

**華泰金融控股(香港)有限公司**

**Huatai Financial Holdings (Hong Kong) Limited**

**Brokerage Terms and Conditions  
for Retail Clients**

Address: 62/F, The Center, 99 Queen's Road Central, Hong Kong

Licensed with the Securities and Futures Commission for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities (CE No. AOK809); an Exchange Participant of the SEHK (Participant ID No. 01829); a Direct Clearing Participant of the HKSCC (Participant ID No. B01829); a Clearing Participant of the HKCC (DCASS Customer Code: CHUA); and a Futures Commission Merchant of the HKFE (HKATS Customer Code: HUA)

HK011-08(202305)

## PRELIMINARY

**Please read these Terms and Conditions carefully – they contain the terms and conditions governing the provision of Services by Huatai to the Client.**

Upon Huatai accepting the Client as its client for the Services, the Account Opening Form, the Account Opening Letter and these Terms and Conditions (including this Preliminary Section) shall form a single written legal agreement that defines Huatai's relationship with the Client in respect of the Account(s) and the Service(s). For the avoidance of doubt, the terms and conditions with respect to any Service that is not expressly requested by the Client (whether through the Account Opening Form or otherwise) shall not be binding upon Huatai. No person has been authorised to give any verbal representation on behalf of Huatai in relation to the terms and conditions between Huatai and the Client, and any verbal representation given must not be relied upon. The Client may be required to sign additional documentation (including security documentation) prior to the availability of any Service.

The Client confirms that the Client has read these Terms and Conditions (including this Preliminary Section) and that the contents of these Terms and Conditions and the relevant risk disclosure have been explained to the Client in a language which the Client understands, and that the Client confirms, accepts, understands, and agrees to be bound by, these Terms and Conditions. The Client should obtain independent advice if it is in doubt.

In the event of a conflict between the General Terms and Conditions (as set out in Part A of these Terms and Conditions) and the terms and conditions applicable to any specific Service (as set out in Part B of these Terms and Conditions), the latter shall prevail. In the event of any conflict between these Terms and Conditions and any Rule, the latter shall prevail.

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## DEFINITIONS

In these Terms and Conditions, unless the context otherwise requires, the following words and phrases shall bear the following meanings:

**“Access Codes”** means the code (which typically, but not necessarily, consists of a password and an Account number) which enables a person to gain access to the Electronic Trading Facilities;

**“Account”** means any account (including any sub-account of that account) opened or to be opened in the name or on behalf of the Client with Huatai from time to time (and for the avoidance of doubt includes any Dormant Account);

**“Account Opening Form”** means the account opening form and all other documents that form part of the account opening pack (including the appendices, notes and statements thereto) and any amendments made thereto from time to time, which is completed and signed by a person that intends to open and maintain an Account with Huatai and receive Services from Huatai;

**“Account Opening Letter”** means the account opening letter issued by Huatai to the Client, which confirms (amongst other things) the Services which will be provided;

**“Associate”** means a body corporate which is a holding company, subsidiary or affiliated company of Huatai, whether in Hong Kong or elsewhere, and, without limitation, any appointed executing brokers, dealers and/or institutions. For the avoidance of doubt, “holding company” and “subsidiary” shall bear the meaning given by the Companies Ordinance (Cap. 622, Laws of Hong Kong), and “affiliated company” means, in respect of a person, any company (not being a subsidiary of that person) of which that person shall beneficially own 20% or more of the issued share capital, or in respect of which that person is entitled to appoint one or more directors or, any company which is a subsidiary of a holding company of the person);

**“Authorised Person”** means a person appointed by the Client as specified in the Account Opening Form and in the event of any changes to such appointment, as specified in the Client’s written notice (which shall be effective at the time of Huatai’s actual receipt of such written notice) with the power and authority to give Instructions to Huatai on behalf of the Client (and in respect of which Huatai has not received any written notice of revocation, termination or variation of such person’s appointment, powers or authority from the Client);

**“Business Day”** means any day (other than a Saturday, Sunday, public holiday, or a gale warning day or black rainstorm warning day as defined in section 71(2) of the Interpretation of General Clauses Ordinance (Cap. 1)) in which Huatai is open for business;

**“Business Hours”** means the period of time within a Business Day during which Huatai is open for business, as specified by Huatai from time to time;

**“Charged Property”** means any present or future asset of the Client that is the subject of any security or similar interest created under these Terms and Conditions and/or other agreement(s) entered into between the Client and Huatai;

**“Clearing House”** means a person whose activities or objects include the provision of services for the clearing and settlement of Transactions effected in any Market or Futures Market (including but not limited to the HKSCC, SEOCH, HKCC and OTC Clearing);

**“Client”** means the person or persons identified in the Account Opening Form or the Account Opening Letter who is/are accepted as a client by Huatai and in whose name(s) the Account(s) is/are opened and maintained and any permitted assignee and any personal representative or

successor in title thereof, and for the avoidance of doubt, the use of the word “it” or “its” when referring to the Client shall mean “he”, “she”, “his”, “her”, “their” or “them”, where the context requires;

**“Code of Conduct”** means the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, as may be amended or re-enacted from time to time;

**“Collateral”** means, as security or credit support for entering into any Transaction or otherwise provided by the Client to Huatai to secure the Client’s obligations under these Terms and Conditions and/or other agreement(s) entered into between Huatai and Client from time to time, including without limitation: (a) all monies and property (including Securities) provided by or through the Client, which are now or at any time going forward held or controlled by or through Huatai or which are in transit to or from or allocated to or are otherwise in the custody of Huatai or which are carried in any Account; and (b) all proceeds or distributions of the same;

**“Commodity”** means any item and includes, without limitation, currencies, securities, indices of any kind (whether stock market or otherwise), interest rates, exchange rates, physical assets (including precious metals, agricultural produce, oil and land) and other investments traded, or rights or options in relation to which are traded, on any exchange and shall where the case requires include a Futures/Options Contract in respect of any of the above and in each case whether or not the item is capable of being delivered;

**“Contracts Limits and Reportable Positions Rules”** means the Securities and Futures (Contracts Limits and Reportable Positions) Rules (Cap. 571Y, Laws of Hong Kong);

**“Credit Limit”** means the maximum amount of Facility that Huatai will grant to the Client, as notified by Huatai to the Client from time to time, irrespective of the amount of Collateral and Margin Ratio;

**“Derivatives and Structured Products”** means any derivatives, including any OTC Derivatives and structured products which may be acceptable to Huatai or which Huatai may provide or make available to the applicable Client.

**“Electronic Trading Facility”** means any electronic trading facility through which the Electronic Trading Services are provided;

**“Electronic Trading Services”** means the service which may be provided by Huatai to the Client subject to the terms and conditions set out in Schedule 3, through which Clients can use an Electronic Trading Facility to: (i) give electronic Instructions; (ii) obtain Market Information; and (iii) perform such other functions as permitted by Huatai at its sole and absolute discretion from time to time;

**“Event of Default”** means the occurrence of any one of the following:

- (a) the Client fails to pay any sums due and payable to Huatai;
- (b) the Client fails in any way to perform any of its obligations under, or otherwise breaches these Terms and Conditions and/or other agreement(s) entered into between the Client and Huatai from time to time and, if such failure is capable of remedy, the Client does not remedy such failure to the satisfaction of Huatai within seven (7) days after notice from Huatai requiring the Client to remedy such failure;
- (c) the Client fails to perform its obligations with respect to: (i) the settlement of any Transaction entered into under these Terms and Conditions and/or other agreement(s) entered into between the Client and Huatai from time to time; or (ii) any Investment held in any Account;

- (d) the Client fails to timely deposit Collateral or any additional Collateral as required by Huatai from time to time;
- (e) the Client creates, attempts to create or allows to exist any mortgage, pledge, assignment, hypothecation, security interest, lien, charge or other similar interest over any Investment and/or Collateral and/or Charged Property without obtaining Huatai's prior written consent;
- (f) the Client moves, transfers or converts (or attempts to move, transfer or convert) any cash or assets which have been charged or assigned to Huatai without the prior written consent of Huatai;
- (g) any information provided or representation or warranty made by the Client was incorrect or misleading in any material respect when given, made or repeated (or deemed to have been given, made or repeated);
- (h) the Client fails to provide any information required by Huatai including but not limited to its business, assets or financial position or fails to inform Huatai of any change to such information given;
- (i) the Client consolidates or amalgamates with, merges with or into, transfers all or substantially all of its assets to, or reorganises, reincorporates or reconstitutes into or as, another entity and the resulting, surviving or transferee entity fails to assume all of the obligations of such party under these Terms and Conditions or any Transaction or other documents;
- (j) any necessary licence, authorisation or consent which is required for the Client to enter into any relevant Transaction, including any relevant financial services licence or exemption from holding such a licence, is revoked, not renewed, suspended or no longer exempted;
- (k) an Insolvency Event occurs in respect of the Client;
- (l) Huatai reasonably believes that the ability of the Client to comply with these Terms and Conditions or a particular Transaction has been reduced due to a change in its business, assets or financial position;
- (m) in Huatai's reasonable opinion, the Client appears to be or have been engaging in fraud, theft, illegal activities involving dishonesty and/or other similar activities;
- (n) any other matter or event (including the application of any applicable laws and regulations) which in Huatai's sole opinion renders termination necessary or advisable in the interests of Huatai;
- (o) these Terms and Conditions are or become wholly or partly void, voidable or unenforceable or are claimed to be so, by either the Client or anyone on the Client's behalf;
- (p) (where the Client is an individual) the death of the Client or the Client being judicially declared as insane, incompetent or mentally incapacitated;
- (q) the commencement of legal proceedings involving the Client;
- (r) a default, an Event of Default or similar event occurs under any other documents entered into between the Client and Huatai from time to time;

- (s) any event which, in Huatai's sole opinion, might jeopardise any of its rights under these Terms and Conditions;
- (t) any event which with the giving of notice, lapse of time or fulfilment of any condition would be likely to become an Event of Default; or
- (u) where Listed shares accepted by Huatai as Collateral have been suspended for 10 Business Days or more.

**“Expiry Date”** means the date on which an Instruction expires;

**“Facility”** means a line of credit facility granted by Huatai to the Client in order to facilitate acquisitions of Securities by Huatai for the Client;

**“Futures/Options Contracts”** means any futures or options contract (which may or may not be traded on a Futures Market) and which is acceptable to Huatai;

**“Futures Market”** means any futures or other exchange, responsible association of dealers or corporation, whether within or outside Hong Kong, which provides a market in Futures/Options Contracts (including the HKFE);

**“Futures Rules”** means the Rules, Regulations and Procedures of the Futures Exchange, issued by the HKFE;

**“General Terms and Conditions”** means the terms and conditions set out in Part A;

**“HKCC”** means the HKFE Clearing Corporation Limited;

**“HKFE”** means the Hong Kong Futures Exchange;

**“HKSCC”** means the Hong Kong Securities Clearing Company Limited;

**“Huatai”** means Huatai Financial Holdings (Hong Kong) Limited, being:

- (i) a licensed corporation, licensed with the SFC to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities (CE No. AOK809);
- (ii) an Exchange Participant of the SEHK (Participant ID No. 01829);
- (iii) a Direct Clearing Participant of the HKSCC (Participant ID No. B01829);
- (iv) a Clearing Participant of the HKCC (DCASS Customer Code: CHUA); and
- (v) a Futures Commission Merchant of the HKFE (HKATS Customer Code: HUA), and its successors and assigns.

Where the context requires or permits, references to “Huatai” shall also include a reference to its Associates;

**“Indemnified Person”** means Huatai and any Associate, including their directors, officers, employees and agents;

**“Information Provider”** means any third party that transmits Market Information to Huatai;

**“Insolvency Event”** means the occurrence of any of the following events:

- (a) the person becomes or is declared insolvent or bankrupt;

- (b) the person is the subject of any proceedings related to its voluntary winding up, liquidation, bankruptcy, insolvency, administration or receivership;
- (c) the person is the subject of any proceedings related to the appointment of an administrator, receiver, administrative receiver, trustee, liquidator or any similar or equivalent officer;
- (d) the person makes an assignment for the benefit of all or substantially all of its creditors;
- (e) the person calls a meeting of its creditors or otherwise makes or proposes to enter into an agreement or arrangement with its creditors for the composition, extension, or readjustment of its debts or obligations;
- (f) a filing is made, petition is presented or resolution passed or proposed for any of the events described in (a) to (e) above;
- (g) the person becomes or (in the case of corporates) its parent becomes unable to pay its debts as they fall due; or
- (h) the person is subject to any event in any jurisdiction which is analogous to any of the events described above;

**“Instruction”** means any instruction given by the Client (or any Authorised Person) to Huatai in connection with any Service, Account and/or Transaction, given in accordance with Clause 2 of these General Terms and Conditions;

**“Investment”** means any investment or intended investment by the Client in Securities, Derivatives and Structured Products and/or Futures/Options Contracts;

**“Listed Futures/Options Contracts”** means Futures/Options Contracts which are traded on a Futures Market;

**“Listed Securities”** means Securities which are traded on a Market;

**“Loss”** means any and all losses (whether direct, consequential or special), costs, claims, demands, actions, suits, proceedings, orders, damages, liabilities, penalties and expenses of whatever nature and however arising (including legal fees on a full indemnity basis and any goods and services tax or other taxes or duties on any of them);

**“Margin Account”** means the Account opened by Huatai in the Client’s name to conduct margin trading;

**“Margin Call”** means a demand made by Huatai requiring the Client to deliver additional Collateral to Huatai;

**“Margin Ratio”** means the percentage value of the Collateral up to which the Client is permitted to borrow (or otherwise to secure other forms of financial accommodation) from Huatai against the Collateral, as notified by Huatai to the Client from time to time;

**“Margin Trading Services”** means the service of making the Facility available to the Client, which may be provided by Huatai to the Client subject to the terms and conditions set out in Schedule 4;

**“Market”** means any stock or other exchange, responsible association of dealers or corporation, whether within or outside Hong Kong, which provides a market in Securities (including but not limited to the SEHK);



**“Market Information”** means any transaction or market data, bid and ask quotations, news reports, third party analyst reports, research and other information relating to Securities, Markets, Futures/Options Contracts and/or Futures Markets;

**“OTC Clearing”** means the OTC Clearing Hong Kong Limited;

**“OTC Derivatives”** means any over-the-counter derivative products or transactions which may be acceptable to Huatai or which Huatai may provide or make available to the Client;

**“Rebates”** means cash or money rebates;

**“Regulator”** means the SFC, The Stock Exchange of Hong Kong Limited or the Hong Kong Futures Exchange Limited;

**“Rules”** means the rules, procedures, regulations, practices, constitution, customs, rulings and interpretations of any Market, Futures Market, Clearing House or depository (as applicable);

**“SEHK”** means the Stock Exchange of Hong Kong;

**“SEOCH”** means the SEHK Options Clearing House Limited;

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

**“SFO”** means the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) as may be amended or re-enacted from time to time;

**“Securities”** means any shares, stocks, debentures, loan stocks, bonds, notes, unit trusts, certificates of deposit or other commercial paper or securities of or issued by any bodies (whether incorporated or unincorporated) or any government authority (which may or may not be traded on a Market) and which is acceptable to Huatai, and may include, in the sole discretion of Huatai: (a) rights, options or interests (whether described as units or otherwise) in or in respect of any of the foregoing; (b) certificates of interest or participation in, or temporary or interim certificates for, receipts for or warrants to subscribe to or purchase any of the foregoing; or (c) any other instruments commonly known as “securities”;

**“Services”** means the services made or to be made available by Huatai to the Client under these Terms and Conditions from time to time;

**“Soft Dollars”** means goods, services or other soft dollar benefits, which may include (amongst other things) research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications;

**“Terms and Conditions”** means the terms and conditions set out in this document (including the General Terms and Conditions and the relevant Parts, Schedules and Addendums (as amended or supplemented from time to time)); and

**“Transaction”** means any transaction relating to Securities, Derivatives and Structured Products and/or Futures/Options Contracts.

## CONSTRUCTION

1. Unless a contrary indication appears, any reference in these Terms and Conditions to:-

“**including**” shall be construed as “including without limitation” (and cognate expressions shall be construed similarly);

the masculine gender includes the feminine and neuter gender and reference to the singular includes the plural and vice versa;

a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organization; and

a provision of law is a reference to that provision as amended or re-enacted.

2. Headings of Section, Clause and Schedule are for ease of reference only.

## PART A – GENERAL TERMS AND CONDITIONS

### 1. Services

**1.1 Availability of Services:** All Services are made available to the Client by Huatai, subject to applicable laws and regulations, the Rules and Huatai's internal policies and regulations. Huatai may (in its sole and absolute discretion) take or refuse to take any action it considers necessary in order to ensure compliance with the above, including without limitation, adjusting any Account, refusing to act on any unexecuted Instructions or taking any action (including rescinding) any executed Transactions.

Huatai may provide new Services to the Client from time to time. When new Services are available, Huatai may (but shall not be obliged to) notify the Client of such new Services and the terms and conditions (if any) governing such new Services which will supplement and form part of these Terms and Conditions and will be binding on the Client if the Client requests that Huatai provide the Client with such new services and Huatai agrees to do so.

**1.2 Request to be provided with Services:** If the Client requires specific Services from Huatai, the Client must make a request to be provided with such Services (through the Account Opening Form or as otherwise agreed). The Client understands and accepts the risks which relate to any Service that it requests to be provided with.

**1.3 No obligation to provide Services:** Huatai shall not be obliged to provide or continue to provide any Service to the Client, and may refuse to do so with or without any reason. The Services described in these Terms and Conditions are available upon Huatai's acceptance of the Client's request to be provided with such Services. The Client must satisfy all applicable conditions precedent and sign all additional documentation prescribed by Huatai. Whether Huatai provides or continues to provide any Service to the Client shall be determined by Huatai at its sole and absolute discretion.

**1.4 Exercising of certain actions:** In providing a Service to the Client, Huatai may take such action as it considers necessary or desirable to enable to perform its duties and exercise its rights and discretions under these Terms and Conditions and to comply with all applicable laws and regulations and Rules. In particular, the Client agrees and acknowledges that Huatai is required to act in accordance with laws, regulations, notices and directions of public and regulatory authorities which relate to, amongst other things, the prevention of money laundering, terrorist financing and the provision of financial and other services to any person or entity which may be subject to sanctions.

**1.5 Relationship:** Huatai shall be entitled (at its sole and absolute discretion) to deal as principal on its own account or as agent for the Client. Unless otherwise notified to the Client or expressly stated in these Terms and Conditions, Huatai shall act as agent of the Client in relation to any Transaction. Where Huatai deals as principal, it shall disclose that fact to the Client before the relevant Transaction is executed. Any conflicts of interest shall be dealt with in accordance with Clause 9 of these General Terms and Conditions.

**1.6 No fiduciary duty:** Nothing in these Terms and Conditions and no act done in connection with these Terms and Conditions shall give rise to any fiduciary or equitable duties on Huatai's part.

**1.7 No duty for disclosure of Client's Interests:** The Client shall comply with the obligations to disclose certain shareholdings including but not limited to corporate and family interests in accordance with the legislation of the relevant jurisdictions and the regulations of the

relevant Market, including but not limited to Part XV of the SFO. Huatai shall not be responsible or liable for any Loss howsoever arising from any default, failure or delay by the Client in complying with such disclosure obligations. The Client shall indemnify Huatai for any Loss arising from such default, failure or delay.

**1.8 Delegation:** Huatai may delegate all or any part of its functions, powers, discretion, privileges and duties under these Terms and Conditions to any person or entity (whether in Hong Kong or elsewhere). Huatai will exercise reasonable care in the selection of such person, but shall have no responsibility for any action taken or omitted by any such person. For the avoidance of doubt, Huatai shall be entitled to pass Client orders on to its Associates (who may deal as principal or agent) for the purposes of executing such orders. The Client acknowledges that where Huatai passes on any order to or instructs any Associate in respect of a Transaction for the Client, the Client will be subject to, amongst other things, the terms of business of such Associate.

**1.9 Applicable laws, regulations and Rules:** All Transactions shall be subject to applicable laws and regulations, and the applicable Rules. Where applicable, if the relevant Market, Futures Market, Clearing House or regulator requires any alteration to the terms and conditions of the Transaction, Huatai may take all such actions as it may (in its sole and absolute discretion) consider necessary or desirable to comply with such requirement, or to avoid or mitigate loss, and all such actions shall be binding on the Client. In addition, the Client acknowledges that in certain circumstances Huatai may be required (by the relevant Market, Futures Market, Clearing House or regulator (including any Regulator)) to close out the positions which have been entered into by Huatai on behalf of the Client without the prior consent of, or prior notification to the Client.

## **2. Instructions**

**2.1 Giving Instructions:** Every Instruction shall be given by the Client or through its Authorised Persons in writing, delivered by hand, post, facsimile, electronic mail or any other means or medium (as may be agreed between the Client and Huatai from time to time), to Huatai at such addresses or numbers as designated by Huatai from time to time. Huatai shall be entitled to treat any such Instruction as fully authorised and conclusively binding upon the Client without further inquiry or verification by Huatai, including in relation to the authenticity or accuracy of such Instructions. Huatai shall not be responsible for any delay, failure, error, interruption or suspension in the transmission or communication of any Instruction. For the avoidance of doubt, the Client acknowledges and accepts the risks involved where Instructions are transmitted by way of facsimile or electronic mail (including, without limitation, that such communications may not be secure or free from errors or omissions).

**2.2 Acting on Instructions:** Huatai may (but is not obliged to) act on an Instruction received by it (regardless of any delay, failure, error, interruption or suspension) and shall not be liable to the Client or any other person for any Loss or consequence in connection with its acting on any Instruction. Where any Instruction is ambiguous or in conflict with any other Instruction, Huatai shall be entitled (but not obliged) to act on such Instruction in accordance with any reasonable interpretation of that Instruction which any employee or agent of Huatai believes in good faith to be the reasonable interpretation. When acting on an Instruction, Huatai shall be allowed such amount of time as may be reasonable having regard to its systems and operations and the other circumstances then prevailing and Huatai shall not be liable for any Loss arising from any delay in acting on such Instruction.

By reason of physical restraints on any Market or Futures Market and rapid changes in the prices of Listed Securities and Listed Futures/Options Contracts that frequently take place, there may, on occasion and despite Huatai's reasonable endeavours, be a delay in making prices or dealing at any specific time or "at best" or "at market". The Client agrees to accept and be bound by dealings executed on its behalf and Huatai shall not be liable for any Loss arising by reason of its failing or being unable to comply with any terms of an Instruction.

Where Huatai is unable to perform any order in full, Huatai is entitled to effect partial performance without prior confirmation from the Client.

**2.3 Timing:** For the avoidance of doubt, Huatai may act on an Instruction to enter into a Transaction:

- (a) if no Expiry Date is provided in the Instruction, on the day such Instruction is received by Huatai during Business Hours and (where applicable) within sufficient time (as determined by Huatai at its sole and absolute discretion) before the close of business of any Market or Futures Market or the time at which the Transaction can be entered into (as determined by Huatai at its sole and absolute discretion) and accordingly the Expiry Date shall be deemed that day; or
- (b) if an Expiry Date is provided in such Instruction, on or before such Expiry Date.

If an Instruction or any part of an Instruction has not been executed on the Expiry Date, such Instruction or part of the Instruction shall be deemed to have been cancelled automatically. If the Expiry Date is not a Business Day, such Expiry Date shall be deemed to be on the immediately following Business Day. For the avoidance of doubt, an Instruction may or may not be executed on or before its Expiry Date.

**2.4 Capacity:** Unless disclosed in the Account Opening Form (or in such other manner acceptable to Huatai) that the Client is acting as agent and the Client has provided Huatai with all necessary details of its principal(s) as required by Huatai, Huatai shall be entitled to treat the Client alone to be acting as principal for all purposes in its dealings with Huatai. For the avoidance of doubt, Huatai will continue to treat the Client alone as its customer for all purposes and in relation to all obligations, and the Client will be liable as such. This applies even if the Client is acting as agent on behalf of a person (and has notified Huatai of such principal). Huatai shall have no responsibility in relation to the Client's compliance with any applicable laws and regulations governing the Client's conduct as a fiduciary to its principal (if applicable).

**2.5 Declining to act:** Huatai may decline to act on any Instruction without prior notice or explanation (in particular and without prejudice to the generality of the foregoing, in the circumstances where it considers that any such Instruction: (i) is ambiguous, incomplete, erroneous or unauthorised; (ii) is or would be in violation of any applicable law or regulation; or (iii) is in a form which does not comply with Huatai's requirements), and Huatai shall not be liable to the Client or any other person for any Loss or consequence in connection with its declining to act on such Instruction.

**2.6 Cancellation and amendment:** Unless otherwise agreed in writing, all Instructions shall be irrevocable for a period of 24 hours after they are given. Huatai shall not be obliged to act on any Instruction for the cancellation or amendment of any Instruction already given to Huatai, nor be responsible or liable to the Client or any other person for any Loss suffered or incurred if the original Instruction has already been completed or, in the opinion of Huatai,

it has insufficient time or is unable to act on any such Instruction to cancel or amend the original Instruction.

- 2.7 Recording:** Telephone calls or other forms of oral communication between the Client (or any Authorised Person) and Huatai may be recorded or otherwise electronically monitored without any warning messages. Such recordings are the property of Huatai and may be destroyed after such period of time Huatai considers appropriate.
- 2.8 Aggregation or disaggregation of orders:** Huatai may (at its sole and absolute discretion) aggregate Client orders with Huatai's own orders or orders of Huatai's other clients. In the event that there is (in the case of purchase orders) insufficient Securities and/or Futures/Options Contracts or (in the case of sell orders) insufficient demand in the Securities and/or Futures/Options Contracts, the number of Securities and/or Futures/Options Contracts purchased or sold shall be allocated between Huatai's clients in such manner considered to be fair by Huatai, with due regard to the order that such orders were received by Huatai. Market conditions may not permit the Client's order to be executed at once or in a single transaction. In such event, Huatai may, as appropriate, arrange for such order to be executed over such period as it deems appropriate. For the avoidance of doubt, priority shall always be given to satisfy the orders of Huatai's clients over orders for the account of Huatai.
- 2.9 Priority of orders:** Huatai will handle client orders fairly, having due regard to the sequence in which such orders were received, and the Client shall not have any claim of priority to another client in relation to the execution of any order received by Huatai. For the avoidance of doubt, priority shall always be given to satisfy the orders of Huatai's clients over orders for the account of Huatai, any account in which Huatai has an interest or the account of any employee or agent of Huatai.
- 2.10 Positions and Transaction limits:** Huatai may (at its sole and absolute discretion) impose (or vary) any position or Transaction limit. The Client agrees that it will not exceed such limits and will comply with any direction by Huatai in connection with such limits (including any direction by Huatai to reduce or close out any position).

### **3. Accounts**

- 3.1 Opening, closing and suspension of Accounts:** Huatai may, from time to time, open and maintain in its books one or more Account(s) in the name of the Client in connection with any Service provided to the Client. Huatai may, at its sole and absolute discretion and without assigning any reason, close any Account at any time by giving reasonable advance notice to the Client. Huatai may, at its sole and absolute discretion and without assigning any reason, suspend the operation of any Account.
- 3.2 Dormant Accounts:** Where an Account has been inactive (or has had no trading activity) for a continuous period of 18 months or such other period as determined by Huatai from time to time, Huatai may designate such Account as a "Dormant Account". Upon such designation, Huatai may restrict or impose such conditions (and deal with the assets held in such Dormant Account) as it thinks fit. Huatai may charge a monthly maintenance fee, as notified by Huatai to the Client, which will be automatically deducted from the Account.

### **4. Fees and other charges**

- 4.1 Fees and commissions:** Huatai may impose fees, commissions and charges for providing any Service, carrying out any Instruction, opening and/or maintaining any Account or

entering into any Transaction for or with the Client. Details of such fees, commissions and charges are available on Huatai's website, which may be revised by Huatai at its sole and absolute discretion from time to time.

**4.2 Disbursements and other charges:** The Client shall be liable for, where applicable, all levies imposed by any Market, Futures Market or Clearing House (including any transaction levies), brokerage expenses, stamp duties, bank charges, transfer fees, settlement fees, registration fees, interests, currency conversion expenses, nominee or custodial expenses, premiums on any options purchased, taxes (including any goods and services tax and capital gains tax) and other charges, penalties and disbursements. All such amounts shall be payable by the Client immediately when due.

**4.3 Soft Dollars and Rebates:** The Client acknowledges and agrees that Huatai may receive and is entitled to retain Soft Dollars from brokers and other persons through whom any Transaction is carried out, provided that:

- (a) the Soft Dollars are of demonstrable benefit to the Client; and
- (b) the Transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary full-service brokerage rates.

In addition, the Client acknowledges and agrees that Huatai may receive and is entitled to retain Rebates relating to Transactions carried out on behalf of the Client, provided that brokerage rates are not in excess of customary full-service brokerage rates.

From time to time, Huatai will provide the Client with its practices for receiving Soft Dollars and Rebates, a description of the Soft Dollars received and a quantification of the value of Rebates received in relation to the Client. Alternatively, the quantification of the value of Rebates may (at Huatai's sole and absolute discretion) be disclosed in any contract note provided to the Client.

## **5. Settlement and payment**

**5.1 Settlement:** Unless otherwise agreed or where Huatai is already holding cash or Investments on the Client's behalf to settle a Transaction, the Client will, by such time as Huatai has notified to the Client in relation to the relevant Transaction, pay Huatai cleared funds or deliver the Investments to Huatai. If the Client fails to do so, Huatai will be entitled (in its sole and absolute discretion) without prior consent of or notice to the Client to:

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

**5.2 Payment to Huatai:** The Client shall pay to Huatai all sums due and within the time period notified by Huatai or forthwith upon demand by Huatai, or subject to applicable laws and regulations, Huatai shall be authorised to deduct from any Account or money received for or on the account of the Client, any sum whatsoever owing by the Client to Huatai. Such payment or deduction shall be without set off or counterclaim and free and clear of and without deduction of or withholding of any present or future tax that may be imposed. If the Client is required to make deduction of or withhold any present or future tax, the sums payable by the Client to Huatai shall be increased as may be necessary so that after such deduction or withholding, Huatai receives the actual amount due to it.

- 5.3 Payment currencies:** Sums due to Huatai from the Client shall be paid in the currency in which they are due. Except as otherwise agreed between the Client and Huatai in writing and where necessary, each payment received by Huatai from the Client or made by Huatai for the Client may be converted by Huatai at its sole and absolute discretion at such rate of exchange as it may conclusively determine, and the Client shall bear the cost of such conversion. Huatai is authorised to debit any Account in relation to the costs, charges or exchange losses incurred by Huatai in connection with such conversion. Any profit or loss arising as a result of a fluctuation in the exchange rate of the relevant currency will be entirely for the account of the Client.
- 5.4 Interest on overdue payment:** The Client shall pay interest on all overdue balances or any amount otherwise owing to Huatai at any time (including interest arising after a judgment debt is obtained against the Client) at such rates (whether or not compounded) and on such other terms as Huatai notifies to the Client from time to time. Details are available on Huatai's website, which may be revised by Huatai at its sole and absolute discretion from time to time. Interest shall be payable on the last day of each calendar month or forthwith upon demand by Huatai. For the avoidance of doubt, Huatai shall be entitled to debit such interest from any Account.
- 5.5 Failure by counterparty:** If Huatai shall (for any reason) fail to receive payment or delivery of Securities or Commodities (whether in whole or in part) from the relevant Market, Futures Market, Clearing House and/or other person, which is due to be paid or delivered to the Client, Huatai's obligation to make payment or deliver any Securities or Commodities to the Client shall become an obligation to make payment of such amount or deliver such amount of Securities or Commodities which is equal to the payment or amount of Securities or Commodities that is actually received by Huatai.
- 5.6 Action by Huatai on behalf of the Client:** Huatai shall be entitled, in its sole and absolute discretion, to act on any Instruction from the Client to take action against any Market, Futures Market, Clearing House and/or other person in respect of any failure to make payment or to deliver any Securities or Commodities, provided that if any such action is taken by Huatai, the Client shall indemnify Huatai in respect of all costs, claims, demands, damages and expenses arising out of or in connection with the taking of such action.
- 5.7 Payment to the Client:** Huatai may be required to withhold payments (whether in whole or in part) to you in certain circumstances (including, without limitation, pursuant to certain provisions in the Hiring Incentives to Restore Employment Act). Huatai shall not be liable to the Client or any other person for any Loss or consequence in connection with such withholding.
- 6. Custody**
- 6.1 Client money:** Subject to applicable laws and regulations, Huatai shall deposit any money held for the Client in a segregated account (which is designated as a trust account or client account) established and maintained with such financial institution(s) and on such terms as Huatai thinks fit. The Client acknowledges that interest will not accrue on and it shall not be entitled to interest on such money. Huatai is authorised to:
- (a) (on behalf of the Client) instruct any person with whom the Client maintains a cash account to transfer any funds credited to such account to any Account maintained by the Client with Huatai;



- (b) transfer any funds credited to any Account maintained by the Client with Huatai to any account maintained by the Client with any Associate;
- (c) transfer and/or procure the transfer of any funds credited to any local account maintained by the Client with any person with whom the Client maintains a cash account or Huatai to an overseas account maintained by the Client with such person; and/or
- (d) give any relevant person notice of its authority, as set out above.

**6.2 Client Securities:** Subject to the applicable laws and regulations, Huatai shall, at its sole and absolute discretion and where applicable, in respect of Securities deposited by the Client with Huatai or purchased or acquired by Huatai on behalf of the Client and kept in custody by Huatai:

- (a) register such Securities in the name of the Client, Huatai, an Associate or any nominee appointed by Huatai, or otherwise in accordance with applicable laws and regulations;
- (b) deposit such Securities in safe custody in a segregated account (which is designated as a trust account or client account) established and maintained by Huatai or an Associate with an institution properly authorised by applicable laws and regulations; or
- (c) deposit such Securities with an overseas custodian or overseas clearing house, and the Client acknowledges that Securities held through or in any clearing system shall be held subject to and in accordance with all applicable rules of that clearing system.

**6.3 Client Securities Collateral:** Subject to applicable laws and regulations, Huatai shall, at its sole and absolute discretion, in respect of Securities Collateral deposited by the Client with Huatai or otherwise provided by or on behalf of the Client to Huatai:

- (a) register such Securities Collateral in the name of the Client, Huatai, an Associate or any nominee appointed by Huatai, or otherwise in accordance with applicable laws and regulations;
- (b) deposit such Securities Collateral in safe custody in a segregated account (which is designated as a trust account or client account) established and maintained by Huatai or an Associate with an institution properly authorised by applicable laws and regulations;
- (c) deposit such Securities Collateral in an account in the name of Huatai or an Associate (as the case may be) with an institution properly authorised by applicable laws and regulations; or
- (d) deposit such Securities Collateral with an overseas custodian or overseas clearing house.

**6.4 Acting as custodian:** The Client appoints Huatai to act as custodian for the Client to keep custody of its Securities and Collateral. The Client agrees not to pledge, charge, sell, grant an option or otherwise deal in any Securities or Collateral without the prior written consent of Huatai.

**6.5 Collection of dividend, distribution and other benefit and compliance with instructions:** In relation to Securities kept by Huatai in custody pursuant to this Clause, Huatai shall itself, or shall use reasonable efforts to procure any Associate, custodian or intermediary appointed by it to:

- (a) in the absence of prior written Instruction from the Client to the contrary, collect and credit any dividend, distribution or other benefit arising in respect of such Securities to the Account or make payment to the Client;
- (b) promptly respond to the Client's requests for information on corporate actions relating to such Securities; and
- (c) exercise any voting or other rights attached to or conferred on such Securities provided that if any payment or expense is required to be made or incurred in connection with such exercise, neither Huatai nor any Associate, custodian or intermediary shall be required to act on any Instruction received from the Client unless and until: (i) it receives all amounts necessary to fund such exercise; and (ii) the Instruction received from the Client is given in sufficient time to enable Huatai to make the necessary arrangements. Other than its duty under paragraph (b) above, nothing in these Terms and Conditions shall in any way impose on Huatai any duty to inform the Client or to take any action with regard to the attendance of meetings and to vote at such meetings. Huatai has no duty in respect of notices, communications, proxies and other documents, relating to the Securities received by Huatai or to send such documents or to give any notice of the receipt of such documents to the Client (except pursuant to its duty under paragraph (b) above). Huatai has the right to charge the Client for its service in taking any action pursuant to the Instructions received from the Client.

**6.6 Return of non-identical Securities and Collateral:** In respect of this Clause, Huatai or any Associate, custodian or intermediary is not bound to deliver to the Client the identical Securities and Collateral received from or for the Client, but may deliver to the Client any Securities and Collateral of like quantity, type and description.

**6.7 Disposal of Securities and Collateral:** Subject to applicable laws and regulations, Huatai may dispose of or initiate a disposal by an Associate, custodian or intermediary of any Securities or Collateral (and Huatai shall have sole and absolute discretion to determine which Securities or Collateral are to be disposed of) in settlement of any sums or liability owed by or on behalf of the Client to Huatai or (but only to the extent permitted by applicable laws and regulations) an Associate or any third party or otherwise as permitted under these Terms and Conditions.

**6.8 Limitations on treatment of Securities and Collateral:** Huatai shall take reasonable steps to ensure that the Client's Securities and Collateral are not deposited, transferred, lent, pledged, repledged or otherwise dealt with for any purpose except as permitted in accordance with these Terms and Conditions or any Instruction, and/or as otherwise permitted under applicable laws and regulations. The Client consents to Huatai's use of Securities and Securities Collateral in accordance with the Securities and Futures (Client Securities) Rules (Cap. 571H, Laws of Hong Kong), and agrees to provide Huatai with the necessary authority as required from time to time.

**6.9 Utilization of Securities and/or Collateral:** The Client authorises Huatai to utilise, from time to time, all or any Securities and/or Securities Collateral held in the Account(s) for its own purposes. The Client agrees to execute such further documents (including a stock borrowing and lending agreement) as Huatai considers necessary for these purposes. The Client acknowledges that it may be possible that Huatai borrows all of the Securities and/or Securities Collateral held in the Account(s) with the effect that the Client's rights in respect

of such Securities and/or Securities Collateral will only consist of a right as against Huatai to have equivalent Securities and/or equivalent Securities Collateral delivered to it.

**6.10 Delivery of Securities and/or Securities Collateral:** Where Huatai utilises Securities and/or Securities Collateral held in the Account(s), such Securities and/or Securities Collateral shall be released from the security created by or pursuant to these Terms and Conditions, and transferred by the Client to Huatai. The Client authorises Huatai to take such steps to deliver or credit the relevant Securities and/or Securities Collateral to Huatai or any third party (as the case may be), and execute such instruments of transfer or any other document that Huatai considers necessary or desirable to vest the full legal and beneficial right, title and interest in and to those Securities and/or Securities Collateral to Huatai or any third party (as the case may be).

**6.11 Delivery of equivalent Securities and/or equivalent Securities Collateral:** Where Huatai utilises any Securities and/or Securities Collateral held in the Account(s) and those Securities and/or Securities Collateral cease to be required for Huatai's purposes, Huatai is required to deliver equivalent Securities and/or equivalent Securities Collateral to the Client. Such equivalent Securities and/or equivalent Securities Collateral shall automatically be subject to the security created by or pursuant to these Terms and Conditions. For the purposes of this Clause, "equivalent Securities" and "equivalent Securities Collateral" means Securities which are of an identical type, nominal value, description and amount to the Securities or Securities Collateral (as the case may be) that have been utilised by Huatai. If Huatai shall, for any reason, be unable to deliver equivalent Securities and/or equivalent Securities Collateral to the Client, then Huatai's delivery obligation shall be replaced by an obligation to pay to the Client an amount in cash equal to the market value of the Securities and/or Securities Collateral derived from rates offered by a dealer reasonably chosen by Huatai.

**6.12 Distributions:** During the period that Huatai utilises any Securities and/or Securities Collateral held in the Account(s), Huatai is required to pay and deliver a sum of money or property equivalent to the type and amount of such dividend, interest and/or other distribution that the Client would have been entitled to receive if the Securities and/or Securities Collateral had not been utilised by Huatai.

## **7. Collateral and margin**

**7.1 Deposit of Collateral and Margin Calls:** The Client shall deposit Collateral and/or satisfy all Margin Calls in such amount and in such form into a designated Account and within such time as specified by Huatai. For the avoidance of doubt, the amount required may exceed any margin requirements prescribed by the relevant Market, Futures Market, Clearing House or broker. If no time is specified by Huatai, then the Client must comply with such demand before the expiry of two (2) hours from the time of Huatai making the demand or before the time the relevant Market, Futures Market or Clearing House requires client margin to be met (whichever is earliest).

For these purposes, Huatai shall use its reasonable endeavours to contact the Client promptly at the telephone number, address, facsimile number or electronic mail address set out in the Account Opening Form (or as otherwise notified by the Client to Huatai in writing). The Client agrees that it will be deemed to have been properly notified of a demand for Collateral or Margin Call, notwithstanding that Huatai fails to reach the Client by phone or the Client fails to receive the written notice.

- 7.2 Failure to deposit Collateral or meet Margin Calls:** Any failure by the Client to comply with Clause 7.1 of these General Terms and Conditions will constitute an Event of Default which will (amongst other things) give rise to Huatai's rights under Clause 16 of these General Terms and Conditions. Huatai may refuse to execute any Instruction unless all demands for Collateral or Margin Call have been met in full. Huatai may be required to report to the relevant Market, Futures Market, Clearing House and/or Regulator in relation to all open positions of the Client where successive demands for Collateral or Margin Calls have not been met. Huatai may or may be required to (without the Client's prior consent) close out open positions where any demand for Collateral or Margin Call is not met within the period specified by Huatai.
- 7.3 Policies:** From time to time, Huatai will provide the Client with its practices in relation to margin procedures and circumstances under which the Client's positions may be closed without the Client's consent.
- 7.4 Value of Collateral:** Huatai may (in its sole and absolute discretion) accept non-cash Collateral and in such case, Huatai shall (in its sole and absolute discretion) assign a notional value to such asset (which need not correspond to the market value of such asset). The value assigned by Huatai to any non-cash Collateral may change from time to time as determined by Huatai solely without prior notice to the Client, in light of its prevailing market value or otherwise. For the avoidance of doubt, where Listed shares accepted by Huatai as Collateral have been suspended for 10 Business Days or more, Huatai shall be entitled to treat such Collateral as having zero value and may require the Client to deposit additional Collateral.
- 7.5 Application of cash or other property:** Without prejudice and in addition to any other rights and remedies of Huatai, the Client irrevocably authorises Huatai to, without prior notice to the Client, apply all or any part of any cash deposit or other property held for the account of the Client by Huatai in whatever capacity (whether or not relating to trading in Securities, Derivatives and Structured Products or Futures/Options Contracts), and notwithstanding that any such application may result in the Client being required by Huatai to provide additional Collateral:
- (a) in or towards the satisfaction of any Margin Call and/or other outstanding liabilities or indebtedness owing by the Client to Huatai;
  - (b) in or towards payment to any relevant Market, Futures Market, Clearing House or broker, in or towards the satisfaction of any liability to provide margin demanded or required by such Market, Futures Market, Clearing House or broker in respect of any Transaction entered into by Huatai on behalf of the Client, in or towards the provision of security (whether in the form of mortgage, deposit, charge, pledge or otherwise) in favour or to the order of any Market, Futures Market, Clearing House or broker, without prior notice to the Client and free of any beneficial interest of the Client or of any other person in such asset, as security for Huatai's obligations to (and on terms specified by) the Market, Futures Market, Clearing House or broker, in respect of any Transaction entered into by Huatai on behalf of the Client (such asset to be dealt with according to the Rules of the Market, Futures Market or Clearing House or the terms of trading of the broker);
  - (c) in or towards the satisfaction of any other obligations of Huatai to any party, insofar as such obligations arise in connection with any Transaction entered into by Huatai on behalf of the Client; and/or

- (d) in or towards payment of money properly required to meet commissions, brokerage, levies or other proper charges relating to any Transaction entered into by Huatai on behalf of the Client.
- 7.6 Set-off:** Unless specifically instructed by the Client, open positions held in the Account which the Market or Futures Market allows to be set off for margin purposes will automatically be set off for the purposes of determining margin, but such open positions shall not be closed out or treated as netted off for any other purposes.
- 7.7 Withdrawal of Collateral:** For so long as there exists any indebtedness to Huatai on the Client's part or there is any open position entered into by Huatai on behalf of the Client, Huatai shall be entitled to refuse any withdrawal of any or all of the Collateral and the Client shall not (without the prior written consent of Huatai) be entitled to withdraw any Collateral in part or in whole from its Account.
- 7.8 Exercise of rights over Collateral:** Until any security becomes enforceable: (a) Huatai will have the right to (in its sole and absolute discretion) exercise all rights relating to the Collateral to protect its value (including, but not limited to, the voting right attached to such security and right of sale), provided that Huatai shall give notice to the Client prior to exercising any such right; and (b) the Client may direct the exercise of any right relating to the Collateral, provided that such direction is not inconsistent with the Client's obligations to Huatai or Huatai's right as described in (a) above, or which may in any way prejudice Huatai's rights to the Collateral.
- 7.9 Sale of Collateral:** The Client agrees that any sale of Collateral shall be on such terms as Huatai thinks fit in its sole and absolute discretion.
- 8. Contract notes, statements of account and receipts**

Huatai shall provide the Client with contract notes, statements of account and receipts in relation to the Client's Transactions and other Account activity information ("**Trade Documents**") in accordance with all relevant laws and regulations (including the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules (Cap. 571Q, Laws of Hong Kong)).

The Client agrees to give consent to receive all Trade Documents through access to the applicable Electronic Trading Services platform for the Client's Account where such Trade Documents are posted ("**Access Service**" or "**E-Statement Service**") in lieu of other conventional means specified in section 400 of the SFO (e.g. by hand, post, electronic mail transmission etc.).

The Client further acknowledges, understands and accepts the following arrangements of receiving Trade Documents through the Access Service:

- (a) appropriate computer equipment and software, internet access and a specific email address, mobile phone number or other electronic address provided and designated by the Client for receiving electronic mail, short message service (SMS) or other electronic notifications from Huatai are required for using the Access Service;
- (b) internet, electronic mail, short message service (SMS) and other electronic information services may be subject to certain IT risks and disruption;

- (c) revocation of consent to receive the Trade Documents through the Access Service will be subject to the giving of such advance notice by the Client through such methods as specified by Huatai;
- (d) Huatai may charge the Client reasonable fees for: (i) obtaining a copy of the Trade Documents that is no longer available for access and downloading through the Electronic Trading Services platform; or (ii) requesting Huatai to provide the Trade Documents, in addition to the request for the Access Service, by other means; and
- (e) in order to avoid missing notifications, the Client needs to inform Huatai as soon as practicable upon a change in the designated email address, mobile phone number or other electronic address.

Huatai will notify the Client as soon as reasonably practicable by way of electronic mail to the Client's designated email address and/or by other valid means of communication once Trade Documents have been posted on the applicable Electronic Trading Services platform for the Client's Account.

The Client must promptly examine and verify such Trade Documents, and must inform Huatai of any mistake or omission as soon as practicable and in any event within 7 Business Days from the date that such document is sent or posted, otherwise it will be treated as final, conclusive and binding on the Client for all purposes.

The Client is also responsible for saving an electronic copy in the Client's own computer or electronic storage or print a hard copy of the Trade Documents for future reference.

The Client may revoke such consent by providing at least 7 Business Days in advance notice to Huatai by such methods as specified by Huatai. If the Client revokes such consent, Huatai will provide such Trade Documents to the Client by electronic mail. If the Client requests for the provision of such Trade Documents by post, Huatai may charge reasonable fees.

## **9. Conflicts of interest**

Huatai may have an interest, relationship or arrangement that is material in relation to any Instruction received or Transaction effected for the Client. The Client understands and agrees that, to the extent permissible by applicable laws and regulations, Huatai shall be entitled, to:

- (a) combine the Instructions with Huatai's own orders or orders of its other clients;
- (b) sell, buy or deal in the sale or purchase of Investments of any kind, nature or description whatsoever to or from the Client for the account of Huatai, its other clients or otherwise deal as principal with the Client;
- (c) purchase, for or on behalf of the Client, Investments held or owned directly or indirectly by Huatai or its other clients;
- (d) match Instructions with the instructions of another client of Huatai. In particular, the Client agrees and acknowledges that Huatai may have potentially conflicting division of loyalties to both parties and if acting as executing broker, may receive commissions from both parties;
- (e) take the opposite position to an Instruction whether it is on Huatai's own account or on behalf of its other clients; and
- (f) advise or recommend to the Client a Transaction or provide a Service, in which Huatai may: (i) have an interest, relationship or arrangement that is material (including acting as arranger, issuer or selling agent); (ii) be dealing as principal for

its own account when conducting Transactions; (iii) be acting as agent or trustee or intermediary for the counterparty or issuer, or any of their respective agents; (iv) take positions opposite to the Client; or (v) be in competition with the Client to acquire the same or similar positions,

provided that the terms of the Transaction in which the Client is involved are not less favourable than they would have been had the Transaction been entered into at arm's length on the day in question and are fair, reasonable and made in good faith. Unless specifically required under any applicable laws or regulations, Huatai shall not be liable to account to the Client for, or disclose to the Client, any commissions, profits or other benefits whatsoever resulting from Huatai carrying out any of the above actions or entering into any of the above transactions, nor shall it be deemed to be affected with notice of or to be under any duty to disclose to the Client any fact or thing which may come to its knowledge or that of any of its employees in relation to performing any such actions or entering into any such Transaction or in the course of acting in any other capacity. Huatai may retain such commissions, profits or other benefits for its own account.

Huatai shall take all reasonable steps to avoid conflicts of interest and where such conflicts cannot reasonably be avoided, Huatai will not act unless it has disclosed such conflict to the Client and has taken all reasonable steps to ensure that the Client (and other clients, if applicable) are at all times treated fairly.

#### **10. Representations and warranties**

The Client represents and warrants to Huatai on a continuing basis from the date that it requests to open an Account or be provided with Services (whether through the Account Opening Form or as otherwise agreed) (such representations and warranties being deemed to be repeated every time a Transaction contemplated under these Terms and Conditions is entered into) that:

- (a) any information relating to it contained in the Account Opening Form or other information supplied by or on behalf of the Client to Huatai in connection with these Terms and Conditions is true, accurate and complete and Huatai is entitled to rely on such information until Huatai has received notice in writing from the Client in respect of changes to that information;
- (b) (where the Client is a corporation) it is validly incorporated and existing under the laws of its place of incorporation;
- (c) it has the full power, capacity and authority to enter into these Terms and Conditions and to perform the obligations under these Terms and Conditions and (where applicable) its entering into of these Terms and Conditions has been duly authorised by its governing body and is in accordance with its constitutive documents and all applicable laws and regulations;
- (d) the entering into or the performance of its obligations under these Terms and Conditions (including any relevant Transaction entered into or any Instruction given) will not breach or cause to be breached any undertaking, agreement, contract, bylaw or other organisational document or any applicable laws and regulations. In particular, the Client is not domiciled or resident in or a national of any country or jurisdiction which would restrict it from purchasing, subscribing for or holding any Investments which it has acquired or intends to acquire. The Client will promptly inform Huatai if it becomes subject to such restrictions and may be required to dispose of such Investments;

- (e) it is lawfully authorised to enter into each Transaction and has obtained and maintained all necessary authority, powers, consents, licences and authorisations in connection with the entering into and performance of its obligations under these Terms and Conditions;
- (f) any Authorised Person has been duly authorised by the Client to act on its behalf;
- (g) it has the full and unqualified right to transfer Collateral to Huatai as required under these Terms and Conditions and any transfer will be free and clear of any lien, claim, charge or any other encumbrance;
- (h) it is and will continue at all times to be the absolute and sole beneficial owner of all Charged Property, free from all liens, charges, options, any other encumbrances and third party rights whatsoever (except any lien or charge created under these Terms and Conditions);
- (i) except where Huatai solicits the sale of or recommends any financial product to the Client, in which case Clause 21 applies, any request to be provided with Services and any decision to enter into a Transaction shall be based on the Client's own judgment independently and without reliance on Huatai, it has relied upon information obtained by it and not on any advice or information provided by Huatai or any director, officer, employee or agent of Huatai and it understands the nature and is willing to bear the risks of the Services and Transactions which it intends to enter into, and is satisfied that such Services and Transactions are suitable for it. Where necessary, the Client should seek independent professional advice (including investment, legal, tax and/or accounting advice) about the Service and the Transaction;
- (j) it is responsible for entering into a Transaction and understands that, with the exception where Clause 21 applies, Huatai has no responsibility or obligation regarding any condition, action, representation or third party in connection with its decision for entering into a Transaction;
- (k) it has read and understands all terms and conditions of a Transaction prior to entering into such Transaction, regardless of whether or not any product or contract specification, prospectus or other offering document in connection with such Transaction has been provided;
- (l) unless it notifies Huatai in accordance with these Terms and Conditions, it will be acting as principal in relation to all Transactions and not as trustee or agent or on behalf of any other person and all such Transactions are effected for the benefit of the Client and no other person has any interest in those Transactions;
- (m) if: (i) it is acting on its own behalf, the Transactions effected are legitimate and all monies and assets applied to such Transactions are the result of bona fide activities; and (ii) it is acting on behalf of one or more persons (the identities of which have not been disclosed to Huatai), it has conducted and satisfactorily completed its



internal know-your-client and anti-money laundering procedures on that or each person in accordance with applicable laws and regulations and will continue to comply with such procedures in relation to that or each person;

- (n) all Securities deposited by the Client into any Account or which the Client instructs Huatai to sell or dispose of, and any Securities Collateral are fully paid with valid and good title (free of all encumbrances and adverse interests other than any security interest of Huatai created pursuant to these Terms and Conditions or any other agreement between Huatai and the Client);
- (o) it has not had any action or steps taken against it which amounts to or is likely to amount to an Insolvency Event and is not entering into any Transaction with the intent to hinder, delay or defraud any person to which it is, or may become, indebted;
- (p) it has satisfied itself and will continue to satisfy itself as to the tax implications in relation to any Transaction;
- (q) in connection with any Transaction, it will comply with all applicable laws and regulations, all relevant restrictions, and the terms and conditions of all relevant agreements and offering documents;
- (r) no Event of Default has occurred and/or is continuing;
- (s) it has read and understands the relevant risk disclosures; and
- (t) it is financially capable of sustaining any loss which may arise from entering into the Transactions that it intends to enter into.

## **11. Covenants and undertakings**

**11.1 Information:** The Client undertakes to notify Huatai immediately (and in any event within 14 calendar days) in writing of: (a) changes to its particulars (including name, address, telephone and facsimile numbers); and (b) any material change in the information previously supplied to Huatai. The Client further undertakes to provide such information as may be required by Huatai from time to time to, amongst other things, enable Huatai to comply with its obligations under these Terms and Conditions and applicable laws and regulations and Rules (including information relevant for the purposes of anti-money laundering compliance) and the Rules, and the Client confirms that information provided by it is accurate, complete and not misleading.

Huatai undertakes to notify the Client in writing of any material change to the following information: (a) the full name and address of Huatai's business (including its licensing status with the SFC and its CE No.); (b) the nature of the Services to be provided to or which are available to the Client; (c) any remuneration (and the basis for payment) that is to be paid by the Client to Huatai (including, amongst other things, commission, brokerage and any other fees and charges); and (d) if margin or short selling facilities are available to the Client, details of margin requirements, interest charges, margin calls, and the circumstances under which a Client's positions may be closed without the Client's consent.

Upon request, Huatai will disclose the financial condition of its business to the Client by: (a) providing a copy of the latest audited balance sheet and profit and loss account which has been submitted to the SFC; and (b) disclosing any material changes which adversely affect Huatai's financial condition after the date of the accounts.

**11.2 Compliance:** The Client undertakes to comply, at its own cost, with these Terms and Conditions and all applicable laws and regulations.

For the avoidance of doubt, Huatai shall not be responsible for any monitoring, reporting or approval requirements triggered by any Transaction or proposed Transaction (including, without limitation, any obligations triggered under Part XV of the SFO or under the Contracts Limits and Reportable Positions Rules).

In addition, amongst other things, the Securities and Futures (Contracts Limits and Reportable Positions) Rules (Cap. 571Y, Laws of Hong Kong): (a) restricts persons from holding or controlling Futures/Options Contracts traded on SEHK or HKFE (as the case may be) in excess of certain prescribed limits (unless authorized to do so pursuant to such Rules); and (b) requires any person who holds or controls a reportable position to make a notification to The Stock Exchange of Hong Kong Limited or the Hong Kong Futures Exchange Limited (as the case may be), which shall include certain specified information.

The Client should familiarize itself with and ensure that it complies with the Securities and Futures (Contracts Limits and Reportable Positions) Rules (Cap. 571Y, Laws of Hong Kong).

The Client further undertakes to ensure at all times that it obtains and complies with the terms of, and does all that is necessary to maintain in full force and effect, all authority, powers, consents, licences and authorisations necessary for the entering into or performance of its obligations under these Terms and Conditions.

**11.3 Client Eligibility:** The Client undertakes that the Client shall comply with all applicable eligibility requirements for all Transactions. The Client represents and undertakes on a continuing basis, including without limitation at all time that the Client gives an Instruction, that: (i) the Client will trade any debt securities listed on the Exchange under Chapter 37 of the Listing Rules and any shares or warrants of a special purpose acquisition company only when the Client is, and in the case where the Client is an intermediary (including, but not limited to, a fund manager, asset manager, broker or order placer) trading for or on behalf of an underlying client or clients, each of such underlying client is, a Professional Investor and is eligible to trade such products; and (ii) the Client will trade any shares listed on the ChiNext Board of the Shenzhen Stock Exchange and any shares listed on the STAR Board of the Shanghai Stock Exchange only when the Client is, and in the case where the Client is an intermediary (including, but not limited to, a broker or order placer) trading for or on behalf of an underlying client or clients, each of such underlying client is, an Institutional Professional Investor and is eligible to trade such products. Any non-compliance with such eligibility requirements would constitute a breach of the relevant Market requirements and the Client authorizes Huatai to unwind any ineligible Transactions in Huatai's absolute discretion within a period of time specified by Huatai and entitles Huatai to require the Client and relevant underlying clients (if any) to unwind positions of ineligible shares as soon as possible without any compensation or liability. SEHK takes any breaches of the Market requirements seriously and will review and follow up on each incident. Follow-up actions may include issuing warning letters, conducting further enquiries, and commencing investigations. The Client agrees to fully indemnify Huatai against all losses, damages, liabilities, costs, expenses, actions, investigations and proceedings (whether actual or potential) incurred or suffered by any of Huatai directly or indirectly arising from any breach of any Market requirements caused by the Client. The Client further undertakes not to bring

any action or proceedings against Huatai for taking such actions, notwithstanding any losses that the Client may suffer as a result of such actions.

- 11.4 Notice:** The Client undertakes to give notice promptly to Huatai of the occurrence of any Event of Default or potential Event of Default, including its nature and the steps being taken by the Client to remedy or mitigate the effect of the Event of Default or potential Event of Default.
- 11.5 Illegal activities:** The Client undertakes not to use any Account(s) or carry out or enter into any Transactions for the purposes of money laundering, terrorist financing or other illegal activities (including, without limitation, tax evasion, disguised accounting treatment and window dressing), or to utilise funds obtained from illicit, criminal or illegal activities to carry out or enter into any Transactions.
- 11.6 Cooperation:** The Client undertakes to cooperate with Huatai to the fullest extent possible in the prosecution or defence of any action or proceeding brought by or against Huatai in relation to any Transaction or Service.
- 11.7 Charged Property:** The Client covenants with Huatai that it will not create or permit to subsist any lien, claim, charge or any other encumbrance over any Charged Property, other than as provided for in these Terms and Conditions.
- 11.8 Further assurances:** The Client undertakes to execute all such instruments, deeds or documents and do all such acts (at the Client's own cost) as may be required by Huatai from time to time or in connection with the provisions of any Service under these Terms and Conditions, including the execution by the Client of an irrevocable power of attorney appointing Huatai as its lawful attorney to execute all such instruments, deeds or documents and do all such acts on behalf of the Client, as Huatai considers necessary or desirable in connection with these Terms and Conditions. The Client agrees to ratify or confirm all instruments, deeds or documents executed by Huatai on behalf of the Client and all acts done by Huatai on behalf of the Client.
- 12. Collection and disclosure of information**
- 12.1 Information from Clients:** From time to time, Huatai may require the Client, any of its Authorised Persons and/or any other employee or agent of the Client to provide certain information (including personal data) for the purposes of (amongst other things) the opening or maintenance of an Account, the provision of a Service to the Client and the maintenance of the relationship with the Client generally. The Client agrees and acknowledges that failure to supply such information may (amongst other things) result in Huatai being unable to provide Services to the Client. If any information relates to any third party, the Client confirms and warrants that it has obtained the consent of such third party to provide such information to Huatai.
- 12.2 Personal data:** Where the Client is an individual, the Client has read, understands and agrees to Huatai's Data Privacy Policy and Personal Information Collection Statement (available on Huatai's official website [www.htsc.com.hk](http://www.htsc.com.hk) as updated from time to time). In respect of any individual that acts on behalf of the Client (including any Authorised Person, employee or agent), the Client is responsible for collecting the personal data of such individuals. The Client undertakes to: (i) provide such individuals with Huatai's Data Privacy Policy and Personal Information Collection Statement; (ii) obtain all relevant consents and/or authorisations from such individuals that are necessary to enable Huatai to collect and use

(including, without limitation, transfer) the personal data of such individuals; and (iii) comply with all reasonable directions by Huatai which are given (from time to time) in order to ensure that Huatai is able to comply with all applicable data protection and privacy laws.

**12.3 Disclosure of information:** The Client authorises and permits Huatai to disclose information with respect to the Client (including but not limited to any personal data of the Client, any Authorised Persons and/or any employee or agent of the Client), the Account(s) and the Transactions as Huatai shall consider appropriate to:

- (a) any Associate, wherever located;
- (b) any agent, contractor, insurer, insurance broker, third party service provider or any other person (wherever located):
  - (i) to whom Huatai assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations;
  - (ii) who provides administrative, telecommunication, computer, payment or securities clearing or other services to Huatai in connection with the operation of its business or to whom Huatai outsources the performance of its operational functions;
  - (iii) which Huatai appoints as its custodian, agent or broker or to whom Huatai delegates any of its duties, functions or obligations under these Terms and Conditions;
  - (iv) to whom such disclosure is required by applicable laws and regulations (including all government or quasi-government agencies (including any tax authority)), courts of competent jurisdiction, regulators, securities exchanges, future exchanges, fiscal, monetary and/or any other authorities wherever situated) or pursuant to the directions or requests of any of those persons (including, without limitation, for the purposes of determining the tax liability of the Client);
  - (v) as necessary in order for Huatai to validly effect, manage, administer and/or enforce any Services or Transactions requested or authorised by the Client;
  - (vi) to whom Huatai is under a duty to disclose;
  - (vii) if the disclosure is necessary to meet any requirement of Huatai to make disclosure under any agreement between Huatai, any domestic or overseas regulators or other government agencies and any domestic or overseas regulator or other government agencies, whether such agreements are mandatory or voluntary, for the purposes of compliance with any laws or regulations that are applicable to Huatai any or
  - (viii) to whom Huatai considers it appropriate in order to allow the Client to claim double taxation treaty relief under any applicable double taxation treaty, reduced withholding tax rate upon the Client's return of investment in countries with withholding tax regimes; or
- (c) any auditor, legal and/or other professional adviser of Huatai or any other person under a duty of confidentiality to Huatai; or

- (d) any person in exercise of its rights under these Terms and Conditions and/or other agreements entered into between the Client and Huatai upon the occurrence of Event of Default, in preparatory to and/or in the course of a legal proceedings.

The Client acknowledges and accepts the risk that any information that it discloses may be further disclosed or disclosed to persons in other jurisdictions which may have different data protection and privacy laws.

### **13. Exclusions of liability**

**13.1 General exclusions:** Except in the event of fraud, gross negligence or wilful default, neither Huatai nor any of its directors, officers, employees or agents shall have any liability whatsoever (whether in contract, tort or otherwise) for any Loss suffered by the Client under or as a result of these Terms and Conditions and/or any agreements entered into between the Client and Huatai, including but not limited to any liability arising from:

- (a) any act or omission of Huatai pursuant to any Instruction or otherwise as permitted by or under these Terms and Conditions, including any execution, failure to execute or mistake in the execution of any Instruction;
- (b) any Loss incurred by the Client as a result of or in connection with the transfer to the Client or the collection or deposit or crediting to any Account of invalid, fraudulent or forged Investments or any entry in any Account which may be made in that connection;
- (c) any inaccuracy or omission from any document sent by Huatai to the Client in connection with any Investment (whether or not such document is prepared by Huatai);
- (d) any inability, failure or delay on the part of Huatai to comply with or carry out any Instruction (whether or not there is any ambiguity or defect in any such Instruction);
- (e) any Loss suffered by the Client in connection with any Securities, Collateral and/or other property kept in custody;
- (f) any curtailment of, or restriction on, the capacity of Huatai to trade in respect of any Investment as a result of action taken by any regulator or other authority under applicable laws and regulations or for any other reason;
- (g) any Market or Futures Market, Clearing House, agent or other person ceasing for any reason to recognise the existence or validity of any Transaction entered into by Huatai on behalf of the Client, or failing to perform or close out positions of any such Transaction provided that such cessation or failure shall not affect the Client's obligations in respect of or arising from any such Transaction;
- (h) any Loss suffered by the Client in connection with Huatai exercising any of its rights on the occurrence of an Event of Default; or
- (i) any misunderstanding or misinterpretation of any Instruction given or placed verbally or electronically, or any interruption, suspension, delay, loss, mutilation or other failure in transmission or wrongful interception of any Instruction or other information however caused (including any equipment or system owned and/or operated by or for Huatai).

**13.2 Force majeure:** Huatai shall not, in any circumstance, be liable to the Client for Loss suffered or incurred by the Client by reason of any failure or delay in the performance of Huatai's obligations under these Terms and Conditions which is caused by or the result of

any event which is not within the reasonable control of Huatai, and any such event shall include (without limitation):

- (a) the existence or imposition of any form of foreign exchange control, legal, governmental or regulatory restriction or requirement whatsoever;
- (b) the closure of or ruling by any Market or Futures Market or any one of its divisions;
- (c) the suspension of trading of any Investment or underlying on any Market or Futures Market;
- (d) the failure of any Market or Futures Market, Clearing House, agent or other person to perform its obligations;
- (e) the occurrence of an Insolvency Event in relation to a delegate or agent of Huatai;
- (f) the occurrence of fire, flood, war, earthquakes, strikes, act of God, terrorist action or any disaster;
- (g) the occurrence of any industrial dispute affecting a third party for which a substitute third party is not reasonably available; and
- (h) the occurrence of any breakdown, power failure, failure or malfunction of telecommunications lines, connections or equipment, computer services or systems owned by or supplied by any third party.

**13.3 Indirect damages:** Under no circumstances shall Huatai be liable to the Client or any other person for any incidental, consequential, indirect, special or exemplary damages of any kind or nature whatsoever or for any loss of revenue, loss of profit, loss of business, loss of opportunity or loss of goodwill arising from any representation, any breach of implied term or any duty at common law or under any statute or express term of these Terms and Conditions, and whether such liability is asserted on the basis of contract, tort or otherwise, whether or not foreseeable, even if Huatai has been advised or was aware of the possibility of such indirect damages.

#### **14. Indemnities**

Without prejudice to any provision in these Terms and Conditions, the Client shall fully indemnify and hold harmless the Indemnified Persons and reimburse on demand against any and all Losses that may be suffered or incurred by any or all of the Indemnified Persons, arising out of or in connection with the operation of the Client's Account, the provision of any Service or the carrying out of any Instruction or Transaction under these Terms and Conditions, including (without limitation) any Loss resulting from:

- (a) any act or omission by Huatai pursuant to these Terms and Conditions and/or other agreements entered into between the Client and Huatai (including any act by Huatai on behalf of the Client, whether or not such act is conducted pursuant to any power of attorney granted by the Client in favour of Huatai);
- (b) any act or omission by Huatai pursuant to any Instruction or purported Instruction transmitted by way of facsimile or electronic mail, or any unauthorised intervention of such Instructions;
- (c) any revocation or alteration of any Instruction;
- (d) any information provided by the Client;
- (e) any alleged or actual breach by the Client of any of its obligations under these Terms and Conditions, including any cost reasonably incurred by Huatai in collecting debts due to Huatai or unpaid deficiency in any Account and in enforcing

- the rights of Huatai, and any penalty charged as a result of any Transaction to Huatai by any Market, Futures Market and/or Clearing House;
- (f) any investigation, litigation or proceeding by or involving any government agency, Market, Futures Market, Clearing House or other self-regulatory body, or any third party or other market participant with respect to any Account or Transaction;
  - (g) the closing of any Account; and
  - (h) any claim which may be made against Huatai by a purchaser or any other person by reason of any defect in the title of the Client to the Charged Asset and/or Collateral,

except to the extent that the Loss is the direct result of the Indemnified Person's gross negligence, wilful default or fraud.

## **15. Lien, consolidation, set-off and security**

**15.1 Lien:** Without prejudice to any right of set-off or other similar right to which Huatai may be entitled under applicable laws and regulations or these Terms and Conditions, all Client assets (including those held jointly with others) held by or in the possession of Huatai in whatever capacity at any time shall be subject to a general lien in favour of Huatai as continuing security to offset and discharge all of the Client's liabilities and obligations, including those arising from any Transaction, to Huatai.

**15.2 Consolidation and set-off:** Without prejudice to any general lien or other similar right, which Huatai may be entitled to under applicable laws and regulations and/or these Terms and Conditions, Huatai may at any time without notice to the Client:

- (a) combine or consolidate any or all Accounts and/or accounts held with any Associate (including those held jointly with others); and
- (b) set off or transfer any of the Client's assets in any of such Accounts or accounts to satisfy the obligations or liabilities of the Client to Huatai, whether such obligations and liabilities are actual or contingent, primary or collateral, secured or unsecured, or joint or several, and whether or not such obligations and liabilities arise from the purchase and sale of Investments by the Client on a cash-against-delivery basis.

In the event that any such consolidation or set-off requires the conversion of currencies, such conversion shall be calculated at the rate of exchange determined by Huatai at its sole and absolute discretion.

**15.3 Security:** Without prejudice to any right of utilization which Huatai may have, as beneficial owner and as continuing security for the payment and satisfaction on demand of all monies and liabilities and the performance of all obligations under these Terms and Conditions (which are now or any time hereafter may be due, owing or incurred by the Client to Huatai), the Client hereby charges in favour of Huatai, free of all encumbrances and adverse interests:

- (a) by way of a first fixed charge, its interests and rights in all present and future Securities, Collateral, receivables and monies (including any dividends, rights, monies or property accruing in respect thereof) delivered to, deposited with, transferred to, or held in the possession of, in the name of, or under the control or direction of Huatai, or any nominee of Huatai (including Securities, Collateral, receivables and monies held in any Account) in whatever capacity; and

- (b) by way of a first floating charge its interests in all assets referred to in paragraph (a) above insofar as not already charged by way of fixed charge under these Terms and Conditions.

In the event of the occurrence of any Event of Default, Huatai may, without prior notice to the Client or prior authorisation from any person, sell or otherwise dispose of any of the Charged Property, at the sole and absolute discretion of Huatai as to the manner and time of sale and consideration and other terms and conditions (but without being in any way responsible or liable for any Loss occasioned thereby and howsoever arising) and deduct from the sale proceeds such amount as is necessary to pay, discharge and satisfy the liabilities and indebtedness due and owing by the Client to Huatai (applied in such order of priority as Huatai may in its sole and absolute discretion determine), whether such obligations and liabilities are present or future, actual or contingent, primary or collateral, or joint or several.

The Client shall reimburse Huatai immediately upon demand all costs, charges, and expenses incurred by Huatai in connection to the sale of the Charged Property including but not limited to the legal fees incurred by Huatai on a full indemnity basis.

The Client must, at its own expense, take whatever action (including executing any instruments or documents) Huatai may require for: (i) creating, perfecting or protecting any security intended to be created by these Terms and Conditions (including, without limitation, any registration which is required in the jurisdiction of incorporation of the Client, or otherwise); or (ii) facilitating the realisation of any Charged Property, or the exercise of any right, power or discretion exercisable by Huatai or any of its delegates in respect of any Charged Property.

**15.4 Security unaffected:** The security created pursuant to this Clause shall be a continuing security, and shall not be affected in any way by:

- (a) any intermediate payment or settlement of account or satisfaction of the whole or any part of any sum owing by the Client to Huatai;
- (b) the closing of any Account which is subsequently re-opened or the subsequent opening of any Account;
- (c) any amendment or variation to these Terms and Conditions;
- (d) any Insolvency Event of the Client or (where the Client is an individual) the death of the Client or the Client being judicially declared as insane or incompetent;
- (e) any other security, guarantee or indemnity now or in the future granted by the Client in favour of Huatai (or any enforcement, absence of enforcement, variation, amendment, waiver, release of such security, guarantee or indemnity);
- (f) any time, indulgence or waiver given by Huatai to the Client;
- (g) the making or absence of any demand by Huatai for payment of any sum payable;
- (h) any amalgamation, merger or reconstruction that may be effected by Huatai with any other person or any sale or transfer of the whole or any part of the undertaking, property or assets of Huatai to any other person;
- (i) the existence of any claim, set-off or other right which the Client may have at any time against Huatai;
- (j) any arrangement or compromise entered into by Huatai with the Client or any other person;



- (k) the illegality, invalidity or unenforceability of, or any defect in, any other provision in these Terms and Conditions;
- (l) any agreement, security, guarantee, indemnity, payment or other transaction which is capable of being avoided under or affected by any law relating to bankruptcy, insolvency or winding-up or any release, settlement or discharge given or made by the Client on the faith of any such agreement, security, guarantee, indemnity, payment or other transaction, and any release, settlement or discharge shall be deemed to be limited accordingly; or
- (m) any other person or any other dealing, fact, matter or thing which, but for this provision, might operate to prejudice or affect the Client's liabilities under these Terms and Conditions.

**16. Events of default**

**16.1 Rights:** Without prejudice to any other right which Huatai may have under these Terms and Conditions or otherwise under applicable laws and regulations, upon the occurrence of an Event of Default, Huatai may (but is not obliged to) immediately or at any time afterward do any one or more of the following without prior notice to the Client and without the Client's consent:

- (a) suspend (indefinitely or otherwise) or terminate all or any Service, Account or part of these Terms and Conditions, and accelerate all or any liability of the Client to Huatai so that any such liability shall become immediately due and payable;
- (b) decline to execute any Instruction received (but which has not yet been executed);
- (c) decline to accept any further Instructions;
- (d) terminate any or all outstanding Transactions made by Huatai on the Client's behalf (including any Transaction which has yet to be settled on the day on which the Event of Default occurs);
- (e) close out, replace, reverse, exercise or abandon any one or more Transactions by whatever means Huatai considers appropriate;
- (f) settle, cover, reduce or eliminate the Client's positions, contracts or commitments in respect of any Investment by purchasing, selling, borrowing or lending any money, Investment, underlying or other property or entering into any other Transaction for and on behalf of the Client;
- (g) take such other action as a reasonably prudent person would take in the circumstances to protect Huatai's position;
- (h) liquidate or sell any Investment, Collateral or other property, or part of them, at the sole discretion of Huatai as to the manner and time of sale and consideration and other terms and conditions, for the purposes of including but not limited to satisfying any of the liabilities and indebtedness due and owing by the Client to Huatai, whether such obligations and liabilities are present or future, actual or contingent, primary or collateral, or joint or several, and all costs, charges, fees and expenses (including legal expenses) incurred by Huatai in such sale;
- (i) exercise any other power or right which Huatai may have under applicable laws and regulations or these Terms and Conditions;
- (j) in relation to any amount of whatever nature standing to the credit of the Client (including any Securities, Collateral or other property): (i) apply any such amount against any amount which the Client owes to Huatai (of whatever nature and

however arising, including any amount due and unpaid under any Transaction and any contingent amount); and (ii) hold any such amount pending full settlement of any other obligations of the Client;

- (k) suspend performance of any of its obligations to the Client (including the payment of any sum or delivery of asset which is due or which might thereafter become due);
- (l) demand any amount which the Client owes to Huatai (of whatever nature and however arising, including any amount due and unpaid under any Transaction and any contingent amount); and/or
- (m) exercise any of its rights under Clause 15 of these General Terms and Conditions.

**16.2 Settlement and discharge:** Any settlement or discharge between Huatai and the Client shall be conditional upon no security provided to, or payment to, Huatai being avoided or reduced or required to be paid away by virtue of any requirement (whether or not having the force of law) or enactment, whether relating to bankruptcy, insolvency, liquidation, judicial management or administration or otherwise, at any time in force or by virtue of any obligation to give any preference or priority and in any such event Huatai shall be entitled to recover the value or amount of any security or payment from the Client as if such settlement or discharge had not occurred.

**16.3 Sale, liquidation and disposal of assets:** In the event of any sale, liquidation or disposal of Investment, Collateral or other property pursuant to this Clause (including where Huatai exercises any of its rights under Clause 15 of these General Terms and Conditions):

- (a) Huatai shall not be responsible for any resultant Loss in connection with Huatai exercising any of its rights to sell, liquidate or dispose of Investment, Collateral or other property, in whole or in part;
- (b) Huatai shall be entitled to keep for itself or sell, liquidate or dispose of any Investment, Collateral or other property in whole or in part, to any person at its sole and absolute discretion, without being in any way responsible for any resultant Loss, however arising and without being accountable for any profit made by Huatai; and
- (c) the Client agrees to pay to Huatai any deficiency if the net proceeds of the sale, liquidation or disposal shall be insufficient to cover all the outstanding balances owed by the Client to Huatai.

## **17. Termination**

**17.1 Without cause:** Without prejudice to any right which Huatai has under these Terms and Conditions, Huatai or the Client may terminate the provision of any or all of the Services under these Terms and Conditions, by giving to the other not less than 7 days' prior notice in writing, unless otherwise agreed between the parties.

**17.2 With cause:** Without prejudice to any right which Huatai may have under these Terms and Conditions, Huatai may terminate the provision of any or all of the Services under these Terms and Conditions at any time, without advance notice to the Client, in accordance with any right given to Huatai under these Terms and Conditions (such as when an Event of Default occurs) or in order to comply with applicable laws and regulations.

**17.3 Consequences:** Without prejudice to Clause 16, upon termination of any or all of the Services provided to the Client under these Terms and Conditions:

- (a) all amounts owed by the Client to Huatai under these Terms and Conditions or any agreement in connection with these Terms and Conditions shall become immediately due and payable;
- (b) the Client shall (by notice in writing) instruct Huatai as to the proper disposal or transfer of monies and its other properties and if the Client fails to do so within 14 days after termination, Huatai may exercise any of its rights under Clause 16 of these General Terms and Conditions as if an Event of Default had occurred and/or Huatai may continue to hold such monies and other property for the Client until it receives instructions in writing from the Client (provided that the Client shall be liable for all costs, expenses, fees and charges imposed by Huatai for such purposes until the actual disposal of transfer);
- (c) Huatai shall cease to have any obligations to acquire or dispose of Investments for or with the Client in accordance with these Terms and Conditions, notwithstanding any Instruction from the Client to the contrary;
- (d) Huatai may (without the Client's prior consent) terminate, close out or otherwise realise the outstanding positions with respect to all or part of any Transaction or other commitments made on behalf of the Client or with the Client by determining its value in good faith as of the date of the close-out or as soon as practicable after the close-out;
- (e) Huatai may sell, realise, redeem, liquidate or otherwise dispose of all or part of the Investments to satisfy all indebtedness of the Client to Huatai and any net cash proceeds received by Huatai pursuant to such sale, realisation, redemption, liquidation or other disposal shall be returned to the Client, after first deducting or providing for all monies and sums due or owing and other liabilities accrued or accruing due to Huatai and outstanding (whether actual or contingent, present or future or otherwise). The Client shall reimburse Huatai immediately upon demand all costs, charges, and expenses incurred by Huatai in connection to such sale, realization, redemption, dissolution or other disposal including but not limited to the legal fees incurred by Huatai on a full indemnity basis. All Investments not realised or disposed of together with any relevant document of title in Huatai's possession shall be delivered to the Client at the Client's sole risk and expense. Huatai shall have no liability for Loss incurred by the Client arising from such delivery. If there is a debit balance, the Client shall immediately pay to Huatai an amount equal to such debit balance together with Huatai's cost of funding such amount and interest at the rate of 6% above the prevailing prime rate or best lending rate for the relevant currency (as determined by Huatai in its sole and absolute discretion from time to time) up to the date of actual receipt of full payment by Huatai (after and before any judgment); and
- (f) Huatai may close all or any Accounts opened and maintained in the name of the Client.

For the avoidance of doubt, where one or more (but not all) of the Services provided to the Client is terminated, the above shall apply (at Huatai's sole and absolute discretion) in respect of the terminated Services.

**17.4 Rights and obligations:** The termination of the provision of any Services under this Clause shall take place without prejudice to the completion of any Transaction already initiated by Huatai for the Client and will not prejudice or affect any rights or obligations of Huatai or the Client which may have accrued on or before the date of termination.

**17.5 Survival after termination:** All warranties, representations, undertakings, covenants, exclusions and indemnities given by the Client under these Terms and Conditions and the provisions in Clauses 12.3, 13, 14, 15, 17.3, 17.4, 18, 19 and 20 of these General Terms and Conditions shall survive termination.

**18. Client identity**

**18.1 Disclosure obligation:** If the Client effects a Transaction in Securities that are listed or traded on the SEHK, or Futures/Options Contracts that are traded on the HKFE, or derivatives written over such Securities or Futures/Options Contracts, whether on a discretionary or non-discretionary basis and whether as agent or by entering into matching transactions as principal with its client, and Huatai has received an enquiry from any Regulator in relation to such Transaction:

- (a) subject to paragraph (b) below, the Client shall, upon request and within the time limit specified by Huatai, disclose to the Regulator, the identity, address, occupation and contact details of: (i) the client for whose account such Transaction was effected; (ii) (so far as known to the Client) the person with the ultimate beneficial interest in such Transaction; and (iii) any third party (if different from the person in (i) or (ii)) who originated such Transaction; and
- (b) if the Client effected such Transaction for a collective investment scheme, discretionary account or discretionary trust, the Client shall: (i) upon request and within the time limit required by Huatai, disclose to the Regulator the identity, address and contact details of the scheme, account or trust and, if applicable, the identity, address, occupation and contact details of the person who, on behalf of the scheme, account or trust, instructed it to effect such Transaction; and (ii) as soon as practicable, inform Huatai when its discretion to invest on behalf of the scheme, account or trust has been overridden, and in such event, upon request and within the time limit required by Huatai, disclose to the Regulator the identity, address, occupation and contact details of the person(s) who has or have given the Instruction in relation to such Transaction.

**18.2 Client's client acting as intermediary:** If the Client effected such Transaction referred to in Clause 18.1 of these General Terms and Conditions for its client and is aware that such client is itself acting as intermediary for its underlying client but the Client does not know the identity, address, occupation and contact details of such underlying client for whom such Transaction was effected, the Client undertakes and confirms that:

- (a) it has arrangements in place with such client which entitles the Client to obtain the information set out in Clause 18.1 of these General Terms and Conditions from such client upon request and within the required time limit or procure that it be so obtained; and
- (b) it will, on request from Huatai in relation to such Transaction, promptly request the information set out in Clause 18.1 of these General Terms and Conditions from such client on whose Instructions such Transaction was effected, and provide the information to the Regulator as soon as received from such client or procure that it be so provided.

**18.3 Consent and waiver:** The Client undertakes, represents and confirms that, where necessary, it has obtained all relevant consents and/or waivers from its clients, collective investment schemes, discretionary accounts or discretionary trusts for whose account a

Transaction may be effected and (where appropriate) complied with the requirements of the Personal Data (Privacy) Ordinance (Cap. 486, Laws of Hong Kong), such that it is able to release and allow the release of information to any Regulator of the identity and contact details of such clients, collective investment schemes, discretionary accounts or discretionary trusts, and of the person with the ultimate beneficial interest in any such Transaction, and (if different from the client/ultimate beneficiary) of the person who originated such Transaction. The Client further undertakes, represents and confirms that it is not subject to any law or regulation which prohibits its performance of this Clause, or if it is subject to such law or regulation, that it or its clients, as the case may be, have validly waived the benefit of such law or regulation and consented in writing to the performance of this Clause.

## **19. Communications**

**19.1 Form:** Communications which are required or permitted to be in writing (or electronic form) may be delivered in person or transmitted by post, facsimile or electronic mail:

- (a) if to the Client, at the address, facsimile number or electronic mail address given in the Account Opening Form or at such other address, facsimile number or electronic mail address as notified by the Client to Huatai in writing; and
- (b) if to Huatai, at the address, facsimile number or electronic mail address as notified by Huatai to the Client from time to time.

**19.2 Timing of receipt:** Communications shall be deemed to have been given:

- (a) if delivered personally, by facsimile or by electronic mail, at the time of delivery or transmission; or
- (b) if sent by local mail, two (2) Business Days after the date of posting; or
- (c) if sent by overseas mail, five (5) Business Days after the date of posting,

provided that any communication to Huatai shall be effective only when received by Huatai.

## **20. Miscellaneous**

**20.1 Time is of the essence:** Time shall be of the essence in relation to all matters arising under these Terms and Conditions.

**20.2 Assignment and transfer:** These Terms and Conditions are binding on the Client, its successors, heirs, executors, administrators, personal representatives and assignees (as the case may be). The Client shall not assign or transfer or enter into any sub-participation or subordination with respect to any of its rights or obligations under these Terms and Conditions, any Transaction or any contract entered into under these Terms and Conditions or declare a trust of any such rights without Huatai's prior written consent. Any purported assignment, transfer, sub-participation, subordination, declaration of trust or performance of obligations without Huatai's prior written consent shall be invalid.

These Terms and Conditions shall be binding on and enure to Huatai's benefit and the benefit of Huatai's successors and assigns and notwithstanding Huatai's absorption or amalgamation by or with another person. Huatai may, at any time, without the Client's consent, assign and/or transfer all or any of its rights and obligations under these Terms and Conditions and/or any other agreements or documents entered into from time to time in connection with the provision of the Services to the Client. For the avoidance of doubt, any transfer of Huatai's rights and obligations to a transferee shall be on the same basis as under

these Terms and Conditions and/or the agreements or documents entered into from time to time in connection with the provision of the Services to the Client and the Client shall be treated for all purposes on a continuing basis as having consented to any such transfer of obligations.

**20.3 Amendment:** Huatai may (at its sole and absolute discretion) amend any part of these Terms and Conditions by giving the Client notice in writing of such amendment at least seven (7) days prior to such amendment taking effect. Such amendment will take effect and be deemed incorporated in these Terms and Conditions unless the Client objects by giving notice in writing to Huatai within seven (7) days from the date of Huatai's notice of amendment to the Client. If any amendment is not within Huatai's control (including, without limitation, any amendment which is necessary as a result of any change of relevant laws and regulations) then such amendment will take effect and be deemed incorporated in these Terms and Conditions on the date as specified in Huatai's notice of amendment to the Client.

**20.4 Complaints:** Any complaints shall be made in writing and addressed to the Complaints Officer, who will investigate the complaint and respond to the Client promptly. The Client agrees to provide the Complaints Officer with all such information as the Complaints Officer may reasonably request to enable the Complaints Officer to investigate the complaint. Where a complaint is not remedied promptly, Huatai will advise the Client of any further steps which may be available to the Client (including, where applicable, the right to refer a dispute to the Financial Dispute Resolution Centre Limited).

**20.5 Joint Clients:** Where an Account is opened for more than one individual jointly (whether a partnership or otherwise):

- (a) the expression "Client" shall be a reference to each individual, and the liability of the joint Clients shall be joint and several. Therefore Huatai may demand repayment from any or all of the joint Clients;
- (b) any Instruction given or purported to be given by any one or more of the joint Clients shall be treated as a valid Instruction given by all joint Clients. For the avoidance of doubt, Huatai is not responsible for determining the purposes or propriety of an Instruction, but Huatai reserves the right to require written Instructions from all the joint Clients at its sole and absolute discretion. For these purposes, each joint Client:
  - (i) appoints the other(s) to act singly as his true and lawful attorney and agent to act for and on his behalf and in his name for such purpose; and
  - (ii) approves, ratifies and confirms for all purposes the acts done or purported to be done by reason of (i) above;
- (c) where separate Instructions given by two or more of the joint Clients are in conflict, Huatai may either act on any of those Instructions, delay in acting on those Instructions until the apparent conflict has been resolved or act only on the unanimous Instructions of all joint Clients and Huatai shall not be responsible or liable for any Loss in connection to such delay;
- (d) any notice or document given by or to any one or more of the joint Clients shall be treated as given by or to all joint Clients;
- (e) any demand for payment on any one or more of the joint Clients shall be treated as a valid demand on all joint Clients;
- (f) Huatai may release or discharge any one or more of the joint Clients from liability under these Terms and Conditions or compound with, accept compositions from, or

- make any other arrangement with, any of such joint Clients without, in consequence, releasing or discharging or otherwise prejudicing or affecting its rights and remedies against any other joint Client;
- (g) any delivery of payment or Investment to any joint Client shall be a valid and complete discharge of Huatai's obligations to each joint Client, regardless of whether such delivery is made before or after the death of that joint Client;
  - (h) on the death of any joint Client (being survived by any other joint Client):
    - (i) these Terms and Conditions shall not terminate;
    - (ii) the interest in the Account of the deceased joint Client will be vested in and enure for the benefit of the surviving joint Client(s) and all monies and Investments in such Account shall be held by Huatai to the order of the surviving joint Client(s). Payment, withdrawal or delivery of any monies or Investments from the Account to the surviving joint Client(s) shall be a complete discharge of Huatai's obligations. However:
      - (A) Huatai may act on the Instructions of the personal representatives of the deceased joint Client upon receiving proof of their authority;
      - (B) Huatai shall retain all rights Huatai would otherwise have in respect of any monies and Investments in the Account;
      - (C) Huatai may take any step which Huatai reasonably deems desirable in view of any claim or potential claim by any person other than the surviving joint Client(s); and
      - (D) Huatai may request the surviving joint Client(s) to produce such documentation to the satisfaction of Huatai that no estate duty is payable on the monies and Investments held in the Account in respect of any payment, withdrawal or delivery of such monies or Investments from such Account, including an indemnity to Huatai for permitting the payment, withdrawal or delivery;
    - (iii) no surviving joint Client can enforce any rights or remedies under the Account or otherwise until all obligations of the joint Client(s) to Huatai have been fully satisfied; and
    - (iv) remittances received in favour of a joint Client alone may automatically be credited to the Account unless Huatai has received specific Instructions to the contrary;
  - (i) any automatic disposal or standing instructions for an Account will cease upon Huatai's receipt of notification of the death, insanity, incapacity or bankruptcy of any of the joint Clients;
  - (j) these Terms and Conditions shall be binding on the heirs, executors, administrators, personal representatives, successors and assigns (as the case may be) of each of the joint Clients;
  - (k) termination by any one or more of the joint Clients (or their personal representatives) shall not affect the continuing liability of the other joint Clients;
  - (l) the surviving joint Client(s) shall give Huatai written notice immediately upon becoming aware of the death of any of the other joint Clients;

- (m) (in the case of a partnership) each person that ceases to be a partner will remain liable for all liabilities and obligations owed by the partnership to Huatai which have accrued up to and including the date that such person ceases to be a partner of the partnership; and
  - (n) (in the case of a partnership) each partner authorises Huatai to, at any time and without notice to the partner, combine or consolidate all or any Accounts of the partnership and the individual Accounts of the partner with the partnership's obligations to Huatai, and set off or transfer any sum standing to the credit of any one or more of such Account(s) in or towards satisfaction of any of the obligations.
- 20.6 Unsolicited electronic messages:** Unless otherwise notified in writing by the Client, the Client expressly agrees and permits Huatai to send unsolicited and/or in bulk, commercial electronic messages to the Client relating to the Services of Huatai from time to time. This shall constitute consent of the Client for the purposes of the Unsolicited Electronic Messages Ordinance (Cap. 593, Laws of Hong Kong).
- 20.7 Investor Compensation Fund:** The Client understands and agrees that in the event of a default committed by Huatai causing the Client to suffer a pecuniary loss, the Client's right to compensation under the Investor Compensation Fund established under the SFO will be restricted to valid claims as provided for in the SFO and relevant subsidiary legislation and will be subject to the monetary limits specified in the Securities and Futures (Investor Compensation – Compensation Limits) Rules (Cap. 571AC, Laws of Hong Kong). Certain types of investors cannot claim against the Investor Compensation Fund. Accordingly, there can be no guarantee that the Client's loss may be recouped from the Investor Compensation Fund in full or in part.
- 20.8 Severability:** If any provision of these Terms and Conditions is or becomes inconsistent with any applicable present or future laws and regulations, that provision will be deemed rescinded or modified in order to comply with the relevant laws and regulations. Any provisions of these Terms and Conditions which is invalid or unenforceable for any reason shall be ineffective only to the extent of such invalidity or unenforceability. All other provisions of these Terms and Conditions remain in full force and effect.
- 20.9 No waiver:** No failure or delay by Huatai in exercising any right, power or privilege under these Terms and Conditions shall operate as a waiver, nor shall any single or partial exercise preclude any other or further exercise or the exercise of any other right, power or privilege. Any remedy provided to Huatai in these Terms and Conditions is not intended to be exclusive of any other remedy and each and every remedy shall be cumulative and in addition to every other remedy given under these Terms and Conditions now or in the future existing at law or in equity, by statute or otherwise.
- 20.10 Language:** To the extent that there is any inconsistency between the English version of these Terms and Conditions and any translated version of these Terms and Conditions, the English version of these Terms and Conditions shall prevail.
- 20.11 Governing law:** These Terms and Conditions as well as all rights and obligations under them shall be governed and construed in all respects by the laws of the Hong Kong Special Administrative Region.
- 20.12 Jurisdiction:**



- (a) Subject to Clause 20.12(c) below, the courts of the Hong Kong Special Administrative Region have exclusive jurisdiction to settle any dispute arising out of or in connection with these Terms and Conditions (including dispute(s) regarding the existence, validity or termination of these Terms and Conditions) (a “**Dispute**”).
- (b) Huatai and the Client agree that the courts of Hong Kong are the most appropriate and convenient courts to settle Disputes and accordingly none of Huatai nor the Client will argue to the contrary.
- (c) This Clause 20.12 is for the benefit of Huatai only. As a result, nothing in this Clause 20.12 limits the right of Huatai to bring proceedings against the Client arising out of or in connection with a Dispute in any other court of competent jurisdiction. To the extent allowed by law, Huatai may take concurrent proceedings arising out of or in connection with a Dispute against the Client in any number of jurisdictions, and the taking of proceedings by Huatai against the Client in one or more jurisdictions shall not preclude the taking of proceedings in any other jurisdiction(s) whether concurrently or not.

**20.13 Process agent:** If the Client does not have an address in Hong Kong, without prejudice to any other mode of service allowed under any relevant law, the Client irrevocably appoints the person that is named as the “Process Agent” in the Account Opening Form (or as otherwise notified by the Client to Huatai in writing) as the Client’s agent to accept service of any legal process in Hong Kong on its behalf. The Client irrevocably agrees that the service of legal process on such agent shall constitute service on the Client, and any failure by such agent to notify the Client shall not invalidate the proceedings concerned. The Client irrevocably waives any objection to the service of legal process on such agent and further irrevocably agrees that the service of legal process on such agent shall be conclusive and binding on the Client.

**21. Suitability**

If Huatai solicits the sale of or recommends any financial product to the Client, the financial product must be reasonably suitable for the Client having regard to the Client’s financial situation, investment experience and investment objectives. No other provision of these Terms and Conditions or any other document that Huatai may ask the Client to sign and no statement Huatai may ask the Client to make derogates from this Clause.

## PART B – SERVICE TERMS AND CONDITIONS

### Schedule 1 – Securities Trading Services

#### 1 Applicability

This Schedule 1 supplements the General Terms and Conditions and applies in connection with any Transactions in relation to Securities.

#### 2 Short selling

##### 2.1 Acknowledgement: The Client acknowledges that:

- (a) uncovered short selling of Listed Securities is unlawful in Hong Kong; and
- (b) only certain Securities are designated securities which are eligible for short selling.

##### 2.2 Notification: Where the Client intends to conduct a Transaction which is a short sale of Listed Securities, the Client agrees to expressly inform Huatai of that fact at the time it gives Instructions to Huatai, and if the Client fails to do so, Huatai shall be entitled to assume for all purposes that the relevant sale is not a short sale. Accordingly, Huatai is not required to confirm whether or not a sale is a short sale whenever it receives a sell Instruction from the Client.

##### 2.3 Confirmation: In respect of every short selling order of Listed Securities, the Client shall, at the time it gives Instructions to Huatai, provide a confirmation to Huatai (in such form and manner as is acceptable to Huatai) that the Client or (where acting as agent) its underlying principal has a presently exercisable and unconditional right to vest the Securities in the purchaser of such Securities or the Client has made proper arrangements to cover the trade settlement.

##### 2.4 Compliance: The Client shall at all times comply with all applicable laws and regulations. In addition, in respect of any short selling order, the Client agrees to provide Huatai with any confirmation, information and/or assurances that Huatai may require from the Client.

#### 3 New listings of Securities

##### 3.1 General: This Clause shall apply where the Client requests that Huatai (on behalf of the Client) apply for Securities in a new listing on the SEHK,

##### 3.2 Representations and warranties: The Client represents and warrants to Huatai that:

- (a) all statements made by the Client in the application form are true, accurate and complete;
- (b) it has the authority to make such application and satisfies all eligibility criteria set out in the prospectus, application form and other relevant documentation in respect of such new listing;
- (c) it has read and understands the prospectus, application form and other relevant documentation in respect of the new listing, and agrees to be bound by and will comply with all of the terms and conditions governing the new listing;

- (d) it has not submitted and will not submit, directly or indirectly, multiple applications for its benefit in the subscription tranche. For these purposes, the Client acknowledges that any application made by an unlisted company which does not carry on any business other than dealing in Securities and in respect of which the Client exercises control shall be deemed to be an application made for the benefit of the Client. In addition, in connection with this provision, the Client authorizes Huatai to represent and warrant to the SEHK that no other application shall be made or shall be intended to be made by the Client or for the Client's benefit; and
- (e) it is not a director, chief executive or shareholder of the issuer or any of its affiliates.

**3.3 Bulk application:** In relation to a bulk application made by Huatai on behalf of Huatai, the Client and/or Huatai's other clients, the Client:

- (a) acknowledges that such bulk application may be rejected for reasons which are unrelated to the Client and the Client's application, and Huatai shall not (in the absence of fraud, gross negligence or wilful default) be liable to the Client or any other person in consequence of such rejection; and
- (b) shall indemnify Huatai in accordance with the indemnity provisions of these Terms and Conditions if such bulk application is rejected either in circumstances where the Client's representations and warranties have been breached or otherwise because of factors relating to the Client (and, in such event, the Client may also be liable in damages to other persons affected by such breach or other factors).

#### **4 Nasdaq-Amex pilot program**

Before accepting or operating a Securities Account for the Client in relation to Securities admitted to trading under the Nasdaq-Amex Pilot Program, Huatai shall provide the Client with documentation on the Nasdaq-Amex Pilot Program as prescribed by The Stock Exchange of Hong Kong Limited (in either Chinese or English, according to the language preference of the Client).

## Schedule 1 Annex: Risk Disclosure and Other Information

This Annex describes some of the key risk factors and other information concerning Transactions in relation to Securities. This Annex does not disclose all the risks and other significant aspects of trading Securities. The Client should ensure that it understands the nature and risks of trading Securities and it should consider carefully (and consult its own advisers where necessary) whether trading Securities is suitable for it in light of its circumstances. The Client should not trade Securities unless it fully understands and is willing to assume the risks associated with Securities and is able to comply with all relevant laws and regulations. The Client acknowledges the risks and agrees to the terms set out in this Annex.

The Client may have varying levels and types of protection in relation to Transactions on different Markets. Huatai does not represent that the information set out in this Annex is up to date or comprehensive and does not undertake to update the information set out in this Annex.

### 1 Risk of Securities Trading

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

### 2 Risk of Trading Growth Enterprise Market Stocks

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

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

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

The Client should seek independent professional advice if it is uncertain of or has not understood any aspect of this Annex or the nature and risks involved in trading of GEM stocks.

### 3 Risk of Margin Trading

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

### 4 Risk of Providing an Authority to Repledge Securities Collateral etc.

There is risk if the Client provides Huatai with an authority that allows Huatai to apply its

Securities or Securities Collateral pursuant to a securities borrowing and lending agreement, repledge its Securities Collateral for financial accommodation or deposit its Securities Collateral as collateral for the discharge and satisfaction of its settlement obligations and liabilities.

If the Client's Securities or Securities Collateral are received or held by Huatai in Hong Kong, the above arrangement is allowed only if the Client consents in writing. Moreover, unless the Client is a professional investor, the Client's authority must specify the period for which it is current and be limited to not more than 12 months. If the Client is a professional investor, these restrictions do not apply.

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

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

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

A cash Account not involving securities borrowing and lending is available. If the Client does not require margin facilities or does not wish for its Securities or Securities Collateral to be lent or pledged, the Client should not sign the above authorities and ask to open this type of cash Account.

## **5 Risks of Client Assets Received or Held Outside Hong Kong**

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

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

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

## **7 Risk of Trading Nasdaq-Amex Securities on the SEHK**

The Securities under the Nasdaq-Amex Pilot Program ("PP") are aimed at sophisticated investors. The Client should consult Huatai and become familiarised with the PP before trading in the PP Securities. The Client should be aware that the PP Securities are not regulated as a primary or secondary listing on the Main Board or GEM of the SEHK.

## **8 Specific Risk of Investing in Structured Products Listed on SEHK**

Structured products carry a high degree of risk. The risk of loss in trading structured products can be substantial. Prospective investors should have prior knowledge of, or experience in

trading in structured products. The Client should carefully consider whether such trading is suitable in the light of the Client's own financial position and investment objectives.

(a) *Issuer default risk*

In the event that a structured product issuer becomes insolvent and defaults on their Listed Securities, the Client will be considered as an unsecured creditor and will have no preferential claims to any assets held by the issuer. The Client should therefore pay close attention to the financial strength and creditworthiness of structured product issuers.

(b) *Uncollateralised product risk*

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

(c) *Gearing risk*

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

(d) *Expiry considerations*

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

(e) *Extraordinary price movements*

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

(f) *Foreign exchange risk*

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

(g) *Liquidity risk*

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

(h) *Some additional risks involved in trading derivative warrants*

(i) *Time decay risk*

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

(ii) *Volatility risk*

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

(i) *Some additional risks involved in trading CBBCs.*

(i) *Mandatory call risk*

The Client trading CBBCs should be aware of its 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. The Client will only be entitled to the residual value of the terminated CBBC as calculated by the product issuer in accordance with the listing documents. The Client should also note that the residual value can be zero.

(ii) *Funding costs*

The issue price of a CBBC includes funding costs. Funding costs are gradually reduced over time as the CBBC moves towards expiry. The longer the duration of the CBBC, the higher the total funding costs. In the event that a CBBC is called, the Client 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.

## **9 Specific Risk of Investing in Exchange Traded Funds (“ETFs”)**

(a) *Market risk*

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

(b) *Tracking errors*

Tracking errors refer to the disparity in performance between an ETF and its underlying index/assets. Tracking errors can arise due to factors such as the impact of transaction fees and expenses incurred to the ETF, changes in composition of the underlying index/assets, and the ETF manager’s replication strategy.

(c) *Trading at discount or premium*

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

(d) *Foreign exchange risk*

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

(e) *Liquidity risk*

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

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

(i) *Full replication and representative sampling strategies*

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

(ii) *Synthetic replication strategies*

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

– Swap-based ETFs

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

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

– 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.

(g) 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.

## 10 Specific Risk of Investing in Overseas Issuers

(a) *Risks relating to investing in overseas issuers*

(i) An overseas issuer is subject to a different set of corporate laws governing its affairs including duration, organisation structure, governing bodies and their powers, shares transfer, shareholders rights, shareholders’ dispute resolutions.

(ii) It may be difficult for local shareholders/investor of an overseas issuer to enforce their shareholder rights against the issuer or its directors due to



complications arising from cross-border access to evidence, legal services, court assistance or the incremental costs related to those services.

- (iii) Hong Kong regulators may not have extra-territorial investigation and enforcement jurisdiction. Instead, reliance has to be placed on the overseas regulatory regimes to enforce against any corporate governance breaches committed by their subject.
  - (iv) If an overseas issuer's principal operations and assets are outside its place of incorporation or Hong Kong, they may be subject to other laws, standards, restrictions and risks that significantly differ from those in Hong Kong.
- (b) *Risks relating to investing in secondary listed issuers*
- (i) Secondary listed issuers are primarily regulated by another stock exchange and financial regulator and are often granted extensive Listing Rules waivers. They do not conform to the Listing Rules in their entirety. Because of the different characteristics of overseas and Hong Kong Securities markets, fluctuations in the price of Securities are more likely.
- (c) *Additional risks relating to investing in Hong Kong depository receipts issuers*
- (i) The Hong Kong Depository Receipts (“HDR”) framework is an alternative facility for issuers, in particular overseas issuers, to list on the SEHK. There are no changes to the listing regime. An issuer seeking to list in Hong Kong through HDRs will have to comply with generally the same requirements as an issuer of shares, except for the modifications in Chapter 19B of the Main Board Rules. However, HDRs are not shares and therefore do not attract the same legal consequences as those of shares. The HDR Depository's obligations are set out in a deposit agreement.
  - (ii) HDR holders do not have rights of shareholders and must rely on the HDR Depository to exercise on their behalf the rights of a shareholder.
  - (iii) HDR holders need to pay for the fees and expenses charged by the HDR Depository for services rendered.

## **11 Risks of Trading RMB Securities or Investment in RMB Products**

(a) *Currency risks*

The exchange rate of RMB may be rise or fall. As RMB is subject to conversion restrictions and foreign exchange control mechanism, the Client who holds a local currency other than RMB will be exposed to currency risk if the Client invests in RMB products. The Client may have to convert its local currency into RMB when the Client invests in a RMB product. When the Client redeems/sells its investment, it may also need to convert the RMB received upon redemption/sale of its investment product into its local currency (even if redemptions/sale proceeds are paid in RMB). During these processes, the Client will incur currency conversion costs and it will also be exposed to currency risk.

(b) *Possibility of not receiving RMB upon redemption/sale of RMB investments*

The Client should always understand the nature and terms of a product and read the offering documents carefully before investing to find out whether the Client will actually

receive RMB when the Client redeems/sells the RMB products. Even if the product aims to deliver RMB, it may not be able to pay the Client in RMB if the product has to sell non-RMB-denominated investments to meet the Client's redemption/sale request, and encounters conversion restrictions when converting the proceeds in non-RMB currencies into RMB. On the other hand, even if the investments are denominated in RMB, there may not be sufficient RMB to satisfy the redemption/sale requests due to the repatriation or other controls on RMB. As a result, the Client may not receive RMB when it redeems/sells its investments.

(c) *Liquidity risk*

RMB products are subject to liquidity risk as there may not be regular trading or an active secondary market. Some RMB products are subject to lock-up period or heavy penalty or charges for early surrender or termination of the product. Therefore, the Client may not be able to sell the investment in the product on a timely basis, or the Client may have to sell the product at a deep discount to its value.

(d) *Investment/market risk*

Like any investment, RMB products are subject to investment risk and may not be principal protected, i.e. the assets that the products invest in or referenced to may fall as well as rise, resulting in gains or losses to the product. This means that the Client may suffer a loss even if RMB appreciates.

(e) *Issuer/counterparty risk*

RMB products are subject to the credit and insolvency risks of their issuers. Furthermore, as a RMB product may invest in derivative instruments, counterparty risk may also arise as the default by the derivative issuers may adversely affect the performance of the RMB products and result in substantial losses.

## **12 Risks of Investing in Derivative Products (Including But Not Limited to Equity Linked Notes/Instrument)**

### *General risk for investing in structured product*

- (a) Derivative products often involve a high degree of gearing, so that a relatively small movement in the price of the underlying Securities results in a disproportionately large movement in the price. The values of derivative products are not fixed, but fluctuate with the market, which may be influenced by many factors, including changes in the economic and/or political environment. The prices of derivative products can therefore be volatile.
- (b) Derivative products are imbedded with options. Transactions in options carry a high degree of risk. The risk of loss in trading options can be substantial. Prospective investors should have prior knowledge of, or experience in option markets. The Client should carefully consider whether such trading is suitable in the light of its own financial position and investment objectives.
- (c) The Client should not buy a derivative product unless it is prepared to sustain a total loss of the money it has invested plus any commission or other Transaction charges.

- (d) While derivative products are unexercised and if their underlying Securities are suspended from trading on the SEHK or any other relevant Market, they may be suspended from trading for a similar period of time as their underlying Securities.
- (e) Depending on the structure of a particular derivative product, the Client may be obligated to accept delivery or make delivery (as the case may be) of the underlying Securities if the conversion price is triggered or pursuant to the terms and conditions of the relevant agreement, contract or confirmation of the subject Transaction. Depending on the market conditions, the Client may be obligated to accept delivery of the underlying Securities at a price which is above the market price such Securities or to make delivery of the underlying Securities at a price which is below the market price of such Securities and losses may occur resulting from such actions which can be substantial. The loss resulting from investing such derivative product can be over and above the initial amount invested to a substantial extent.
- (f) If there is an extraordinary event or an adjustment event such a stock split, issue of bonus shares or other unexpected event that change the number, value or weighting of issued shares of the underlying stock, the counter-party/calculation agent may adjust the contract terms, at its sole discretion, to reflect the new market conditions. This may include unwinding the contract. The Client should seek independent advice from professional parties in the event of such extraordinary events or adjustments.
- (g) Early termination prior to maturity is possible subject to the terms and conditions governing the derivation product and prevailing market terms and conditions.
- (h) The value of the derivative products may be reduced due to any downgrades by rating agencies such as Moody's Investors Inc. or Standard & Poor's Rating Services.
- (i) The Client should ensure that a purchase of a particular derivative product is lawful under the laws of the jurisdiction of its incorporation/domicile and the jurisdiction in which it operates (if different), and that such purchase will not contravene any law, regulation or regulatory policy applicable to it.
- (j) For derivative products (and non-listed financial instruments in general), in particular in "combined" or "structured" Transactions, the absence of a "market" or "common" reference price may make it impossible for Huatai to provide the precise value of the Transaction. Therefore the Client should be aware that the price indications by Huatai are always based on the latest available market prices of the underlying instrument or have arrived from sources believed to be reliable. Consequently, price indications might only reflect historic prices and may not reflect the final proceedings where the Transaction is terminated or assigned immediately, if this is possible at all. Huatai does not make any representation as to the accuracy or completeness of price indications for any Transactions and does not accept liability for any losses arising from the use thereof.
- (k) Structured products are formed by combining two or more financial instruments and may include one or more derivative products. Structured products may carry a high degree of risk and may not be suitable for many members of the public, as the risks associated with the financial instruments or derivative products may be interconnected. As such, the extent of loss due to market movements can be substantial. Prior to engaging in structured product Transactions, the Client should understand the inherent

risks involved. In particular, the various risks associated with each financial instrument or derivative product should be evaluated separately as well as taking the structured product as a whole. Each structured product has its own risk profile and given the unlimited number of possible combinations. It is not possible to detail in this Annex all the risks which may arise in any particular case. The Client should note that with structured products, buyers can only assert their rights against the issuer. Hence, particular attention needs to be paid to issuer risk. The Client should therefore be aware that a total loss of its investment is possible if the issuer should default.

- (l) Because the prices and characteristics of over-the-counter derivative products are individually negotiated and there is no central source for obtaining prices, there are inefficiencies in Transaction pricing. Huatai consequently cannot and does not warrant that its prices or the prices it secures for the Client are or will any time be the best price available to the Client. Huatai may make a profit from a Transaction with the Client no matter what result the Transaction has from the Client's point of view.
- (m) Equity-linked instruments ("ELIs") carry a high degree of risk. ELIs are products combining notes/deposits with stock options which may allow a bull, bear or strangle (i.e. trading range) bet. The return component of ELI is based on the performance of a single equity Security, a basket of equity Securities, or an equity index. ELIs may come in different forms: equity-linked notes, equity-linked deposits and equity-linked contracts. The Client acknowledges and agrees that while the maximum return on investment is usually limited to a predetermined amount of cash, the Client stands to potentially lose up to the entire investment amount if the underlying share price moves substantially against the investor's view. The Client should be able to understand the risks it is bearing before investing in ELIs.
- (n) The prices of the underlying Securities of derivative products fluctuate, sometimes dramatically. The price of a Security may move up or down, and may become valueless. Accordingly, it is as likely that loss will be incurred rather than profit made as a result of buying or selling derivative products. In particular, for some derivative products such as accumulators, depending on market conditions, the Client may be obligated to accept delivery of the underlying Securities at a price which is above the market price of such Securities and loss may occur resulting from such action which can be substantial. Similarly, for some derivative products such as decumulators, the Client may be obligated to make delivery of the underlying Securities at a price which is below the market price of such Securities and loss may occur resulting from such action which can be substantial. The loss resulting from investing in such derivative products can be over and above the initial amounts invested to a substantial extent.

### **13 Liquidity Risk**

Structured products have limited liquidity. It may be impossible for the Client to liquidate an existing position or to do so at a satisfactory price because the market finds it difficult to assess the value, to determine a fair price or assess the exposure to risk.

## Schedule 2 – Futures/Options Contracts Trading Services

### 1 Applicability

This Schedule 2 supplements the General Terms and Conditions and applies in connection with any Transactions in relation to Futures/Options Contracts.

### 2 Transactions in Futures/Options Contracts

2.1 **Applicable laws, regulations and Rules:** All Instructions and Transactions in relation to Futures/Options Contracts shall, in addition to these Terms and Conditions, be subject to applicable laws and regulations, and the applicable Rules. If there is any conflict or inconsistency between (i) the provisions of these Terms and Conditions and (ii) the applicable laws and regulations, or the applicable Rules, the latter shall prevail.

2.2 **Huatai's capacity:** Huatai may (i) enter into Transaction with the Client on a principal-to-principal basis or (ii) act as the Client's agent to effect Transactions on the Client's behalf. In any event, nothing herein contained shall constitute a partnership between Huatai and the Client.

2.3 **Margin:** The Client shall deposit and maintain Collateral and/or satisfy all Margin Calls in accordance with the margin requirements as set out in Clause 7 of the General Terms and Conditions and as specified by Huatai from time to time. The margin requirements may be varied by Huatai as and when necessary. Changes in the margin requirements shall apply to existing positions and new positions on or after the date of such change.

#### 2.4 Settlement:

(a) Every Futures/Options Contract entered into by Huatai on behalf of the Client is made on the understanding that both Huatai and the Client contemplate actual performance thereof and, as between Huatai and the Client, shall be deemed to contain obligations on the Client and Huatai to make settlement of such Futures/Options Contract and/or delivery of the Commodity the subject matter of such Futures/Options Contract, as the case may be.

(b) In respect of any open Futures/Options Contract maturing in a current futures month, the Client shall, no later than such time as specified by Huatai from time to time before the cut-off date for the tender of exercise instructions prescribed by the writer of the Futures/Options Contract or the relevant Futures Market, Clearing House or other person (whichever prescribes the earliest cut-off date) either give Instructions to Huatai to close out the same or deliver to Huatai all monies or Commodities deliverable by the Client under such Futures/Options Contract in order to enable due settlement of such Futures/Options Contract by Huatai in accordance with the Rules of the relevant Futures Market or Clearing House.

(c) If the Client fails to provide Huatai with such Instruction, monies or Commodities on or before such deadline, Huatai may (without notice or obtaining the Client's prior consent) either close out the relevant Futures/Options Contract or make or receive delivery on behalf of the Client upon such terms and by such methods as Huatai may in its absolute discretion determine.

2.5 **Options Contracts:** If the Client maintains a cash Account with Huatai for Options Contracts, only long Options Contract positions can be carried in the Account. The Client shall pay Huatai the full cash value of the premium of the Options Contract on the date of the Instruction to Huatai to purchase the Options Contract.

- 2.6 **Product specifications and other information:** Upon request, Huatai shall provide the Client with product specifications and any prospectus or other offering document relating to any Futures/Options Contracts.
- 2.7 **Knowledge of Futures/Options Contracts:** Huatai will assess the Client's knowledge of Futures/Options Contracts (including its understanding of the nature and risks of Futures/Options Contracts) and characterize the Client based on such knowledge. If the Client is without knowledge of Futures/Options Contracts but wishes to transact in Futures/Options Contracts, Huatai may be obliged to (amongst other things): (a) explain the relevant risks to the Client; and/or (b) warn the client about the Transaction; and/or (c) provide appropriate advice to the Client as to whether or not the Transaction is suitable for the Client. Where a Transaction is assessed to be unsuitable for the Client, Huatai may only proceed to effect the Transaction if to do so would (in Huatai's sole and absolute discretion) be acting in the best interests of the Client.
- 2.8 **Declining to act:** Huatai may decline to act on any Instruction if it reasonably believes that the Client does not have sufficient net worth to be able to assume the risks and bear the potential losses of trading in the Futures/Options Contracts. For the avoidance of doubt, Huatai shall not be liable to the Client or any other person for any Loss or consequence in connection with its declining to act on such Instruction.

### 3 **Position limits and reportable positions**

- 3.1 **Compliance with applicable Rules:** The Client agrees and undertakes that the Client shall observe and comply with applicable laws and regulations, and applicable Rules, including all applicable notification and reporting requirements and shall not exceed the prescribed limit applicable for the relevant Futures/Options Contracts in accordance with the applicable Rules, if any. The Client acknowledges that Huatai shall not (except to the extent required by the applicable Rules) be responsible for any transaction notification or reporting obligations of the Client and the Client undertakes that the Client shall not rely on Huatai to discharge the client's own transaction notification or reporting obligations under the applicable Rules.
- 3.2 **Futures/Options Contracts traded on the HKFE:** In relation to Futures/Options Contracts traded on the HKFE, the Client acknowledges and agrees that Huatai is bound by the Futures Rules, which (amongst other things):
- (a) requires Huatai to monitor and report "Large Open Positions" (as defined under the Futures Rules) and supply such additional information in respect of such "Large Open Positions" as and when necessary;
  - (b) permits the Hong Kong Futures Exchange Limited to impose trading limits and/or positions limits on Huatai;
  - (c) permits the Hong Kong Futures Exchange Limited to take steps to limit the positions or requiring the close out of contracts on behalf of such clients who in the opinion of the HKFE are accumulating positions which are or may be detrimental to the HKFE or any particular Market or Markets, or which are or may be capable of adversely affecting the fair and orderly operation of the HKFE, or any particular Market or Markets; and/or
  - (d) require Huatai to close out open positions which are in excess of any position limit or to effect the transfer in accordance with the Rules of Clearing House to another exchange participant of such number of open contracts that result in Huatai complying with the position limit.

#### 4 Prescribed provisions

Without prejudice and in addition to any other provision in these Terms and Conditions:

- (a) Every Futures/Options Contract traded on the HKFE shall be subject to the charge of an Investor Compensation Fund levy and a levy pursuant to the SFO, the cost of both of which shall be borne by the Client.
- (b) Transaction related to Futures/Options Contracts traded on the HKFE shall be subject to the Rules (including the Futures Rules). Upon the request of the HKFE or the SFC, Huatai may be required to disclose the name and beneficial identity and such other information concerning the Client as the HKFE or the SFC may require. The Client agrees to provide such information concerning the Client as Huatai may require in order for Huatai to comply with such requirement.
- (c) The Client acknowledges that HKCC may do all things necessary to transfer any open positions held by Huatai on behalf of the Client and any money and security standing to the credit of the Client's Account to another exchange participant of HKFE in the event that the rights of Huatai as an exchange participant of HKFE are suspended or revoked.
- (d) All monies, securities and other property received by Huatai from the Client or from any other person (including a Clearing House) for the account of the Client shall be held by Huatai as trustee and segregated from Huatai's own assets (except where validly used or applied by Huatai pursuant to these Terms and Conditions). Assets so held shall not form part of the assets of Huatai for insolvency or winding up purposes but shall be returned to the Client promptly upon the appointment of a provisional liquidator, liquidator or similar officer over all or any part of Huatai's business or assets.
- (e) Any monies, approved debt securities or approved securities received by Huatai from the Client or from any other person (including HKCC) are held in the manner specified under paragraphs 7 to 12 of Schedule 4 to the Code of Conduct and the Client authorizes Huatai to apply such monies, approved debt securities or approved securities in the manner specified in paragraphs 14 to 15 of Schedule 4 to the Code of Conduct. In particular, Huatai may apply such monies, approved debt securities or approved securities in or towards meeting Huatai's obligations to any party insofar as such obligations arise in connection with or incidental to the business of dealing in Futures/Options Contracts transacted on the Client's behalf.
- (f) The Client acknowledges that in respect of any account of Huatai maintained with HKCC, whether or not such account is maintained wholly or partly in respect of the business of dealing in Futures/Options Contracts transacted on behalf of the Client and whether or not monies, approved debt securities or approved securities paid or deposited by the Client have been paid to or deposited with HKCC, as between Huatai and HKCC, Huatai deals as principal and accordingly no such account is impressed with any trust or other equitable interest in favour of the Client and

monies, approved debt securities and approved securities paid to or deposited with HKCC are thereby freed from the trust referred to in paragraph (d) above.

- (g) The Client acknowledges that Huatai may, subject to the provisions of the SFO and any applicable law, take the opposite position to the Client's order in relation to any Futures/Options Contracts, whether on Huatai's own account or for the account of its Associates or other clients of Huatai, provided that such trade is executed competitively on or through the facilities of HKFE in accordance with its rules or the facilities of any other commodity, futures or options exchange in accordance with the rules and regulations of such other exchange.

## **5 Disclaimers**

The Client understands and agrees to the following disclaimers:

### **5.1 Disclaimer delivered pursuant to the relevant provisions of the regulations for trading futures contracts on stock indices**

Hang Seng Indexes Company Limited ("HSIL") currently publishes, compiles and computes a number of stock indexes and may publish, compile and compute such additional stock indexes at the request of Hang Seng Data Services Limited ("HSDS") from time to time (collectively, the "Hang Seng Indexes"). The marks, names and processes of compilation and computation of the respective Hang Seng Indexes are the exclusive property of and proprietary to HSDS. HSIL has granted to the HKFE by way of licence the use of the Hang Seng Indexes solely for the purposes of and in connection with the creation, marketing and trading of futures contracts based on any of the Hang Seng Indexes respectively (collectively, "Futures Contracts"). The process and basis of compilation and computation of any of the Hang Seng Indexes and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by HSIL without notice and the HKFE may at any time require that trading in and settlement of such of the Futures Contracts as the HKFE may designate be conducted by reference to an alternative index or alternative indexes to be calculated. Neither the HKFE nor HSDS nor HSIL warrants or represents or guarantees to any participant or any third party the accuracy or completeness of the Hang Seng Indexes or any of them and the compilation and computation thereof or any information related thereto and no such warranty or representation or guarantee of any kind whatsoever relating to the Hang Seng Indexes or any of them is given or may be implied. Further, no responsibility or liability whatsoever is accepted by the HKFE, HSDS or HSIL in respect of the use of the Hang Seng Indexes or any of them for the purposes of and in connection with the Futures Contracts or any of them and/or dealings therein, or for any inaccuracies, omissions, mistakes, errors, delays, interruptions, suspension, changes or failures (including but not limited to those resulting from negligence) of HSIL in the compilation and computation of the Hang Seng Indexes or any of them or for any economic or other losses which may be directly or indirectly sustained as a result thereof by any participant or any third party dealing with the Futures Contracts or any of them. No claims, actions or legal proceedings may be brought by any participant or any third party against the HKFE and/or HSDS and/or HSIL in connection with or arising out of matters referred to in this disclaimer. Any participant or any third party deals in the Futures Contracts or any of them in full knowledge of this disclaimer and can place no reliance whatsoever on the HKFE, HSDS and/or HSIL. For the avoidance of doubt, this disclaimer does not create any contractual or



quasicontractual relationship between any participant or third party and HSIL and/or HSDS and must not be construed to have created such relationship.

**5.2 Disclaimer delivered pursuant to the relevant provisions of the regulations for trading options contracts on stock indices**

Hang Seng Indexes Company Limited (“HSIL”) currently publishes, compiles and computes a number of stock indexes and may publish, compile and compute such additional stock indexes at the request of Hang Seng Data Services Limited (“HSDS”) from time to time (collectively, the “Hang Seng Indexes”). The marks, names and processes of compilation and computation of the respective Hang Seng Indexes are the exclusive property of and proprietary to HSDS. HSIL has granted to the HKFE by way of licence the use of the Hang Seng Indexes solely for the purposes of and in connection with the creation, marketing and trading of option contracts based on any of the Hang Seng Indexes respectively (collectively, the “Option Contracts”). The process and basis of compilation and computation of any of the Hang Seng Indexes and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by HSIL without notice and the HKFE may at any time require that trading in and settlement of such of the Option Contracts as the HKFE may designate be conducted by reference to an alternative index or alternative indexes to be calculated. Neither the HKFE nor HSDS nor HSIL warrants or represents or guarantees to any participant or any third party the accuracy or completeness of the Hang Seng Indexes or any of them and the compilation and computation thereof or any information related thereto and no such warranty or representation or guarantee of any kind whatsoever relating to the Hang Seng Indexes or any of them is given or may be implied. Further, no responsibility or liability whatsoever is accepted by the HKFE, HSDS or HSIL in respect of the use of the Hang Seng Indexes or any of them for the purposes of and in connection with the Option Contracts or any of them and/or dealings therein, or for any inaccuracies, omissions, mistakes, errors, delays, interruptions, suspension, changes or failures (including but not limited to those resulting from negligence) of HSIL in the compilation and computation of the Hang Seng Indexes or any of them or for any economic or other losses which may be directly or indirectly sustained as a result thereof by any participant or any third party dealing with the Option Contracts or any of them. No claims, actions or legal proceedings may be brought by any participant or any third party against the HKFE and/or HSDS and/or HSIL in connection with or arising out of matters referred to in this disclaimer. Any participant or any third party deals in the Option Contracts or any of them in full knowledge of this disclaimer and can place no reliance whatsoever on the HKFE, HSDS and/or HSIL. For the avoidance of doubt, this disclaimer does not create any contractual or quasicontractual relationship between any participant or third party and HSIL and/or HSDS and must not be construed to have created such relationship.

**5.3 Disclaimer on using mobile app for futures and options trading**

Huatai provides mobile application (the “mobile app”) to the Client for futures and options trading under the License Application End User License Agreement (the “License Agreement”). The Client is invited to read the terms and conditions of using mobile app and confirms acceptance and agreement to be bound by such terms and conditions and any other amendment may be made by Huatai from time to time should the Client continue trading through this mobile app.

The Client should be aware of the products and services provided in the mobile app may not be available to users in all geographic locations. Only persons who are permitted by applicable law may browse the information and/or subscribe the services and products offered. The Client browsing via mobile app are required to ensure that they are aware of and observe all relevant restrictions that apply to them and are responsible for satisfying themselves that they may do so under the laws or the jurisdiction to which they are bound and located. Eligibility of any person for particular product or service is subject to the final determination of Huatai.

The information contained in the mobile app is for general information only and is provided on an "as is" basis without warranty of any kind (including without limitation, merchantability, title, fitness for particular purpose, freedom from computer virus, non-infringement, compatibility, security, accuracy and completeness) and may be withdrawn and/or changed at any time without prior notice.

The Client should be aware that any information regarding rates, indexes and stock prices available through the mobile app is on a delayed basis and is for reference only. Huatai will endeavour to ensure the accuracy and reliability of the information provided but do not guarantee its accuracy or reliability and accept no liability (whether in tort or contract or otherwise) for any loss or damage arising from any inaccuracies or omissions.

To the extent permitted by applicable law, Huatai disclaims liability for any error, omissions or inaccuracies in the information contained in these materials and for any loss or damages, resulting from its use or reliance, or inability to use, by any party or in connection with any error, interruption, delay in operation or incomplete transmission, line or system failure or computer virus. Huatai is not responsible in any manner for direct, indirect, special, incidental or consequential damages arising out of the use of this app and/or these materials.

The Client acknowledges and understands that by using of the mobile app and any materials is entirely at the Client's own risk. Huatai does not represent or warrant that no viruses or other destructive properties will be transmitted or that no damage will occur to your equipment or mobile phone. The Client is solely responsible for adequate protection and back up of data and/or equipment and for undertaking reasonable and appropriate precautions to scan for computer viruses or other destructive properties and to prevent, safeguard and ensure that no computer virus enters the Client's equipment or mobile phone. Huatai makes no representations or warranties concerning the accuracy, functionality or performance of any third party software that may be used by the Client in connection with the mobile app.

## Schedule 2 Annex: Risk Disclosures and Other Information

This Annex describes some of the key risk factors and other information concerning Transactions in relation to Futures/Options Contracts. This Annex does not disclose all the risks and other significant aspects of trading Futures/Options Contracts. The Client should ensure that it understands the nature and risks of trading Futures/Options Contracts and it should consider carefully (and consult its own advisers where necessary) whether trading Futures/Options Contracts is suitable for it in light of its circumstances. The Client should not trade Futures/Options Contracts unless it fully understands and is willing to assume the risks associated with Futures/Options Contracts and is able to comply with all relevant laws and regulations. The Client acknowledges the risks and agrees to the terms set out in this Annex.

The Client may have varying levels and types of protection in relation to Transactions on different Futures Markets. Huatai does not represent that the information set out in this Annex is up to date or comprehensive and does not undertake to update the information set out in this Annex.

### *Risk of Trading Futures and Options*

#### **1 Risk of Trading Futures and Options**

The risk of loss in trading Futures Contracts or Options Contracts is substantial. In some circumstances, the Client may sustain losses in excess of its 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. The Client may be called upon at short notice to deposit additional margin funds. If the required funds are not provided within the prescribed time, the Client’s position may be liquidated. The Client will remain liable for any resulting deficit in its Account. The Client should therefore study and understand futures contracts and options before it trades and carefully consider whether such trading is suitable in the light of its own financial position and investment objectives. If the Client trades Options Contracts, it should inform itself of exercise and expiration procedures and its rights and obligations upon exercise or expiry.

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

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

#### **3 Risk of Providing an Authority To Repledge Securities etc.**

There is risk if the Client provides Huatai with an authority that allows it to apply its Securities or Securities Collateral pursuant to a securities borrowing and lending agreement, re-pledge the Client’s Securities Collateral for financial accommodation or deposit the Client’s Securities Collateral as collateral for the discharge and satisfaction of its settlement obligations and liabilities.

If the Client’s Securities or Securities Collateral are received or held by Huatai in Hong Kong, the above arrangement is allowed only if it consents in writing. Moreover, unless the Client is a professional investor, its authority must specify the period for which it is current and be limited to not more than 12 months. If the Client is a professional investor, these restrictions do not apply.

Additionally, the Client’s authority may be deemed to be renewed (i.e. without the Client’s written consent) if Huatai issues the Client a reminder at least 14 days prior to the expiry of the authority,

and the Client does not object to such deemed renewal before the expiry date of its then existing authority.

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

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

A cash Account not involving securities borrowing and lending is available. If the Client does not require margin facilities or does not wish its Securities or Securities Collateral to be lent or pledged, the Client should not sign the above authorities and ask to open this type of cash Account.

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

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

#### **5 Additional Risk Disclosure for Futures and Options Trading**

This brief statement does not disclose all of the risks and other significant aspects of trading in Futures/Options Contracts. In light of the risks, the Client should undertake such Transactions only if it understands the nature of the contracts (and contractual relationships) into which the Client is entering and the extent of its exposure to risk. Trading in Futures/Options Contracts is not suitable for many members of the public. The Client should carefully consider whether trading is appropriate for the Client in light of its experience, objectives, financial resources and other relevant circumstances.

##### *Futures*

#### **6 Effect of "Leverage" or "Gearing"**

Transactions in Futures Contracts 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 the Client has deposited or will have to deposit: this may work against the Client as well as for it. The Client may sustain a total loss of initial margin funds and any additional funds deposited with the firm to maintain its position. If the market moves against the Client's position or margin levels are increased, the Client may be called upon to pay substantial additional funds on short notice to maintain its position. If the Client fails to comply with a request for additional funds within the time prescribed, its position may be liquidated at a loss and the Client will be liable for any resulting deficit.

#### **7 Risk-reducing orders or strategies**

The placing of certain orders (e.g. 'stop-loss' orders, or 'stop-limit' orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it

impossible to execute such orders. Strategies using combinations of positions, such as 'spread' and 'straddle' positions may be as risky as taking simple 'long' or 'short' positions.

### *Options*

#### **8 Variable degree of risk**

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

The purchaser of Options Contracts 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, the Client will suffer a total loss of its investment which will consist of the option premium plus Transaction costs. If the Client is contemplating purchasing deep-out-of-the-money options, it should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling ('writing' or 'granting') an Options Contract generally entails considerably greater risk than purchasing an Options Contract. 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 unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a Futures Contract, the seller will acquire a position in a Futures Contract with associated liabilities for margin (see the section on Futures 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.

### *Additional Risks Common to Futures and Options*

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

The Client should ask Huatai about the terms and conditions of the specific Futures/Options Contracts which it is trading and associated obligations (e.g. the circumstances under which the Client may become obliged to make or take delivery of the underlying interest of a Futures Contract and, in respect of Options Contracts, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

## **10 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 the Client has sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying interest and the Futures Contract, and the underlying interest and the Options Contract may not exist. This can occur when, for example, the Futures Contract underlying the Options Contract 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.

## **11 Deposited cash and property**

The Client should familiarise itself with the protections given to money or other property the Client deposits for domestic and foreign Transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which the Client may recover its money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as the Client's own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

## **12 Commission and other charges**

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

## **13 Transactions in other jurisdictions**

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

## **14 Currency risks**

The profit or loss in Transactions in foreign currency-denominated contracts (whether they are traded in the Client's 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.

## **15 Trading facilities**

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

## **16 Electronic trading**

Trading on an electronic trading system may differ from trading on other electronic trading systems. If the Client undertakes Transactions on an electronic trading system, it will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that the Client's order is either not executed according to its Instructions or is not executed at all.

## **17 Off-exchange transactions**

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect offexchange Transactions. Huatai may be acting as its counterparty to the Transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these Transactions may involve increased risks. Off-exchange Transactions may be less regulated or subject to a separate regulatory regime. Before the Client undertakes such Transactions, it should familiarise itself with applicable rules and attendant risks.

## Schedule 3 – Electronic Trading Services

### 1 Applicability

This Schedule 3 supplements the General Terms and Conditions and applies in connection with the provision of Electronic Trading Services to Clients.

### 2 Use, access and security

**2.1 Use:** The Client warrants that it is the only user of the Electronic Trading Services. The Client shall comply with Huatai's procedure guide relating to the use, operation, security measures and procedures of the Electronic Trading Facilities (including, without limitation, the requirement to log off the Electronic Trading Facilities immediately following the completion of a session). Such procedure guide will be provided by Huatai to the Client and may be amended or supplemented by Huatai at its sole discretion from time to time.

**2.2 Access and security:** The Client warrants that no person possesses and uses the Access Codes other than the Client and Authorised Persons. The Client is responsible for the confidentiality, security and use of the Access Codes. In the event that the Client fails to take all steps for safeguarding the Access Codes against misuses by other person(s), the Client shall indemnify Huatai against all Losses, costs, charges and expenses in connection to such failure. Huatai reserves the right to suspend access to an Electronic Trading Facility if an incorrect Access Code has been input on three (3) or more occasions. The Client shall notify Huatai if it becomes aware of or suspicious of any loss, theft, or unauthorised disclosure or use of the Access Codes.

**2.3 Authentication:** Huatai may use, and the Client may be subject to, authentication technologies in connection with access to the Electronic Trading Facilities.

### 3 Instructions

**3.1 Responsibility:** The Client agrees to check the details of an Instruction before it is transmitted through any Electronic Trading Facility. The Client is responsible for all Instructions given and all Transactions conducted through the Electronic Trading Facilities (even if such Instructions or Transactions are incorrect, originate from a person other than an Authorised Person or are miscommunicated due to a malfunction of the Electronic Trading Facilities). Huatai is entitled to rely on and act according to such Instructions without inquiry or verification of the actual authority or identity of the person giving or purporting to give such Instructions, and shall not in any way be responsible or liable for any Loss howsoever in connection to such Instructions.

**3.2 Receipt and execution of Instructions:** Huatai will not be deemed to have received or executed any Instruction given through any Electronic Trading Facility unless and until the Client has received the relevant acknowledgement of receipt or confirmation of execution in such manner specified by Huatai from time to time (including, without limitation, by posting the status of the Instructions in order journals on Huatai's website). Huatai is entitled to correct any errors in such acknowledgement or confirmation without notice, without incurring any liability in that connection.

**3.3 Rejection of Instructions:** Huatai may, in its sole and absolute discretion, impose restrictions in relation to the Instructions which can be placed through the Electronic Trading Facilities. The



Electronic Trading Facilities may automatically reject an Instruction, and Huatai shall be entitled, in its sole and absolute discretion to (without liability to the Client), reject, stop, intercede or cancel an Instruction, for any reason whatsoever, including if the Instructions are not complete or if (in its sole and absolute opinion) the execution of such Instruction would be in breach of any applicable laws and regulations or would otherwise adversely affect any Market, Futures Market or Huatai's interests.

**3.4 Notification:** The Client shall immediately notify Huatai if:

- (a) an Instruction has been placed through the Electronic Trading Facilities and the Client has not received an acknowledgement of receipt or confirmation of execution from Huatai (whether by hard copy, electronic or verbal means); or
- (b) the Client has received an acknowledgement of receipt or confirmation of execution from Huatai (whether by hard copy, electronic or verbal means): (i) in respect of an Instruction which was not given by the Client; or (ii) which is inconsistent with the Instructions given by the Client; or (iii) in respect of an Instruction that the Client suspects was given as a result of any unauthorised access to an Electronic Trading Facility or any error or malfunctioning of the Electronic Trading Facility.

**3.5 Cancellation and amendment:** The Client acknowledges and agrees that it may not be possible to cancel or amend an Instruction given through the Electronic Trading Facilities. An Instruction may only be cancelled or amended if it has not been executed by Huatai. In such circumstances, Huatai will use reasonable efforts to cancel or amend the Instruction according to the Client's further Instructions but, notwithstanding an acknowledgement by Huatai in relation to the receipt of such further Instructions, there is no guarantee that any cancellation or amendment will occur. If the amendment or cancellation does not occur, the Client shall be solely liable for the original Instruction.

**3.6 Monitoring and recording:** Huatai will monitor and/or record Instructions given and any Transactions conducted through the Electronic Trading Facilities. Such records will be kept for a period of time as Huatai considers appropriate and will be treated as final, conclusive and binding on the Client.

**3.7 Alternative method:** In the event that the Client faces any problem with the access and usage of the Electronic Trading Facility (including but not limited to any error or malfunctioning or system delay or failure to the Electronic Trading Facilities), the Client acknowledges and agrees that he shall immediately use alternative methods to give Instructions such as by post, facsimile, electronic mail or any other means as may be agreed between the Client and Huatai from time to time. Huatai shall not in any way be responsible or liable for any Loss howsoever in connection to the Client's change of medium in giving Instructions.

#### **4 Contract notes, statements of account and receipts**

Huatai may (but is not obliged to) provide contract notes, statements of account and receipts to the Client electronically including, without limitation, by way of postings to the Account, Huatai's website or the Client's e-mail address (as provided in the Account Opening Form or as otherwise notified by the Client to Huatai in writing). In the event that the Client requests such documents to be provided in hard copy, Huatai shall be entitled to charge a fee on the Client for such service.

## **5 Market Information**

**5.1 Provision of Market Information:** Huatai may provide the Client with Market Information through the Electronic Trading Facilities. The Client may be charged a fee for any Market Information provided by Huatai which has been obtained from any Information Provider. The Client may be required to enter into an agreement with an Information Provider and/or an Information Provider may require that the Client fulfil certain other conditions before the Client can receive Market Information from that Information Provider. The Client is solely responsible for making such arrangements, and Huatai shall not be obliged to provide the Market Information if the Client does not fulfil those requirements. The Client shall comply with such directions as Huatai may give from time to time in relation to the permitted use of the Market Information.

**5.2 No warranty:** No condition, warranty or representation of any kind is or has been given by or on behalf of Huatai in respect of the quality, accuracy, completeness or timeliness of information provided through the Electronic Trading (including, without limitation, any Market Information). The Client acknowledges and agrees to use the information provided through the Electronic Trading Facilities at his own risk and Huatai shall not in any way be responsible or liable for any Loss howsoever in connection to such information provided.

**5.3 Copyright and use of Market Information:** The Market Information is the property of Huatai, the Information Providers and/or others and is protected by copyright. The Client agrees:

- (a) not to reproduce, retransmit, disseminate, sell, distribute, publish, broadcast, circulate or commercially exploit the Market Information or other material protected by copyright or other intellectual property right (as well as rights of publicity and privacy) without first obtaining the permission of the owner of such rights;
- (b) not to use the Market Information or any part of it other than for its own use or in the ordinary course of its own business; and
- (c) not to use the Market Information for any unlawful purpose.

## **6 Intellectual property rights**

The Client acknowledges that the Electronic Trading Facilities and any software comprised in it are proprietary to Huatai or a third party. The Client warrants and undertakes that it shall not, and shall not attempt to, tamper with, modify, decompile, reverse engineer or otherwise alter in any way, and shall not attempt to gain unauthorised access to any part of the Electronic Trading Facilities or any software comprised in it.

## **7 Compliance with directions**

The Client agrees to comply with reasonable written requests by Huatai in connection with the Electronic Trading Services.

## **8 System delay or failure, and emergency measures**

**8.1 System delay or failure:** In the event of a material system delay or failure to the Electronic Trading Facilities, Huatai will use reasonable efforts to ensure that such delay or failure is

rectified and will inform the Client of the causes or possible causes of the delay or failure and how Instructions will be handled pending resolution of the causes of the delay or failure.

- 8.2 Emergency measures:** In case of emergency, Huatai may (at its sole and absolute discretion and without any liability to the Client) halt, suspend or terminate the Electronic Trading Services and/or the transmission of Instructions through the Electronic Trading Facilities. In such case, Huatai will notify the Client of any such action as soon as practicable.

## **9 Termination**

Without prejudice to any other provision in these Terms and Conditions, Huatai shall be entitled (at its sole and absolute discretion) to terminate the provision of the Electronic Trading Services or any portion of it at any time, without notice and for any reason, including (without limitation):

- (a) where the Client breaches, or where Huatai reasonably suspects that the Client has breached, the warranty and undertaking in Clause 6 of this Schedule 3;
- (b) where there has been, or where Huatai reasonably suspects, the unauthorised use or access of the Electronic Trading Facilities; or
- (c) where the Client's access to any Market Information is discontinued by the Information Provider or where the agreement between Huatai and any Information Provider is terminated.

## **10 Understanding and acceptance of risks**

Whilst Huatai will undertake reasonable efforts in relation to the system controls, reliability, security and capacity of the Electronic Trading Facilities, the Client understands and accepts the risks in using the Electronic Trading Facilities (including, without limitation, the possibility of viruses or damaging or disabling codes being transmitted through the Electronic Trading Facilities). The Client confirms and acknowledges that the Client has read and understood the risk disclosures and other information annexed to this Schedule 3.

## **11 Waiver**

The Client waives any claim that it may have against Huatai for any Loss arising from the use of the Electronic Trading Services, including (without limitation):

- (a) systems failures (including hardware and software failures);
- (b) Huatai's acceptance of any unauthorised Instructions;
- (c) any failure or delay in the execution of any Instruction from the Client;
- (d) the Client's access to any Electronic Trading Facility being limited or unavailable;
- (e) any failure or delay in delivering any notice or information provided or requested through any Electronic Trading Facility or any inaccuracy, error or omission in or from any such notice or in or from any information contained in any such notice;
- (f) the Client's failure to use the Electronic Trading Service in accordance with these Terms and Conditions or any relevant agreement between Huatai and the Client; and

- (g) the Client's reliance, use or otherwise acting upon any information (including Market Information) or materials provided through any Electronic Trading Facility.

### Schedule 3 Annex: Risk Disclosures and Other Information

This Annex describes some of the key risk factors and other information concerning the use of Electronic Trading Facilities. This Annex does not disclose all the risks and other significant aspects of using Electronic Trading Facilities. The Client should ensure that it understands the nature and risks of using Electronic Trading Facilities and it should consider carefully (and consult its own advisers where necessary) whether using Electronic Trading Facilities is suitable for it in light of its circumstances. The Client should not use Electronic Trading Facilities unless it fully understands and is willing to assume the risks associated with Electronic Trading Facilities and is able to comply with all relevant laws and regulations. The Client acknowledges the risks and agrees to the terms set out in this Annex.

Huatai does not represent that the information set out in this Annex is up to date or comprehensive and does not undertake to update the information set out in this Annex.

Trading on an electronic trading system may differ from trading on other electronic trading systems. If the Client undertakes Transactions on an electronic trading system, it will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that the Client's order is either not executed according to its Instructions or is not executed at all. In particular, the Client's attention is drawn to the following:

- (a) the internet is, and any other electronic media may also be, an inherently unreliable medium of data transmission and communication and that, accordingly, there are risks in conducting Transactions in the Client's Account through the Electronic Trading Services or otherwise communicating through the internet or any other electronic media;
- (b) access to any website operated by Huatai or the Electronic Trading Services may at any time and from time to time be limited, delayed or unavailable, including during periods of peak demand, market volatility, systemic failures (including hardware and software failures), systems upgrades or maintenance or for other reasons;
- (c) Instructions given or Transactions conducted through the internet or other electronic media may be subject to interruption, transmission blackout, delayed transmission or incorrect data transmission due to, where applicable, unpredictable traffic congestion, the public nature of the media used or other reasons;
- (d) Instructions given through the internet or other electronic media may not be executed or may be delayed so that they are executed at prices different from those prevailing at the time the instructions were given;
- (e) communications and personal data may be accessed by unauthorised third parties;
- (f) Instructions given through the internet or other electronic media may be executed without being subject to human review; and
- (g) the status of the Client's Instructions or orders for Transactions in the Account or execution thereof and the Client's cash position, Securities position or other details relating to its Account as reflected in any acknowledgement, confirmation or other record posted on Huatai's website may not be updated immediately. Such acknowledgement, confirmation or other record will only reflect Transactions in the Client's Account conducted through the Electronic Trading Service and that, in the case of doubt, the Client should contact Huatai to ascertain the status of its other Transactions in its Account or other details relating to its Account.

## Schedule 4 – Margin Trading Services

### 1 Applicability

- 1.1 This Schedule 4 supplements the General Terms and Conditions and applies in connection with the provision of Margin Trading Services to Clients.

### 2 Facility

- 2.1 **Availability:** Huatai may, at its sole and absolute discretion, make the Facility available to the Client in such amount up to the Credit Limit. The Client agrees that any Facility provided by Huatai to the Client is in order to facilitate the acquisition of Securities by Huatai for the Client only and no other purpose. The Facility shall be made available subject to such other terms and conditions as Huatai thinks fit, including in all cases (but without limitation) the following requirements: (i) a Margin Account is opened in the name of the Client; and (ii) the Client deposits Collateral and satisfies all Margin Calls in such amount (calculated with reference to the Margin Ratio), in such form into a designated Account and within such time as specified by Huatai. For the avoidance of doubt and unless otherwise agreed in writing, Clause 7 of the General Terms and Conditions shall apply to any Facility which is made available to the Client. The Client understands that Huatai may refuse to make the Facility available to the Client if:

- (a) the Client does not deposit Collateral in such amount, in such form into a designated Account and within such time as specified by Huatai;
- (b) the Client is in default of any provision of these Terms and Conditions or this Schedule 4 or any other agreement or document entered into between the Client and Huatai;
- (c) in the opinion of Huatai, there is or has been a material adverse change in the Client's financial condition or in the financial condition of any person which might adversely affect the Client's ability to discharge the Client's liabilities or perform the Client's obligations under these Terms and Conditions;
- (d) making an advance would cause the applicable Credit Limit to be exceeded;
- (e) a debit balance arises on the Client's Margin Account; or
- (f) Huatai, in its sole and absolute discretion, considers it prudent not to do so.

- 2.2 **Drawdown:** Huatai is instructed and authorised by the Client to draw on the Facility to settle any amounts due to Huatai in respect of the Client's purchase of Securities, margin maintenance obligations for any position required by Huatai, or payment of any commission, interest, expense or other costs owing to Huatai, including costs and expenses that may be incurred in connection with the disposal of any Collateral.

- 2.3 **Interest:** The Client agrees to pay interest on a daily basis on the amount of Facility which has been drawn down and is outstanding. The interest rate shall be at a percentage above Huatai's cost of funds which will vary according to the prevailing money market situation and as notified to the Client by Huatai from time to time. Huatai shall at its sole and absolute discretion determine the interest rate and collection arrangements which shall be binding on the Client.

Such interest charges may be deducted by Huatai from the Margin Account or any other Account without any prior notice to the Client.

**2.4 Policies:** From time to time, Huatai will provide the Client with its practices in relation to margin lending.

### **3 Termination of the Facility**

**3.1 Termination:** The Facility is repayable on demand and may be varied or terminated at the absolute discretion of Huatai. In particular, the Facility may be terminated upon the occurrence of any one or more of the following events:

- (a) failure by the Client to meet Margin Calls;
- (b) the withdrawal of the Client's authorisation to Huatai as required under the Securities and Futures (Client Securities) Rules (Cap. 571H, Laws of Hong Kong) (such withdrawal to be provided to Huatai by the Client in writing); or
- (c) the termination of any Securities Account, and any notice of termination for that purpose shall be deemed to be a notice of termination of the Facility.

**3.2 Indebtedness and repayment:** Upon termination of the Facility, any outstanding indebtedness by the Client shall immediately be repaid to Huatai. For the avoidance of doubt, repayment of all or any amounts owed to Huatai will not of itself constitute cancellation or termination of the terms and conditions under this Schedule 4.

## Schedule 5 – Structured and Derivative Products

### 1. Applicability

This Schedule 5 supplements the General Terms and Conditions and applies in connection with the provision of Derivatives and Structured Products Services (as defined in Clause 2 of this Schedule) upon Huatai accepting the Client as its client for (among other things) the Structured and Derivative Products Services pursuant to Clause 3 of this Schedule.

### 2. Definitions

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

**"Corporate PI"** means a "Corporate Professional Investor" as defined in the Code of Conduct, being a Professional Investor who falls within sections 4, 6 and 7 of the Professional Investor Rules;

**"Corporate PI for Code Purposes"** means a Corporate PI in respect of which Huatai has (i) conducted and satisfied the CPI Assessment requirements and (ii) complied with the procedures prescribed in paragraph 15.3B of the Code of Conduct;

**"CPI Assessment"** means the assessment requirements for Corporate PIs prescribed under paragraph 15.3A of the Code of Conduct, including, among other things, that (i) the Corporate PI has the appropriate corporate structure and investment process and controls, (ii) the person(s) responsible for making investment decisions on behalf of it has/have sufficient investment background, and (iii) it is aware of the risks involved in relation to the relevant products and/or markets;

**"Derivatives and Structured Products Services"** means Services relating to Derivatives and Structured Products provided by Huatai (in its sole discretion) to the Client from time to time;

**"Individual PI"** means an "Individual Professional Investor" as defined in the Code of Conduct, being a Professional Investor who falls within section 5 of the Professional Investor Rules;

**"Institutional PI"** means an "Institutional Professional Investor" as defined in the Code of Conduct, being a Professional Investor who falls within paragraphs (a) to (i) of the definition of "professional investor" in section 1 of Part 1 of Schedule 1 to the SFO;

**"Non-Corporate PI for Code Purposes"** means a Corporate PI in respect of which Huatai has (i) not conducted and satisfied the CPI Assessment or (ii) conducted but not satisfied the CPI Assessment, but has complied with the procedures prescribed in paragraph 15.3B of the Code of Conduct;

**"PI Assessment Form"** means the assessment form prescribed by Huatai (as updated from time to time) for the purposes of assessing the Client's Professional Investor status;

**"Professional Investor"** means an investor that falls within the definition of "professional investor" in section 1 of Part 1 of Schedule 1 to the SFO; and

**"Professional Investor Rules"** means the Securities and Futures (Professional Investor) Rules (Cap. 571D, Laws of Hong Kong).

### 3. Agreements and acknowledgements by the Client

For the purposes of the Derivatives and Structured Products Services, the Client agrees, acknowledges and confirms to Huatai as follows.

#### 3.1 Professional Investor: The Client agrees, acknowledges and confirms that Huatai has categorized the Client as an Institutional PI, Corporate PI, Corporate PI for Code Purposes,



Non-Corporate PI for Code Purposes or Individual PI (as the case may be) pursuant to the PI Assessment Form with respect to the Client.

- 3.2 **Institutional PI:** With respect to a Client who is an Institutional PI, the Client agrees, acknowledges and confirms that Huatai is not required to, and will not (unless Huatai in its sole and absolute discretion chooses to), comply with the requirements set out in paragraphs 15.4 and 15.5 of the Code of Conduct with respect to Huatai's dealings with the Client under this Schedule.
- 3.3 **Corporate PI for Code Purposes:** With respect to a Client who is a Corporate PI for Code Purposes, the Client agrees, acknowledges and confirms the following:
- (a) the Client consents to being treated as a Corporate PI for Code Purposes and fully understands the consequences of being treated as such including without limitation that Huatai is not required to, and will not (unless Huatai in its sole and absolute discretion chooses to), comply with the requirements set out in paragraphs 15.4 and 15.5 of the Code of Conduct (including, amongst others, the requirement to (i) establish the Client's financial situation, investment experience and investment objectives, (ii) ensure the suitability of a recommendation or solicitation provided to the Client and (iii) assess the Client's knowledge of derivatives) with respect to Huatai's dealings with the Client under this Schedule;
  - (b) the Client may withdraw its consent from being treated as a Corporate PI for Code Purposes at any time in respect of the Derivatives and Structured Products Services or any part thereof by providing Huatai with not less than 30 days' prior notice in writing; and
  - (c) the Client shall promptly provide Huatai with such information and documents as Huatai may require to enable Huatai to comply with the relevant legal and regulatory requirements to assess and confirm the Client's status as a Corporate PI for Code Purposes, including without limitation its prompt confirmation of the annual confirmation letter provided by Huatai to the Client for the purposes of reminding the Client of (i) the risks and consequences of being treated as a Corporate PI for Code Purposes and (ii) the right of the Client to withdraw from being treated as such ("**Annual Confirmation Letter**").
- 3.4 **Individual PI or Non-Corporate PI for Code Purposes:** With respect to a Client who is either (a) an Individual PI or (b) a Non-Corporate PI for Code Purposes, the Client agrees and confirms the following:
- (a) the Client consents to being treated as an Individual PI or Non-Corporate PI for Code Purposes (as the case may be) and fully understands the consequences of being treated as such including without limitation that Huatai is not required to, and will not (unless Huatai in its sole and absolute discretion chooses to), comply with the requirements set out in paragraph 15.5 of the Code of Conduct (including, amongst others, the requirement to (i) inform the Client about Huatai and the identity and status of its employees and (ii) confirm promptly with the Client the essential features of a Transaction with respect to Huatai's dealings with the Client under this Schedule;
  - (b) the Client may withdraw its consent from being treated as an Individual PI or Non-Corporate PI for Code Purposes (as the case may be) at any time in respect of the Derivatives and Structured Products Services or any part thereof by providing Huatai with not less than 30 days' prior notice in writing; and
  - (c) the Client shall promptly provide Huatai with such information and documents as Huatai may require to enable Huatai comply with the relevant legal and regulatory requirements to assess and confirm the Client's status as an Individual PI or Non-Corporate PI for Code Purposes (as the case may be), including without limitation its prompt confirmation of the annual confirmation letter provided by Huatai to the Client

for the purposes of reminding the Client of (i) the risks and consequences of being treated as an Individual PI or Non-Corporate PI for Code Purposes and (ii) the right of the Client to withdraw from being treated as such (“**Annual Confirmation Letter**”).

3.5 **Suitability:** With respect to a Client who is either (a) an Institutional PI or (b) a Corporate PI for Code Purposes, the Client:

- (a) agrees and acknowledges that Clause 21 of the General Terms and Conditions shall not apply to Huatai’s dealings with the Client under this Schedule; and
- (b) represents and warrants to Huatai on a continuing basis from the date that it requests to be provided with the Derivatives and Structured Products Services (such representations and warranties being deemed to be repeated every time a Transaction contemplated under this Schedule) that any request to be provided with Derivatives and Structured Products Services and any decision to enter into a Transaction shall be based on the Client’s own judgment independently and without reliance on any advice or information provided by Huatai or any director, officer, employee or agent of Huatai and it understands the nature and is willing to bear the risks of the Derivatives and Structured Products Services and Transactions which it intends to enter into, and is satisfied that such services and transactions are suitable for it.

3.6 **Risk Disclosure Statement:** Where a Client is a Non-Corporate PI for Code Purposes or an Individual PI, the Client confirms that it has (a) been provided with, in its preferred language, being English, and (b) read and understood the Additional Risk Disclosure Statement for Derivatives and Structured Products Transactions set out in Annex of this Schedule. The Client should obtain independent advice if the Client is in doubt.

#### 4. **Capacity of Huatai for the purposes of the Derivatives and Structured Products Services**

4.1 Where Huatai agrees, in its sole discretion, to enter into a Derivatives and Structured Products Transaction with the Client on a principal-to-principal basis from time to time, the Client agrees that it will be required to enter into such documentation as prescribed by Huatai from time to time.

4.2 Execution services

- (a) The Client may instruct Huatai as, and Huatai may in its sole discretion agree to be instructed as, an execution intermediary to effect Transactions for the Client from time to time. Any instruction of the Client to enter into Transactions once given may not be revised or revoked without the express consent of Huatai. The Client acknowledges that Huatai will not hold or receive any money, collateral or Securities on behalf of the Client with respect to the Transaction. The Client will only maintain execution trading account with Huatai for record purposes with respect to the Derivatives and Structured Products Services and the Client will not maintain any cash, collateral or securities account with Huatai for purposes of the Derivatives and Structured Products Services.
- (b) The Client agrees that, unless agreed otherwise in writing between the Client and Huatai, each instruction to enter into Transaction shall remain in effect until (i) such instruction is executed by Huatai as an execution intermediary, or (ii) Huatai receives the Client’s express written confirmation to cancel such instruction, whichever occurs earlier, and Huatai shall not be under any obligation to effect the relevant Transaction or make any other arrangement pursuant to that instruction.
- (c) Huatai may (but is not obliged to) accept an instruction from the Client. If Huatai executed an instruction of the Client to enter into a Transaction, Huatai will issue a written confirmation as an execution intermediary of that Transaction to the Client as soon as reasonably practicable after the Transaction has been executed which shall

be deemed conclusive and binding on the Client as to the terms of the Transaction and deemed to be accepted by the Client in the absence of manifest error.

- (d) Huatai has the right to set and vary the following (or any of them) by reference to such factors or standards (or a combination of factors and standards) at its discretion from time to time:
  - (i) the eligibility criteria for using the Derivatives and Structured Products Service;
  - (ii) any minimum or maximum amount which the Client may trade, and the timing or frequencies at which trades may be made, under the Derivatives and Structured Products Service;
  - (iii) the form or kind of Instruction (including limit order) which the Client may give under the Derivatives and Structured Products Service; and
  - (iv) any minimum or maximum number of trade Instruction which the Client may set up under the Derivatives and Structured Products Service, whether by reference to an account, a currency or any other criteria.
- (e) Huatai has the right not to effect a Transaction for the Client if the following (or any of them) occurs or continues (as determined in the sole discretion of Huatai):
  - (i) the Client no longer meets the eligibility criteria for using the Derivatives and Structured Products Service; or
  - (ii) effecting such Transaction is not compliant with, or may not be compliant with, any applicable laws (including without limitation any applicable laws relating to anti-money laundering and terrorist financing, and tax reporting or withholding requirements).
- (f) Huatai may in its sole discretion agree to provide execution service to the parties to the Transaction. Huatai may communicate (i) the Client's offer of agreement to enter into a Transaction to another client of Huatai (whether or not being an affiliate of Huatai) or (ii) to the Client offers of agreement to enter into a Transaction from another client of Huatai (which may be an affiliate of Huatai). The Client acknowledges and agrees that any offering of an agreement to enter into a Transaction (including related negotiation of terms of such Transaction or dealing activities) with a counterparty (which can be a client or affiliate of Huatai), will be communicated and performed through Huatai.
- (g) Any referral or introducing arrangement may be made between Huatai and an introducer, whereby (i) Huatai may provide, either directly or indirectly, remunerations, commissions, monetary advantages and/or non-monetary advantages, and/or (ii) the Client may provide remunerations (as agreed between the Client and the introducer), to the introducer for introducing the Client to Huatai in connection with this Derivative and Structured Product Services. The Client hereby acknowledges and consents to such introducing arrangement.
- (h) The Client agrees and acknowledges that if Huatai effects a Transaction in a Derivatives and Structured Product which is issued by an affiliate of Huatai, regardless of whether Huatai may explicitly receive monetary benefits when effecting the Transaction, Huatai and (where applicable) its associates may benefit from effecting such Transaction.

## 5. Information relating to the Derivatives and Structured Products

- 5.1 All Instructions and Transactions are subject to the product and contract specifications, termsheets, and other offering and transaction documents of the respective Derivatives and Structured Products (the "**Product Documentation**"). The Client should read the Product

Documentation, ask questions and understand the Transaction and, if the Client requires, seek professional advice before entering into that Transaction. The Client should not enter into Transaction unless the Client understands the Transaction and accepts the features of, and risks associated with, the Transaction. For the avoidance of doubt, with respect to a Derivative and Structured Product, in the event of any inconsistency between the terms of the Product Documentation and the terms of this Schedule 5, the terms of the Product Documentation shall prevail.

- 5.2 Where required by applicable laws and regulations, Huatai shall provide the Client with (i) the Product Documentation upon the Client's request; and (ii) an explanation of any applicable margin procedures and requirements and the circumstances under which the Client's positions may be closed without the Client's consent. The Client understands that, unless otherwise specified under the Product Documentation, Transactions are not intended for offer to the public and no prospectus has been issued in relation to them. The Client acknowledges and agrees that any offer or other information relating to the Transactions provided by Huatai may be communicated by Huatai to the Client on a strictly private and confidential basis for the Client's personal use only and the Client agrees not to pass on the same to any other persons.

## **6. Credit facilities**

- 6.1 Unless expressly authorized by the Client under the terms of the Terms and Conditions and the Product Documentation, Huatai shall not borrow money on behalf of the Client for the purposes of effecting Transactions (whether or not the Client's assets are used as collateral for such borrowing), nor shall Huatai charge, mortgage, pledge, encumber or otherwise create any security interest over the Client's assets.
- 6.2 Huatai may (but is not obliged to) make available any credit or margin facility at the request of the Client. If Huatai decides to make available any credit or margin facility to the Client, Huatai is entitled to specify the terms and conditions subject to which the relevant credit / margin facility will be made available. These other terms and conditions will cover applicable credit / margin requirements, interest charges, margin calls, collateral arrangements and the circumstances under which the Client's positions may be closed without the Client's consent, and may include any security over the Client's assets in favour of Huatai, whether by way of mortgage, charge, pledge or other form.

## **7. Financial information provided by Huatai**

The Client acknowledges that discussions of termination or limitation of risk with respect to a Transaction and/or provision by Huatai of indicative valuations, financial analysis or other statements of valuation and risk based on market movements (i) are based on Huatai's business and experience as a provider of financial services, (ii) are subject to the duty of each party to act in good faith and (iii) do not constitute guarantees or assurances of financial results or commitments to terminate or otherwise limit exposure under a Transaction, it being understood that each party undertakes duties, liabilities or obligations in respect of a Transaction only through the relevant written confirmation.

## Schedule 5 Annex: Additional Risk Disclosure Statement for Derivatives and Structured Products Transactions

This Additional Risk Disclosure Statement sets out the additional risk disclosure statements that may be potentially applicable to Derivatives and Structured Products Transactions. However, it does not disclose all of the risks and other significant aspects of trading in Derivatives and Structured Products. In light of the risks, the Client should undertake such transactions only if it understands the nature of the products/contracts (and contractual relationships) into which it is entering and the extent of the risk exposure. Trading in Derivatives and Structured Products is not suitable for many members of the public. The Client should carefully consider whether to enter into any Derivatives and Structured Products Transaction in light of its experience, objective, financial resources and other relevant circumstances.

The following risk disclosure statements apply to Derivatives and Structured Products in general. Each Derivatives and Structured Products Transaction is unique and may have its own risks and features. The Client should also read the relevant product brochure (as amended from time to time) and/or other relevant product materials for more details on the nature, characteristics and risks associated with the various product types. Furthermore, different product providers may use different terminologies and names for these respective products. If in doubt, the Client is advised to seek independent advice or contact its adviser for further clarification.

1. **Derivatives and Structured Products generally:** The Client understands and agrees that:
  - a. an investor in a Derivatives and Structured Product or a party to a Derivatives and Structured Products Transaction has a claim against the issuer/counterparty of the product (if the value of the product is positive), but not the underlying asset(s). The redemption/termination value of the product is determined in accordance with the terms and conditions of the product/contract, and depends on the performance of one or more underlying assets;
  - b. an investor should not invest in Derivatives and Structured Products or enter into a Derivatives and Structured Products Transaction unless it is prepared to sustain a total loss of the investment plus any commission or other transaction charges;
  - c. if the underlying asset of a Derivatives and Structured Product is suspended from trading on the relevant Market, the product may be suspended from trading for a similar period of time as its underlying asset;
  - d. depending on the structure of a particular Derivatives and Structured Product, an investor may be obligated to accept delivery or make delivery (as the case may be) of the underlying asset if the conversion (strike) price is touched or conversion to the underlying asset is triggered pursuant to the terms and conditions of the relevant agreement, contract or confirmation of the subject Transaction. Depending on the Market conditions, an investor may be obligated to accept delivery of the underlying asset at a conversion price which is above the prevailing Market price of such asset, or to make delivery of the underlying asset at a conversion price which is below the prevailing Market price of such asset. The loss resulting from investing in Derivatives and Structured Products can be over and above the initial amounts invested to a substantial extent;
  - e. if there is an extraordinary event or an adjustment event such a rights issue, stock split, stock consolidation, issue of bonus shares, special dividend or other unexpected event that changes the number, value or weighting of issued shares of the underlying asset, the counterparty or calculation agent may adjust the contract terms of the Derivatives and Structured Products, at its sole discretion, to reflect the new Market conditions. The investor should seek independent advice from professional parties in the event of such extraordinary events or adjustments;
  - f. early termination prior to maturity is possible, subject to the terms and conditions governing the Derivatives and Structured Products and prevailing Market conditions;

- g. the Client should ensure that the entering into a particular Derivatives and Structured Product is lawful under the laws of the jurisdiction of its incorporation/domicile and the jurisdiction in which the Client operates (if different), and that such transaction will not contravene any relevant law, regulation or regulatory policy applicable;
  - h. in relation to unlisted Derivatives and Structured Products and OTC Derivatives, in particular in “combined” or “structured” Transactions, the absence of a “market” or “common” reference price may make it impossible for Huatai to provide the precise value of the Transaction. Therefore, the Client should be aware that price indications by Huatai are based on the latest available prices of the products or underlying assets, from sources believed to be reliable or based on Huatai’s internal valuation models. Consequently, price indications may only reflect historic prices and may not reflect the actual proceeds if the Transaction is terminated or assigned immediately, if this is possible at all. Huatai does not make any representation as to the accuracy or completeness of price indications for any Transactions, and does not accept liability for any losses arising from the use thereof;
  - i. because the pricing and characteristics of unlisted Derivatives and Structured Products and OTC Derivatives are individually negotiated and there is no central source for obtaining prices, there are inefficiencies in transaction pricing. Huatai consequently cannot and does not warrant that its prices or the prices it secures for the Client are or will at any time be the best price available to the Client. Huatai (or its affiliates) may make a profit from a Transaction with the Client no matter what result the Transaction has from the Client’s point of view; and
  - j. the prices of the underlying assets of Derivatives and Structured Products fluctuate, sometimes dramatically. Their prices may move up or down, and may become valueless. Accordingly, it is as likely that loss will be incurred rather than profit made as a result of buying or selling Derivatives and Structured Products. In particular, for some Derivatives and Structured Products such as accumulators, depending on Market conditions, an investor may be obliged to accept delivery of the underlying asset at a price which is above the Market price of such securities and loss may occur resulting from such action which can be substantial. Similarly, for some Derivatives and Structured Products such as decumulators, an investor may be obliged to make delivery of the underlying asset at a price which is below the Market price of such securities and Loss may occur resulting from such action which can be substantial. The Loss from investing in such Derivatives and Structured Products can be over and above the initial amount invested to a substantial extent.
2. **Derivatives and Structured Products may involve gearing:** A relatively small change in the price/value of the underlying asset may result in a disproportionately large movement in the price of the Derivatives and Structured Products. The value of Derivatives and Structured Products are not fixed, but fluctuate with the market, which may be influenced by many factors, including changes in the economic and/or political environment. The price/value of Derivatives and Structured Products can therefore be volatile.
  3. **Securitized/non-securitized form:** Derivatives and Structured Products can be securitized or non- securitized. Securitized Derivatives and Structured Products are settled through a clearing agent, whereas non-securitized Derivatives and Structured Products are bilateral contracts between the issuer/counterparty and the investor (in this case, the Client). Depending on the specific terms of each product, securitized Derivatives and Structured Products may be traded on-exchange or over-the-counter. Non-securitized Derivatives and Structured Products are only traded over-the-counter.
  4. **Complex product:** Structured products are typically formed by combining two or more financial instruments, of which at least one is often a derivative. As a complex product, Derivatives and Structured Products may carry a high degree of risk as the risks associated with the financial instruments and derivative may be interconnected. As such, the extent of loss due to market movements can be substantial. Prior to engaging in Derivatives and Structured Products

Transactions, the Client should understand the inherent risk involved and exercise caution in relation to any Transaction. In particular, the various risks associated with each financial instrument and derivative should be evaluated separately as well as holistically. Each Derivatives and Structured Product has its own risk profile and given the unlimited number of possible combinations, it is not possible to detail all the risks which may arise in any particular case. The Client should note that with Derivatives and Structured Products, buyers can only assert their rights against the issuer/counterparty. Hence, particular attention needs to be paid to issuer/counterparty risk. The Client should therefore be aware that a total loss of investment is possible if the issuer should default.

5. **Past performance is not indicative of future performance:** Where past performance information in relation to trading Derivatives and Structured Products and markets, either as to the results to be obtained from such trading or any particular trade at any particular time on any particular date or otherwise, has been provided to the Client, such past performance shall not be regarded as indicative of the future performance of such products and markets, and Huatai makes no representation whatsoever, whether express or implied, on any future performance of such products and markets.
6. **Potential loss:** Trading Derivatives and Structured Products is complex and may involve a high risk of loss. The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and some securities may become valueless. It is likely that losses will be incurred rather than profits made as a result of trading Derivatives and Structured Products, and such losses may be more than the invested amount of the Client. The Client fully understand the impact of the credit or market movements, in particular the extent of profit and loss the Client would be exposed to when there is a change in credit or market conditions. In respect of leveraged transactions, a small market movement could multiply the loss to the Client.
7. **Risk profile:** Each Derivatives and Structured Product has its own risk profile which depends on many factors, for example the specific terms and features of the product, its underlying(s) and market conditions. The risks associated with such products need not necessarily be the same as the risks of the financial instruments they are composed of. Rather, the risks of Derivatives and Structured Products are linked to the interaction/combination of the risks of the financial instruments that make up or underlie the product. Since there is almost limitless potential to combine product elements, risks cannot be described conclusively. Hence, it is particularly important to ascertain the precise terms and conditions of any specific product, and that the Client is fully aware of the risks involved before investing in any such product. Such information can be found, for example, in the relevant issuer documentations (in particular the term sheet) and/or product literature.
8. **Capital Risk:** In a worst case scenario, the investor of a Derivatives and Structured Product may lose all of its invested capital. For products which offer capital protection, the capital protection feature applies only if the products are held to maturity (or at specific intervals as stipulated in the terms and conditions of the specific products). Premature unwinding may result in a capital loss. Certain products with a capital protection feature offer a redemption value at maturity (or at specified intervals, as the case may be) of less than 100% (say for example 90%) of the product's nominal value. Investors in such products may lose part of their capital. It is also important to note that investors in capital protected products are still exposed to the issuer/counterparty's credit risk.

For products which offer conditional protection, the conditional protection feature only applies at maturity (or at specified intervals as stipulated in the terms and conditions of the specific products), provided that all the respective conditions are being met.

For both types of products, it is important that the Client ascertains what amounts are covered by the capital protection or conditional protection feature (as the case may be) before making an investment.

9. **Credit/counterparty risk:** Investors can only assert their rights against the issuer/counterparty of the Derivatives and Structured Product. Hence, alongside capital risk, market risk and mark to market risk (as explained below), particular attention needs to be paid to credit/counterparty risks. The Client needs to be aware that, in addition to any potential loss it may incur due to development in the market value of the underlying(s) being contrary to its expectation, a total loss of the Client's investment is possible with regard to all types of Derivatives and Structured Products if the issuer/counterparty defaults. For any product involving exposure to the credit market, it is also important to ascertain the credit quality of the reference borrower(s), underlying instrument(s) or portfolio(s) to which the investment relates. The Client acknowledges that the counterparty to the Transactions may be other clients of Huatai, including Associates of Huatai, and such counterparty may not be a regulated entity subject to regulatory capital requirements. The Client shall make its own assessment as to the credit / counterparty risk involved when entering into any Transactions.
10. **Credit quality:** The credit quality of the issuer/counterparty is not only important when initiating a Transaction in a Derivatives and Structured Product, but also during the product's lifetime, since that may affect the product's value prior to maturity. Therefore, the Client should monitor the credit quality of the issuer/counterparty and the underlyings on an ongoing basis as that may deteriorate over time. Unless Huatai is itself the issuer/counterparty of the product, it will not assume any liability for the performance of the issuer/counterparty's obligations. Furthermore, Huatai has no obligation to monitor the credit quality of any issuer/counterparty or underlyings.
11. **Market risk:** The Client should be aware of the different factors which may affect the value of a Derivatives and Structured Product.
12. **Market/price risk:** Before maturity, the product's value will be influenced by many factors, including without limitation, prevailing market conditions, the level and correlation of the underlying, interest rates, volatilities, remaining time to maturity, dividend assumptions, exchange rate movements and credit quality of the issuer/counterparty. Premature unwinding may result in a capital loss. Also, the participation of the upside and downside of the underlying(s) may deviate from the stipulated rates during the product's lifetime.

For products with a capital protection feature, their values prior to maturity may be significantly lower than the capital protection level. For products which offer conditional protection, the values of the products prior to maturity may be significantly below the conditional protection level even if any applicable barrier(s) stipulated in the protection conditions has/have not been touched/breached.

13. **Mark to market (MTM)/Margin Call risk:** For transactions conducted on margin basis, the investor is generally required to provide the counterparty with an initial margin cover, and will be subject to mark to market risk. The "mark to market" value of an investor's position may deteriorate and may even become negative if the underlying or other factors (such as volatility, interest rates, etc.) move adversely. Consequently, the initial margin may turn out to be inadequate, such that the investor will be required to furnish additional collateral to the counterparty within short notice. In addition to this, the counterparty generally has the right at its sole discretion to close out the investor's position at any time in such case which may result in a considerable loss to the investor even before the investor has had an opportunity to provide additional collateral. Furthermore, the potential loss may be much larger than the initial margin and, in certain specific products, can potentially be unlimited.
14. **Interest rate risk:** Changes in interest rates can adversely affect the price of a Derivatives and Structured Product and the MTM valuation of a Derivatives and Structured Product prior to maturity (even if the underlyings are not directly related to interest rates). Interest rate-linked and capital protected Derivatives and Structured Products are particularly sensitive to movements in interest rates. Usually, the longer the remaining tenor, the more sensitive the product's value is to changes in interest rates.



15. **Volatility risk:** Before maturity, changes in volatilities (in particular the volatility of the underlying(s)) will affect the value of the option(s) that might be embedded in a Derivatives and Structured Products, and hence may adversely affect the price of the Derivatives and Structured Products.
16. **Correlation risk:** For Derivatives and Structured Products with multiple underlyings, changes in the correlation between the underlyings may adversely affect the value of the product prior to maturity.
17. **Liquidity risk:** Under normal market conditions, market makers, who in most cases are issuers of the Derivatives and Structured Products themselves, usually intend (but may not be obliged, depending on the terms of the products) to provide a secondary market for the Derivatives and Structured Products. For OTC Derivatives, the counterparty usually intends to facilitate the unwinding of OTC Derivatives under normal market conditions. It is important to note that liquidity risk cannot be excluded. As such, investors should be prepared to hold the product for the entire investment period. Under distressed situations, liquidity may be affected by many factors, such as the credit quality of the market maker or counterparty (as the case may be) and/or the liquidity of the underlying(s). Also, the premature unwinding price may be subject to a bid/ask spread, and might turn out to be unfavorable. The quality of the market maker or counterparty is particularly important in the case of products based on thinly traded securities or long-dated complex products. In addition, the Client should note that sometimes the availability of a secondary market is subject to the blackout periods specified by the market makers.
18. **Spread risk:** When trading on the secondary market, the investor pays the ask price in a purchase, and receives the bid price in a sale. The difference between the two prices is known as the spread, and can be viewed as the transaction cost. The Client should note that the spread can vary greatly from product to product. Also, when liquidity conditions deteriorate, the spread could increase significantly. Even if the Client does not expect to sell the product before maturity, it should monitor the spread. The Client's personal circumstances might suddenly change, forcing it to sell an investment prematurely.
19. **Currency (foreign exchange rate) risk:** If the Derivatives and Structured Product involves settlement in a currency other than the currency in which the product is denominated, or physical delivery of an underlying which is denominated in another currency, the Client will be subject to currency risk. This is also the case if the Derivatives and Structured Product is denominated in a currency other than the Client's home or reference currency.
20. **Physical delivery:** If the Derivatives and Structured Product involves potential physical settlement by delivery of an underlying, the Client should be prepared to take delivery of such underlying. The underlying may be valued at less than the capital invested. Under distressed market conditions, it may be difficult or impossible to sell the assets being delivered to the Client, and the Client might suffer substantial losses.
21. **Dividend and voting rights:** Unless explicitly mentioned in the terms and conditions of the product, the Client in Derivatives and Structured Products are not entitled to any dividends or voting rights with respect to the underlying(s).
22. **Reinvestment risk:** Derivatives and Structured Products with an early redemption/termination feature will expose the Client to reinvestment risk when early redemption/termination occurs. Reinvestment risk refers to the risk of being unable to reinvest the redemption proceeds in an investment yielding an equal return. Investors who prematurely unwind their investments will also face reinvestment risk.
23. **Tax, duties and charges:** The Client may be required to pay any applicable taxes, duties (e.g. stamp duties) and charges arising out of any physical delivery of the underlying (e.g. share transfer) arising from the investment in a Derivatives and Structured Product.

24. **Terms and conditions of contracts:** The Client should ask Huatai about the terms and conditions of the specific Derivatives and Structured Products which it is trading and the associated obligations (e.g. the circumstances under which the Client may become obliged to make or take delivery of the underlying asset of a futures contract and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances, the specifications of outstanding contracts (including the exercise price of an option) may be modified by the calculation agent, Exchange or Clearing House to reflect changes in the underlying asset.
25. **Suspension or restriction of trading and pricing relationships:** Market conditions (e.g. illiquidity), the suspension of trading in individual securities and/or 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 the Client has sold options, this may increase the risk of loss.

Furthermore, normal pricing relationship between a Derivatives and Structured Products (e.g. futures, options) and its underlying asset may not exist. This can occur when, for example, the instrument underlying the product is subject to price limits while the option is not, or due to the supply/demand conditions of the product. The absence of an underlying reference price may make it difficult to judge “fair value”. For any mark-to-market valuations provided by Huatai to the Client, the Client acknowledges and agrees that Huatai’s determination of the value of the Transaction in accordance with its normal practices from time to time shall be conclusive and binding. The Client further acknowledges and agrees that it will not have any access to and will not query or require further particulars of the mode of calculation adopted by Huatai.

26. **Product-specific risks**

This section depicts the key product-specific risks of some commonly seen Derivatives and Structured Products which may be traded on an Exchange. The Client should get in touch with its client adviser if further information is needed for any of these products or any specific product not listed below.

- 26.1 **Risk of entering into Derivatives and Structured Products Transactions with an unlicensed person:** If the Client enters into Derivatives and Structured Products Transactions with an affiliate of Huatai which is an unlicensed entity, it is important for the Client to note that unlike Huatai, such affiliate is not licensed by the SFC and as such, it is not subject to the regulation (including the financial and conduct requirements) of the SFC. The Client should cautiously consider whether it would be in its best interest to enter into Derivatives and Structured Products Transactions with the unlicensed affiliate instead of a licensed entity and consult independent professional advice when in doubt.
- 26.2 **Risk of entering into SFC non-reviewed Documents with respect to Derivatives and Structured Products Transaction:** The Product Documentation in relation to trading Derivatives and Structured Products with Huatai have not been reviewed by the SFC and the Client should exercise caution prior to entering into any transaction contemplated under such documentation. The Client is advised to consult with its own legal, regulatory, tax, financial, accounting and investment advisors as to legal, financial and related matters concerning any Transaction.
- 26.3 **Risk of trading futures and options:** Please refer to Schedule 2 Annex to the Service Terms and Conditions, which also applies to OTC options traded off-exchange.
- 26.4 **Risks of Callable Bull/Bear Contracts (“CBBCs”)**
- (a) **CBBC trading:** A CBBC has a fixed expiry date and closely tracks the performance of an underlying asset (for example, a share, index, commodity or currency). When trading CBBCs, the Client should be aware of the intraday “knockout” or mandatory call feature. A CBBC will cease trading when the underlying asset’s value equals or

breaches the mandatory call price/level as stated in the listing documents. Depending on the type of CBBC, the Client may or may not be entitled to the residual value of the terminated CBBC as calculated in accordance with the listing documents. The Client should also note that there is a possibility for the residual value to be zero. A CBBC will usually be suspended from trading if its underlying asset is suspended from trading.

- (b) **CBBC calls:** When the underlying asset is trading close to the call price/level, the price of a CBBC may be more volatile with wider spreads and uncertain liquidity. A CBBC may be called at any time and trading will terminate as a result. Once it is called, the Client is likely to suffer a significant loss, and the contract cannot be revived, and the Client will not benefit even if the underlying asset moves back to a favorable position. Any trades executed after the mandatory call event will not be recognized by Huatai and will be cancelled.
- (c) **Features:** The Client should be aware that a CBBC is a complex leveraged investment which may not be suitable for the general public. With its gearing features, the potential returns and losses are magnified. In the worst-case scenario, the Client may lose all of the initial investment.
- (d) **Liquidity:** Although CBBCs are traded on exchanges, there is no assurance that the Client will be able to buy or sell the CBBC at a target price.
- (e) **Funding costs:** The issue price of a CBBC includes funding costs charged upfront for the entire period from launch to normal expiry, which are gradually reduced over time as the CBBC moves towards expiry. In the event that a CBBC is called, the Client will lose the funding costs for the remaining period even though the actual period of funding for the CBBC turns out to be shorter.
- (f) **Movement with underlying asset:** Although the price changes of a CBBC tends to follow closely the price changes of its underlying asset, but in some situations it may not. Prices of CBBCs are affected by a number of factors, including its own demand and supply, funding costs and time to expiry, etc.
- (g) **Capital adjustments:** The call price/level, strike price/level and entitlement ratio of a CBBC may be adjusted in accordance with the listing document if there is a capital adjustment (such as bonus issue, rights issue, share split or share consolidation, special or extraordinary dividend or cash bonus) to the underlying asset.

26.5 **Risks of warrants:** A warrant has a finite life and will expire worthless if the expected performance of the underlying asset does not materialize within the warrant's life. With its gearing feature, the potential returns and losses are magnified. Certain events (including, without limitation, a rights issue, bonus issue or cash distribution by the issuer, a share split or share consolidation of the underlying asset, or a restructuring event of the issuer) may entitle the issuer to adjust the terms and conditions of the warrant. The value of the warrants may not correlate with the movements of the underlying asset's level and is affected by implied volatility of the underlying asset's price, the remaining time to expiry, interest rates, and the expected dividend on the underlying asset. There may not be a secondary market or the secondary market may be limited, and it may be difficult for the Client to realize the value of the warrants prior to expiry. A warrant will usually be suspended from trading if its underlying asset is suspended from trading.

26.6 **Risks of Exchange Traded Notes ("ETNs") and Exchange Traded Certificates ("ETCs"):** Typically, ETNs and ETCs are unsecured, unsubordinated debt securities designed to provide the investor access to returns of various market benchmarks. Returns on ETNs and ETCs are usually linked to the performance of a market benchmark or strategy, minus applicable fees. ETNs and ETCs may have a maturity date or open-ended (i.e. no fixed maturity date), and are backed only by the credit worthiness of the issuer. Please

however note that the following is by no means an exhaustive list of risks that the Client should consider before investing in ETNs and ETCs:

- (a) ETNs/ETCs are usually linked to the return of a benchmark. However, ETNs/ETCs as debt securities do not own any assets which they are tracking, and are merely promises from the issuer to pay the investor the theoretical allocation of the return reflected in the benchmark.
- (b) In the event that the issuer defaults, the maximum potential loss could be the entire investment amount, and no return may be received by the investor, given that ETN/ETC is considered as an unsecured debt instrument.
- (c) The value of the an ETN/ETC may drop due to a downgrade in the issuer's credit rating even if there is no change in the value of the underlying assets. By buying ETNs/ETCs, the investor is exposed to the credit risk of the issuer, and would only have an unsecured bankruptcy claim if the issuer declares bankruptcy.
- (d) There is no guarantee that the investor will receive at maturity, or upon any earlier repurchase, its initial investment back or any return on the said investment. The issuer may have the right to redeem the ETN/ETC at the repurchase value at any time. If at any time the repurchase value of the ETN/ETC is zero, the investor's investment will expire worthless.
- (e) Depending on the product feature, the investor may have leveraged or unleveraged exposure to the underlying asset. The value of an ETN/ETC can change rapidly according to the gearing ratio relative to the underlying asset. The investor should therefore be aware that the value of the ETN/ETC may fall to zero resulting in a total loss of the initial investment.
- (f) ETN/ETCs may be illiquid despite that they are exchange-traded. There is no guarantee that the investor will be able to liquidate its position.
- (g) Investors trading in ETNs/ETCs whose underlying assets are not denominated in local currencies are exposed to exchange rate risk. Currency rate fluctuation can adversely affect the underlying asset's value, hence the ETN/ETC's price.

**27. Futures, options and Derivatives and Structured Products traded on margin basis:**

**(a) Collateral**

If the Client instructs Huatai to effect transactions in a Derivatives and Structured Product, the Client understands and acknowledges that the Exchange or Market (if any) on which the transaction is effected, the Clearing House or the relevant counterparty (which can be Huatai itself or an Associate of Huatai) will from time to time demand initial and/or supplementary margin or collateral to cover liabilities which have been incurred or may be incurred. To meet a Margin Call, Huatai is hereby authorized by the Client to deduct from the Account any money and/or sell/unwind any Investments (including Collateral) held in the Account, and put up the proceeds thereof or to put up any such Investments, and/or require the Client to put up margin or collateral in the form of cash or, with the agreement with Huatai, Securities or other Investments. If the Client fails to meet the Margin Call, then Huatai may close out any open derivatives position of the Client, and charge all related expenses to the Client, or at the Client's risk leave the position open. If the Client is asked to put up Collateral for an open derivatives position, Huatai is authorized to pledge, charge or make other security arrangements over such Collateral in favor of the relevant Exchange, Market, Clearing House or counterparty, and to register the collateral in the Client's name or in the name of Huatai or any relevant nominee or Associate.

**(b) Effect of "leverage" or "gearing"**

Transactions in futures, options and Derivatives and Structured Products on margin basis carry a high degree of risk. The amount of initial margin is small relative to the value of the product, so that transactions are “leveraged” or “geared”. A relatively small market movement will have a proportionately larger impact on the funds the Client has deposited or will have to deposit: this may work for or against the Client. The Client may sustain a total loss of initial margin funds and any additional funds deposited with Huatai to maintain its position. If the market moves against the Client’s position or margin levels are increased, the Client may be called upon to pay substantial additional funds on short notice to maintain its position. If the Client fails to comply with a request for additional funds within the time prescribed, its position may be liquidated at a loss and the Client will be liable for any resulting deficit. Furthermore, in the event that Huatai is unable to contact the Client (for whatever reason), or if Huatai has not received additional funds after contacting the Client (notwithstanding that the prescribed time has not elapsed), Huatai in its sole discretion may (but is not obliged to) liquidate the Client’s position without prior notice or the Client’s consent, and the Client will still be liable for any resulting deficit.

**(c) 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.

## Schedule 6 – China Connect Trading Services

### 1 Applicability

This Schedule 6 supplements the General Terms and Conditions and applies in connection with the provision of China Connect Trading Services to Clients.

### 2 Definitions

The following words and phrases shall bear the following meanings for the purposes of this Schedule 6. Capitalized terms used herein which are undefined have the meanings given in the General Terms and Conditions.

**“A Shares”** means any Securities issued by companies incorporated in Mainland China which are listed and traded on Mainland China A Share Markets (Shanghai and Shenzhen) and not on the SEHK;

**“Affiliate”** means in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, “control” of any entity or person means ownership of a majority of the voting power of the entity or person;

**“Cash”** means all cash or cash equivalents in RMB received and held by Huatai under these China Connect Terms;

**“CCASS”** means the Central Clearing and Settlement System operated by HKSCC for the clearing of Securities listed or traded on SEHK and/ or any clearing system established for the purpose of China Connect;

**“China Connect”** means a Securities trading and clearing links programme developed or to be developed by the SEHK, SSE, SZSE, HKSCC and ChinaClear for the establishment of mutual Market access between SEHK and SSE or between SEHK and SZSE (as applicable);

**“China Connect Authorities”** means the Regulators which regulate China Connect and activities relating to China Connect, including without limitation, the CSRC, PBOC, SAFE, SFC and any other Regulator, agency or authority with jurisdiction, authority or responsibility in respect of China Connect;

**“China Connect Entities”** means the Exchanges, clearing systems and other entities which provide services relating to China Connect, including without limitation, the SEHK, HKSCC, SEHK Subsidiary, SSE, SZSE and ChinaClear;

**“China Connect Laws”** means the laws and regulations of Hong Kong and Mainland China from time to time in respect of China Connect or any activities arising from China Connect;

**“China Connect Market”** means the SSE and/or the SZSE;

**“China Connect Market System”** means the system used for the trading of China Connect Securities on the SSE or SZSE (as applicable), as operated by the SSE or SZSE (as applicable);

**“China Connect Rules”** means any Rules, policies or guidelines published or applied by any China Connect Authority or China Connect Entity from time to time in respect of China Connect or any activities arising from China Connect;

**“China Connect Securities”** means any Securities listed on the SSE or SZSE (as the case may be) which may be eligible for trading by Hong Kong and international investors on China Connect;

**“China Connect Service”** means the order-routing service through which Northbound orders placed by an Exchange Participant may be transmitted by the SEHK Subsidiary to the SSE or SZSE (as applicable) for the buying and selling of China Connect Securities and any related supporting services;

**“China Connect Terms”** means the terms set out in this Schedule 6, as may be amended, supplemented, modified or varied from time to time;

**“China Connect Trading Services”** means the service which may be provided by Huatai to the Client subject to the China Connect Terms, through which Clients may trade in China Connect Securities;

**“ChinaClear”** means China Securities Depository and Clearing Corporation Limited;

**“Clearing Participant”** has the meaning given to such term in the Rules of CCAS;

**“Client Securities Rules”** means the Securities and Futures (Client Securities) Rules (Cap 571H, Laws of Hong Kong);

**“CSC”** means the China Connect System for receiving and routing orders under China Connect to the trading system on a China Connect Market for automatic matching and execution;

**“CSRC”** means China Securities Regulatory Commission;

**“CSRC China Connect Rules”** means the Several Provisions on the Pilot Program of Shanghai-Hong Kong Stock Connect, (and where applicable to the Shenzhen-Hong Kong Stock Connect or such other rules to be promulgated relating thereto) as promulgated by CSRC to prescribe the launch and operation of the China Connect;

**“Exchange Participant”** has the meaning given by the Rules of the SEHK;

**“Forced-sale Notice”** has the meaning given in Clause 10.1 of this Schedule 6;

**“H Shares”** means any Securities issued by companies incorporated in Mainland China and listed on the SEHK;

**“HKEx”** means the Hong Kong Exchanges and Clearing Limited;

**“Mainland China”** means the People’s Republic of China (excluding Hong Kong, Macau and Taiwan);

**“Mainland China Listco”** has the meaning given in Clause 14 of the Annex to this Schedule 6;

**“Mainland China Resident”** means any natural person holding a resident identification card or other equivalent government issued identification of Mainland China, and not having permanent residence in other jurisdictions outside of Mainland China;

**“Non-trade Transfer”** means a transfer of China Connect Securities which involves a change in the beneficial ownership of the China Connect Securities and which is neither conducted through the China Connect Service nor executed on the China Connect Market. **“Northbound”** denotes the trading of China Connect Securities by Hong Kong and international investors through China Connect; **“PBOC”** means the People’s Bank of China;

“**PRC**” means the People’s Republic of China;

“**Pre-Trade Checking**” means the requirement under the China Connect Laws pursuant to which SSE or SZSE (as the case may be) may reject a sell order if an investor does not have sufficient available China Connect Securities in its account;

“**Related Person**” means any of Huatai’s Affiliates, or any director, officer, employee or agent of Huatai or Huatai’s Affiliates;

“**RMB**” means Renminbi, the lawful currency of Mainland China, deliverable in Hong Kong;

“**SAFE**” means the State Administration of Foreign Exchange of the PRC;

“**SEHK Subsidiary**” means a wholly-owned subsidiary of SEHK duly authorized as an automated trading service provider under the SFO and licensed under applicable laws in Mainland China to provide the order-routing service under China Connect;

“**Special China Connect Securities**” means any Securities listed on the SSE or SZSE (as applicable) which the SEHK (after consulting with SSE or SZSE) from time to time accepts or designates as eligible only for China Connect sell orders and not China Connect buy orders;

“**SSE**” means the Shanghai Stock Exchange;

“**SSE Rules**” means the Rules, operation procedures, circulars and notices of SSE in respect of the stock listing and trading activities taking place on SSE;

“**SZSE**” means the Shenzhen Stock Exchange;

“**SZSE Rules**” means the Rules, operation procedures, circulars and notices of SZSE in respect of the stock listing and trading activities taking place on SZSE;

“**Taxes**” means all retrospective, present or future taxes, duties, levies, imposts, charges, assessments, deductions, withholdings and related liabilities, including additions to tax, penalties and interest imposed on or in respect of (i) China Connect Securities or Cash, (ii) any Transaction effected under these China Connect Terms or (iii) the Client; and

“**Trading Day**” means a day on which SEHK is open for Northbound trading, where “**T day**” denotes the Trading Day on which a Transaction is executed and “**T+1 day**” denotes the day which is one Trading Day, or in the context of the settlement of funds, on a Business Day (on which banks in Hong Kong and Shanghai/ Shenzhen are generally open for business) after T day.

### 3 Eligible Investors

The Client represents and undertakes on a continuing basis, including without limitation on the first date that these China Connect Terms are effective and on each date that the Client places an order or gives an Instruction in respect of China Connect Securities under these China Connect Terms, that:

(a)

- (i) the Client is not a Mainland China Resident or an entity incorporated or registered under the laws of Mainland China (“Mainland Investor”); and
- (ii) if the Client is a Mainland China Resident, the Client holds a Permit for Proceeding to Hong Kong and Macao, i.e. One-way Permit; and



- (iii) if the Client is holders of a joint account, no account holder is a Mainland Investor or a Mainland China Resident without a Permit for Proceeding to Hong Kong and Macao, i.e. One-way Permit; and
- (b) the Client's entry into any Transaction under these China Connect Terms does not violate the laws and regulations of Mainland China, including those in relation to foreign exchange control and reporting.

#### **4 Compliance with China Connect Laws and China Connect Rules**

- 4.1** Any trading in China Connect Securities will be subject to all China Connect Laws and China Connect Rules, some of which are referred to in the Annex to this Schedule 6.
- 4.2** These China Connect Terms highlight certain key features of China Connect as of the date hereof. Huatai is not liable for any inaccuracies or misstatements in the information set out in the Annex to this Schedule 6. These China Connect Terms do not purport to cover all China Connect Laws and China Connect Rules. The Client shall be fully responsible for understanding and complying with all China Connect Laws and China Connect Rules and for any consequences of Northbound trading. Huatai will not, and does not intend to, advise the Client on any China Connect Laws or China Connect Rules. For further information, the Client should refer to the HKEx website and the SFC website relating to China Connect from time to time and other relevant sources.
- 4.3** Huatai shall have the right to apply any procedures or requirements in respect of any trading of China Connect Securities through China Connect which Huatai determines in its absolute discretion to be necessary or desirable for the purpose of any China Connect Laws, China Connect Rules or Market practice. Neither Huatai nor any Related Person shall have any liability for any Losses or risks which may result directly or indirectly from such procedures or requirements.
- 4.4** Huatai may, in its sole and absolute discretion, refuse to execute any Instruction given by the Client, if (for example, and without limitation):
  - 4.4.1** such Instruction is not compliant with any China Connect Laws or China Connect Rules or if Huatai reasonably believes that such Instruction may not be compliant with any China Connect Laws or China Connect Rules or if Huatai is required by the SEHK not to accept such Instruction;
  - 4.4.2** without prejudice to the Client's obligations, in Clause 7 of this Schedule 6, in respect of any Instruction to make a Northbound sell order, Huatai determines in its sole and absolute discretion that the Client does not have sufficient Securities at the time of such Instruction to settle the delivery obligation or if submission of the order would cause Huatai to be in breach of the Pre-Trade Checking requirements or related requirements under the China Connect Rules or China Connect Laws; or

**4.4.3** in respect of any Instruction to make a Northbound buy order, Huatai determines in its sole and absolute discretion that the Client does not have sufficient funds to settle the payment obligation in respect of such order on the settlement day.

Neither Huatai nor any Related Person shall have any liability for any Losses or risks which may result directly or indirectly from such refusal.

**4.5** Without limitation to the foregoing, Huatai may in its sole and absolute discretion suspend, terminate or limit the Client's ability to access the China Connect through Huatai without advance notice to the Client, including but not limited to where requested or directed by a China Connect Authority.

**4.6** In the event that SEHK, the SEHK Subsidiary or HKSCC is notified by SSE, SZSE, ChinaClear, or any other relevant Exchange, Clearing House or governmental or regulatory body that there is reasonable cause to believe that the Client has failed to comply with or has breached any China Connect Laws or China Connect Rules, the Client shall, upon Huatai's request provide such information (including translations into Chinese if requested by Huatai) as Huatai may reasonably request to enable Huatai to assist the relevant exchange, Clearing House or governmental or regulatory body including without limitation SSE, SZSE, ChinaClear or any PRC governmental or regulatory authority or authorities to assess whether there is any noncompliance or breach of the China Connect Laws or China Connect Rules and/or the extent of any non-compliance or breach. The Client shall reimburse Huatai for all costs, fees and expenses incurred in connection with the compliance of such requests from the relevant exchange, Clearing House or governmental or regulatory body on fully indemnity basis.

## **5 Risk disclosures and acknowledgement**

**5.1** By instructing Huatai in respect of any Transaction relating to China Connect Securities, the Client acknowledges:

**5.1.1** that it has read and understood the risk disclosures and other information set out in the Annex to this Schedule 6 and understands its obligations set out in such Annex, including any consequences for a breach of China Connect Laws or China Connect Rules;

**5.1.2** that there is a risk of prohibition from trading China Connect Securities and that the Client's Instructions to trade China Connect Securities may not be accepted;

**5.1.3** that neither Huatai nor any Related Person shall be liable for any Loss, liability or third party claim or demand that the Client may suffer directly or indirectly as a result of any action or inaction by Huatai or any Related Person in connection with the provision of the China Connect Trading Services including, without limitation, the materialization of any of the risks described in the Annex to this Schedule 6;

**5.1.4** that SEHK has the power not to extend the China Connect Service to the Client, and the power to require Huatai not to accept Instructions from the Client, if it is found that the Client, Huatai or any of Huatai's clients have or may have committed any abnormal

trading conduct set out in the SSE Rules or SZSE Rules (as applicable) or failed to comply with any China Connect Rules;

- 5.1.5** that if the SSE Rules or SZSE Rules (as applicable) are breached, or the disclosure and other obligations referred to in any China Connect Laws or China Connect Rules are breached: (i) SSE or SZSE (as applicable) has the power to carry out investigations, and may, through SEHK (or through the SEHK Subsidiary, any other governmental or regulatory body), require Huatai or a Related Person to: (a) provide relevant information and materials relating to the Client including, without limitation, in relation to the Client's identity, personal data and trading activity; and (b) to assist in a China Connect Authority's investigation in relation to the Client and/or the Client's trading activity; and (ii) the Client may be subject to regulatory investigations and legal and regulatory consequences if the Client is in breach of, or fails to comply with, such laws, Rules and regulations;
- 5.1.6** that the SEHK may (for the purpose of assisting SSE or SZSE in its regulatory surveillance of the China Connect Market and enforcement of the China Connect Rules on the SSE or SZSE and as part of the regulatory cooperation arrangement between the SEHK, the SEHK Subsidiary and SSE or SZSE), at the request of SSE or SZSE, require Huatai to provide information (including, without limitation, in relation to the Client's identity, personal data and trading activity) in relation to the Client and any other persons referred to in the SEHK China Connect Rules with respect to any China Connect orders placed or China Connect Transactions made or entered into by Huatai on behalf of the Client;
- 5.1.7** that where a China Connect Authority considers that there is a serious breach of the SSE Rules or the SZSE Rules (as applicable), Huatai may be required by a China Connect Authority to: (a) issue warning statements (verbally or in writing) to the Client; and/or (b) cease providing the Client with the China Connect Trading Services;
- 5.1.8** and agrees that prior to Huatai informing the Client that a Northbound buy order instructed by the Client has been settled, the Client shall not instruct a Northbound sell order in respect of the China Connect Securities which are the subject of such Northbound buy order;
- 5.1.9** and consents to Huatai or Huatai's Related Person, providing information relating to the Client and its profile, including the type and value of Northbound buy and sell orders and Transactions executed on the Client's behalf, to a China Connect Authority at such intervals and in such form as such China Connect Authority may specify from time to time, including in relation to an investigation or surveillance by a China Connect Authority;
- 5.1.10** and accepts responsibility for paying all fees, charges, levies and taxes and shall comply with any filing or registration obligations as may be required by any China Connect Authority, China Connect Laws or China Connect Rules relating to any China Connect Securities and any dividends or entitlements (if applicable) in respect of such China Connect Securities;

- 5.1.11** and accepts that Huatai will be subject to recordkeeping requirements under the China Connect Rules and may therefore retain records (including telephone and electronic communications, Transactions and Account information) in relation to the Client's Northbound orders and trading for a minimum of 20 years or as otherwise required under the China Connect Rules or the China Connect Laws;
- 5.1.12** that the SEHK may, upon SSE/SZSE's request, require Huatai to reject any order made on behalf of the Client; and
- 5.1.13** that none of the China Connect Authorities or their respective directors, employees and agents shall be responsible or be held liable for any Loss or damage directly or indirectly suffered by Huatai or any Related Person, the Client or any other third party arising from or in connection with: (i) the trading of China Connect Securities or the operation of the CSC in respect of China Connect Securities, or (ii) any amendments or the enforcement of the China Connect Rules; or (iii) any action taken by a China Connect Authority in the discharge of its supervisory or regulatory obligations or functions (including any action taken in respect of abnormal trading activities).

## **6 Representations and undertakings**

- 6.1** The Client makes the representations and undertakings set out in this Clause to Huatai on a continuing basis:
- 6.1.1** that the Client is aware of and shall comply with all China Connect Laws, China Connect Rules and other applicable laws or regulations to which it may be subject;
- 6.1.2** that the execution of any Instruction the Client gives to Huatai shall not result in any breach of any China Connect Laws or China Connect Rules;
- 6.1.3** that the Client understands and has assessed the risks relating to China Connect and is willing to undertake the risks relating to China Connect;
- 6.1.4** that the Client is not an insider and is not in possession of inside information when trading China Connect Securities or procuring others to do so;
- 6.1.5** that with respect to the shares of any PRC incorporated company which are listed and traded on any stock exchange in the PRC, the Client does not hold more than the ownership limit as prescribed by any China Connect Authorities;
- 6.1.6** that the Client, in trading China Connect Securities, has no intention to manipulate the market;
- 6.1.7** that the Client is eligible under all China Connect Laws, China Connect Rules and other applicable laws or regulations to use the China Connect Service and to invest and deal in China Connect Services.

**6.2** The Client makes the following representations to Huatai on each date that it instructs an order to sell China Connect Securities:

**6.2.1** that the Client does not know of any fact that might impair the validity of such China Connect Securities and that the Client has full authority to receive, deal with and give Instructions, authorizations or declarations in respect of the same;

**6.2.2** that there is no adverse claim to such China Connect Securities; and

**6.2.3** that there is no restriction on the transfer of such China Connect Securities other than those expressly provided for under the SEHK Rules or CCASS Rules.

**6.3** The Client undertakes to inform Huatai immediately in writing (and in any event no later than one Business Day after the relevant event) of anything that may potentially render any of the representations in these China Connect Terms inaccurate or misleading.

**6.4** The Client undertakes that it will provide Huatai promptly upon request such materials and/or information as may be required by Huatai or any China Connect Authority, including without limitation, any information relating to China Connect trades executed by the Client through Exchange Participants other than Huatai, where the China Connect Securities in respect of such trades have been transferred to Huatai for sale, and the Client hereby expressly consents to the disclosure by Huatai of any of the foregoing materials and/or any client, relevant parties, transfer or trade information to any China Connect Authority as Huatai deems necessary to comply with any Market requirements.

## **7 Order handling**

**7.1** Huatai will handle client orders fairly. Huatai may aggregate the Client's Northbound orders with the Northbound orders of any other clients or of its Affiliates when Huatai processes such orders. This may sometimes operate to the Client's disadvantage and, because of the quota restrictions described in the Annex to this Schedule 6, may result in the Client's order only being partially executed or not at all.

**7.2** All client orders and Transactions to be undertaken for clients ("Client Orders") which are for submission to the applicable open auction or start of continuous trading session (the "Opening") shall be handled by Huatai in a way that seeks to ensure that all such Client Orders have a fair and equal opportunity to participate in the Opening. Huatai will regard all such Client Orders as having been received by Huatai only at the point at which Huatai's system submits Client Orders into the applicable opening auction or start of continuous trading session.

## **8 Compliance with Pre-Trade Checking requirements**

**8.1** The Client undertakes that it will comply with any requirements relating to Pre-Trade Checking mandated by the China Connect Authorities, the China Connect Entities or as notified to the Client by Huatai.

- 8.2** In addition, the Client undertakes to ensure there are sufficient available China Connect Securities in the Client's Account by the applicable cut-off time (as notified to the Client by Huatai from time to time) to cover any proposed sell order given on that Trading Day.
- 8.3** If Huatai considers that the Client does not, for whatever reason, have sufficient available China Connect Securities in its Account to settle a sell order by the applicable cut-off time (as notified to the Client by Huatai from time to time) Huatai may in its sole and absolute discretion:
- 8.3.1** reject the Client's sell order (in whole or in part);
  - 8.3.2** use any China Connect Securities in Huatai's designated CCASS stock Account(s), which Huatai holds for itself or on behalf of Huatai's other clients, to fulfil the Pre- Trade Checking requirement in respect of the Client's sell order, in which case the Client shall reimburse Huatai for any costs, Losses or expenses which Huatai incurs as a result of buying in or otherwise sourcing the amount of China Connect Securities which the Client has failed to deliver in respect of the Client's sell order on such terms and at such price (including any associated fees and expenses) and at such time as Huatai shall determine in its sole and absolute discretion; or
  - 8.3.3** perform any other act which Huatai considers necessary or desirable to comply with Pre-Trade Checking and/or relevant China Connect Laws or China Connect Rules and to cover the Client's shortfall (including, but not limited to, applying any other China Connect Securities available to Huatai from other sources).
- 8.4** In addition, Huatai may in its sole and absolute discretion reject the Client's buy or sell order (in whole or in part) if for any reason Huatai considers that there is or may be non- compliance with any China Connect Laws or China Connect Rules. Any risk, Loss or cost resulting from noncompliance or potential non-compliance with Pre Trade Checking and/or the relevant China Connect Laws or China Connect Rules shall be borne by the Client.
- 8.5** Huatai may in its sole and absolute discretion reject the Client's buy order (in whole or in part) if Huatai determines in its absolute discretion that the Client does not have sufficient funds to settle the payment obligation.
- 8.6** The Client shall reimburse Huatai for any costs, losses or expenses which Huatai incurs as a result of its failure to deliver in respect of its sell order on such terms and price (including any associated fees and expenses) and at such time as Huatai shall determine in its absolute discretion.

## **9 Settlement and currency conversion**

- 9.1** As all Northbound trading is effected and settled in RMB, if Huatai does not receive sufficient RMB before settlement of a Northbound buy order to settle such purchase of China Connect Securities, settlement may be delayed and/or fail and the Client may not acquire title to, or become entitled to sell or transfer the relevant China Connect Securities. Where Huatai holds any funds on the Client's behalf, if there are insufficient RMB funds to settle any Northbound buy order or other payment obligation in connection with China Connect, the Client authorizes

Huatai to convert any funds in any other currency which Huatai holds on the Client's behalf into RMB for the purposes of settlement thereof. The exchange rate to be applied to such conversion shall be calculated at the market rates as determined by Huatai in its sole discretion.

- 9.2** Notwithstanding any provisions in the General Terms and Conditions, where it is necessary to convert one currency to another pursuant to these China Connect Terms, such conversion may be carried out automatically by Huatai in a commercially reasonable manner without prior notice to the Client. Any risk, Loss or cost resulting from any conversion of one currency into another currency pursuant to these China Connect Terms shall be borne by the Client. For the avoidance of doubt, the Client understands and acknowledges that Huatai does not have any obligation to make any such conversion.
- 9.3** The Client agrees that in the event that the Client fails to timely settle any payment obligation in relation to an Instruction to purchase China Connect Securities, Huatai has the right to (immediately and without prior notice to the Client) take such action as Huatai considers appropriate to reduce or eliminate any Loss or liability that Huatai suffers or may suffer (including but not limited to taking any steps to sell, realize, dispose of or otherwise deal with the relevant China Connect Securities) and that the Client shall indemnify and hold Huatai harmless for any liabilities, expenses or other Losses Huatai may incur in exercising such right. The Client further agrees that Huatai shall have no liability to the Client for any Loss, diminution in value or other damages whatsoever for any action or inaction of Huatai or its agents pursuant to this Clause.
- 9.4** Notwithstanding any provisions in the General Terms and Conditions, where Huatai determines that there is insufficient liquidity in RMB to settle any buy orders, Huatai may, in its sole and absolute discretion, reject the Client's Instructions to place such buy order.

## **10 Sale, transfer and disgorgement**

- 10.1** Where, under the terms of the China Connect Rules, Huatai receives notice (a "**Forced-sale Notice**") from a China Connect Authority requiring Huatai to sell and liquidate all, or a specified number of China Connect Securities, Huatai shall be entitled to issue a corresponding notice (a "**Client Forced-sale Notice**") to the Client requesting the Client to sell and liquidate any number of such China Connect Securities that the Client holds in its Account with Huatai (as determined by Huatai in its sole and absolute discretion) within the period specified by the relevant China Connect Authority, and the Client undertakes to comply with any such Client Forced-sale Notice.
- 10.2** In relation to any Forced-sale Notice and to the extent necessary to comply with all China Connect Laws and China Connect Rules, the Client authorizes Huatai to sell or arrange for the sale of such China Connect Securities on its behalf at such price and on such terms as Huatai may determine in its sole and absolute discretion if the Client fails to timely comply with a Client Forced-sale Notice.
- 10.3** Where China Connect Securities owned by the Client that are the subject of a Client Forced-sale Notice have been transferred from the holding of the Clearing Participant that settled the relevant Northbound buy order (the "**Original CP**") to another Clearing Participant or custodian (the "**Recipient Agent**"), the Client authorizes Huatai to provide instructions to the Recipient

Agent on the Client's behalf to return the relevant China Connect Securities to the Original CP for sale and liquidation in accordance with all China Connect Laws and China Connect Rules. The Client also undertakes to inform the Recipient Agent of such authorization and, where required, the Client undertakes to instruct the Recipient Agent to act accordingly.

- 10.4** The Client authorizes Huatai, without prior notice to the Client, to sell or arrange for the sale of any amount of China Connect Securities owned by the Client if Huatai receives notice from any China Connect Authority requiring the Client to disgorge any profits as a result of the "short swing profit rule", as described in Clause 15 of the Annex to this Schedule 6.
- 10.5** In addition to the above, the Client authorizes Huatai to sell, transfer or carry out any other action in relation to China Connect Securities owned by the Client if Huatai is instructed to do so by any China Connect Authority or if Huatai otherwise determines in its sole and absolute discretion that it is necessary or desirable to do so in order to comply with any China Connect Laws or China Connect Rules.
- 10.6** Neither Huatai nor any Related Person shall have any liability for any Losses or risks which may result directly or indirectly from any actions taken by Huatai or a Related Person in respect of this Clause.

## **11 Custody**

### **11.1 Applicability**

This Clause 11 is only applicable when the Client has delivered to Huatai the China Connect Securities in relation to Pre-Trade Checking under the China Connect Rules and China Connect Laws.

### **11.2 Nature of custodial services**

**11.2.1** The Client acknowledges that this Clause 11 is without prejudice to any agreements the Client may have with Huatai's Affiliates providing the Client with custodial services.

**11.2.2** The Client acknowledges that Huatai conducts business in China Connect Securities for other clients and for its own account.

**11.2.3** The Client shall be solely responsible for all filings, tax returns and reports of any Transaction and/or holdings in respect of or relating to China Connect Securities held under this Clause 11, as may be required by any relevant authority, whether government or otherwise.

### **11.3 Establishment of Custody Account**

**11.3.1** The Client authorizes Huatai to establish on Huatai's books or to Huatai's order a custody account or accounts (the "**Custody Account**") for the receipt, safekeeping and maintenance of China Connect Securities.



**11.3.2** Huatai will determine in its reasonable discretion whether to accept in the Custody Account any proposed delivery of China Connect Securities.

#### **11.4 Custodial procedures**

**11.4.1** Huatai will be under no obligation to credit China Connect Securities to the Custody Account before Huatai's receipt of such China Connect Securities by final settlement.

**11.4.2** If Huatai shall receive one or more Instructions to deliver from the Custody Account an amount of China Connect Securities exceeding those credited to the Custody Account, Huatai may reject any such Instruction or elect to perform any Instruction in whole or in part, and in any order.

**11.4.3** The Client acknowledges that deliveries of China Connect Securities and payments therefor may not be simultaneous. Accordingly, if Huatai receives an Instruction to deliver China Connect Securities against payment or to pay for China Connect Securities against delivery, Huatai may make or accept payment for or delivery of China Connect Securities in accordance with relevant Market practices and/or Rules and/or applicable laws or regulations.

**11.4.4** Huatai shall make payment for and/or receive or deliver any China Connect Securities only upon receipt of and in accordance with specific Instructions (except as otherwise specifically provided in these China Connect Terms).

**11.4.5** Unless Huatai shall have received and accepted a contrary Instruction, Huatai may carry out the following without any Instruction:

- (i) in the Client's name or on its behalf, sign any document relating to China Connect Securities which may be required (i) to obtain receipt of any China Connect Securities or funds or (ii) by any tax or regulatory authority; and
- (ii) collect and/or receive and/or take other necessary or appropriate action in relation to any payment or distribution in respect of China Connect Securities (whether pursuant to a stock dividend, bonus issue, share sub-division or reorganization, capitalization of reserves or otherwise).

**11.4.6** The Client acknowledges that Huatai may re-deliver to the Client or to the Client's usual custodian, at such time as Huatai may determine in its sole and absolute discretion, any China Connect Securities which have not been utilized by Huatai in the settlement of any Transaction on the Client's behalf. The Client acknowledges that Huatai may, within a reasonable time of receipt, deliver or pay to the Client or the Client's usual custodian or bank (net of any fees or other expenses payable by the Client to Huatai) any distribution or payment received by Huatai in respect of China Connect Securities for the Client's Account. The Client will, promptly on Huatai's request, give such authorizations or Instructions (to Huatai and/or the Client's usual custodian and/or any other person) as Huatai may require to pre-authorize any such re-delivery or payment.

**11.4.7** In circumstances where Huatai has not, after using reasonable endeavors, been able to: (a) re-deliver to the Client or to the Client's usual custodian any such China Connect

Securities; or (b) deliver or pay to the Client or the Client's usual custodian or bank any such distribution or payment, including, for example, and without limitation, where (i) the Client fails to provide such Instructions upon Huatai's reasonable request and/or (ii) the Client's usual custodian refuses to accept any such delivery of China Connect Securities or payment, the Client authorizes Huatai in its sole and absolute discretion to sell, liquidate or otherwise dispose of the relevant China Connect Securities and to transfer the sale, liquidation and/or disposal proceeds and/or any distribution or payment to the Client's usual bank account or, if there is no bank account, to an account established for the Client by Huatai with a third party bank selected by Huatai in its sole and absolute discretion pending Instructions for payment to the Client's preferred account.

**11.4.8** Huatai shall have no obligation whatsoever to collect or receive or take any other action (including attending any general meeting and/or exercising any voting right) in relation to any payment or distribution in respect of China Connect Securities for the Client's Account or to notify the Client of the existence of or the terms of any notice, circular, report, announcement or similar corporate action in respect of China Connect Securities. The Client acknowledges that in certain circumstances, including, without limitation, as a result of any China Connect Laws or China Connect Rules, it may be difficult, impracticable or impermissible for HKSCC or its nominee (and for Huatai or the Client) to exercise any rights or entitlements or to participate in any actions, Transactions or other matters in respect of China Connect Securities. If Huatai shall make any such collection or receipt, take any such action or give the Client any such notification or shall take any action pursuant to any such notification, Huatai shall not have:

- (i) any liability in respect of any inaccuracies or delays; and
- (ii) any obligation to continue or repeat any such action.

## **11.5 Pooling/sub-custodians/clearance systems**

**11.5.1** Huatai may pool China Connect Securities and treat them as fungible with the same China Connect Securities of other clients. Huatai may at any time allocate equivalent China Connect Securities to the Client and shall not be bound to return to the Client the original China Connect Securities delivered to Huatai.

**11.5.2** Huatai may deposit China Connect Securities with any sub-custodian or with any clearance system as required by law, regulation or Market practice, and is not responsible for performance by or monitoring of any sub-custodian or by any clearance system or its practices. In addition, Huatai shall not be liable for any act or omission by, or the insolvency of, any sub-custodian or clearance system. In the event the Client incurs a Loss due to the negligence, wilful default, or insolvency of any sub-custodian or clearance system, Huatai will make reasonable endeavors, in its sole and absolute discretion, to seek recovery from the relevant sub-custodian or clearance system, but Huatai will not be under any obligation to institute legal proceedings, file any proof of claim in any insolvency proceeding, or take any similar action.

## **11.6 Confirmations by the Client**

**11.6.1** The Client confirms that during the subsistence of these China Connect Terms:

- (i) the Client has authority to deposit and hold China Connect Securities in the Custody Account and there is no claim or encumbrance that will or may adversely affect any delivery of China Connect Securities; and
- (ii) if the Client acts as an agent for any of its own clients, whether or not expressly identified to Huatai at any time, no such client shall be or be considered a client or indirect client of Huatai, and the Client's obligations under these China Connect Terms are as principal.

**11.6.2** The Client will, promptly on Huatai's request, execute such documents and do such acts and things as Huatai may require in order to perform its obligations under these China Connect Terms or otherwise to comply with the China Connect Rules or China Connect Laws.

## **11.7 Custodial duties and liabilities**

**11.7.1** Huatai shall have only those duties expressly provided in these China Connect Terms. Huatai shall have no fiduciary duties or other implied duties or obligations whatsoever.

**11.7.2** The performance by Huatai of its duties is subject to:

- (i) all relevant local laws, regulations, decrees, orders and government acts;
- (ii) the Rules, operating procedures and practices of any relevant Exchange, clearance system or Market; and
- (iii) any event or circumstance beyond Huatai's reasonable control.

**11.7.3** In respect of any custodial services described in this Clause 11:

- (i) Huatai will not be liable for any Loss or damage suffered by the Client unless such Loss or damage results from Huatai's gross negligence, wilful misconduct or fraud;
- (ii) Huatai shall not be liable for consequential Loss or damage (including, without limitation, lost profits) in any circumstances, whether or not foreseeable and regardless of the type of action in which such a claim may be brought, with respect to the Custody Account or the China Connect Trading Services; and
- (iii) in the case of gross negligence, wilful misconduct or fraud, Huatai's liability shall not exceed the replacement cost or the Market value of the relevant China Connect Securities at the relevant time (whichever is lower).

**11.7.4 Huatai may establish cut-off times for receipt of Instructions. If Huatai receives an Instruction after an established cut-off time, it may regard the Instruction as having been received on the following Trading Day and act on it accordingly.**

## **11.8 Interest**

No interest will be payable on the Client's Custody Account.

## 11.9 Lien

In addition to any other remedy Huatai may have, Huatai shall have a continuing general lien on all China Connect Securities held for the Client or the Client's Account, for all amounts due or owing by the Client to Huatai.

## 12 Client information

**12.1 Retention of records:** If the Client instructs Huatai to effect a Northbound Transaction in China Connect Securities on behalf of its own client (a "**Client Transaction**"), the Client shall retain for a period of not less than 20 years (or such other period as Huatai may instruct the Client in accordance with China Connect Laws or China Connect Rules) records of any client instructions and Account information in relation to the Client Transaction (such records referred to herein as the "**Client Information**").

**12.2 Where the Client's own client acts as intermediary:** If the Client instructs Huatai to effect a Client Transaction and it is aware that its own client is acting as an intermediary (either directly or indirectly through other intermediaries) for another person who is the beneficial owner of the Client Transaction, the Client undertakes and confirms that it has arrangements in place:

**12.2.1** requiring such client to retain or procure the retention of the Client Information in relation to the beneficial owner of the Client Transaction for the period specified in Clause 12.1 of this Schedule 6; and

**12.2.2** which entitles the Client to obtain and disclose the Client Information in relation to the beneficial owner upon request and within the required time limit specified by Huatai, or procure that it be so obtained and disclosed.

**12.3 Disclosure of information to China Connect Authority:** If Huatai receives an enquiry from any China Connect Authority in relation to a Client Transaction, the Client shall, upon request and within the time limit specified by Huatai, disclose to Huatai or to the relevant China Connect Authority, the Client Information, or procure such disclosure, in relation to the beneficial owner of the Client Transaction.

## 13 Taxation

**13.1** The Client shall be responsible for paying all Taxes, and the Client shall be required to comply with any filing or registration obligations, in each case as may be required under any China Connect Laws or China Connect Rules relating to any China Connect Securities and any dividends or entitlements in respect of such China Connect Securities.

**13.2** In the event Huatai is required under any applicable law or regulation to pay any Taxes, Huatai may notify the Client whenever necessary and request that the Client provide Huatai with relevant information as deemed necessary to fulfill Huatai's obligations. The Client must provide to Huatai, promptly on such request, such information and documents such as, but not limited to, costs of the Client's purchase of the China Connect Securities, the Client's and/or any

underlying beneficial owner's tax status or residence. Huatai may withhold or deduct relevant Taxes from any amount due to the Client and the Client will remain liable for any shortfall.

- 13.3** Huatai shall be entitled in its sole and absolute discretion, without further notice or demand to the Client, to satisfy any obligation or potential obligation of Huatai, any Related Person or the Client to pay or account for any amounts in respect of any Taxes by selling, realizing or otherwise dealing with, in such manner as Huatai in its sole and absolute discretion may determine, all or part of any property held by Huatai or any Related Person for any purpose in any of the Client's Accounts held with Huatai or any Related Person, and to apply the proceeds in reduction of all or part of the Client's liability to any tax authority or Huatai or any Related Person.
- 13.4** Huatai shall have no responsibility to verify the accuracy of the information provided by the Client and is entitled to rely on such information to fulfil its obligations as required under any applicable law or regulation.
- 13.5** Huatai shall have no liability whatsoever for the lack of any tax relief, or any failure to obtain the benefit of any tax credit.
- 13.6** Notwithstanding any other provision in these China Connect Terms, neither Huatai nor any Related Person shall be responsible for or have any liability to the Client for any damage, liability or Loss (including Loss of profit) unless such damage, liability or Loss is a direct result of Huatai's or a Related Person's fraud, wilful misconduct or gross negligence.

## **14 Termination**

- 14.1** Clauses 4, 5 and 10 of this Schedule 6 shall survive termination of these China Connect Terms. On the termination of these China Connect Terms, Huatai shall deliver China Connect Securities and cash to the Client in accordance with the Client's Instructions. If the Client fails to give Instructions, Huatai shall continue to hold China Connect Securities and/or cash for such fee(s) as Huatai may in its sole and absolute discretion determine. Huatai shall in any event be entitled to retain such China Connect Securities and/or cash as Huatai may in its sole and absolute discretion determine, in order to complete any Transaction required to be settled on the Client's behalf.

## **15 Indemnities**

- 15.1** In addition and without prejudice to any of Huatai's rights under the Terms and Conditions or under any other provisions of these China Connect Terms, including without limitation Clause 9.3 above, the Client will indemnify Huatai on a full indemnity basis against any claims, demands, actions, proceedings, damages, costs, expenses, losses and all other liabilities whatsoever arising directly or indirectly from Huatai providing any services to the Client in respect of its trading or investment in China Connect Securities, including without limitation:

- (i) any Taxes resulting from any trading of China Connect Securities pursuant to China Connect;

- (ii) the materialisation of any risk referred to in the Annex hereof;
- (iii) any legal costs which Huatai may incur in connection with any instruction given by the Client; and
- (iv) any costs incurred in connection with Clause 10 above, in each case other than those claims, demands, actions, proceedings, damages, costs, expenses, losses and liabilities which are a direct result of Huatai's gross negligence, wilful misconduct or fraud.

## **16 Payments in respect of China Connect Securities**

All sums payable by the Client under the Terms and Conditions shall be paid or accounted for free and clear of any tax (including goods and services and value added tax), levy, duty, charge, impost, fee, interest, penalty, deduction or withholding (collectively the "taxes") of any nature now or hereafter imposed, withheld or assessed by any taxing or other authority. If the Client is required by any law or regulation to make any deduction or withholding on account of any taxes from any such sums payable by it, the Client shall, together with such sums, immediately pay or account for such additional amount as will ensure that Huatai receives or is credited (free and clear of the taxes) the full amount which Huatai would have received or been credited if no such deduction or withholding had been required. Upon Huatai's request, the Client will promptly forward to Huatai copies of official receipts or other evidence showing that the full amount of any such deduction or withholding has been paid over to the relevant taxing or other authority.

## **17 Miscellaneous**

The Client will provide all information (including translations into Chinese, if required) to Huatai on request if such information is requested by any China Connect Authority or any Exchange, regulatory authority or an organization (whether within or outside Hong Kong) with which HKEx or the SEHK has entered into an information sharing arrangement or agreement. The Client acknowledges that its failure to comply with this provision may, among other things, result in the suspension of China Connect Trading Services to the Client.

The Client undertakes to execute any further documents and provide any materials and/or information as Huatai may reasonably request to enable Huatai to perform its duties and obligations under these China Connect Terms which may become necessary as and when the China Connect Rules are amended from time to time.

## **Schedule 6 Annex: China Connect Risk Disclosure and Other Information**

This Annex describes some of the key risk factors and other information concerning China Connect. This Annex does not disclose all the risks and other significant aspects of Northbound trading through China Connect. The Client should ensure that it understands the nature and risks of China Connect and Northbound trading and it should consider carefully (and consult its own advisers where necessary) whether trading in China Connect Securities is suitable for it in light of its circumstances. The Client should not trade in China Connect Securities unless it fully understands and is willing to assume the risks associated with China Connect and is able to comply with all relevant China Connect Laws and China Connect Rules. The Client acknowledges the risks and agrees to the terms set out in this Annex.

Huatai does not represent that the information set out in this Annex is up to date or comprehensive and does not undertake to update the information set out in this Annex. The Client is responsible for monitoring changes in the China Connect Laws and China Connect Rules and complying with any new requirements.

### *Home Market Rules*

#### **1 Home Market Rules**

A fundamental principle of China Connect is that the laws and Rules of the home Market of the applicable Securities shall apply to investors in relation to such Securities. In respect of China Connect Securities, Mainland China is the home Market and thus the general principle is that investors in China Connect Securities should observe Mainland China Securities regulations. Nevertheless, certain Hong Kong legal and regulatory requirements will also continue to apply to Northbound trading.

### *Trading and Settlement Restrictions*

#### **2 Pre-Trade Checking**

SEHK is required to check that in respect of any Northbound sell orders given by an Exchange Participant, the relevant Exchange Participant holds sufficient available China Connect Securities to be able to fill such Northbound sell orders. Pre-Trade Checking will be carried prior to the start of each Trading Day.

Accordingly, the Client may be unable to execute Northbound sell orders due to Pre-Trade Checking related requirements. The Client's attention is drawn to the provisions set out in Clause 8 of Schedule 6. Note in particular, that the Client may be unable to execute a sell order of China Connect Securities if there has been a delay or failure for whatever reason in the transfer of the relevant China Connect Securities to any clearing account of Huatai or if for any other reason Huatai considers that there is or may be non-compliance with any China Connect Laws or China Connect Rules.

Any risk, Loss or cost resulting from non-compliance or potential non-compliance with Pre-Trade Checking and/or the relevant China Connect Laws or China Connect Rules shall be borne by the Client.

### **3 Settlement**

Northbound trades will follow the A Share settlement cycle. For settlement of China Connect Securities trades, ChinaClear will debit or credit the Securities accounts of its participants (including HKSCC as clearing participant) on T day free of payment. Huatai may have settlement arrangements in place different from the ChinaClear settlement arrangements. Unless Huatai agrees to prefund settlement, settlement of funds relating to such trading will be effected on T+1 day. . Where any China Connect Securities have been overbought or oversold (notwithstanding any Pre-Trade Checking arrangements), there may be a delay in settlement due to a delay or failure by Huatai's system for reconciliation of orders.

Although the transfer of the China Connect Securities precedes the transfer of cash transfer, under the China Connect Service, the title to China Connect Securities will not be released until the receipt of confirmation of payment. Accordingly, for the purpose of contract notes, the settlement date would be T+1 day when both the Securities and the cash are settled or where the purchase is pre-funded (by way of a debit of available funds in the Client's Account upon placement of the order and a corresponding cash prepayment by Huatai to HKSCC),, the settlement date should be the date on which the Securities are released from hold.

### **4 Quota Restrictions**

Purchases of China Connect Securities through China Connect are subject to certain quota controls as described below. As a result, there is no assurance that a buy order can be successfully placed through China Connect.

Since 16 August 2016, there is no longer an aggregate quota that limits the maximum net value of all Northbound buy trades that can be executed by Exchange Participants while China Connect is in operation. There is however a daily quota that limits the maximum value of all Northbound buy trades that can be executed by Exchange Participants on each Trading Day ("Daily Quota"). The Daily Quota may change from time to time without prior notice and investors are advised to refer to the HKEx website and other information published by the HKEx for upto-date information.

The SEHK and the SSE/ SZSE may also set pricing and other restrictions on buy orders in order to prevent the artificial use or filling of the Daily Quota. Trading through China Connect will be subject to such quota or other similar restrictions as may be imposed from time to time by China Connect Authorities.

If there is a restriction, rejection or suspension of Northbound buying (which would include any order that has been accepted but not yet executed) as a result of a breach of the Daily Quota or the relevant pricing and other restrictions, Huatai will be unable to carry out any buy orders and any Instruction to buy submitted but not yet executed will be restricted or rejected.

Conversely, under the China Connect Rules, investors may sell their China Connect Securities regardless of whether there is a breach of the Daily Quota.

### **5 Restriction on Day Trading**

Day (turnaround) trading is not permitted on the Mainland China A Share Market. If the Client buys China Connect Securities on T day, it may be able to sell the shares only on or after T+1 day. Due to Pre-Trade Checking related requirements, Huatai may accept an Instruction to sell



China Connect Securities that were bought on T day only on or after the applicable cut-off time (as notified to the Client by Huatai from time to time) on T+1 day.

## **6 No Off-exchange Trading and Transfers**

The Client, Huatai and any Related Person shall not trade or provide services to facilitate trading of any China Connect Securities otherwise than through the China Connect Market System, and Huatai shall not match, execute or arrange the execution of any sale, purchase or transfer Instructions from the Client or effect any Non-trade Transfer or settlement of Instructions in respect of any China Connect Securities in any manner otherwise than through China Connect in accordance with the China Connect Rules, except in the circumstances specified in the China Connect Rules or any other situations specified by SSE/ SZSE and ChinaClear, including but not limited to any Non-trade Transfer as a result or for the purpose of (a) succession, (b) divorce, (c) dissolution, liquidation or winding up of any company or corporation, (d) donation to a charitable foundation; and (e) assisting in any enforcement action or proceedings of any court, prosecutor or law enforcement agency or as otherwise provided by a relevant China Connect Authority.

## **7 Placing Orders**

Only limit orders with a specified price are allowed pursuant to China Connect Laws and China Connect Rules, whereby buy orders may be executed at or lower than the specified price and sell orders may be executed at or higher than the specified price. Market orders will not be accepted.

## **8 Price Limits**

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 in respect of China Connect Securities must be within the price limit. Any orders with a price beyond the price limit will be rejected by SSE or SZSE (as applicable).

## **9 Delisting**

According to the SSE Rules, if any SSE-listed company is in the delisting process, or its operation is unstable due to financial or other reasons such that there is a risk of being delisted or exposing investors' interests to undue damage, the SSE-listed company will be earmarked and traded on the "risk alert board". Any change to the risk alert board may occur without prior notice. If a China Connect Security which is eligible for China Connect trading at launch of the programme is subsequently moved to the risk alert board, investors under China Connect will only be allowed to sell the relevant China Connect Security and will be prohibited from further buying. For details concerning the risk alert board, the Client should refer to the SSE Rules and SSE Risk Alert Board Provisional Trading Arrangement and any other relevant sources from time to time. Investors should also note similar risks in relation to trading on SZSE where applicable.

## **10 Account Information of Beneficial Owner**

The identity of the beneficial owner of China Connect Securities which is the subject of a sell order may need to be disclosed to HKSCC and/or relevant Mainland China authorities.

## **11 No Manual Trade or Block Trade**

There will be no manual trade facility or block trade facility for Northbound trading under China Connect.

## **12 Amendment of Orders and Loss of Priority**

Consistent with the current practice in Mainland China, if an investor engaged in Northbound trading wishes to amend an order, the investor must first cancel the original order and then input a new one. Accordingly, order priority will be lost and, subject to the Daily Quota restriction, the subsequent order may not be filled on the same Trading Day.

## **13 Special China Connect Securities**

SEHK will accept or designate Securities which cease to meet the eligibility criteria for China Connect Securities as Special China Connect Securities (provided that they remain listed on SSE or SZSE, as the case may be). In addition, any Securities or options (which are not “eligible for China Connect trading”) received by the Client as a result of any distribution of rights or entitlements, conversion, takeover, other corporate actions or abnormal trading activities will be accepted or designated by SEHK as Special China Connect Securities. The Client will only be able to sell, but not buy, any Special China Connect Securities.

### *Mainland China and Hong Kong Legal Issues*

## **14 Disclosure of Interests**

Under Mainland China laws, Rules and regulations, if the Client holds or control shares (on an aggregate basis, i.e., including both domestically and overseas issued shares of the same Mainland China Listco (as defined below), whether the relevant holdings are through Northbound trading, Qualified Foreign Institutional Investor (QFII) or RMB Qualified Foreign Institutional Investor (RQFII) regimes or other investment channels) in a Mainland China incorporated company which is listed on a Mainland China stock exchange (a “**Mainland China Listco**”) above a certain threshold as may be specified from time to time by the relevant China Connect Authorities, the Client must disclose such interest within the period specified by the relevant China Connect Authority, and the Client must not buy or sell any such shares within the period specified by the relevant China Connect Authority. The Client must also disclose any substantial change in its holding as required by the relevant China Connect Authority.

Where a Mainland China incorporated company has both H Shares listed on the SEHK and A Shares listed on the SSE or SZSE (as the case may be), if an investor has an interest in more than a certain threshold (as may be specified from time to time) of any class of voting shares (including A Shares purchased through China Connect) in such Mainland China incorporated company, the investor is under a duty of disclosure pursuant to Part XV of the SFO. Part XV of the SFO does not apply where the Mainland China incorporated company has not listed any shares on the SEHK.

It shall be the Client's responsibility to comply with any disclosure of interest Rules from time to time imposed by the relevant China Connect Authorities and arrange for any relevant filings.

## 15 Short Swing Profit Rule

Under Mainland China laws, Rules and regulations, the "short swing profit rule" requires the Client to give up/return any profits made from purchases and sales in respect of China Connect Securities of a particular Mainland China Listco if: (a) the Client's shareholding in that Mainland China Listco exceeds the threshold prescribed by the relevant China Connect Authority from time to time; and (b) the corresponding sale transaction occurs within the six months after a purchase transaction, or vice versa. The Client (alone) must comply with the "short swing profit rule".

## 16 Foreign Ownership Limits

Under Mainland China laws, Rules and regulations, there is a limit to how many shares a single foreign investor is permitted to hold in a single Mainland China Listco, and also a limit to the maximum combined holdings of all foreign investors in a single Mainland China Listco. Such foreign ownership limits may be applied on an aggregate basis (i.e. across both domestically and overseas issued shares of the same issuer, whether the relevant holdings are through Northbound trading, QFII/RQFII regime or other investment channels). It shall be the Client's responsibility to comply with all foreign ownership limits from time to time imposed by China Connect Laws and China Connect Rules. Such legal and regulatory restrictions or limitations may have an adverse effect on the liquidity and performance of an investment in China Connect Securities due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers. As a result, the Client may suffer Losses through its trading or investment in China Connect Securities.

If Huatai becomes aware that the Client has breached (or reasonably believes that the Client may breach upon execution of further Northbound buy orders) any foreign ownership limits, or if Huatai are so required by any China Connect Authority, including, without limitation, as a result of any Forced-sale Notice issued by the SSE or SZSE (as the case may be), Huatai will sell any China Connect Securities pursuant to Clause 10 of this Schedule 6 if the Client fails to comply with the corresponding Client Forced-sale Notice in order to ensure compliance with all China Connect Laws and China Connect Rules. In such case, no buy orders for the relevant China Connect Securities will be accepted until SSE/SZSE informs the SEHK Subsidiary or SEHK that the aggregate foreign shareholding has fallen below a certain percentage. SEHK may determine in its absolute discretion which Exchange Participants and what quantity of China Connect Securities should be subject to a Forced-sale Notice (this is likely to be on a "last-in, first-out" basis), and SEHK's (or SEHK Subsidiary's) own records shall be final and conclusive.

Moreover, under Mainland China laws, where the aggregate holdings of foreign investors exceeds a specified percentage (the "**Cautionary Level**") of the issued shares of a single Mainland China Listco, upon notification by the SSE/ SZSE to the SEHK Subsidiary, SEHK and the SEHK Subsidiary are required as soon as practicable thereafter to suspend accepting China Connect Securities buy orders in respect of the relevant China Connect Securities. In such circumstances, Huatai may reject the Client's buy orders until the aggregate shareholding of

foreign investors has fallen below the specified percentage (the “**Permitted Level**”) as advised by SSE/SZSE.

As of the date of these China Connect Terms, the single foreign investor limit is set at 10% of the shares of a Mainland China Listco and the aggregate foreign investor limit is set at 30% of the shares of a Mainland China Listco (while the Cautionary Level and the Permitted Level are set at 28% and 26% respectively of the shares of a Mainland China Listco). Such limits are subject to change from time to time and Huatai shall not be under any obligation to inform the Client of any such changes to foreign ownership limits.

## **17 Taxation**

Prior to investing in China Connect Securities, the Client is strongly urged to consult its own tax advisers and counsel with respect to the possible Hong Kong and/or Mainland China tax consequences to the Client of such investment since such tax consequences may differ in respect of different investors.

The Client will be fully responsible for any Taxes in respect of China Connect Securities including, without limitation, any capital gains tax or other Mainland China taxes, and will indemnify Huatai and any Related Person from and against all Hong Kong and/or Mainland China Taxes which Huatai or Related Persons may incur arising in connection with any China Connect Securities which the Client holds, trades or otherwise deals in.

Huatai assumes no responsibility for advising on or handling any tax issues, liabilities and/or obligations in connection with China Connect, nor will Huatai provide any service or assistance in this regard. The Client should refer to Clause 13 of this Schedule 6 for details of the applicable legal terms.

## **18 Insider Dealing, Market Manipulation and Other Market Conduct Rules**

Northbound trading through the China Connect will be subject to Mainland China laws and regulations prohibiting activities that constitute Market manipulation, insider dealing and related offences. The scope of these restrictions may not be the same as equivalent requirements under Hong Kong law. In particular, defences applicable under Hong Kong Market misconduct Rules may not be applicable under Mainland China laws and regulations. If the Client is unfamiliar with Mainland China Market conduct requirements and restrictions, it should seek specialist advice before engaging in trading through the China Connect.

## **19 Client Securities Rules**

By way of brief background, the Client Securities Rules prescribe how client assets are to be dealt with by all intermediaries and their associated entities. However, as the China Connect Securities traded through China Connect are not listed or traded on the SEHK, the Client Securities Rules will not apply unless otherwise specified by the SFC or any other relevant China Connect Authority.

## **20 Investor Compensation Fund**

Trading in China Connect Securities does not enjoy the protection afforded by the Investor Compensation Fund established under the SFO. Accordingly, the Client’s trades in China Connect Securities are unlike the trading of SEHK-Listed Securities, since the Client will not be

covered by the Investor Compensation Fund in respect of any Loss the Client may sustain by reason of a default by SFC licensed or registered persons.

## **21 Ownership of China Connect Securities**

China Connect Securities are held in ChinaClear. HKSCC is a direct participant in ChinaClear, and China Connect Securities acquired by investors through Northbound trading will be:

- (a) recorded in the name of HKSCC in the nominee securities account opened by HKSCC with ChinaClear, and HKSCC will be the nominee holder of such China Connect Securities; and
- (b) held in custody by the depository of ChinaClear and registered in the shareholders' register of the relevant Mainland China Listco.

HKSCC will record interests in such China Connect Securities in the CCASS stock account of the relevant CCASS Clearing Participant.

Hong Kong law recognizes the proprietary interest of investors in shares held for them by their broker or custodian in CCASS. Such recognition should apply equally to China Connect Securities held for Hong Kong and overseas investors by the Clearing Participant through HKSCC. In addition, in Mainland China, it is expressly stipulated in the CSRC China Connect Rules that HKSCC acts as the nominee holder and the Hong Kong and overseas investors are the beneficial owners of the China Connect Securities.

The Client should conduct its own review of the materials published by HKEx on China Connect in relation to the ownership of China Connect Securities and the applicable China Connect Rules as they may be amended and supplemented from time to time. The Client should also consult its own legal advisers to make its own assessment of its rights as a Northbound investor in China Connect Securities.

The Client should also note that as China Connect is a recent initiative there may be some uncertainty surrounding such arrangements. In addition, while Hong Kong and overseas investors may have proprietary rights over China Connect Securities, HKSCC as nominee is not obliged to enforce such rights in Mainland China on behalf of such investors.

### *Clearinghouse Risk*

## **22 Risk of ChinaClear Default**

ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. If ChinaClear (as the host central counterparty) defaults, HKSCC has stated that it may (but shall have no obligation to) take any legal action or court proceeding to seek recovery of the outstanding China Connect Securities and monies from ChinaClear through available legal channels and through ChinaClear's liquidation process, if applicable. As ChinaClear does not contribute to the HKSCC guarantee fund, HKSCC will not use the HKSCC guarantee fund to cover any residual Loss as a result of closing out any of ChinaClear's positions. HKSCC will in turn distribute the China Connect Securities and/or monies recovered to clearing participants on a pro-rata basis as prescribed by the relevant China Connect Authorities. Huatai in turn will be distributing China Connect Securities and/or monies to the extent recovered directly or indirectly from HKSCC. Although the likelihood of a default by

ChinaClear is considered to be remote, investors should be aware of this arrangement and of this potential exposure before engaging in Northbound trading.

### **23 Risk of HKSCC Default**

Huatai's provision of services pursuant to these China Connect Terms also depends upon the performance by HKSCC of its obligations. Any action or inaction of the HKSCC or a failure or delay by the HKSCC in the performance of its obligations may result in a failure of settlement of China Connect Securities and/or monies in connection with them and the Client may suffer Losses as a result. Neither Huatai nor any Related Persons shall have any responsibility or liability for any such Losses.

#### *Other Operational Issues*

### **24 Scripless Securities**

China Connect Securities are traded in scripless form and accordingly, China Connect Securities may not be physically deposited into and/or withdrawn from CCASS.

### **25 Company Announcements on Corporate Actions**

Any corporate action in respect of China Connect Securities will be announced by the relevant issuer through the SSE or SZSE (as the case may be) website and certain officially appointed newspapers. HKSCC will also record all corporate actions relating to China Connect Securities in CCASS and inform Clearing Participants of the details via the CCASS terminals as soon as practicable on the announcement date. Investors engaged in Northbound trading may refer to the SSE or SZSE (as the case may be) website and the relevant newspapers for the latest listed company announcements or, alternatively, the HKEx website's China Stock Markets Web (or such other replacement or successor web page from time to time) for corporate actions in respect of China Connect Securities issued on the previous trading day. Investors should note that SSE/SZSE-listed issuers publish corporate documents in Chinese only, and English translations will not be available.

In addition, HKSCC will endeavor to collect and distribute cash dividends relating to China Connect Securities to Clearing Participants in a timely manner. Upon receipt of the dividend amount, HKSCC will (to the extent practicable) arrange for distribution to relevant Clearing Participants on the same day.

Following existing Market practice in Mainland China, investors engaged in Northbound trading will not be able to attend shareholder meetings by proxy or in person, unlike the current practice in Hong Kong in respect of SEHK-listed shares.

Huatai does not and cannot ensure the accuracy, reliability or timeliness of any company announcements of corporate actions and neither Huatai nor any Related Person accept any liability (whether in tort or contract or otherwise) for any Loss or damage arising from any errors, inaccuracies, delays or omissions or any actions taken in reliance thereon. Huatai expressly disclaims all warranties, expressed or implied, as to the accuracy of any company announcement or as to the fitness of the information for any purpose.

## **26 Disclosure of Information and Publication of Trade Information**

SEHK may require Huatai to provide information on the Client's profile, and the type and value of the Client's orders in relation to Northbound trading of China Connect Securities and the trades which Huatai executed for the Client at such intervals and in such form as SEHK may specify from time to time for the purposes of their publication, dissemination or public distribution of aggregated information in respect of China Connect Securities trades under China Connect, trading volumes, investor profiles and other related data.

## **27 Client Error**

Neither Huatai nor any Related Person shall be liable for any Loss, damage or expense or consequential Loss, damage or expense suffered by the Client as a result of any trading based on the Client's Instructions. Huatai will not be able to unwind any trade, and investors should also take note of the settlement arrangements in respect of China Connect Securities under China Connect, including but not limited to quota restrictions which may affect the investor's ability to mitigate the consequences of any error trades.

The China Connect Rules generally prohibit any off-exchange trading or transfers. However, transfers may be permitted between the Client and Huatai to rectify a trade in limited circumstances, although there is a lack of clarity as to the circumstances in which such transfers may be permitted. Huatai shall have absolute discretion to determine whether to conduct any transfer to rectify any error trade and shall have no obligation to do so. Neither Huatai nor any Related Person shall have any liability for any Losses which may result directly or indirectly from such errors or any refusal to conduct a transfer to correct an error trade.

## **28 Retention of Information**

The Client acknowledges and accepts that Huatai will be required under the China Connect Rules to keep records for a period of not less than 20 years of (a) all orders and trades executed on behalf the Client; (b) any Instructions received from the Client; (c) the Client's Account information in relation to Northbound trading; and (d) all relevant information concerning margin trading and stock borrowing and lending of any China Connect Securities (including, without limitation, in respect of any such margin trading, the relevant Securities margin trading arrangement and the funds provided).

## **29 China Connect Market System**

SEHK or the SEHK Subsidiary (after consulting with SEHK) may, under certain circumstances as specified in the SEHK Rules and/or whenever the SEHK determines that it is appropriate and in the interest of a fair and orderly Market to protect investors, temporarily suspend or restrict all or part of the order-routing and related supporting services with regard to all or any Northbound trading of China Connect Securities, and for such duration and frequency as SEHK may consider appropriate. The Client will not be able to buy or sell China Connect Securities on SEHK through China Connect during any period in which trading of China Connect Securities is suspended. In particular, the Client should note that while trading of China Connect Securities is suspended by the SEHK, trading of such China Connect Securities may continue on SSE or SZSE (as applicable). The Client may remain exposed to fluctuations in the price of China Connect Securities caused by trading on SSE/SZSE during the period when trading of such China Connect Securities is suspended by SEHK.

SEHK has absolute discretion to change the operational hours and arrangements of the China Connect Service at any time and without advance notice, whether on a temporary or long term basis, due to operational needs, inclement weather, under emergency situations or otherwise. Moreover, SEHK or the SEHK Subsidiary (with the agreement of SEHK) may cease the provision of the China Connect Northbound trading service permanently.

Such suspension, restriction or cessation will affect Huatai's ability to accept and process the Client's orders and the Client is advised to refer to the HKEx website and other information published by the HKEx for up-to-date information. There can be no assurance that the Client's orders will be accepted or processed, notwithstanding that China Connect Securities may be traded through other channels including, without limitation, by PRC investors on the SSE/SZSE.

Further, the SEHK Rules state that where any H Shares with corresponding A Shares eligible as China Connect Securities are suspended from trading on SEHK, but the corresponding A Shares are not suspended from trading on the SSE/SZSE, the service for routing the China Connect sell orders and China Connect buy orders for such A Shares to the SSE/SZSE for execution will normally remain available. However, SEHK may, in its discretion, restrict or suspend such service without prior notice and the Client's ability to place its sell orders and buy orders may be affected.

The China Connect Market System is a new platform for trading of China Connect Securities under China Connect. Huatai provides trading services based on the China Connect Market System which is operated by the SSE or SZSE (as the case may be). Huatai is not responsible for any delay or failure caused by the China Connect Market System and investors accept all risks arising from trading China Connect Securities through the China Connect Market System. Neither Huatai nor any Related Person shall be responsible or held liable for any Loss or damage directly or indirectly suffered by the Client arising from or in connection with the China Connect Service or the CSC through Northbound trading including, without limitation, the following:

- (a) a suspension, restriction or cessation of the China Connect Service or the CSC, or any inability to access or use the CSC or the China Connect Service;
- (b) any special arrangement put in place or any action, step or measure taken or not taken to deal with an emergency, including but not limited to the cancellation of any or all China Connect orders input by Exchange Participants;
- (c) any suspension, delay, interruption or cessation of trading of any China Connect Securities on the SSE or SZSE (as the case may be);
- (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 events beyond Huatai's control or the control of SEHK, Huatai or a Related Person;
- (f) any circumstance in which a China Connect order which a China Connect Exchange Participant has 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 Huatai, the SEHK Subsidiary or a Related Person is reliant in providing the China Connect Service; and
- (h) any delay or failure to execute, or any error in matching or executing any, China Connect order due to reasons beyond the control of SEHK, HKEx, the SEHK Subsidiary, Huatai or any Related Person, including but not limited to any action or decision taken or made, or not taken or made, by any China Connect Authority or any other relevant governmental or regulatory body.

If there is any delay or failure to send any order cancellation requests in any circumstances described in the paragraphs above, the Client shall, in the event such order is matched and executed, remain responsible to fulfil any settlement obligations in respect of such Transaction.

### **30 Operational Hours**

SEHK has absolute discretion to determine from time to time the operational hours of the China Connect Service, and will have absolute discretion to change the operational hours and arrangements of the China Connect Service at any time and without advance notice whether on a temporary basis or otherwise. Huatai shall not be under any obligation to inform the Client of any such determinations by the SEHK as to the operational hours of the China Connect Service.

Where, for example, there is any price sensitive information relating to a Mainland China Listco during a time when China Connect Service is not in operation, the A Shares of the Mainland China Listco may continue to trade on the SSE and the price of such A Shares may move significantly. In such case, Northbound investors will not be able to trade in such shares until the next available Trading Day under China Connect.

### **31 Margin Trading**

Subject to certain conditions prescribed by the China Connect Authorities, Hong Kong and overseas investors may conduct margin trading in China Connect Securities determined by the relevant China Connect Authorities to be eligible for margin trading (“**Eligible Margin Trading Securities**”). The HKEx will from time to time publish a list of Eligible Margin Trading Securities. The SSE or SZSE (as applicable) may suspend margin trading activities in any specific A Share if the volume of margin trading activities in such A Share exceeds a threshold determined by the SSE or SZSE (as applicable) and resume margin trading activities when the volume of margin trading activities drops below a prescribed threshold. Where the SEHK is notified by the SSE or SZSE (as applicable) that a suspension or resumption involves a security on the list of Eligible Margin Trading Securities, the HKEx will disclose such information on its website. In such circumstances, any margin trading (except for margin trading in respect of China Connect Securities buy orders) in the relevant China Connect Security shall be suspended and/or resumed accordingly. SSE or SZSE (as the case may be) has reserved the right to require at some future date for margin trading orders to be flagged when routed to China Connect. Neither Huatai nor any Related Person shall have any obligation to update the Client in respect of the list of Eligible Margin Trading Securities or any restrictions or suspensions in respect of margin trading from time to time.

### **32 Rights Issuances**

Where the Client receives any form of entitlement security from the issuer of a China Connect Security, if such entitlement security:

- (a) is a China Connect Security, the Client will be permitted to buy and sell the entitlement security through China Connect;
- (b) is not a China Connect Security but is an RMB denominated security listed on the SSE or SZSE (as the case may be), the Client may be allowed to sell the entitlement security through China Connect but will not be permitted to buy such entitlement security;
- (c) is an SSE-listed or SZSE-listed security (as applicable) but is not traded in RMB, the Client will not be allowed to buy or sell the entitlement security through China Connect; and
- (d) is not listed on the SSE or SZSE (as applicable), the Client will not be allowed to buy or sell the entitlement security on China Connect unless and until appropriate arrangements (if any) have been provided by HKSCC. It is possible that no such alternative arrangements will be provided.

### **33 Odd Lot Trading**

Odd lot trading in China Connect Securities is available only for sell orders and all odd lots must be sold in one single order. A board lot order may be matched with different odd lot sell orders, resulting in odd lot trades. Board lot and odd lot orders are matched on the same platform on China Connect and subject to the same share price. The maximum order size is 1 million shares and the tick size is uniformly set at RMB0.01.

### **34 Short Selling**

Covered short selling of China Connect Securities may be available to the Client, provided that such covered short selling satisfies the requirements specified by the relevant China Connect Authorities, including that the short selling orders are:-

- (a) only in respect of China Connect Securities designated as eligible for short selling;
- (b) are appropriately flagged as such; and
- (c) that they are subject to an uptick rule.

Naked short selling of China Connect Securities however, is prohibited and the relevant China Connect Authorities may also suspend the ability to engage in short selling of any China Connect Security if the volume of short selling activity exceeds thresholds prescribed by SSE or SZSE (as applicable). The Client will be fully responsible for understanding and complying with short selling requirements as in effect from time to time and for any consequences of noncompliance.

### **35 Stock Borrowing and Lending**

The SEHK permits stock borrowing and lending of eligible China Connect Securities as specified by the SSE or SZSE (as applicable) for the purpose of (a) covered short selling and

(b) satisfying the Pre-Trade Checking requirement. Stock borrowing and lending of eligible China Connect Securities will be subject to restrictions set by SEHK and SSE or SZSE (as applicable), including but not limited to the following:

- (a) stock borrowing and lending agreements for the purpose of covered short selling shall have a duration of not more than one month;
- (b) stock borrowing and lending agreements for the purpose of satisfying the Pre-Trade Checking requirement shall have a duration of not more than one day (and roll-over is not permitted);
- (c) stock lending will be restricted to certain types of persons to be determined by SSE or SZSE (as applicable); and
- (d) stock borrowing and lending activities will be required to be reported to SEHK.

The SSE or SZSE (as applicable) will determine a list of China Connect Securities eligible for stock borrowing and lending. Special China Connect Securities are not eligible for stock borrowing and lending for the purpose of covered short selling (but are eligible for the purpose of satisfying the Pre-Trade Checking requirement). Huatai will be required to file a monthly report to the SEHK providing details of its stock borrowing and lending activities with respect to China Connect Securities. This may include (amongst other things) details of the borrower, lender, amount of shares borrowed/lent, amount of shares outstanding and date of borrowing/returning.

Investors are advised to refer to the relevant provisions from time to time applicable in the China Connect Rules (as and when these are published) and in the China Connect Laws and China Connect Rules.

## **36 RMB Conversion**

Settlement of a Northbound buy order may be delayed and/or fail if there is a delay in converting the relevant currency into RMB. Any risk, Loss or cost resulting from any such delay or failure of settlement shall be borne by the Client.

## **37 Other Risks Associated with Investing in China Connect Securities**

### *General Mainland China related risk*

Mainland China is an emerging Market that possesses one or more of the following characteristics: a certain degree of political instability, relatively unpredictable financial Markets and economic growth patterns, a financial market that is still at the development stage and/or a weak economy. Emerging markets investments usually result in higher risks such as event risk, political risk, economic risk, credit risk, currency exchange rate risk, Market risk, liquidity/gapping risk, regulatory/legal risk, trade settlement, processing and clearing risks and bondholder/shareholder risk.

### *Equity risk*

Investing in China Connect Securities may offer a higher rate of return than investing in short term and longer term debt Securities. However, the risks associated with investments in China Connect Securities may also be higher, because the investment performance of China Connect

Securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged Market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and/or substantially decrease in value.

*Risks associated with trading on the SME board and/or the ChiNext market*

The Client should note the restriction in trading shares listed on the ChiNext market under the SZSE only (the “**ChiNext Market**”), which are initially only allowed for institutional professional investors as defined in the SFO and the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

Listed companies on the small and medium enterprises (SME) board under the SSE and SZSE (the “**SME Board**”) and/or the ChiNext Market are usually of emerging nature with smaller operating scale. Hence, they are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the main board. Stocks listed on SME Board and/or the ChiNext Market may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

The rules and regulations regarding companies listed on the ChiNext Market are less stringent in terms of profitability and share capital than those in the main board and SME Board. It may be more common and faster for companies listed on the SME Board and/or the ChiNext Market to delist. This may have an adverse impact on the Client if the companies that it invests in, as China Connect Securities, are delisted. Investments in the SME Board and/or the ChiNext Market may result in significant losses.

*General legal and regulatory risk*

The Client must comply with all China Connect Laws and China Connect Rules. Furthermore, any change in any China Connect Laws or China Connect Rules may have an impact on the Market sentiment, which may in turn affect the performance of China Connect Securities. It is impossible to predict whether such an impact caused by any such change will be positive or negative for China Connect Securities. In the worst case scenario, the Client may lose a material part or all of its investment in China Connect Securities.

*Currency risk*

If the Client belongs to certain counterparty types (such as an individual) in certain jurisdictions that are subject to currency conversion restrictions (as required by the relevant authority from time to time), any conversion of any currency into RMB may be subject to certain applicable daily maximum conversion limit. It may be difficult for investors to convert RMB into Hong Kong dollars or other currencies or vice versa at any specific time, and conversion will be subject to conversion costs and such costs and timings for conversion may not be of the Client's preference.

In addition, the value of RMB against Hong Kong dollars or other foreign currencies may be affected by a wide range of factors. There is no guarantee that RMB will not depreciate. A depreciation of RMB may result in a decrease in the Market value of RMB Securities and the realization price of RMB Securities. Non-RMB based investors who are trading in RMB Securities, may also sustain Loss in the event that they subsequently convert any RMB proceeds back to Hong Kong dollars or other currencies.

There are also significant restrictions on the remittance of RMB into and out of the PRC. If the issuer of RMB Securities is not able to remit RMB to Hong Kong or make distributions in RMB due to exchange controls or other restrictions, the issuer may make distributions (including dividends and other payments) in other currencies. Investors may therefore be exposed to additional foreign exchange risk and liquidity exposures.

The liquidity and trading price of China Connect Securities may be adversely affected by the limited availability of RMB outside the PRC and restrictions on the conversion of RMB. These factors may affect the liquidity of RMB for investors and accordingly adversely affect the Market demand for China Connect Securities.

## Schedule 7 – SPAC Securities Trading Services

### 1 Applicability

This Schedule 7 supplements the General Terms and Conditions and applies in connection with the provision of Special Purpose Acquisition Company (“SPAC”) Securities Trading Services to Clients.

### 2 Client Representations and Warranties

In order for Huatai to provide services in relation to SPAC securities trading to the Client, the Client represents, warrants and undertakes to Huatai that at all time when the Client instructs Huatai to effect transaction of SPAC securities on behalf of the Client or underlying clients of the Client,

- (a) the Client is, and the Client undertakes and confirms that arrangement is in place to ensure each and every such underlying clients are, Professional Investor as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“Professional Investor”);
- (b) the Client agrees and acknowledges that the Client’s underlying clients are permitted to trade SPAC securities only if they meet the investor eligibility criteria stipulated under the relevant regulatory requirements, which are subject to changes of the relevant regulatory requirements from time to time.

The Client further agree and acknowledge that any change on the Client or the Client’s underlying client’s Professional Investor status may affect Huatai’s ability to provide the Client and the Client’s underlying clients with some or all of the services.

### 3 Disclosing Obligations

If Huatai receive any request or enquiry from any authority or regulatory body in relation to SPAC transactions placed by the Client, the Client shall, upon request and within the time limit specified by Huatai, disclose to Huatai or to the relevant authority or regulatory body, the information of the Client and/or the Client’s underlying client and the transaction, or procure such disclosure by the Client’s underlying client.

### 4 Non-Compliance with Eligibility Requirements

In case Huatai determines at its sole discretion that the Client or the Client’s underlying clients may not meet the investor eligibility criteria stipulated under the relevant regulatory requirements, Huatai shall be entitled to take any action it considers necessary, including without limitation to suspend any service in relation to SPAC securities trading and/or unwind ineligible position in the SPAC trading within the prescribed period of time. The Client undertakes to take any necessary action and execute any documents required by Huatai in order to unwind such ineligible position and be fully responsible for any losses, damages, costs or expenses cause by such action taken by Huatai due to the change of the Client or the Client’s underlying client’s Professional Investor status or such clients’ eligibility for SPAC securities trading activities.

### 5 Indemnities

The Client agrees to fully indemnify Huatai and its agents against all losses, damages, liabilities, costs, expenses, actions, investigations and proceedings (whether actual or potential) incurred or suffered by any of Huatai and its agents directly or indirectly arising from the Client’s breach

of any of the representations, warranties or undertakings hereunder, or the Client's violation of any relevant regulatory requirement.

## Schedule 7 Annex: SPAC Securities Trading Risk Disclosure

This Risk Disclosure Statement sets out, in addition to the General Risk Disclosure Statement in the Service Terms and Conditions (which apply to all investments generally), the risk that may be potentially applicable to SPAC securities trading. However, it does not disclose all of the risks and other significant aspects of trading in SPAC. In light of the risks, the Client should undertake such transactions only if it understands the nature of the products/contracts (and contractual relationships) into which it is entering and the extent of the risk exposure.

Investment in SPAC securities is exposed to various risks, including but not limited to, those stated in the relevant Listing Documents of the SPAC securities and the risks listed below. Below and those included in the Listing Documents of the SPAC Securities are not an exhaustive list of risks. The Client shall read these risk factors carefully and understand the risks of investment in SPAC securities before making an investment decision. If in doubt, the Client is advised to seek independent advice or contact its adviser for further clarification.

### *Risk of Price Volatility*

As a SPAC has no operations, it is unable to report performance factors (e.g. revenue, profit / loss and cash flow) that investors would normally rely upon to determine the value of its shares. The share price of a SPAC is therefore likely to be driven by speculation and rumour instead, particularly with regards to the potential outcome of the SPAC's efforts to find a suitable De-SPAC Target.

### *Risk of Market Manipulation*

Sensitivity of a SPAC's share price to rumour makes them relatively more susceptible to share price manipulation. This could be attempted, for example, by fraudsters deliberately spreading rumours of a forthcoming De-SPAC Transaction to raise the value of their shareholdings to a level at which it is advantageous for them to sell.

### *Risk of Insider Dealing*

For SPACs, inside information may arise in several circumstances but particularly in relation to the negotiations with a possible De-SPAC Target. Any movement in a SPAC's share price following the announcement of a De-SPAC agreement would be solely the result of that announcement. This means that someone in possession of inside information regarding such a transaction prior to its announcement would have greater certainty of making a gain from insider dealing than he would have if he was contemplating doing so in the shares of an ordinary listed issuer negotiating an identical acquisition. Consequently, the probability of insider dealing occurring in a listed SPAC would be higher than for an ordinary listed issuer.

### *Lack of information disclosure*

As a SPAC is subject to less rigorous regulatory requirements during the IPO stage, it may result in a higher chance of misinformation. In a traditional IPO, a listing applicant is required to provide in-depth information disclosure. However, there is no such information disclosure by a SPAC since the SPAC has yet to identify a specific target business at the time of listing, investors are not able to make full assessment on their investment as they are restricted by the limited information and broadly defined acquisition strategy and criteria.

Although substantive disclosure will be made once a De-SPAC Target has been identified and acquisition terms have been agreed, in timing terms this will be well after the IPO, leaving investors with only the option of staying invested throughout the merger process or cashing out at an earlier stage.

### *Uncertainty on the quality of the De-SPAC Target*



The faster and simpler route to listing for SPACs may incentivise companies that have not reached market standards and quality to take advantage of this quick access to public funding by circumventing the stringent approval process normally required in a traditional IPO. This issue is coupled with the time pressure faced by the sponsors to complete the De-SPAC Transaction within specified timeframe. It may result in the underperformance or failure of the combined business entity.

#### *Potential conflict of interest*

The sponsors may be financially motivated to proceed with the De-SPAC Transaction regardless of the quality of the De-SPAC Target as they are entitled to stake in the SPAC with a minimal investment upon the De-SPAC Transaction. This potential conflict of interests between the sponsors and the shareholders raise concern on the influx of poorly managed or operated companies merging with the SPACs.

#### *Potential Equity Dilution*

There is uncertainty on the amount of funds available to the SPAC to complete an acquisition of De-SPAC Target and also whether the sponsors can secure additional funds from the PIPE or other investors to complete such acquisition. The availability and costs of such additional funds highly depend on the market and economic conditions and it may have a dilution effect on the shareholding structure of the SPAC.

#### *Risk of Mandatory-Unwind*

The Customer acknowledges that as a result of implementing a Client Mandatory-Unwind Notice he can suffer heavy losses on his investment in SPAC Securities.

#### *SPAC Warrant Risk*

The terms of SPAC Warrants may vary greatly across different SPACs and it is important to understand the terms when investing. To learn more about the specific terms of the SPAC Warrants, investors should review the Listing Documents of the particular SPAC. A SPAC Warrant provides the holder with the right to purchase a SPAC Share (or a fraction of a SPAC Share) at a set exercise price at a set time. SPAC Warrants are typically exercisable on the later of 30 days after the completion of a De-SPAC Transaction or 12 months from the SPAC IPO closing or as mention in the Prospectus or Listing Document or any other applicable document; therefore, the holder of a SPAC Warrant will not be able to get the SPAC Shares before such exercise date. In addition, if an investor misses the notice of redemption and fail to exercise within the given period, the SPAC Warrants held by the investor can become essentially worthless. Further, there may be some circumstances where SPAC Warrants can be forced to be exercised early and the SPAC may redeem those warrants for essentially nothing and the SPAC Warrant holders may get nothing.

#### *Additional Risk of Volatility of Warrants*

SPAC Warrants prior to De-SPAC Transaction may experience higher price volatility soon after a SPAC is listed and this price volatility gradually may increase as the deadline for a De-SPAC Transaction approaches. If a SPAC is liquidated, investors will receive a pro rata amount of the funds held in the SPAC's trust account and their SPAC Warrants will become worthless.