks associated with the use of your “e-Doc” service as a means of communication and hereby acknowledge and accept that you and your employees shall not be liable for any damage or loss resulting from the occurrence of any of the following events:
  - (i) any delay or failure in the transmission or receipt of information due to either a breakdown or failure of transmission of communication facilities, or any unreliable media of communication or to any uncontrollable or unanticipated cause or other causes; and
  - (ii) any unauthorised access, tampering, modification or alteration of the “e-Doc” service and/or any part or component thereof which may result in the manipulation, unlawful use, theft or loss of information, including my/our personal data.
4. All transactions for my/our Account(s) and/or sub-account(s) shall be subject to the constitution, rules, regulations, by-laws, customs and usage of the Stock Exchange or such other foreign stock exchange or markets or over-the-counter (the “Exchanges”) and the Hong Kong Securities Clearing Company Limited or such other foreign clearing houses (the “Clearing House”) in which you are dealing on my/our behalf whether in Hong Kong or elsewhere. All such transactions may be effected by you directly on any Exchanges where you are authorised to transact stock broking business, or at your option, on any Exchange indirectly through any other broker which you may at your discretion, decide to employ.
5. (a) Before any transaction is conducted on my/our behalf, I/we will put you in funds or arrange for you to be put in funds in time to enable you to discharge any and all liabilities incurred or to be incurred in connection with any transaction in securities on my/our behalf conducted on any Account(s) and will on demand pay to and/or reimburse you in respect of all brokerage, commissions, duties in respect of transactions in Securities made on my/our behalf or the holding or management of Securities on my/our behalf at such rate or rates as you may from time to time notify to me/us. I/We shall reimburse you, on demand, all fees and expenses of any nominee appointed by you and any stamp duty, fees or expenses incurred by you in connection with any transaction in Securities made on my/our Account(s) and/or on my/our behalf or with the opening, maintenance and operation of any Account(s) in my/our name or on my/our behalf and will on demand settle any debit balance on any Account(s), provided

that where by express agreement in writing between me/us any credit is to be made available by you to me/us on any of the Account(s) (an account on which such credit is extended is said to be a Margin Securities Trading Account and is hereinafter referred to as a “Margin Account”) I/we shall at all time maintain sufficient marginable collateral on the relevant Margin Account sufficient to comply with the margin requirement in respect thereof as determined by you in your absolute discretion or which may be required by the rules of any exchange or market of which you are a member or through which you are trading. Without prejudice to Clause 8 below or any other rights you may have, if I/we commit a default in payment on demand of the deposits of margins or any other sums payable to you hereunder, on the due date therefore, or otherwise we fail to comply with any of the terms herein contained, you shall have the rights to close such Account(s) without notice to me/us and to dispose of any or all of the Securities held for or on my/our behalf and to apply the proceeds thereof and any cash deposit(s) to pay you all outstanding balances owed to you and I/we will be liable for any deficiency remaining after such Margin Account has been closed as aforesaid and will pay the amount of such deficiency to you upon demand. In the event that any money remains after such Margin Accounts has been closed in the manner as aforesaid such money shall be refunded to me/us;

- (b) unless otherwise agreed, I/we agree that when you have executed a purchase or sale transaction on my/our behalf, I/we will, by the due settlement date, make payment to you against delivery of or credit to my/our account for purchased securities, or make good delivery of sold securities to you against payment, as the case may be.

Unless otherwise agreed, I/we agree that should I/we fail to make such payment or delivery of securities by the due date as mentioned above, you are hereby authorised to:-

- (i) in the case of a purchase transaction, to transfer or sell any such purchased securities to satisfy my/our obligations to you, or
- (ii) in the case of a sale transaction, to borrow and/or purchase such sold securities to satisfy my/our obligations to you.

I/We hereby acknowledge that I/we will be responsible to you for any loss, costs, fees and expenses in connection settlement dates as described above;

- (c) you may at any time and from time to time in your absolute discretion determine that the margin requirement in respect of any Margin Account be increased and in such event we hereby agree to deposit with you such cash or additional security required by you to maintain a sufficient marginable collateral on such Margin Account sufficient to comply with the increased margin requirement;
- (d) every initial or subsequent deposit or cash into any Margin Account for the purpose of meeting any original or increased margin requirement as determined by you shall be made in such amount and currency as you may in your absolute discretion require;

- (e) any debit balances on the Margin Accounts and (if applicable) any amount made available by you by way of credit in connection with transactions in Securities on a Margin Account shall be charged with interest at such rate(s), not exceeding Hong Kong Dollar Prime Rate + 6% per annum, as demanded by you (after as well as before any judgement) and be calculated and payable on the last day of each calendar month or upon any demand being made by you and with such charges you may make in connection with the opening, maintenance and operation of the Margin Account and such other charges as you may make for your services and facilities as notified by you to me/us from time to time in writing;
- (f) all securities which you or any of your holding companies (as defined in the Companies Ordinance) or any subsidiary (as defined in the Companies Ordinance) of any such holding company or any of your subsidiaries or any other company or person otherwise associated with you including those with whom you have any form of dealing, brokerage, agency or clearing relationship (each of which is referred to as an "Associate") may at any time be holding for me/us (whether individually or jointly with others) or which may at any time be in the possession of you or an Associate for any purpose and in whatever capacity shall be subject to a general lien in your favour and shall be held as security for the payment and discharge of any indebtedness and other obligations or liabilities on any of my/our Margin Account. In enforcing your lien, you shall have an absolute discretion to determine which Securities are to be sold and which contracts are to be closed;
- (g) you may at any time without notice, notwithstanding any settlement of account of other matter whatsoever, combine or consolidate all of or any of the Margin Accounts as are for the time being opened and maintained by me/us with any one of you, your holding companies (as defined in the Companies Ordinance) and the subsidiaries (as defined in the Companies Ordinance) of any such holding company, including the existing Accounts, for use in connection with the trading in Securities and/or other instruments or investments of any description whatsoever and wheresoever issued, quoted, dealt in or located and set-off or transfer any sum standing to the credit of any one or more such Accounts wherever suitable in or towards satisfaction of any of my/our indebtedness, obligation or liability to you on any 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 and when such combination, set-off or transfer requires the conversion of the currency into another such conversion shall be calculated at the spot rate of exchange (as conclusively determined by you) prevailing in such foreign exchange market as you may in your absolute discretion select on or about the date of the combination, set-off or transfer;
- (h) I/We shall promptly report to you any apparent discrepancy or error regarding orders executed on any Account and take all necessary actions to mitigate the potential effects that may otherwise result therefrom;

- (i) you may record all telephone conversations with me/us in order to verify my/our instruction to you. I/We agree to accept the contents of such recording as final and conclusive evidence of my/our instructions,
- (j) your records shall, in the absence of manifest error, be conclusive and binding on me/us as to the amount standing to the debit or credit of any of my/our Accounts;
- (k) it is expressly understood that the Securities may be purchased on my/our behalf in your name, in the name of a nominee appointed by you or in any street name in trust for me/us, or as I/we may direct and any transaction on any Account may be conducted by you through agents, clearing brokers or dealers which may include entities affiliated to you, that you shall have the right to disclose my/our identity to third parties in connection with any transaction on any Account where you in your sole discretion deem such disclosure necessary or appropriate;
- (l) notwithstanding any provision to the contrary in this Agreement you shall have the right in your absolute discretion at any time to close any Account in my/our name or maintained on my/our behalf without assigning any reason therefore;
- (m) I/we hereby:
  - (i) authorise you to take all actions which you consider necessary or appropriate with a view to obtaining from third party Securities of the description required for the purpose of settling a sale of any Security on any Account as directed by me/us where I/we fail to supply you with the Securities required for the said purpose, including in that connection to give and carry out undertaking as to the return of Securities of the same quality and description as so obtained;
  - (ii) agree to reimburse you upon demand for any premium, interest or other expense incurred by you as a result of any such action so taken, and
  - (iii) without prejudice and in addition to any other indemnity given by me/us to you hereunder, undertake to indemnify you and hold you harmless from any liability, cost or expense which you may incur or be subjected to arising out of or in connection with any such action so taken, including (without limitation) the inability to settle any sale as a result of any failure to obtain the necessary Securities notwithstanding any such action so taken;
- (n) while you will use reasonable endeavors to comply with and fulfill any instruction I/we may give you concerning the operation of the Account(s) or in respect of any transaction in Securities to be made on the Account(s) and/or my/our behalf but (i) you are entitled at your entire discretion to refuse to carry out any such instruction and shall not be obliged to give any reason for any such refusal and (ii) I/we hereby acknowledge that you will not be liable for any loss that I/we may suffer whether directly or indirectly as a result of any inability or failure on your part to comply with or fulfill any such instruction or without prejudice to the generality of the foregoing, as a result of any loss caused directly or indirectly by government

restriction, stock exchange or stock market, changes in any applicable laws or regulations, suspension in trading, wars, strikes or other circumstances or conditions beyond your control;

- (o) you or any nominee appointed by you as aforesaid shall have the right to hold any Securities on my/our behalf in accordance with your or their normal nominee arrangements including specific and/or general pooling arrangements, provided that I/we agree that in respect of any Securities held by you or any nominee appointed by you under this clause neither you nor such nominee shall be bound to return to me/us the identical Securities deposited with you so long as the Securities returned to me/us are of the same class denomination and nominal amount rank pair passu with those originally held by you or such nominee under this clause (subject to any capital reorganization that may have occurred in the meantime); and
  - (p) each Account shall be maintained, and all transactions conducted thereon recorded, in such currency as you may from time to time upon my/our instruction (such currency as for the time being so determine being referred to as the “reference currency”) and in respect of any transaction in Securities on any of the Account effected on any exchange or market in any other currency;
    - (i) any profit or loss however arising as a result of exchange rate fluctuations affecting such other currency will be entirely for the account and risk of me/us and will accordingly be credited or debited (as the case may be) to the Accounts; and
    - (ii) unless specially requested by me/us and agreed by you in writing, the amount to be debited or credited (as the case may be) to the relevant Account in respect of the relevant transaction will be the sum in the reference currency converted from the relevant amount in that other currency on the basis of the prevailing money market rate.
6. I/We agree to indemnify and hold you and your officers, employees and agents harmless from any loss, liability, cost or expense (including without limitation legal fees and expenses) which you may incur or be subjected to with respect to the Accounts or any transaction in Securities arising out of or connected with any breach by me/us of its obligation hereunder including any costs reasonably and necessarily incurred by you in collecting any debts due to you or in connection with the closure of the Accounts. Without prejudice to such indemnity or the generality of the foregoing I/we authorise you to debit from time to time and at any time to any of my/our Account any amount so incurred by you.
7. (a) This Agreement may be terminated at any time by written notice given by either party to this Agreement provided that this Agreement shall not be deemed to be terminated by me/us until at least two business days after your actual receipt of such written notice. Such notice shall not affect any transaction entered into by me/us prior to its receipt and shall be without prejudice to any of your rights, powers or duties or ours prior to such receipt.
- (b) As soon as reasonably practicable following termination of this Agreement pursuant to sub-clause (a) above you may (unless otherwise agreed with us) terminate all accounts (including the Account) in my/our name and all deposits of monies in or for such accounts,

convert all monies held in or for such accounts into Hong Kong dollars and realize any charged securities. Subject to the full payment of all monies owed by me/us to you or your Associates, you shall either credit any balance on the account or send by mail at the risk of my/our account to its last known address a cheque in the amount of the credit balance of such accounts and send to me/us all documents of title (including where relevant stock transfer) relating to Securities in such accounts.

8. (a) Any one of the following events shall constitute an event of default (“Event of Default”):
- (i) my/our failure to pay any purchase price or other payments under this Agreement when due;
  - (ii) the filing of a petition in bankruptcy, winding up or the commencement of other analogous proceedings against me/us;
  - (iii) the levying of attachment against the Account(s);
  - (iv) my/our default in the due performance or observance of any terms of this agreement; and
  - (v) any consent, authorisation or board resolution required by me/us to enter into this Agreement being wholly or partly revoked, suspended, terminated or ceasing to remain in full force and effect.
- (b) If an Event of Default occurs, without prejudice to any other rights or remedies that you may have against me/us and without further notice to me/us, you may at your sole discretion:
- (i) cancel any or all outstanding orders or any other commitments made on my/our behalf;
  - (ii) close any or all contracts between you and me/us, cover any short position with you through the purchase of Securities on the Exchange or liquidate any long position with you through the sale of Securities on the Exchange;
  - (iii) be entitled to sell, dispose of or otherwise deal with in whatever manner any security in the Account(s) and any collateral security deposited by me/us with you.
9. If this Agreement is executed by more than one person the expression “we” shall be deemed to refer to each such person who so executes this Agreement and all our obligations and liabilities contained in this Agreement shall be a joint and several obligation or liability and each such person shall be jointly and several bound by all of the provisions of this Agreement. If this Agreement is executed by a company, firm or other body the expression “we” shall be deemed to refer to such company, firm or other body as the case may be.
10. I/We acknowledge that in the event you or any of your employees express any view or provide to me/us from time to time any trading or market information, published research reports or other similar forms of report or information, no guarantee, express or implied, of profitability or loss limitation is given in relation thereto.
11. I/We, if individuals, warrant that I/we am/are of full age.

12. I/we acknowledge and accept that you may, as in your absolute discretion think fit, act as dealer for your own account or as broker for some third party, and not as our agent, in relation to any transaction in Securities.
13. In the event that you have to obtain the Securities, which you have purchased on my/our behalf, in the open market, following the failure of the selling broker to make delivery on the settlement day, you will be responsible for any difference in price and all incidental expenses in connection with such open market purchase provided that where a purchase or sale of Securities has been concluded between the seller and me/us or the selling broker (other than you) and you are instructed to record such transaction in accordance with the Rules of the Stock Exchange as aforesaid.
14. I/We authorise you to conduct a credit enquiry or check on me/us for the purpose of ascertaining my/our financial situation and investment objectives.
15. The information contained in the "Client's Information" set out in [Pages 2, 3 and 4] to this Agreement or other documents prescribed by you from time to time and supplied by me/us or on my/our behalf to you in connection with the opening of any Account(s) is complete, true and correct. You are entitled to rely on such information until written notice from me/us of any changes therein has been received by you.
16. Any Securities deposited with you or purchased by you on my/our behalf and held by you for safekeeping may at your discretion either be:
  - (i) registered in your name or in the name of your nominee; or in any street name, or
  - (ii) deposited in safe custody in a designated account of your banker or with another institution which, in the case of Securities traded in The Stock Exchange of Hong Kong Limited has to the satisfaction of the Securities and Futures Commission, provided facilities for the safe custody of documents. Any Securities kept outside Hong Kong shall be subject to the applicable laws, rules, regulations and customs and/or bye-laws.
17. If any dividends or other distributions or benefits are accrued from any Securities deposited with you which are not registered in my/our names, my/our account with you shall be credited on payment made to me/us as may be agreed with the proportion of the total number or amount of relative Securities held on my/our behalf.

When purchasing securities I/we may decide not to have the securities re-registered into either my/our name or the name of your nominee in order to avoid not being able to trade the securities during the registration period. If I/we decide not to re-register the securities, I/we acknowledge that I/we run the risk for foregoing any dividend which may be declared in respect of the securities.

I/We understand that if I/we wish to receive of any dividend then prior to the book closing date, such securities will have to be re-registered and I/we have the option of registering securities in my/our name(s) or the name of your nominee.

In the event that the securities are registered in the name of your nominee, I/we understand that you will credit my/our account with any dividend or other distributions of benefits accruing in accordance with Clause 18 of this Agreement.

I/We acknowledge that if any securities are registered in my/our name(s) then the receipt by me/us of any dividend is a matter for me/us and the company in which the securities are concerned and/or the company's registrar.

18. Subject to any agreement in writing between you and me/us to the contrary, I/we authorise you at any time and from time to time to withhold, withdraw, pay to yourselves and retain for your own use and benefit absolutely any and all amounts at any time and from time to time earned, accrued, paid, credited or otherwise derived by way of interest or premium from the retention at any time or from time to time of (i) any amount in any trust account established by you under section 4 of the Securities and Futures (Client Money) Rules and (ii) any amount at any time paid to or received or held by you or any of your nominee, agents, representatives, correspondents or bankers for my/our Account(s) in any other circumstances, for any purpose or pursuant to any transaction. Unless, the account balance amounts to above HK\$50,000 or US\$10,000 or equivalent to US\$10,000 in other currencies. In which case the Account(s) will be credited interest at such rates as you shall determine or I/we shall negotiate specially with you.
19. While I/we expect you to keep confidential all matters relating to my/our account, I/we expressly agree that you may, if requested by the Exchanges and/or Clearing Houses, provide to the Exchanges and/or Clearing Houses details of our account, in order to satisfy them with any investigation or enquiry they are undertaking.
20. Every transaction executed on the instructions of me/us on the floors of those Exchanges shall be subject to a transaction levy and to any levies Exchanges may from time to time impose. You are authorised to collect any such levies in accordance with the rules prescribed by the Exchanges from time to time.
21. In respect of any transaction duly concluded on the trading floor of the Exchanges, the rules of the Exchanges and the Clearing Houses in particular those rules relating to trading and settlement, shall be binding on both you and me/us.
22. I/We acknowledge that there are risks in leaving Securities in your custody or in authorising you to deposit Securities as collateral for loans or advances made to you or in authorising you to borrow or loan Securities.
23. In the event I/we suffer pecuniary loss as a result of a default committed by you, the liability of the Investor Compensation Fund established under Part XII of the Securities and Futures Ordinance (Cap.571) will be restricted to the extent provided therein.
24. (a) This Agreement shall be binding upon my/our heirs, executors, administrators, personal representatives and assigns and shall remain in effect and be binding upon me/us



notwithstanding any amalgamation or merger that may be affected by me/us, who shall not be entitled to assign, transfer or otherwise dispose of to any person, company or firm any of our rights or obligations hereunder without your prior written consent.

- (b) You shall have the right to assign, transfer or otherwise dispose of to any person, company or firm all or any interest in your rights hereunder and to delegate or sub-contract the performance of any of your obligations hereunder.
  - (c) Words denoting the singular shall include the plural and vice versa, reference to one gender shall include all genders and words denoting person shall include a firm of sole proprietorship, partnership, syndicate and corporation and vice versa.
  - (d) Without prejudice to any other effective mode of giving or making the same, any notice, demand or other communication posted to me/us at the address(es) given on [page 2, 3 and 4] shall, until you have received notice in writing of a different address, be deemed to have been personally delivered to me/us on the business day following dispatch by you.
  - (e) The failure of any party hereto at any time or times to require performance by the other party of any provision of this Agreement shall in no way affect the right of such party to require performance of that or any other provision and any waiver by any party of any breach of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself or a waiver of any other right under this Agreement.
  - (f) Should any provision of this Agreement be declared void of unenforceable by any competent authority or court this shall not affect the other provisions of this Agreement which are capable of severance, which shall continue unaffected.
25. This Agreement shall be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region and I/we hereby submit to the non-exclusive jurisdiction of the Courts of the Hong Kong Special Administrative Region.
26. I/We declare that the contents of this Agreement have been fully explained to me/us in a language with which I/we am/are fully conversant with, and I/we fully accept and agree to be bound by all of the terms and conditions contained in this Agreement.
27. I/We hereby undertake to inform you when a sell order is in respect of securities which I/we do not own i.e. is a short sale.
28. You will not be responsible for any loss and/or damages of whatever nature suffered by the breakdown or failure of transaction of communication facilities including computer breakdown and/or failure beyond your reasonable control or anticipation.
29. In the event that I/we instruct you to operate the Account(s) to trade any Securities listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited, I/we agree that

I/we shall be bound by the terms and conditions set out in Appendix 1. In the operating the accounts for trading of securities listed on GEM, the terms and conditions set out in Appendix 1 shall prevail in case of any inconsistency between the terms and conditions set out in Appendix 1 and those set out herein.

30. In the event that I/we instruct you to operate the Account(s) to trade options, I/we agree that I/we shall be bound by the terms and conditions set out in Appendix 2.
31. I/We hereby authorise you to release my/our name(s) and address(es) to the Hong Kong Securities Clearing Company Limited (“CCASS”) so as enable me/us to receive corporate communication directly from the listed companies in which I/we am/are shareholder(s).
32. If I/we act as an intermediary or agent for the benefit of any third party(ies), upon your request or the request of any person(s) to whom you at your sole discretion deem that you have an obligation to make disclosure, including but not limited to the SFC or the Exchange (collectively the “Regulators”) under the requirements of any law or regulation, for information in relation to any transaction or details of the Account(s), notwithstanding the Account(s) may have been terminated prior to such request, I/we (i) agree to provide you (or the Regulators directly) client identity information of such third party(ies) including, without limitation to their identity, addresses and contact details within two business days of such request; (ii) confirm that all such underlying third party(ies) have waived the benefit of all applicable privacy or secrecy laws that prohibit such disclosure, if any; and (iii) authorize you to provide such client identity information to the Regulators.

In the event of any inconsistency or contradiction between the contents of the Chinese version and the English version of this entire Margin Client Agreement, the English version shall prevail.

Date at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

(If the client is an individual)

SIGNED by \_\_\_\_\_ )

\_\_\_\_\_ )

\_\_\_\_\_ )

In the presence of:-

(If the client is a company)

SIGNED by \_\_\_\_\_ )

\_\_\_\_\_ )

for and on behalf of

\_\_\_\_\_ )

in the presence of:-

(If the client is a partnership)

SIGNED by each \*partner

for and on behalf of \_\_\_\_\_ )

\_\_\_\_\_ )

\_\_\_\_\_ )

(1) Partner's name : \_\_\_\_\_

(2) Partner's name : \_\_\_\_\_

(3) Partner's name : \_\_\_\_\_

(4) Partner's name : \_\_\_\_\_

(\*If there are more than four partners, an additional signature page should be attached)

Acknowledged and accepted by  
**LIPPO SECURITIES LIMITED**

for and on behalf of  
**LIPPO SECURITIES LIMITED**

\_\_\_\_\_  
Authorised Signature(s)

## **Risk Disclosure Statements**

### **Risk of securities trading**

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

### **Risk of trading futures and options**

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

### **Risk of trading in leveraged foreign exchange contracts**

The risk of loss in leveraged foreign exchange trading can be substantial. Investors may sustain losses in excess of Investors' initial margin funds. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily limit losses to the intended amounts. Market conditions may make it impossible to execute such orders. Investors may be called upon at short notice to deposit additional margin funds. If the required funds are not provided within the prescribed time, Investors' position may be liquidated. Investors will remain liable for any resulting deficit in their account. Investors should therefore carefully consider whether such trading is suitable in light of their own financial position and investment objectives.

### **Risk of trading Growth Enterprise Market stocks**

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

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

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

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

### **Risks of client assets received or held outside Hong Kong**

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

### **Risk of providing an authority to repledge Investors' securities collateral etc.**

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

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

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

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

If Investors sign one of these authorities and their securities or securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on Investors' securities or securities collateral. Although the licensed or registered person is responsible to Investors for securities or securities

collateral lent or deposited under Investors' authority, a default by it could result in the loss of Investors' securities or securities collateral.

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

### **Risk of providing an authority to hold mail or to direct mail to third parties**

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

### **Risk of margin trading**

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

### **Risk of trading Nasdaq-Amex securities at The Stock Exchange of Hong Kong Limited**

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

### **Security Warning for the Internet Services**

The very fact that Investors are looking at an Internet Broking Site indicates that Investors have a certain familiarity with the advantages of the Internet and are perhaps drawn to the perceived convenience and cost benefits.

However Lippo Securities Limited must warn Investors that the Internet is inherently insecure and subject to technical failure. Not just Lippo Securities Limited's site but any site is subject to potential hacking that may violate the safety of private information as well as financial assets.

Whilst Lippo Securities Limited employ such things as firewalls and recommended encryption and take very seriously Lippo Securities Limited's responsibility to protect Investors' privacy and assets, Lippo Securities Limited cannot absolutely guarantee this. For example Investors' own personal computer is subject to possible security attacks from viruses and Trojans that can pick up financial data, pin numbers and codes allowing third parties to steal or divert data and financial assets such as cash or securities.

Investors should change their pin numbers and passwords from time to time. Investors should use software, such as Norton Anti-Virus and Spybot or other proprietary programmes designed to protect Investors' computer. Investors should run these frequently even daily. Lippo Securities Limited cannot accept responsibility for the security of Investors' computer system.

Investors should monitor their account and advise us immediately should Investors notice any discrepancy in their account. This is for investors' protection as well as Lippo Securities Limited.

Investors should note that there may be a time lag in data transmission and that Investors' order may not necessarily be executed at the price indicated on the Internet in the case of dealing.

Please understand that Lippo Securities Limited believes that the above warning is applicable to any commercial transactions on the Internet not just dealing with Lippo Securities Limited but other brokers, banks, even retailers such as bookshops, music stores and airlines etc. involving money transfers and credit card payments.

Please understand that this warning cannot be comprehensive as new criminal schemes such as phishing and identity theft keep evolving.

### **Risk of trading derivative and structured products**

This brief statement does not disclose all of the risks and other significant aspects of trading in derivative and structured products. In light of the risks, Investors should undertake such transactions only if Investors understand the nature of the contracts (and contractual relationships) into which Investors are entering and the extent of their exposure to risk. Trading in derivative and structured products is not suitable for many members of the public. Investors should carefully consider whether trading is appropriate for Investors in light of their experience, objectives, financial resources and other relevant circumstances.

### **General**

#### **Issuer default risk**

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

**Note:** “Issuers Credit Rating” showing the credit ratings of individual issuers is now available under the Issuer and Liquidity Provider Information sub-section under Derivative Warrants and under CBBCs section on the HKEx corporate website.

### **Uncollateralised product risk**

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

### **Gearing/Leverage risk**

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

### **Expiry considerations**

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

### **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.

### **Foreign exchange risk**

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

### **Liquidity risk**

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



## **Derivative Warrants**

### **Time decay risk**

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

### **Volatility risk**

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

## **Callable Bull/Bear Contracts (CBBC)**

### **Mandatory call risk**

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

### **Funding costs**

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

## **Exchange Traded Funds (ETF)**

### **Market risk**

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

### **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.)

### **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.

### **Foreign exchange risk**

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

### **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, Investors may not be able to buy or sell the product.

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

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

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

#### **(b) Synthetic replication strategies**

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

##### **i. Swap-based ETFs**

- Total return swaps allow ETF managers to replicate the benchmark performance of ETFs without purchasing the underlying assets.

- Swap-based ETFs are exposed to counterparty risk of the swap dealers and may suffer losses if such dealers default or fail to honour their contractual commitments.

##### **ii. Derivative embedded ETFs**

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

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

It is important that investors understand and critically assess the implications arising due to different ETF structures and characteristics.

### **Leveraged and Inverse Products (“L&I Products”)**

Investment involves risks. The risks of investing in different L&I products vary due to the difference in product structure, investors are highly recommended to read the prospectus and key facts sheet carefully in order to understand the risks involved in a specific L&I product.

#### **Investment risk**

The L&I product is a derivative product and is not suitable for all investors. There is no guarantee of the repayment of principal. Therefore your investment in the L&I product may suffer substantial/total losses.

#### **Long term holding risk**

The L&I product is not intended for holding longer than one day as the performance of the L&I product over a period longer than one day will very likely differ in amount and possibly direction from the leveraged performance of the index over that same period (e.g. the loss may be more than twice the fall in the index). The effect of compounding becomes more pronounced on the L&I product's performance as the index experiences volatility. With higher index volatility, the deviation of the L&I product's performance from the leveraged performance of the index will increase, and the performance of the L&I product will generally be adversely affected. As a result of daily rebalancing, the index's volatility and the effects of compounding of each day's return over time, it is even possible that the L&I product will lose money over time while the index's performance increases or is flat.

#### **Leverage risk**

Leveraged Products typically aim to deliver a daily return equivalent to a multiple of the underlying index return that they track. Inverse Products typically aim to deliver the opposite of the daily return of the underlying index that they track. Both gains and losses will be magnified. The risk of loss resulting from

an investment in the L&I product in certain circumstances will be substantially more than a fund that does not employ leverage.

### **Inverse Product vs. short selling risk**

Investing in the Inverse Product is different from taking a short position. Because of rebalancing, the return profile of the Inverse Product is not the same as that of a short position. In a volatile market with frequent directional swings, the performance of the Inverse Product may deviate from a short position.

### **Risk of rebalancing activities**

There is no assurance that the L&I product can rebalance their portfolio on a daily basis to achieve their investment objectives. Market disruption, regulatory restrictions or extreme market volatility may adversely affect the L&I product's ability to rebalance its portfolio.

### **Liquidity risk**

The rebalancing activities of the L&I product typically take place near the end of a trading day, shortly before the close of the underlying market, to minimise tracking difference. As a result, the L&I product may be more exposed to the market conditions during a shorter interval and maybe more subject to liquidity risk.

### **Intraday investment risk**

The L&I product is normally rebalanced at day end. As such, return for investors that invest for period less than a full trading day will generally be differs from the leveraged investment exposure to the index, depending upon the movement of the index from the end of one trading day until the time of purchase.

### **Portfolio turnover risk**

Daily rebalancing of L&I product's holdings causes a higher level of portfolio transactions than compared to the conventional ETFs. High levels of transactions increase brokerage and other transaction costs.

### **Futures contracts risk**

If the L&I product is a futures based product, investment in futures contracts involves specific risks such as high volatility, leverage, rollover and margin risks. The leverage component of futures contracts can result in a loss significantly greater than the amount invested in the futures contracts by the L&I product. Exposures to futures contracts may lead to a high risk of significant loss by the L&I product. A "roll" occurs when an existing futures contract is about to expire and is replaced with a futures contract representing the same underlying but with a later expiration date. The value of the L&I product's portfolio (and so the Net Asset Value per unit) may be adversely affected by the cost of rolling positions forward (due to the higher price of the futures contract with a later expiration date) as the futures contracts

approach expiry. There may be imperfect correlation between the value of the underlying reference assets and the futures contracts, which may prevent the L&I product from achieving its investment objective.

#### **Foreign exchange risk**

If the base currency of the L&I product is different from that of the underlying index, fluctuations in the exchange rates between currencies may have an adverse impact on the performance of the L&I product.

#### **Distributions risk**

Where distributions are distributed out of capital or effectively out of capital, this amounts to a return or withdrawal of an investor's original investment or any capital gains attributable to that original investment and may result in an immediate reduction in the Net Asset Value per unit.

#### **Passive investments risk**

The L&I product is not "actively managed" and therefore the manager of the L&I product may not adopt any temporary defensive position when the index moves in an unfavourable direction. In such circumstances the L&I product will also decrease in value.

#### **Trading risk**

The trading price of the units on the exchange is driven by market factors such as the demand and supply of the units. Therefore, the units may trade at a substantial premium or discount to the Net Asset Value. As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell units on the exchange, investors may pay more than the Net Asset Value per unit when buying units on the exchange, and may receive less than the Net Asset Value per unit when selling units on the exchange.

#### **Trading differences risk**

As the overseas exchange may be open when the units are not priced, the value of any underlying index futures contracts in the L&I product's portfolio, and the value of the any constituents in the Index to which such futures contracts are linked, may change when investors may not be able to buy or sell units. Differences in trading hours between different markets may also increase the level of premium or discount of the unit price to its Net Asset Value.

#### **Reliance on market maker risk**

Although the L&I product manager is required to ensure that at least one market maker will maintain a market for the units and gives not less than 3 months' notice prior to termination of the market making arrangement, liquidity in the market for the units may be adversely affected if there is only one market maker for the units. There is no guarantee that any market making activity will be effective.

**Tracking error risk**

Due to fees and expenses of the L&I Product, high portfolio turnover, liquidity of the market and the investment strategy adopted by the manager of the L&I product, the L&I product's return may deviate from the daily leveraged performance of the index which the L&I product seeks to track. There can be no assurance of exact or identical replication at any time of the daily leveraged performance of the Index.

**Termination risk**

The L&I product may be terminated early under certain circumstances, for example, where there is no market maker, the index is no longer available for benchmarking or if the size of the L&I product falls below a specific value decided by the manager of L&I product. Any distribution received by a unitholder on termination of the L&I product may be less than the capital initially invested by the unitholder, resulting in a loss to the unitholder.

**Futures and Options trading****Effect of 'Leverage' or 'Gearing'**

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

**Risk-reducing orders or strategies**

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

**Variable degrees of risk**

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

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

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

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

### **Terms and conditions of contracts**

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

### **Suspension or restriction of trading and pricing relationships**

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

Further, normal pricing relationships between the underlying interest and the futures, and the underlying

interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge 'fair value'.

### **Deposited cash and property**

Investors should familiarize themselves with the protections given to money or other property Investors deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which Investors may recover their money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as their own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

### **Commission and other charges**

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

### **Transactions in other jurisdictions**

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

### **Currency risks**

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

### **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. Investors 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: Investors should ask the firm with which Investors deal for details in this respect.



## **Electronic trading**

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

## **Off-exchange transactions**

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which Investors deal may be acting as Investors' counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before Investors undertake such transactions, Investors should familiarize themselves with applicable rules and attendant risks.

## **Risk of trading China Connect Securities**

### **Definitions**

"**A Shares**" means the shares of Mainland China-incorporated companies which are accepted for listing and admitted to trading on the stock exchanges of Mainland China from time to time.

"**China Clear**" means China Securities Depository and Clearing Corporation Limited.

"**China Connect**" means Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

"**China Connect Authorities**" means the exchanges, clearing systems and regulators which provide services in relation to and/or regulate China Connect and activities relating to China Connect, including without limitation the SEHK, HKSCC, SEHK Subsidiary, SSE, SZSE, China Clear, CSRC, PBOC, SAFE, SFC, HKMA and any other regulator, agency or authority within and/or outside Hong Kong, with authority or responsibility in respect of China Connect and "China Connect Authority" means any one of them.

"**China Connect Market**" means SSE and SZSE.

"**China Connect Market System**" means the system used for the trading of China Connect Securities on SSE and the system used for the trading of China Connect Securities on SZSE.

"**China Connect Rules**" means any laws, rules, regulations, policies or guidelines published or applied by

any China Connect Authority from time to time regarding China Connect or any activities arising from China Connect.

"**China Connect Securities**" means any securities listed on SSE or SZSE which may be eligible for trading by Hong Kong and overseas investors under China Connect.

"**China Connect Service**" means the order-routing service through which Northbound orders placed by Lippo Securities Limited and its agents may be transmitted by the SEHK Subsidiary to SSE or SZSE for the buying and selling of China Connect Securities and any related supporting services.

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

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

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

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

"**H shares**" means the shares of Mainland China-incorporated companies which are accepted for listing and admitted to trading on the HKEX from time to time;

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

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

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

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

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

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

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

"**PRC**" means the People's Republic of China (excluding Hong Kong, Macau and Taiwan).

## **RISK DISCLOSURE**

### **Limit Orders**

The Investor shall ensure that all instructions given by him to buy or sell China Connect Securities shall be "Limit Orders" either to buy at a maximum specified price (or lower) or, alternatively to sell at a minimum specified price (or higher).

**Odd Lot Orders**

Investors are not permitted to buy Odd Lots share amounts smaller than standard Board Lots of China Connect Securities and such orders will be refused at Lippo Securities Limited's absolute discretion. Investors' holdings of Odd Lot of China Connect Securities must be sold in their Odd Lot entirety.

**No Day (Turnaround) Trading**

Investors shall not give instructions to sell any China Connect Securities bought earlier on the same day unless the Investor holds sufficient number of the same shares that have already settled and are held long in the account.

**No Naked Short Selling**

Investors are not permitted to sell shares that are not already held long in Investor's account (Sell Short)

**No Over The Counter ("OTC") Trades, Manual Trades or Block Trades**

Investors shall not trade or otherwise transfer China Connect Securities except through the China Connect Service

**Stock Borrowing and Lending**

While stock borrowing and lending are permitted under the China Connect Rules, Lippo Securities Limited currently does not offer these services.

**Individual Shareholding Limits**

Under current PRC laws and regulations, Investors are not permitted to hold 10 percent or more, of the issued A Shares of a China Connect Security.

**Foreign Investor Shareholding Restriction**

Under current PRC laws and regulations, there are limitations on the number of shares held by individual foreign investors in a single A share as well as total foreign investors in a single A share, which are subject to change from time to time by the China Connect Authorities. Investors should refer to up-to-date information published by related authorities. Lippo Securities Limited shall not be responsible for any losses caused by Investor breaching limitations and/or failing to comply with the relevant laws and regulations.

**Eligible Stocks for Northbound Trading**

The SEHK will make adjustments to the eligibility of any securities under China Connect; neither Lippo Securities Limited nor its employees shall have any obligation to inform Investors of such information. Investors should refer to up-to-date information provided by the HKEX. Furthermore, buying in some eligible securities may be prohibited and selling of securities may be restricted to certain circumstances.

This can interfere with Investors' trading strategies. Investors should refer to the SSE Risk Alert Board or the SZSE for update information.

### **Margin Trading**

Where Lippo Securities Limited provides margin financing to Investors for the buying of China Connect Securities, the financing will only be available on those securities that are designated eligible by the HKEX for trading on margin through the China Connect Service.

In the event that any China Connect Security is suspended from margin trading, Lippo Securities Limited may, at its sole and absolute discretion, cancel the margin facilities granted to the Investor for the trading of that China Connect Security. This could result in the Investor being required to put up extra funds at very short notice.

### **Quotas**

Buying of China Connect Securities is subject to daily and aggregate quotas. When either quota is exceeded, buy orders may not be able to be executed or may be rejected by China Connect Authorities.

### **Aggregate Shareholding Quotas and Forced Sale Notice**

The buying of China Connect Securities is subject to daily and aggregate quota limits. It may happen that Lippo Securities Limited receives a Forced Sale Notice from the SEHK. Lippo Securities Limited shall determine which of its Investors shall sell what quantity of the relevant China Connect Securities sufficient to comply with any such Forced Sale Notice. Lippo Securities Limited shall, where practical, make this determination on a "last-in, first-out" basis. Where this is impracticable, Lippo Securities Limited shall exercise its sole and absolute discretion to make the determination on whatever basis it deems fair. When a Investor is issued a Forced Sale Notice by Lippo Securities Limited:

- (a) Subject to sub-paragraph (b) the Investor shall give to Lippo Securities Limited an instruction to sell sufficient relevant China Connect Securities in its Account to meet the Forced Sale Notice, failing this Lippo Securities Limited may sell from the Investor's account such number of the relevant China Connect Securities as may be necessary to comply with the Forced Sale Notice. The Investor shall be liable for all commissions and any fees on such Forced Sale.
- (b) Where, following the receipt of a Forced Sale Notice but prior to the expiry of the specified deadline for the sale, the aggregate foreign shareholding in the relevant China Connect Securities has been reduced below the threshold which triggered the Forced Sale Notice, the Investor may request that Lippo Securities Limited apply on the Investor's behalf to the SEHK for exemption from the Forced Sale Notice. To the extent that such an application succeeds, the Investor shall be relieved of its obligation to sell the relevant China Connect Securities. The Investor shall be liable for administrative fees in respect of the application as Lippo Securities Limited may specify.

The Investor acknowledges and grants Lippo Securities Limited's right to sell China Connect Securities hereunder is irrevocable. This right survives any termination of the Agreement. Lippo Securities Limited may refuse any instruction to transfer any relevant China Connect Securities until the Investor has complied with the requirements of the Forced Sale Notice.

Lippo Securities Limited shall not be liable to the Investor for any losses whatsoever, including any loss of opportunity, which the Investor may suffer as a result of complying with a Forced Sale Notice. The Investor shall indemnify Lippo Securities Limited for any fees and/or other expenses incurred as a result of exercising its power of Forced Sale on behalf of the Investor.

### **Risk associated with ChiNext Shares**

Trading any A shares listed on the ChiNext Board of SZSE is of high risk as the rules and listing requirements of the ChiNext market are less stringent than those of the SZSE main board and SME board. Furthermore, it may be more common for companies listed on ChiNext Board to be delisted. Thus, ChiNext shares may be very volatile and illiquid. Investors should be aware of such risks and only make decisions to invest after thorough and careful consideration. The ChiNext board is only open to institutional professional investors initially, which may subject to change.

### **Eligible Investors**

Only Hong Kong and Overseas Investors are allowed to conduct Northbound trading via China Connect. If an Investor places an order or gives instructions regarding China Connect Securities, the Investor shall undertake that:

- i. the Investor is not a citizen, resident or domiciled in PRC and his authorized persons and/or agent with authority to give instructions with respect to China Connect Securities are not PRC citizens or residents;
- ii. the Investor is not a legal entity incorporated or registered under PRC laws;
- iii. the Investor is not a personal investment company incorporated or registered in the PRC and its authorized person and/or agents are not citizens, residents or domiciled in PRC;
- iv. the Investor is not a corporate trustee incorporated or registered in the PRC and its authorized person and/or agents, and the settlor of the underlying trust are not citizens, residents or domiciled in PRC;

### **No responsibility for corporate actions**

Lippo Securities Limited shall not be responsible for any corporate actions nor have the obligation to inform Investors of such corporate action announcements. Investors may refer to the SSE, SZSE and/or HKEX website for any corporate actions regarding China Connect Securities announced by relevant issuer. In addition, Investors engaged in Northbound trading will not be able to attend shareholder meetings. Lippo

Securities Limited cannot ensure the accuracy, reliability or timeliness of any company announcements of corporate actions and shall not be liable for any loss or damage caused by any errors, inaccuracies, delays, omissions, actions taken or not taken.

### **Laws and Regulations**

Investors shall have full responsibility to comply with the laws and regulations of the PRC as amended from time to time. Without limitation, the Investors acknowledge that:

- (a) **Disclosure of Shareholding** – If a Investor holds or controls shares on an aggregate basis in a company which is listed on a PRC stock exchange up to a certain threshold, which may be specified by China Connect Authorities, the Investor must disclose such interest within a specified time period. Investors accept that Lippo Securities Limited may refuse any instruction where it believes that the Investor may be prohibited under such PRC laws and regulations from buying or selling shares.
  
- (b) **Disclosure of Trade Information** – The China Connect Authorities may carry out investigations and may require Lippo Securities Limited to provide all Investor’s Identity Information, including but not limited to personal data of the Investor, or personal data of the authorized person(s), and the ultimate beneficial owner(s), and the types and the values of Investors’ orders with respect to Northbound trading of China Connect Securities. Investors accept that Lippo Securities Limited shall be entitled to satisfy any obligations by disclosing, transferring and providing the relevant personal data and information directly to China Connect Authorities.

Investors shall indemnify Lippo Securities Limited against any and all losses or expenses which Lippo Securities Limited may incur as a result of Investors failing to comply with applicable China Connect Rules and;

- (c) Investors acknowledge that, Lippo Securities Limited may refuse instructions to execute trades in China Connect Securities if, in its judgement or in the judgement of the China Connect Authorities, it is considered that the Investor may breach, or have breached, applicable China Connect Rules, or may result in Lippo Securities Limited being in breach of such rules.

### **Securities and Money Settlement Day**

Securities traded under China Connect Market system will be settled on T-day and money will be settled on T+1 day.

### **Record Keeping Requirement**

Investors accept that Lippo Securities Limited may in accordance with applicable laws in the PRC and the

requirements of the China Connect Market keep records for a period of not less than 20 years of all relevant information, including but not limited to all orders and trades executed on Investors' behalf, any instructions received from Investors and account information related to Northbound trading.

### **Indemnity**

China Connect Market operators, the SEHK, the SSE, the SZSE, their respective subsidiaries and their respective directors, employees and agents have disclaimed any liability to Investors for any loss or damage suffered directly or indirectly by the Investor arising from or in connection with the China Connect Service including without limitation in respect of the making, amending or enforcing of rules, or any action taken in the discharge of supervisory or regulatory obligations or functions including any action taken to deal with abnormal trading conduct or activities.

The SEHK or the SEHK Subsidiary (after consulting the SEHK) may under certain circumstances, which are specified in the SEHK rules, and/or whenever they deem appropriate, temporarily suspend or restrict all or part of related supporting services regarding Northbound trading of China Connect Securities. During that specified time period, Investors' orders may not be accepted or processed, despite that China Connect Securities may be traded through other channels including but not limited to SSE or SZSE.

Lippo Securities Limited shall not be responsible for any delay or failure caused by the China Connect Market System or held liable for any loss or damage directly or indirectly suffered by Investors in connection with the China Connect Service under certain circumstances, including, without limitation, the following:

- (a) suspension, restriction or cessation of the China Connect Service, or any inability to access or use the China Connect Service;
- (b) any special arrangement put in place or any actions taken or not taken to deal with an emergency, including but not limited to the cancellation of any or all China Connect orders inputted;
- (c) any suspension, delay, interruption or cessation of trading of any China Connect Securities on SSE and/or SZSE or through the SEHK;
- (d) any delay, suspension, interruption or order cancellation of any China Connect Securities as a result of the hoisting of a Typhoon Signal No. 8 or above or the issuance of the Black Rainstorm Warning in Hong Kong;
- (e) any delay or failure to route any China Connect orders, or any delay or failure to send any order cancellation requests or to provide the China Connect Service, due to any system, communication or connection failure, power outage, software or hardware malfunction or other event beyond the control of the SEHK, Lippo Securities Limited;

- (f) any circumstance that a cancellation of a China Connect order which Investors have requested to be cancelled is not cancelled for any reason whatsoever;
- (g) any delay, failure or error of any China Connect Market System or any system upon which the SEHK Subsidiary and/or Lippo Securities Limited is reliant in providing the China Connect Service;
- (h) any delay or failure to execute, or any error in matching or executing any, China Connect order due to any reason beyond the control of the SEHK, HKEX or the SEHK Subsidiary or Lippo Securities Limited (including but not limited to any action or decision taken or made, or not taken or made, by SSE, SZSE, any China Connect Authority or any other relevant governmental or regulatory body or institution Lippo Securities Limited is reliant upon).

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

### **Market Availability**

The China Connect Service may be closed to trading or otherwise unavailable whilst China Connect Market(s) are open for trading. Similarly, certain China Connect Securities may be suspended from trading or otherwise unavailable for trading through the China Connect Service whilst those China Connect Securities may continue to trade on China Connect Market(s) or whilst securities, such as H shares corresponding to those China Connect Securities continue to trade on the SEHK. The Investor may suffer a loss as result of being unable to sell securities through the China Connect Service where those securities continue to trade on the China Connect Market(s) or the SEHK and the prices of those securities are declining.

### **Suspension of Trading**

All trading in particular China Connect Securities can be suspended as specified in the SEHK rule or whenever the SEHK or the SEHK subsidiary deem appropriate.

The buying of certain China Connect Securities through the China Connect Service may occasionally be restricted for a variety of reasons. Investors may suffer losses when buying is so restricted and serious drops in liquidity occur.

### **Price Limit**

China Connect Securities are subject to a general price limit of  $\pm 10\%$  based on the previous Trading Day's closing price (and a price limit of  $\pm 5\%$  where the China Connect Securities are on risk alert). The price limit may be changed from time to time. All orders of China Connect Securities must be within the price limit. Any orders with a price beyond the price limit will be rejected by SSE and/or SZSE.



### **Differences in public holidays**

Trading is limited to days when both Hong Kong and PRC exchanges and banks are open.

### **Currency Risk**

Investors are subject to the risk of fluctuations in the exchange rates of the Renminbi Versus the Hong Kong dollars. In addition, the liquidity and performance of an investment, payment of dividends for foreign investors in China Connect Securities may be affected by the PRC law and regulations due to limitation on remittance or repatriation of funds.

### **Voting Rights**

Investors can only exercise their rights (such as collecting dividends and voting) in China Connect Securities held by them with Lippo Securities Limited through HKSCC. Investors may be unable to attend shareholder meetings of such securities because multiple proxies are not available in the PRC markets. This may prevent clients from protecting their interests as they will not be able to vote individually. The subscription period for rights issue in China Connect Securities and other overseas securities may be too short for Lippo Securities Limited to obtain and pass on Investors' subscription instructions. Investors' holdings may thus be diluted if they are unable to subscribe to a rights issue.

### **Registration of Ownership**

China Connect Securities are recorded in an omnibus account maintained by China Clear for HKSCC as nominee for the account of Clearing Participants.

They are not registered in individual clients' names. Although Hong Kong law recognizes the proprietary interest of the Investor in China Connect Securities held by him, the laws of the PRC may not recognize such an interest. HKSCC does not guarantee the title to any China Connect Securities held through it and has no obligation to attempt to enforce any rights in China Connect Securities on behalf of any person. Physical deposit or withdrawal of China Connect Securities is not an option. Investors may suffer a loss in the event of HKSCC's insolvency as, without any proprietary interest in favour of individual Investors, the China Connect Securities held by them may be regarded as general assets of HKSCC available to satisfy the HKSCC's indebtedness and the Investor may have no more than a claim, through us, as an unsecured creditor.

### **Insolvency of China Clear**

In the event of the insolvency of China Clear, and any possible shortfall in the number of China Connect Securities held for HKSCC, HKSCC will distribute China Connect Securities recovered following default to Clearing Participants on a pro rata basis. Investors may suffer a loss as they may not receive the full number of China Connect Securities which they are owed. The HKSCC Guarantee Fund will not be used to

cover any loss arising from such a shortfall.

### **Circuit Breaker**

The China Connect Rules include a “Circuit Breaker” mechanism that may be imposed or activated by the SSE or SZSE at their discretion. Investor should pay attention to the SSE and SZSE announcements for information regarding the activation of such “Circuit Breakers”. Neither Lippo Securities Limited nor employees of Lippo Securities Limited shall have any obligation to inform Investors of the activation of such “Circuit Breakers”.

### **Temporary Tax exemption**

Investors currently enjoy a temporary exemption from PRC income tax and PRC business tax when trading China Connect Securities under China Connect. If such exemptions expire, Investors will be fully responsible for any taxes which may be applicable in respect of China Connect Securities. In addition, Lippo Securities Limited shall be entitled in its sole discretion to satisfy any obligation to pay any amount of applicable taxes for transacting in China Connect Securities and debit the Investors’ account.

### **No Investor Compensation**

Holdings in China Connect Securities are not covered by the Investor Compensation Fund or the China Securities Investor Protection Fund (“CSIPF”). In the event of our insolvency Clients will have no recourse to the Investor Compensation Fund or the CSIPF.

### **Simplified Chinese Language**

Issuers of China Connect Securities may publish corporate documents including announcements, circulars and annual reports only in Simplified Chinese. There is no official English translation. The laws and regulations of the PRC, including the applicable China Connect Rules, may be published in Simplified Chinese only with no official English translation.

**Acknowledgement by Client**

I/We acknowledge and confirming that:

- the Risk Disclosure Statements were provided in a language of my/our choice (English or Chinese); and
- I/we was/were invited to read the Risk Disclosure Statements, to ask questions and take independent advice if I/we wish.

\_\_\_\_\_ Date

\_\_\_\_\_ Client’s Signature(s)

**Declaration by registered person**

I, \_\_\_\_\_, confirming that I have :

- provided the Risk Disclosure Statements in a language of the client’s choice (English or Chinese); and
- invited the client to read the Risk Disclosure Statements, ask questions and take independent advice if the client wishes.

\_\_\_\_\_ Date

\_\_\_\_\_ SFC CE Number

\_\_\_\_\_ Licensed Person’s Signature

## Authorisation Letter for Margin Account

Date: \_\_\_\_\_ (dd/mm/yyyy)

Lippo Securities Limited  
Room 1802, Tower One  
Lippo Center  
89 Queensway, Central  
Hong Kong

Dear Sirs,

I/We \_\_\_\_\_ hereby authorise you, for a period of twelve months from the date hereof in relation to all securities purchased or held for or on my/our behalf to: -

- (i) deposit such securities as collateral for loans or advances made to you by an authorised institution as defined by the Banking Ordinance;
- (ii) deposit such securities with Hong Kong Securities Clearing Company Limited as collateral for the discharge and satisfaction of your obligations and liabilities under the General Rules of the Central Clearing and Settlement System. I/We understand that Hong Kong Securities Clearing Company Limited will have a first fixed charge over my/our securities to the extent of your obligations and liabilities;
- (iii) deposit such securities as The SEHK Options Clearing House Limited (“SEOCH”) collateral in respect of Exchange Traded Options Business pursuant to section 6 of the Securities and Futures (Client Securities) Rules; and
- (iv) borrow or lend such securities for the purpose of the fulfilment of settlement obligations between members of The Stock Exchange of Hong Kong Limited (the “Exchange”), pursuant to section 6 of the Securities and Futures (Client Securities) Rules.

Such stock borrowing and lending is to be in accordance with the Exchange regulations. Any consideration payable by or to me/us for the borrowing, lending, or deposit of securities under this authorisation is to be set by separate treaty.

You may do any of these things without giving me/us notice.

You remain responsible to me/us for securities borrowed, loaned, or deposited under this authorisation.

I/We understand that such securities may be subject to liens of third parties and return of such securities to me/us may be subject to satisfaction of such liens.

When my/our Margin Account with you is not in debit balance, I/we understand that I/we have right to revoke this Authorization any time during the 12-month valid period by serving a written notice to Lippo Securities Limited. Upon receipt of my/our revocation request, my/our Authorization stated herein will no longer be valid in 7 days after your receipt of the revocation notice.

Yours faithfully,

\_\_\_\_\_  
Client’s Signature(s)

**Declaration of “Group of Related Margin Clients”**

Name of Account	Margin Account No.

In compliance with the Financial Resources Rules (“FRR”) in regards to “Group of Related Margin Clients” (see Note below), I/we hereby declare and confirm to Lippo Securities Limited (“LSL”) that:-

**Note**

***“Group of related margin clients” means any 2 or more margin clients of a licensed corporation and:-***

- (a) where it is a group of 2 margin clients, one is the spouse of the other;***
- (b) where one or more of the margin clients are corporations, one is in control, either alone or with his spouse, of 35% or more of the voting rights of that other margin client or each of the other margin clients (as the case may be); or***
- (c) where the margin clients are corporations, they are members of the same group of companies.***

**For Individual / Joint Margin Account**

- I am the spouse of another margin client of LSL. (Please “✓” where appropriate)
  - No
  - Yes Name of Spouse: \_\_\_\_\_ Account No.: \_\_\_\_\_
- I am in control, either alone or with my spouse, of 35% or more of the voting rights of another corporate margin client(s) of LSL. (Please “✓” where appropriate)
  - No
  - Yes, details as below:

	Account No.	Name of Account	Name of Spouse (if applicable)
1.			
2.			

**For Corporate / Sole Proprietor / Partnership Margin Account**

- We are member(s) of the same group of companies as another margin client of LSL. (Please “✓” where appropriate)
  - No
  - Yes, details as below:

	Account No.	Name of Account
1.		
2.		

I/We further declare that information provided above is complete and accurate. I/We shall inform LSL of any change(s) to any information therein from time to time in writing if the relevant change(s) has/have occurred.

\_\_\_\_\_  
Client’s Signature(s) / Authorized Signature(s)

\_\_\_\_\_  
Date

## **Instructions For Joint Account**

In consideration of your carrying a joint account for the undersigned, the undersigned jointly and severally agree that the authorised persons designated by us herein (as may be amended from time to time) shall have authority on behalf of the joint account to instruct you to buy, sell (including short sales) and otherwise deal in, through you as brokers, any and all kinds of securities including, but not limited to shares, stocks, warrants, options, bonds, debentures, notes, bills of exchange, certificates and commercial paper of any description whatsoever and wheresoever issued, dealt in or located (all of which are referred to as "Securities"), on margin or otherwise; to receive on behalf of the joint account demands, notices, confirmations, reports, statements of account and communications of every kind; to receive on behalf of the joint account Securities, money and property of every kind and to dispose of same; to make on behalf of the joint account agreements relating to any of the foregoing matters and to terminate or modify the same or waive any of the provisions thereof; and generally to deal with you on behalf of the joint account as fully and completely as if he alone were interested in said account, all without notice to the other or others interested in said account. You are authorized to follow the instructions of any of the undersigned in every respect concerning the said joint account with you and to make deliveries to any of the undersigned, or upon his instructions, of any or all Securities in said joint account, and to make payments to any of the undersigned, or upon his instructions, of any or all Securities in said joint account, and to make payments to any of the undersigned, or upon his order, if any or all monies at any time or from time to time in the said joint account as he may order and direct, even if such deliveries and/or payments shall be made to him personally and not for the joint account of the undersigned as aforesaid; you shall be under no duty or obligation to inquire into the purpose or propriety of any such demand for deliveries of Securities or payments of monies, and you shall not be bound to see to the application or disposition of the said Securities and/or monies so delivered or paid to any of the undersigned or upon his order. The authority hereby conferred shall remain in force until written notice of the revocation addressed to you is delivered at your main office.

The liability of the undersigned with respect to said account shall be joint and several. The undersigned further agree jointly and severally that any and all properties and monies you may at any time be holding or carrying for any one or more of the undersigned shall be subject to a lien in your favour for the discharge of the obligations of the joint account to you, such lien to be in addition to and not in substitution of the rights and remedies you otherwise would have.

It is further agreed that in the event of the death of either or any of the undersigned, the survivor or survivors shall immediately give you written notice thereof, and you may, before or after receiving such notice, take such proceeding, require such papers and tax waivers, retain such portion of and/or restrict transactions in the account as you may deem advisable to protect you against tax, liability, penalty or loss under any present or future laws or otherwise. The estate of any of the undersigned who shall have died shall be liable and each survivor shall continue liable, jointly and severally, to you for any net debit balance or loss in said account in any way resulting from the completion of transactions initiated prior to the receipt by you of the written notice of the death of the decedent or incurred in the liquidation of the account or the adjustment of the interests of the respective parties.

\*(a) It is the express intention of the undersigned to create an estate or account as joint tenants with rights of survivorship and not as tenants in common. In the event of the death of either of the undersigned, the entire interest in the joint account shall be vested in the survivor or survivors on the same terms and conditions as theretofore held, without in any manner releasing the decedent's estate from the liability provided for in the next preceding paragraph.

\*(b) In the event of the death of either or any of the undersigned the interests in the account as of the close of business on the date of the death of the decedent (or on the next following business day if the date of death not a business day), shall be as follows:-

\_\_\_\_\_ or his or her estate: \_\_\_\_\_ %  
Name of Participant

\_\_\_\_\_ or his or her estate: \_\_\_\_\_ %  
Name of Participant

\_\_\_\_\_ or his or her estate: \_\_\_\_\_ %  
Name of Participant

but any taxes, costs, expenses or other charges becoming a lien against or being payable out of the account as the result of the death of the decedent, or through the exercise by his or her estate or representatives of any rights in the account shall, so far as possible, be deducted from the interest of the estate of such decedent. The provision shall not release the decedent's estate from the liability provided for in the paragraph next preceding "(a)" above.

Subject to the provisions hereof, all notices or communications for the undersigned in respect of the joint account are to be directed to as follows:-

Name(s) \_\_\_\_\_

Address \_\_\_\_\_  
(give one address only)

\_\_\_\_\_  
Date Specimen Signature(s) of the joint account holder

\_\_\_\_\_  
Date Specimen Signature(s) of the joint account holder

\_\_\_\_\_  
Date Specimen Signature(s) of the joint account holder

\*Strike out paragraph (a) or (b) whichever is inapplicable, and if paragraph (b) is retained, fill in the names and percentage amounts of the interests of the respective parties.

**Minutes of Board Meeting for Corporate Account**

IT IS HEREBY RESOLVED: That this corporation, \_\_\_\_\_

\_\_\_\_\_ be, and it hereby is, authorised and empowered to open and maintain an account with Lippo Securities Limited, and its successors, by merger, consolidation or otherwise, and assigns, hereinafter called the brokers, for the purchase and sale of any and all kinds of securities including, but not limited to shares, stocks, warrants, options, bonds, debentures, notes, bills of exchange, certificates and commercial papers of any description whatsoever and wheresoever issued, quoted, dealt in or located (all of which are referred to as "Securities") on margin or otherwise, on exchanges of which the brokers are members or otherwise, and that any of the officers hereinafter named be, and he hereby is, authorised to give written or verbal instructions by telephone, or telegraph, or otherwise, to the brokers to buy or sell Securities, either for immediate or future delivery and, if he deems proper, to secure payment therefore with property of this corporation; and he shall at all times have authority in every way to bind and obligate this corporation for the carrying out of any contract, arrangement or transaction which shall, for or on behalf of this corporation, be entered into or made with or through the brokers; and that the brokers are authorised to receive from this corporation, cheques and drafts drawn upon the funds of this corporation by any officer or employee of this corporation, and to apply the same to the credit of this corporation or to its account with said brokers and the said brokers are authorised to receive from said officer(s) or from any other officer or employee of this corporation, Securities for the account of this corporation with said brokers; said brokers are further authorised to accept instructions from any officer herein named as to the delivery of Securities from the account of this corporation and at his direction to cause certificates of Securities held in said account to be transferred to the name of any officer hereinafter named or of this corporation in the discretion of said officer; and delivery to any such officer of such Securities, issued as directed by him, shall be deemed delivery to this corporation; and any such officer shall have the fullest authority at all times with reference to any transaction deemed by him to be proper to make or enter into for or on behalf of this corporation with the brokers or others. All confirmations, notices and demands upon this corporation may be delivered by the brokers verbally or in writing, or by telegraph, or by telephone to any such officer and he is authorised to empower any person, or persons, that he deems proper, at any time, or times, to do any and all things that he is hereinbefore authorised to do. This resolution shall be and remain in full force and effect until written notice of the revocation hereof shall be delivered to the brokers. The officer(s) hereinbefore referred to are named as follows:

- (1) \_\_\_\_\_
- (2) \_\_\_\_\_

I, \_\_\_\_\_ Chairman and Director of \_\_\_\_\_ hereby certify that the foregoing is a full, true and correct copy of a resolution duly and regularly passed and adopted by the unanimous vote of the Board of Directors of said company at a meeting duly called and held at the office of said company on the \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_, at which meeting all directors were present and voting; that said resolution appears in the minutes of said meeting, and that the same has not been rescinded or modified and is now in full force and effect.

I further certify that said corporation is duly organized and existing, and has the power to take the action called for by the foregoing resolution.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chairman & Director of the Meeting



**Terms in Connection with Trading Securities Listed on GEM**

1. I/We acknowledge that I/we understand when a stockbroker provides a customer with credit facilities in respect of transactions in securities traded on the Growth Enterprise Market of the Exchange (“GEM”) and effected by the stockbroker on behalf of the customer, the account which the stockbroker establishes with the customer to record such transaction is said to be a margin securities trading account (“margin account”).
2. I/We am/are desirous of opening one or more margin accounts with you for the purpose of trading in securities.
3. In consideration of your agreeing to open and maintain such margin account(s) and act as an agent for me/us in the purchase and sale of securities; I/we agree that the margin accounts shall be operated in accordance with the terms and conditions herein.
4. All transactions in securities made for or on behalf of me/us in Hong Kong shall be subject to the relevant provisions of the constitution, rules, regulations, bye-laws, customs and usages of the Exchange and the Hong Kong Securities Clearing Company Limited (“HKSCC”) and of the laws of the Government of the Hong Kong Special Administrative Region as amended from time to time.
5. All transactions executed on instructions of me/us on the floor of the Exchange shall be subject to a transaction levy and any other levies that the Exchanges from time to time may impose. You are authorised to collect any such levies in accordance with the Rules prescribed by the Exchange from time to time.
6. The Rules of the Exchange and HKSCC, in particular those rules which relate to trading and settlement, shall be binding on both you and me/us in respect of transactions concluded on the instructions of me/us.
7. In the event that you commit a default as defined in the Securities and Futures Ordinance and I/we thereby suffer a pecuniary loss, I/we understand that the right to claim under the Investor Compensation Fund established under the Securities and Futures Ordinance (Cap.571) will be restricted to the extent provided for therein.
8. I/We shall on demand from you make payments of deposits or margins in cash, securities or otherwise in amounts agreed with you or which may be required by the rules of any exchange or market of which you are a member.

You may at any time and from time to time in your absolute discretion determine to increase the margin requirement in respect of a margin account.

9. If I/we commit a default in payment on demand of the deposits or margins or any other sums payable to you hereunder, on the due date therefor, or otherwise fails to comply with any of the terms herein contained, without prejudice to any other rights you may have, you shall have the right to close the margin account(s) without notice to me/us and to dispose of any or all securities held for or on behalf of me/us and to apply the proceeds thereof and any cash deposit(s) to pay you all outstanding balances owing to you. Any monies remaining after such application shall be refunded to me/us.
10. Unless otherwise agreed, I/we agree that when you have executed a purchase or sale transaction on my/our behalf, I/we will by the due settlement date make payment to you against delivery of or credit to my/our account for purchased securities, or make good delivery of sold securities to you against payment, as the case may be.

Unless otherwise agreed, I/we agree that should I/we fail to make such payment or delivery of securities by the due date as mentioned above, you are hereby authorised to:

- (i) in the case of a purchase transaction, transfer or sell any such purchased securities to satisfy my/our obligations to you, or
- (ii) in the case of a sale transaction, borrow and/or purchase such sold securities to satisfy my/our obligations to you.

I/We hereby acknowledge that I/we will be responsible to you for any losses, costs, fees and expenses in connection with my/our failure to meet obligations by due settlement dates as described above.

11. I/We undertake to indemnify you and your officers, employees and agents for any loss, cost, claim, liability or expense arising out of or connected with any breach by me/us of my/our obligations hereunder including, any costs reasonably and necessarily incurred by you in collecting any debts due to you or in connection with the closure of the margin account(s).
12. If in relation to any securities deposited with you which are not registered in my/our name any dividend or other distribution or benefit accrue in respect of such securities, my/our account with you shall be credited (or payment made to me/us as may be agreed) with the proportion of such benefit equal to the proportion of the total number or amount of relative securities which shall comprise securities held on my/our behalf.
13. If, in relation to any securities deposited with you but which are not registered in my/our name, any loss is suffered by you therefrom, the margin account may be debited (or payment made by me/us as may be agreed) with the proportion of such loss equal to the proportion of the total number or amount of relative securities which shall comprise securities held on my/our behalf.
14. You will not, without my/our prior written consent, deposit any of my/our securities as security for any loans or advances made to you, or lend or otherwise part with the possession of any of my/our securities for any purpose.

15. Whilst I/we expect you to keep confidential all matters relating to my/our account, I/we hereby expressly agree that you may, if requested by the Exchange and the SFC, provide to the Exchange and the SFC details of my/our account to assist the Exchange and the SFC with any investigation or enquiry it is undertaking.
16. In the event that you have to obtain securities, which you have purchased on behalf of me/us, in the open market, following the failure of the selling broker to deliver on the settlement date, you will be responsible for any difference in price and all incidental expenses in connection with such open market purchase.
17. I/We hereby agree to pay interest on all overdue balances owing by me/us to you (after as well as before any judgement), at such rate(s), not exceeding Hong Kong prime rate +6% as demanded by you and be calculated and payable on the last day of each calendar month or upon any demand being made by you.
18. The information contained in the "Client's Information" set out in [pages 2, 3 and 4] or otherwise supplied by or on behalf of me/us to you in connection with the opening an account is complete, true and correct. You are entitled to rely on such information until written notice from me/us of any changes therein has been received.
19. I/We authorise you to conduct a credit enquiry or check on me/us for the purpose of ascertaining the financial situation and investment objectives of me/us.
20. I/We hereby undertake to inform you when a sell order is in respect of securities which I/we do not own i.e. is a short sale.
21. I/We confirm that I/we have read the English version of this Agreement and that the contents of this Agreement have been fully explained to me/us in a language which I/we understand. I/We hereby agree and consent to the terms and conditions herein contained.

**Terms in Connection with Trading Options**

1. In these Terms, words and expressions defined in the Options Trading Rules and Clearing Rules have the same meanings.
2. All Exchange Traded Options Business shall be subject to and, in relation to such business, I/we and you shall be bound by the relevant provisions of the constitution, the Exchange Rules, the Options Trading Rules, the Clearing Rules, regulations, by-laws, customs and usages of the Exchange, the Hong Kong Securities Clearing Company Limited (“HKSCC”) and the SEHK Options Clearing House Limited (“SEOCH”) and of the laws of the Hong Kong Special Administrative Region.
3. I/We consent to the creation, exercise, settlement, and discharge of Client Contracts as contemplated by the Options Trading Rules and the Clearing Rules and agree to be bound by the terms and conditions as laid out in the Standard Contract of all Client Contracts to which I/we am/are party. Also, I/we acknowledge that in option trading you and I/we shall contract as principals under Client Contracts.
4. All Exchange Traded Options Business are subject to a Transaction Levy. You are authorized to collect any such levy in accordance with the Options Trading Rules.
5. In the event that you commit a default as defined in the Securities and Futures Ordinance and I/we thereby suffer a pecuniary loss, I/we understand that the right to claim under the Investor Compensation Fund established under the Securities and Futures Ordinance will be restricted to the extent provided for therein.
6. You may place limits on the positions that may be held or exercised by me/us. In addition, I/we understand that subject to the Options Trading Rules and Clearing Rules, the Options Trading Member (“OTM”) may be required to close or give-up Client Contracts as will result in the OTM complying with position limits prescribed by the Exchange, or where the OTM is in default, the default procedures of the Exchange, and that the result of such could be the closing or give-up of one or more Client Contracts to which I/we am/are party.
7. Premium is payable in respect of an Options Contract. The Premium to be charged shall be settled in cash. I/We agree to pay such Premium to you within the time period required by you and notified to me/us. Where you purchase, sell, or exercise an Options Contract in accordance with the instructions of me/us, I/we shall pay commission as agreed with you. You shall provide me/us with prior notice of any other fees or charges applicable to my/our options account.
8. I/We agree to pay margin to you in relation to Exchange Traded Options Business as required by the Options Trading Rules and in such additional amounts and at such times as may be required by you and notified to me/us.

9. Delivery obligations shall arise when a Client Contract is validly exercised. I/We shall perform such delivery obligations in accordance with these Terms and the Standard Contract and in a manner consistent with the performance of the corresponding delivery obligations under the Options Trading Rules.
10. If I/we commit a default in payment of Premium, delivery of margin, performance of delivery obligations, or otherwise fail to comply with any of the terms contained in these Terms, without prejudice to any other rights you may have, you shall have the right, and I/we hereby authorise you; to decline to take further instructions from me/us in respect of Exchange Traded Options Business; to close, give-up or exercise some or all of the Client Contracts to which I/we am/are party; to enter into any Contracts for the purpose of hedging risk to which are exposed as a result of my/our default; to make, on an exchange or otherwise, any contract for the sale, purchase or other acquisition or disposal of any securities, futures contracts or commodities for the purpose of meeting obligations, or of hedging risks to which I/we am/are exposed, in relation to my/our default; to dispose of some or all of the SEOCH Collateral (other than cash) held for or on behalf of me/us and apply the proceeds thereof, plus any cash SEOCH Collateral held for or on behalf of me/us, to all outstanding balances of me/us owing to you; and to dispose of any or all securities held for or on behalf of me/us in order to set off any obligations of me/us and to exercise any rights of set off you may have in relation to me/us. Any monies remaining after such application shall be refunded to me/us.
11. I/We note that on the expiry day but only on the expiry day, the Options System (of Hong Kong Stock Exchange) will automatically generate exercise instructions in respect of all open long positions which are in-the-money by or above the percentage prescribed by SEOCH (clearing house) from time to time.
12. I/We understand that I/we may instruct you to override an “automatically generated exercise instruction” referred to in paragraph 11 above before the System Closure on the expiry day in accordance with the Operational Clearing Procedures of SEOCH.
13. I/We undertake to indemnify you and your officers, employees and agents for any loss, cost, claim, liability or expense arising out of or connected with any breach by me/us of the obligations hereunder including, any costs reasonably and necessarily incurred by you in collecting any debts due to you or in connection with closure of the options account.
14. You shall not, without my/our prior written consent, deposit any of my/our securities as security for any loans or advances made to you, or lend or otherwise part with the possession of any of my/our securities for any purpose.
15. Whilst I/we expect you to keep confidential all matters relating to my/our Exchange Traded Options Business, I/we hereby expressly agree that you may, if requested by the Exchange or the Securities and Futures Commission (“the Commission”), provide the name of me/us and details of my/our Exchange Traded Options Business. I/We agree to immediately notify you, on request, of the identity of persons ultimately beneficially interested in Client Contracts and that this information may be disclosed to the Exchange or the Commission.

16. I/We warrant that the information supplied by or on behalf of me/us to you in connection with the opening of an options account is complete, true and correct.
17. I/We warrant that I/we am/are the true owner of the account and that I/we am/are not holding the account on behalf of or for the benefit of any other person, or where the foregoing is not applicable, a signed declaration by me/us stating the name of the person for whom or for whose benefit I/we am/are holding the account together with my/our warranty that I/we am/are not holding the account on behalf of or for the benefit of person other than the named person.
18. I/We warrant that either: (i) I/we am/are the sole beneficial owner of all securities I/we deliver to you from time to time as SEOCH Collateral for my/our obligations to you in relation to Exchange Traded Options Business and that there are no other equitable interests or rights in, or rights or remedies arising from a breach of fiduciary duty in relation to, such securities; or (ii) each person with any beneficial or equitable interest or rights in, or rights or remedies arising from a breach of fiduciary duty in relation to such securities has consented to such securities being delivered to you as SEOCH Collateral for my/our obligations to you in relation to Exchange Traded Options Business. This warranty shall be repeated each time securities are delivered to you by reference to the circumstances then existing.
19. If applicable, I/we have obtained the consent of each other person with any beneficial or equitable interest or right in, or right or remedy arising from breach of fiduciary duty in relation to, any securities, that: (a) you or your General Clearing Member (“GCM”) may deliver or transfer such securities to SEOCH or any nominee of SEOCH (including Hong Kong Securities Clearing Company Limited and its nominee companies) for the purpose of securing all your or your GCM’s obligations to SEOCH; (b) you or your GCM may charge in favor of SEOCH and agree to mortgage in favor of SEOCH, by way of first legal mortgage, such securities and all rights against any person in relation thereto as security for all your or your GCM’s obligations to SEOCH free of my/our (or their) interest therein with the intent that SEOCH’s security interest shall, until the first legal mortgage takes effect, be by way of first fixed charges; and (c) such charge and agreement to mortgage will have priority over any other beneficial or equitable interest or rights in or over such securities.
20. I/We understand that, in the event of a default by you, SEOCH may sell or otherwise dispose of such securities on the terms of the charge and agreement to mortgage granted to SEOCH by you or your GCM and may appropriate the proceeds towards satisfaction of your or its obligations to SEOCH. I/We also understand that you or its obligations to SEOCH, secured by such charge, are distinct from and have no necessary correlation with my/our own obligations, if any, to you.
21. I/We understand that HKSCC will not recognize any interest in the securities other than that of SEOCH and I/we agree that I/we will not seek to assert my/our interest against HKSCC or SEOCH. I/We understand that this Appendix 2 will be delivered by you to SEOCH and that SEOCH will reply on the warranties and agreement contained herein.

22. I/We authorise you to conduct a credit enquiry or check on me/us for the purpose of ascertaining the financial situation of me/us.
23. I/We acknowledge that where there is a change in the capital structure or composition of the issuer of the underlying security of an option class, or in other exceptional circumstances, SEOCH may make such adjustments to the terms and conditions of that option class as are, in its opinion, necessary or desirable to ensure that all parties to Contracts comprised in open positions in that option class are treated fairly. I/We agree that all such adjustments shall be binding on me/us.
24. You may, where requested by me/us, and in accordance with my/our instructions, request the give-up of Client Contracts of me/us to a different Options Trading Member. I/We agree that, upon acceptance of such request, any Client Contract between you and me/us shall, by operation of the Options Trading Rules and this Agreement, immediately be novated into a new Client Contract, on identical terms to that Client Contract, between the other Options Trading Member and I/we, as principals to such contract. If the request is not accepted, the original Client Contract shall remain in full force and effect, as if the give-up had never been requested.
25. I/We confirm that am/are not an employee of any other Options Trading Member and that no employee of any other Options Trading Member will have a beneficial interest in my/our options account.
26. Upon my/our request, you agree to provide me/us with the product specifications for Options Contracts.